

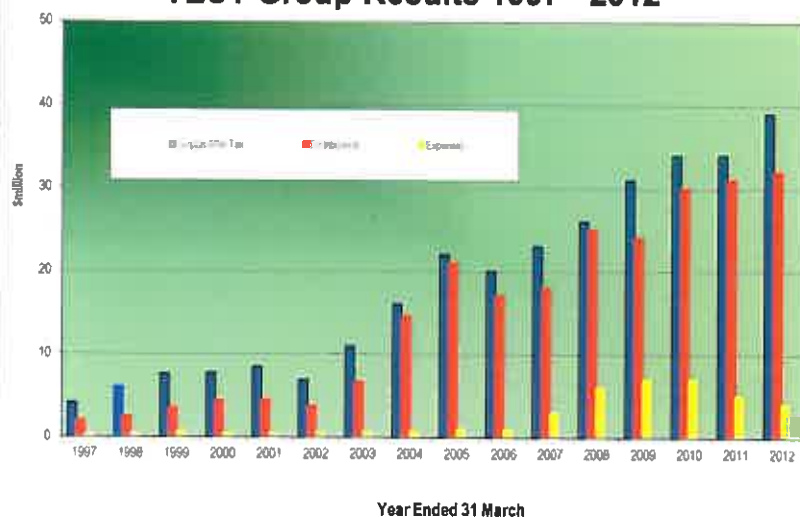
TAURANGA ENERGY CONSUMER TRUST
GROUP CONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED
31 MARCH 2012

Table of Contents	Page
Graphical Highlights	
Directory	1
Statement of Comprehensive Income	2
Statement of Changes in Equity	3
Statement of Financial Position	4
Statement of Cash Flows	5
Notes to the Financial Report	6 - 25
Audit Report	26 - 27

Financial Highlights at 31 March 2012

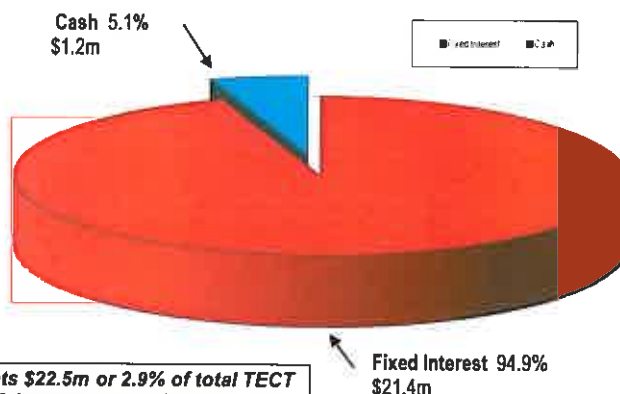
TECT Group Results 1997 - 2012



Total Trustee
Income Allocations
transferred to Beneficiary
Reserves (Smillions)
Total to Date \$246m

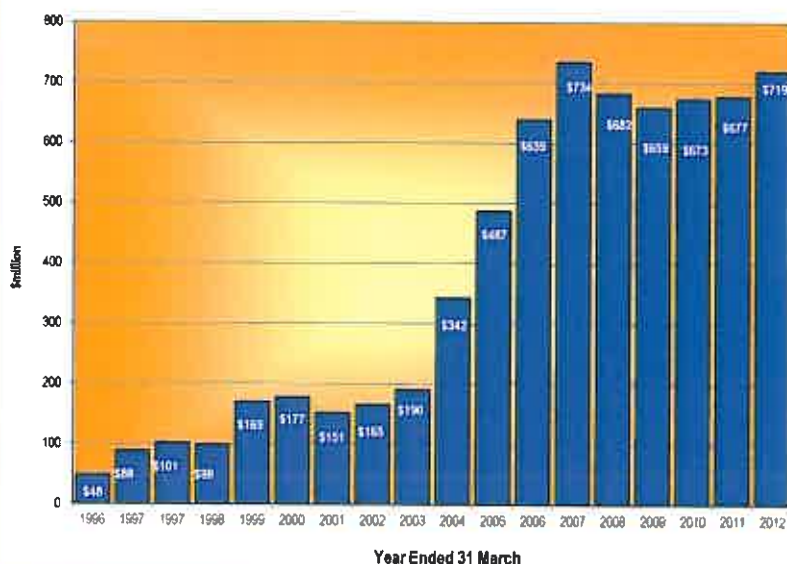


TECT Group Consolidated Investments & Fixed Interest (excl TPW Shares)



This represents \$22.5m or 2.9% of total TECT Group Cash & Investments of \$776m

TECT Group Net Equity Growth



TAURANGA ENERGY CONSUMER TRUST

GROUP CONSOLIDATED FINANCIAL REPORT

DIRECTORY

AS AT 31 MARCH 2012

Trustees:	MJ Cooney, Chairperson BW Cronin, Deputy Chairperson K Collings S Devoy M Groos RJC Scott
Secretary:	KF Lellman BDO Tauranga Ltd 96 Cameron Road PO Box 800 Tauranga
Auditor:	KPMG Tauranga
Solicitors:	Holland Beckett, Tauranga
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 2012

	TECT Group		Tauranga Energy Consumer Trust	
	2012	2011	2012	2011
	\$	\$	\$	\$
Finance Income				
Dividends	41,527,151	39,708,722	75,616	234,764
Net Change in Fair Value of Derivative designated at Fair Value through Profit & Loss	620,489	-	-	-
Effective Interest Adjustment of Interest Free Loans	215,248	-	215,248	-
Interest	1,200,346	1,302,201	1,073,139	1,012,005
	43,663,234	41,010,923	1,364,003	1,246,769
Management Fees	-	-	27,600	27,600
Other Income	1,753	408	-	-
TOTAL REVENUE	43,664,987	41,011,331	1,391,603	1,274,369
Less Expenses				
Administration Expenses				
Audit Fees	15,228	15,000	15,228	15,000
Goods & Services Tax	4,140	16,521	-	-
Insurance	7,194	7,194	7,194	7,194
Legal and Advisory Fees	7,116	7,492	7,116	6,788
Secretarial Costs	329,200	329,137	329,200	329,137
Stationery	13,842	11,465	13,842	11,465
Sundry Expenses	5,611	10,362	5,560	10,362
	382,331	397,171	378,140	379,946
Finance Expenses				
Bank Charges	1,252	1,634	663	1,150
Effective Interest Adjustment of Interest Free Loans	-	260,305	-	260,305
Interest Expense	3,108,217	3,583,811	231,409	96,890
Net Change in Fair Value of Derivative designated at Fair Value through Profit & Loss	-	412,624	-	-
Loan Fees	-	82,500	-	-
	3,109,469	4,340,874	232,072	358,345
Consumer Related Expenses				
Consumer Consultation, Research & Reporting	42,772	33,914	42,772	33,914
Community Funding Schemes	12,557	29,611	12,657	29,611
Election Costs	24,000	97,524	24,000	97,524
Electricity Consumer Distribution Costs (inc Concession Cards)	57,972	62,496	57,972	62,496
	137,401	223,545	137,401	223,545
Trustee Expenses				
Trustee Expenses	2,440	2,733	2,440	2,733
Trustee Fees (Note 13)	138,425	135,790	138,425	135,790
	140,865	138,523	140,865	138,523
TOTAL EXPENSES	3,770,663	5,100,113	888,478	1,100,359
SURPLUS BEFORE TAXATION	39,894,324	35,911,218	503,125	174,010
Tax Expense (Note 5)	771,338	2,280,516	229,109	92,854
TOTAL SURPLUS AFTER TAXATION	\$ 39,123,583	\$ 33,630,702	\$ 274,016	\$ 81,156
Other Comprehensive Income				
Valuation Gain/(Loss) on Investments (Note 2)	5,193,942	(4,155,153)	-	-
Change in Estimate of Deferred Tax on TrustPower shares (Notes 2,12)	31,236,093	-	-	-
Tax on Components of Other Comprehensive Income (Note 2)	(1,454,304)	3,941,601	-	-
Total Other Comprehensive Income	34,975,731	(213,552)	-	-
TOTAL COMPREHENSIVE INCOME	\$ 74,099,314	\$ 33,417,150	\$ 274,016	\$ 81,156



TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2012

	TECT Group		Tauranga Energy Consumer Trust	
	2012 \$	2011 \$	2012 \$	2011 \$
Surplus After Taxation	39,123,583	33,630,702	274,016	81,156
Other Comprehensive Income	34,975,731	(213,552)	-	-
Total Comprehensive Income	74,099,314	33,417,150	274,016	81,156
Distributions of Equity (Note 8)	(32,019,171)	(29,973,275)	(28,399,662)	(26,662,868)
Distributions Written Back (Note 2)	-	151,036	-	151,036
Movements in Equity for the Year	42,080,143	3,594,911	(28,125,646)	(26,430,676)
Trust Equity at Start of the Year	676,592,518	672,997,607	537,851,428	564,282,104
Trust Equity at End of the Year	\$ 718,672,661	\$ 676,592,518	\$ 509,725,782	\$ 537,851,428



TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

		TECT Group		Tauranga Energy Consumer Trust	
		2012	2011	2012	2011
		\$	\$	\$	\$
Trust Equity					
Accumulated Final Surpluses	(Note 2)	100,040,242	93,091,656	506,036,143	534,317,616
Fair Value Reserve	(Note 2)	614,942,781	579,967,050	-	-
Reserves for Distribution	(Notes 2, 16)	3,689,638	3,533,812	3,689,638	3,533,812
TOTAL TRUST EQUITY		\$ 718,672,661	\$ 676,592,518	\$ 509,725,782	\$ 537,851,428
<i>Represented by:</i>					
Current Assets					
Cash & Cash Equivalents -					
Bank		361,023	653,103	356,960	651,921
Short Term Deposits (less than 90 days)	(Note 4)	795,744	3,028,612	795,744	3,028,612
Short Term Deposits (Other)	(Note 4)	18,160,156	16,728,533	18,160,156	14,169,322
Advance - TECT Finance No 2 Ltd		-	-	3,111	2,937
Sundry Accounts Receivable		-	61,238	-	61,238
Prepayments		7,195	7,194	7,195	7,194
GST Refund Due		14,217	13,447	14,217	13,447
ANZ Bank Interest Rate Swaps		84,894	-	-	-
Taxation Refund Due		120,449	-	-	78,816
Total Current Assets		19,543,678	20,492,127	19,337,383	18,013,487
Non Current Assets					
Investments					
Shares in TrustPower Ltd	(Note 3a)	753,121,576	747,927,634	-	-
Investment in Subsidiaries		-	-	3,100	3,100
Loan - TECT Holdings Ltd	(Note 9)	-	-	494,995,228	519,446,724
RPS - Tauranga City Aquatics Ltd	(Note 3c)	-	4,000,000	-	4,000,000
ANZ Senior Bonds	(Note 3b)	3,064,467	3,058,514	3,064,467	3,058,514
YMCA Tauranga Inc Loan	(Note 3d)	-	213,622	-	213,622
Elms Foundation Loan	(Note 3d)	-	476,061	-	476,061
Paradise Point Development Trust Loan	(Note 3d)	154,943	144,012	154,943	144,012
Total Investments		756,340,986	755,819,843	498,217,738	527,342,033
Other Non Current Assets					
Deferred Taxation	(Note 12)	-	-	14,868	85,901
Total Non Current Assets		756,340,986	755,819,843	498,232,606	527,427,934
TOTAL ASSETS		\$ 775,014,664	\$ 776,311,970	\$ 517,569,989	\$ 545,441,421
Less Current Liabilities					
Sundry Accounts Payable		73,587	71,173	73,587	70,363
Bank Overdrafts		4	307,163	-	307,163
Accrued Interest		180,200	238,203	-	-
Advance from TECT Charitable Trust	(Note 9)	-	-	4,140,074	3,911,205
Provision for Distributions	(Note 8)	5,430,072	5,097,337	3,610,402	3,101,262
Provision for Advance to Consumer Organisation		-	200,000	-	200,000
Loan - ANZ Bank	(Note 10)	15,500,000	-	-	-
Interest Rate Swap - ANZ Bank		194,038	-	-	-
Taxation Payable		-	347,381	20,144	-
Total Current Liabilities		\$ 21,777,901	\$ 6,261,257	\$ 7,844,207	\$ 7,589,993
Non Current Liabilities					
Loan - ANZ Bank	(Note 10)	37,500,000	55,000,000	-	-
Interest Rate Swap - ANZ Bank		-	1,129,634	-	-
Deferred Taxation	(Note 12)	7,934,102	37,328,561	-	-
Total Non Current Liabilities		35,434,102	93,458,195	-	-
TOTAL LIABILITIES		\$ 57,212,003	\$ 99,719,452	\$ 7,844,207	\$ 7,589,993
NET ASSETS		\$ 718,672,661	\$ 676,592,518	\$ 509,725,782	\$ 537,851,428

Trustee

Trustee



TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2012

	Consolidated		TECT	
	2012	2011	2012	2011
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
<u>Cash was provided from/(disbursed to)</u>				
Dividends Received	41,688,389	39,647,484	136,854	173,526
Interest Received	1,200,346	1,520,916	1,072,964	1,011,836
Payments to Suppliers & Trustees	(660,207)	(1,080,279)	(654,616)	(753,941)
Interest Paid	(2,333,979)	(2,967,488)	(101)	-
Taxation Paid	(851,838)	(3,210,919)	(59,116)	1
Donations Received	1,753	408	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 39,044,464	\$ 33,910,122	\$ 495,985	\$ 431,422
CASH FLOWS FROM INVESTING ACTIVITIES				
<u>Cash was received from/(applied to)</u>				
Purchases & Redemption of Investments (TCAL)	4,000,000	-	4,000,000	-
Investments & Loans to Consumer Organisations	688,047	(644,000)	25,139,543	10,189,208
Movements in Term Deposits	(1,431,823)	2,756,217	(3,990,834)	(1,133,906)
Movement in Advance Account	-	-	25,162	24,564,812
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	\$ 3,256,424	\$ 2,112,217	\$ 25,173,871	\$ 33,620,114
CASH FLOWS FROM FINANCING ACTIVITIES				
<u>Cash was disbursed to:</u>				
Payments to TrustPower Consumers	(31,686,436)	(35,233,055)	(27,890,522)	(33,884,948)
Repayment of ANZ Loans	(12,832,241)	(622,275)	-	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES	\$ (44,518,677)	\$ (35,855,330)	\$ (27,890,522)	\$ (33,884,948)
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	(2,217,789)	167,009	(2,220,666)	166,588
Add Opening Cash & Cash Equivalents	3,374,552	3,207,543	3,373,370	3,206,782
CLOSING CASH & CASH EQUIVALENTS	\$ 1,156,763	\$ 3,374,552	\$ 1,152,704	\$ 3,373,370
<u>Represented by:</u>				
Short Term Deposits - Less than 90 Days	795,744	3,028,612	795,744	3,028,612
Bank Current Accounts	361,023	653,103	356,960	651,921
Bank Overdrafts	(4)	(307,163)	-	(307,163)
	\$ 1,156,763	\$ 3,374,552	\$ 1,152,704	\$ 3,373,370
Reconciliation of Net Surplus after tax to Cash Flows from Operating Activities				
Net Operating Surplus	39,123,583	33,630,702	274,016	81,156
Fair Value Adjustment Investments - Non Cash	(61,498)	2,530,586	(215,248)	260,305
Interest & Mgmt Fees - Non Cash	-	-	203,533	69,121
Deferred Tax - Non Cash	387,330	(1,309,854)	71,033	(85,901)
Movements in Accounts Payable	2,413	(19,223)	3,224	(8,811)
Movements in Accounts Receivable and Accruals	61,237	(68,432)	61,237	(68,432)
Movements in GST	(770)	13,438	(770)	5,228
Movement in Taxation Payable/Receivable	(467,630)	(867,095)	98,960	178,756
NET CASH FLOWS FROM OPERATING ACTIVITIES (as above)	\$ 39,044,464	\$ 33,910,122	\$ 495,985	\$ 431,422



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

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.

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

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustees on 19 June 2012.

(b) BACKGROUND

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

TECT is a Consumer Trust, the income and capital of which are to be used to provide benefits to Consumers who are TrustPower customers in the area as defined in the Trust Deed (being the area supplied by the Tauranga Electric Power Board as at 21 December 1993 subsequently amended to include the Tauranga district area previously supplied by Tauranga Electricity Limited).

TECT is not a Charitable Trust and accordingly may not continue for more than 80 years. On the winding up of the Trust the assets of TECT, which remain, will be distributed for the benefit of Consumers (as defined above).

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

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

(c) BASIS OF PREPARATION

MEASUREMENT BASE

The Accounting Principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis, are followed by the TECT Group, with the exception that certain investments as specified below (Refer g(iv)(b)) have been revalued.

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

(i) Basis of Consolidation

The consolidated financial statements include the Parent Trust and its subsidiaries. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

(ii) *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.

(d) STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other Financial Reporting Standards as appropriate for profit oriented entities. Trustees have taken advice and have determined that TECT does not meet the definition of a public benefit entity. The Trust Deed defines 'Consumers' very strictly and therefore limits benefits to a very specific and narrow section of the public. For this purpose the Trust has designated itself and the Group as 'profit-oriented'. The financial statements also comply with the International Financial Reporting Standards (IFRS).

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

(e) CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(i) Impairment of Assets

NZ IFRS requires that assets are carried at no more than their recoverable amount. This requires Trustees to make judgements regarding amounts recoverable and provisions for impairment. Trustees must apply judgement in assessing likely outcomes.

(ii) Income Taxes and Deferred Taxation

Judgement is required in determining the provision for income taxes and the ultimate determination is uncertain until assessments are finalised. Judgement is also required in relation to the level of imputation credits likely to be attached to future TrustPower dividends.

(f) STATUS OF ACCOUNTING STANDARDS

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

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent and Group have adopted the following new and amended New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Interpretations Committee (IFRIC) interpretations since 1 April 2011.

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

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



Tauranga Energy Consumer Trust

Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

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

Standard/interpretation	Effective date	Implication
IFRS 9 (2009) Financial Instruments	1 January 2015	<p>The IASB and the XRB aim to replace NZ IAS 39 <i>Financial Instruments: Recognition and Measurement</i> in its entirety by the end of 2012, with replacement standard (NZ IFRS 9). The new standard is being issued in phases, with early adoption available as each phase is issued. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and financial liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.</p> <p>Management have yet to assess the impact the standard is likely to have on the recognition and measurement of financial assets held by the Parent and Group. However, they do not expect to implement the amendments until all chapters of NZ IFRS 9 have been published and they can comprehensively assess the impact of all changes.</p>
<p><u>Consolidation Standards:</u></p> <p>NZ IFRS 10 Consolidated Financial Statements</p> <p>NZ IFRS 12 Disclosure of Interests in Other Entities</p>	1 January 2013	<p>NZ IFRS 10 provides a revised definition of control together with accompanying guidance to identify an interest in a subsidiary</p> <p>NZ IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It also introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.</p> <p>Management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.</p>
NZ IFRS 13 Fair Value measurement	1 January 2013	<p>NZ IFRS 13 does not affect any items that are required to be fair-valued, but does clarify the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. Management have yet to assess the impact of this new standard.</p>
Amendments to NZ IAS 1 Presentation of Financial Statements	1 July 2012	<p>The NZ IAS 1 amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs:</p> <ul style="list-style-type: none"> • Will not be reclassified subsequently to profit or loss; and • Will be reclassified subsequently to profit or loss on disposal when specific conditions are met. <p>Management expects this will change the current presentation of items in other comprehensive income; however it will not affect the measurement or recognition of such items.</p>

Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

- (iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

FRS 44 (2011) New Zealand Additional Disclosures	1 July 2011	<p>FRS 44 sets out New Zealand-specific disclosure for entities that have adopted NZ IFRSs and supports the objective of harmonising financial reporting standards in Australia and New Zealand.</p> <p>Management has not early adopted the Standard. In all respects except for timing of recording Imputation Credits the standard is expected to have no effect on the financial statements.</p>
--	-------------	--

(g) **SPECIFIC ACCOUNTING POLICIES**

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

(i) *Taxation*

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is 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 tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

(ii) *Goods and Services Tax*

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

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

(iii) *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 profit or loss.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

At reporting date, foreign monetary assets and liabilities are translated at the functional currency closing rate and exchange variations arising from these transactions are recognised in profit or loss. 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.

(iv) *Financial Instruments*

Financial instruments are recognised in the Statement of Financial Position when the Group becomes party to a financial contract. They include cash balances, bank overdrafts, receivables, payables, investments in and loans to others, and term borrowings. In addition, the TECT Group is party to financial instruments to meet financing needs

a) Receivables and Payables

Receivables and payables are initially recorded at fair value. Subsequently they are measured at amortised cost using the effective interest method less provision for impairment.

b) Investments

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

TrustPower Investment

TECT Group has determined that it does not have significant influence over TrustPower and has classified the investment as 'available for sale'. This investment is recognised at fair value on the Group's Statement of Financial Position with movements being recognised in other comprehensive income except for impairments which are recognised in profit or loss. Trustees have further determined that the most appropriate measurement base of fair value is based on the closing buy price of those shares which are actively traded.

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 profit or loss.

Redeemable Preference Shares issued by Tauranga City Aquatics were fully repaid in July 2011 and the shares issued as security were cancelled.

ANZ Senior Bonds

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

Loans to Consumer Organisations

These loans are classified as loans and receivables and are interest free, repayable on demand. After initial recognition they are measured at amortised cost using the effective interest rate method less any impairment loss based on an assumed term of 5 years and interest at commercial rates. Gains and losses when the asset is impaired or derecognised are recognised in profit or loss.

c) Borrowings

Borrowings are initially recorded at fair value net of transaction costs incurred, and subsequently at amortised cost using the effective interest method.

All borrowing costs are recognised as an expense in the period they are incurred.

d) Derivatives



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value. For derivative financial instruments that do not qualify for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

(v) *Revenue*

Revenue is measured at the fair value of consideration received.

(vi) *Finance Income*

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale assets, fair value gains on financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in profit or loss.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Dividends are shown net of imputation credits, and dividends and interest are shown gross of withholding taxes paid.

(vii) *Finance Expenses*

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

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

(viii) *Statement of Cash Flows*

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

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

(ix) *Impairment of Assets*

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

Estimated recoverable amount of investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

(x) *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.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

2 TECT Group Equity

	TECT Group		TAURANGA ENERGY CONSUMER TRUST	
	2012	2011	2012	2011
	\$	\$	\$	\$
Accumulated Final Surpluses (including initial share gift 1993 of \$42.5 million):				
Balance at Beginning of Year	93,091,655	90,184,918	534,317,616	561,650,017
Total Surplus After Taxation	39,123,583	33,630,702	274,016	81,156
Consumer Distributions Written Back	-	151,036	-	151,036
	<u>132,215,239</u>	<u>123,966,656</u>	<u>534,591,632</u>	<u>561,882,209</u>
Less Transfers to Reserves for Distribution	(32,175,000)	(30,875,000)	(28,555,489)	(27,564,593)
	<u>\$100,040,242</u>	<u>\$93,091,656</u>	<u>\$506,036,143</u>	<u>\$ 534,317,616</u>
Fair Value Reserve				
Balance at Beginning of Year	579,967,050	580,180,602	-	-
Current Year Revaluation - TrustPower Shares	5,193,942	(4,155,153)	-	-
Deferred Tax on Fair Value Movements - TrustPower Shares	(1,454,304)	1,246,546	-	-
Change in Tax Rate	-	2,695,055	-	-
Change in Estimate of Deferred Tax on TrustPower Shares	31,235,093	-	-	-
	<u>\$614,942,781</u>	<u>\$579,967,050</u>	<u>\$ -</u>	<u>\$ -</u>
Reserves for Distributions: (Note 16)				
Major Amenities	1,639,660	1,583,660	1,639,660	1,583,660
Community Amenities	754,469	710,620	754,469	710,620
Community Events	(19,326)	195,872	(19,326)	195,872
Community Special Projects	602,541	994,415	602,541	994,415
Energy Efficiency	25,012	(374,988)	25,012	(374,988)
Community Organisation Subs - Unallocated	687,282	424,233	687,282	424,233
	<u>\$3,689,638</u>	<u>\$3,533,812</u>	<u>\$3,689,638</u>	<u>\$3,533,812</u>
Total Trust Equity	<u>\$718,672,881</u>	<u>\$676,592,518</u>	<u>\$509,725,782</u>	<u>\$537,851,428</u>



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

3 INVESTMENTS

(a) TrustPower Limited

Fair value has been assessed at \$7.25 per share (\$7.20 per share 2011), being the closing buy quotation on 31 March 2012 (being last business day of month). No allowance has been made for commissions payable on any disposal of shares. Values adopted being:

	TECT Group	
	2012 \$	2011 \$
Opening Balance	747,927,634	752,082,787
Add/(Deduct) Current Year Change in Valuation	5,193,942	(4,155,153)
Closing Balance 103,878,838 shares @ \$7.25 per share (2011: 103,878,838 shares @ \$7.20)	\$ 753,121,576	\$ 747,927,634

(b) ANZ Senior Bonds

Opening Balance 1 April 2011 (Face Value \$3m, Interest @ 8.5%)

Plus Effective Interest

Closing Balance 31 March 2012

	3,058,514	3,053,302
	5,953	5,212
	\$3,064,467	\$ 3,058,514

(c) 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 (A TCC Council Controlled Organisation) in redeemable preference shares, with the return fixed at the issue date at 8.4975% being the 90 Day Bank Bill rate at that date plus a margin of 1%. The RPS were redeemed in full on 25 July 2011.

(d) Loans to Consumer Organisations

From time to time TECT advances funds to Consumer organisations at low interest rates or interest free. These loans are classified as loans and receivables and, after initial recognition, are measured at amortised cost using effective interest rate method less any impairment loss. For the purposes of calculating amortised cost a term of 5 years and interest rate applying to the ANZ swap at inception date of the advance are assumed.

(e) Fair Value Adjustment of Interest Free Loans

	TECT Group	
	2012 \$	2011 \$
Opening Balance	833,695	250,000
Plus Advances - Elms Foundation Loan	-	644,000
- Paradise Point Development Trust Loan	-	200,000
Less Transfers - Elms Foundation	(544,000)	-
- YMCA	(250,000)	-
Add/(Deduct) Current Year Effective Interest Rate Adjustment	215,248	(260,305)
Closing Balance	\$154,943	\$833,695
<u>Comprising:</u>		
YMCA Loan	-	213,622
Elms Foundation Loan	-	476,061
Paradise Point Development Trust Loan	154,943	144,012
	\$154,943	\$833,695



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

4 FINANCIAL INSTRUMENTS

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

Credit Risk

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

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

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

Short Term Deposits (Less than 90 Days)

These comprised:

TECT

Westpac

2012		
\$	Term	Rate
795,744	Call	3.10%
\$795,744		
\$795,744		

2011		
\$	Term	Rate
3,028,612	Call	3.10%
\$3,028,612		
\$3,028,612		

Total Short Term Deposits (Less than 90 days)

Short Term Deposits (Other)

These comprised:

TECT

Westpac

BNZ

Kiwibank

ASB

Accrued Interest

2012		
\$	Term	Rate
8,000,000	102 days	4.20%
5,000,000	160 days	4.48%
-		
5,000,000	120 days	4.25%
160,156		
\$18,160,156		
\$18,160,156		

2011		
\$	Term	Rate
4,000,000	104 days	4.55%
5,000,000	170 days	5.20%
5,000,000	181 days	5.20%
169,322		
\$14,169,322		
\$14,169,322		

TECT Holdings Ltd

ANZ Bank (Note 15)

Accrued Interest

Total Short Term Deposits (Other)

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.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

4 FINANCIAL INSTRUMENTS (cont'd)

TECT is subject to interest rate risk where short term deposits and investments in bonds are sensitive to changes in interest rates.

TECT Finance Ltd has entered into an interest rate swap for \$27.5m to mitigate interest rate risk on the funds borrowed from ANZ Bank. The value of the swap is shown in the Statement of Financial Position at fair value based on mark to market at the reporting date. This swap matures 15 December 2012. TECT Finance has entered into three further swaps of \$5m each commencing from 15 December 2012. These swaps mature in December 2015, 2017 and 2019 respectively.

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 \$231,384 in TECT and an increase of \$244,180 in the Group.

An increase of 1% in the TrustPower share price would have resulted in an increase in total comprehensive income of \$5,235,494 in the Group.

An increase of 100 basis points in interest rates on borrowings would have resulted in a decrease in before tax net surplus of \$40,256 in TECT and \$500,710 in the Group.

Foreign Currency Risk

Currency risk is the risk of change in fair value of financial instruments due to fluctuations in foreign exchange rates. TECT currently holds no investments denominated in foreign currencies.

Liquidity Risk

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

The following are the contractual maturities of TECT Group's and TECT's financial liabilities, including estimated interest payments:

	TECT Group		Tauranga Energy Consumer Trust	
	2012	2011	2012	2011
	\$	\$	\$	\$
Non Derivatives				
6 Months or Less	4,715,591	4,049,915	2,081,575	1,321,643
6-12 Months	17,911,727	2,824,893	5,344,112	4,785,416
1-5 Years	31,476,673	67,100,090	418,520	1,482,934
Over 5 Years	-	-	-	-
	\$54,103,991	\$73,974,898	\$7,844,207	\$7,589,993
Carrying amount per Statement of Financial Position	\$45,707,833	\$61,178,945	\$7,844,207	\$7,589,993



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

	TECT Group		Tauranga Energy Consumer Trust	
	2012	2011	2012	2011
	\$	\$	\$	\$
Derivatives				
6 Months or Less	419,321	604,187	-	-
6-12 Months	174,717	365,984	-	-
1-5 Years	-	159,463	-	-
Over 5 Years	-	-	-	-
	\$594,038	\$1,129,634	-	-

Market Price Risk

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

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

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

The TECT Trust Deed requires that Trustees carry out a Consumer Consultation before selling more than 5% of TECT's base level securities (87,466,000 shares) and requires TECT to wind up if it holds less than 5% of the total share capital of the company. Trustees have a policy to consult with Consumers at five yearly intervals on the retention of the securities. In 2008 Trustees resolved to retain TECT's 33% shareholding in TrustPower, subject to continued monitoring, with the right for Trustees to sell down the shareholding without Consumer Consultation to not less than 26.36% if it is in the best interests of TECT and its Consumers.

Other Market Price Risk

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

Fair Value

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

Fair Value Hierarchy

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

- Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 March 2012

Shares in TrustPower
Interest Rate Swaps - ANZ Bank

31 March 2011

Shares in TrustPower
Interest Rate Swap - ANZ Bank

Level 1	Level 2	Level 3	Total
753,121,576	-	-	753,121,576
-	(509,144)	-	(509,144)
\$753,121,576	(\$509,144)		\$752,612,432
747,927,634	-	-	747,927,634
-	(1,129,634)	-	(1,129,634)



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

\$747,927,634	(\$1,129,634)	-	\$746,798,000
---------------	---------------	---	---------------

5 TAXATION

	Consolidated		TECT	
	2012 \$	2011 \$	2012 \$	2011 \$
Surplus Before Taxation	39,894,921	35,911,218	503,125	174,010
Add Non-Deductible Expenditure	257,115	319,103	256,940	318,934
Imputation Tax Credits	12,959,551	11,679,276	32,407	104,205
	53,111,587	47,909,597	792,472	597,149
Less				
Deductible Distribution Payments	(3,795,914)	(1,314,331)	-	-
Tax Amortisation of Loan Fees	(108,736)	(10,589)	-	-
Charitable Trust Income Exemption	(228,870)	(187,061)	-	-
	\$48,978,067	\$ 46,397,616	\$792,472	\$ 597,149
Current Tax Charge (a)	13,753,482	13,937,199	261,516	197,059
Less Imputation Tax Credits	(12,959,551)	(11,679,276)	(32,407)	(104,205)
Change in Tax Rate (b)	(22,593)	22,593	-	-
Income Tax Expense	\$771,338	\$2,280,516	\$229,109	\$92,854
Current Tax Expense				
Taxation Payable current period	722,899	2,682,714	158,077	178,755
Adjustment to Prior Period	(22,593)	-	-	-
	700,306	2,682,714	158,077	178,755
Deferred Tax Expense				
Deferred Tax Expense	71,032	(424,791)	71,032	(85,901)
Change in Tax Rate	-	22,593	-	-
Total Deferred Tax Expense	71,032	(402,198)	71,032	(85,901)
Tax Expense per Statement of Comprehensive Income	\$771,338	\$2,280,516	\$229,109	\$92,854
Imputation Credits Claimable				
Total Imputation Credits	12,959,551	11,679,276	32,407	104,205
Less ICs distributed to tax exempt beneficiaries	-	-	-	-
Total ICs claimable as Tax Credit	\$12,959,551	\$11,679,276	\$32,407	\$ 104,205

(a) TECT is a Trust and pays tax at 33%; the TECT Group companies pay tax at 28%. No tax is payable by TECT Charitable Trust.

(b) On 20 May 2010, the New Zealand Government announced its 2010 budget. The legislation was substantively enacted on 21 May 2010 and received Royal Assent on 27 May 2010. The Company tax rate was reduced from 30% to 28% from the start of the 2011/2012 reporting period. The effect of this change was reflected in these financial statements, (2011 comparative figures), being a debit to tax expense and a corresponding credit in deferred tax asset of \$22,593 and a credit to fair value reserve and a debit to deferred tax liability of \$2,695,055 (see Note 12).



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

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 2012 the Group had Imputation Credits available of \$30,361,143. (2011: \$16,641,276).

	Group	
	2012	2011
	\$	\$
Imputation Credit Account		
Opening Balance 1 April	16,641,276	1,855,287
Plus ICs on Dividends Received	12,927,144	11,575,071
Income Tax Paid	792,723	3,210,918
Closing Balance 31 March	<u>\$30,361,143</u>	<u>\$16,641,276</u>

7 COMMITMENTS AND CONTINGENCIES

The TECT Group had no commitments or contingencies at the end of the financial year (2011: Nil).

8 PROVISION FOR DISTRIBUTIONS

	TECT Group		Tauranga Energy Consumer Trust	
	2012	2011	2012	2011
	\$	\$	\$	\$
Opening Balance	5,097,337	10,508,153	3,101,262	10,474,378
Plus Distributions Approved	32,019,171	29,973,275	28,399,662	26,662,868
Distributions Approved 2010	-	500,000	-	500,000
Less Consumer Distributions Written Back	-	(151,036)	-	(151,036)
	<u>37,166,508</u>	<u>40,830,392</u>	<u>31,500,924</u>	<u>37,486,210</u>
Less Distributions Paid	(31,686,436)	(35,733,055)	(27,890,522)	(34,384,948)
Closing Balance End of Year	<u>\$5,430,072</u>	<u>\$5,097,337</u>	<u>\$3,601,402</u>	<u>\$3,101,262</u>
Distributions not yet uplifted:				
Major Community Amenities	1,800,000	1,000,000	1,800,000	1,000,000
Community Amenities	897,272	1,763,166	223,272	453,428
Community Events	54,284	206,462	14,534	6,210
Community Special Projects	855,920	279,210	250,000	193,125
Energy Efficiency	500,000	500,000	-	100,000
Community Organisation				
Subsidy Scheme	625,062	793,609	625,062	793,609
Direct Consumer Distributions	697,534	554,890	697,534	554,890
	<u>\$5,430,072</u>	<u>\$5,097,337</u>	<u>\$3,610,402</u>	<u>\$3,101,262</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. 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 2012

9 SUBSIDIARIES

TECT Charitable Trust

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

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

TECT Charitable Trust has advanced funds to TECT. At 31 March 2012 the balance of the advance from TECT Charitable Trust was \$4,140,074 (2011: \$3,911,205). This advance is unsecured, repayable on demand and has interest charged at FBT non concessionary interest rates as at the time the advance payments are made. Interest on the advance totalled \$231,308 in the current year.

TECT Holdings Limited (THL)

The balance of the loan at 31 March 2012 was \$494,995,228 after offsetting advances made by TECT Holdings Ltd to TECT (2011: \$519,446,724). The loan is interest free, on demand. The loan is not expected to be repaid within 12 months.

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. Further repayment of \$12m was made during the year ended 31 March 2012.

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 2012 the balance of the advance from TECT was \$3,111 (2011: \$2,936). This advance is unsecured, repayable on demand and has interest charged at the FBT non concessionary rates as at the time the advance payments are made. Interest on the advance totalled \$175 in the current year (2011: \$168).

10 LOAN – ANZ Bank:

ANZ Bank	Term:	\$15.5m : 3 years, maturing 15 December 2012
		\$27.5m : 6 years, maturing 15 December 2015
	Security:	22.5 million TrustPower Shares valued at \$163 million

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

11 INTEREST RATE SWAPS – ANZ BANK

ANZ Bank - Interest Rate Swap	Term:	3 years, maturing 15 December 2012
	Notional amount:	\$27.5 million
	Mark to Market:	\$594,038 (2011: \$1,129,634)
ANZ Bank - Interest Rate Swap (commencing 14.12.12)	Term:	3 years, maturing 15 December 2015
	Notional amount:	\$5 million
	Mark to Market:	(\$27,557) (2011: Nil)



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

ANZ Bank - Interest Rate Swap (commencing 14.12.12)	Term:	5 years, maturing 15 December 2017
	Notional amount:	\$5 million
	Mark to Market:	(\$34,652) (2011: Nil)
ANZ Bank - Interest Rate Swap (commencing 14.12.12)	Term:	7 years, maturing 15 December 2019
	Notional amount:	\$5 million
	Mark to Market:	(\$22,685) (2011: Nil)

12 DEFERRED TAX ASSET/LIABILITY

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

	TECT Group		Tauranga Energy Consumer	
	2012 \$	2011 \$	2012 \$	2011 \$
Opening Balance	(37,328,561)	(41,672,360)	85,901	-
Plus/(Less):				
<u>Deferred Tax Adjustments through Income Statement</u>				
Fair Value Adjustment of Investments	(71,033)	85,901	(71,033)	85,901
Fair Value Adjustment of Swap	-	338,890	-	-
Adjustment for Change in Tax Rate	-	(22,593)	-	-
Prior Year Adjustment	(316,297)	-	-	-
<u>Deferred Tax Adjustments through Equity</u>				
Fair Value Movement – TrustPower shares	(1,454,304)	1,246,546	-	-
Change in Estimate of Deferred Tax on TrustPower shares (i)	31,235,093	-	-	-
Adjustment for Change in Tax Rate	-	2,695,055	-	-
Closing Balance End of Year	(\$7,934,102)	(\$37,328,561)	\$14,868	\$ 85,901

- (i) During 2012 a re-estimation of the deferred tax liability arising in relation to the fair value movements in TrustPower shares was made, which was based around the level of imputation credits likely to be attached to future dividends. The Trustees now consider there is more clarity and certainty about the level of imputation credits which will likely be attached to dividends received. This resulted in a significant reduction in the deferred tax liability provided on the fair value adjustment. The estimated level of imputation credits will be reviewed at each reporting date.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

Deferred tax assets and liabilities are attributable to the following:

GROUP

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Available-for-sale financial assets	-	-	(7,948,970)	(37,730,759)	(7,948,970)	(37,730,759)
Derivatives	-	316,297	-	-	-	316,297
Loans and receivables	14,868	85,901	-	-	14,868	85,901
Tax assets (liabilities)	14,868	402,198	(7,948,970)	(37,730,759)	(7,934,102)	(37,328,561)
Set off of tax	(14,868)	(402,198)	14,868	402,198	-	-
Net tax assets (liabilities)	-	-	(\$7,934,102)	(\$37,328,561)	(\$7,934,102)	(\$37,328,561)

PARENT

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Loans and receivables	14,868	85,901	-	-	14,868	85,901
Tax assets (liabilities)	14,868	85,901	-	-	14,868	85,901
Set off of tax	-	-	-	-	-	-
Net tax assets (liabilities)	\$14,868	\$85,901	-	-	\$14,868	\$85,901

13 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 \$41,551,535 (2011: \$39,473,958). Refer to Note 3(a) for further details of the TECT Group investment in TrustPower Limited.

Refer to Note 9 for transactions between the entities that form part of the TECT Group.

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

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

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



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

14 RESERVES FOR DISTRIBUTIONS

	TECT Group		Tauranga Energy Consumer Trust	
Summary:	2012	2011	2012	2011
	\$	\$	\$	\$
Opening Balance	3,533,812	2,632,087	3,533,812	2,632,087
Plus Allocated - Annual Distribution Plan	32,175,000	30,875,000	28,552,310	27,564,593
	35,708,812	33,507,087	32,086,122	30,196,680
Less Transfers to Provisions & Payments	32,085,871	(30,340,931)	(28,463,181)	(27,030,524)
Plus Write Back to Reserve	66,697	367,656	66,697	367,656
Closing Balance End of Year	\$3,689,638	\$3,533,812	\$3,689,638	\$3,533,812

	TECT Group		Tauranga Energy Consumer Trust	
This comprises:	2012	2011	2012	2011
Major Amenities	\$	\$	\$	\$
Opening Balance	1,583,660	583,660	1,583,660	583,660
Plus Allocated - Annual Distribution Plan	1,500,000	1,000,000	856,000	1,000,000
	3,083,660	1,583,660	2,439,660	1,583,660
Less Transfers to Provisions & Payments	(1,444,000)	-	(800,000)	-
Plus Write Back to Reserve	-	-	-	-
Closing Balance End of Year	\$1,639,660	\$1,583,660	\$1,639,660	\$1,583,660

	TECT Group		Tauranga Energy Consumer Trust	
Community Amenities	2012	2011	2012	2011
	\$	\$	\$	\$
Opening Balance	710,620	1,441,286	710,620	1,441,286
Plus Allocated - Annual Distribution Plan	1,500,000	1,500,000	331,000	1,500,000
	2,210,620	2,941,286	1,041,620	2,941,286
Less Transfers to Provisions & Payments	(1,456,643)	(2,380,666)	(287,643)	(2,380,666)
Plus Write Back to Reserve	492	150,000	492	150,000
Closing Balance End of Year	\$754,469	\$710,620	\$754,469	\$710,620



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

14 RESERVES FOR DISTRIBUTIONS (cont'd)

	TECT Group		Tauranga Energy Consumer Trust	
	2012	2011	2012	2011
	\$	\$	\$	\$
Community Events				
Opening Balance	195,872	(122,814)	195,872	(122,814)
Plus Allocated - Annual Distribution Plan	300,000	300,000	(63,378)	300,000
Reallocation from Special Projects	-	200,000	-	200,000
	<u>495,872</u>	<u>377,186</u>	<u>132,494</u>	<u>377,186</u>
Less Transfers to Provisions & Payments	(518,378)	(333,914)	(155,000)	(333,914)
Plus Write Back to Reserve	3,180	152,600	3,180	152,600
Closing Balance End of Year	<u>(\$19,326)</u>	<u>\$195,872</u>	<u>(\$19,326)</u>	<u>\$195,872</u>

	TECT Group		Tauranga Energy Consumer Trust	
	2012	2011	2012	2011
	\$	\$	\$	\$
Community Special Projects				
Opening Balance	994,415	530,913	994,415	530,913
Plus Allocated - Annual Distribution Plan	1,000,000	1,000,000	(46,312)	1,000,000
Less Reallocated to Community Events	-	(200,000)	-	(200,000)
	<u>1,994,415</u>	<u>1,330,913</u>	<u>948,103</u>	<u>1,330,913</u>
Less Transfers to Provisions & Payments	(1,391,874)	(337,815)	(345,562)	(337,815)
Plus Write Back to Reserve	-	1,317	-	1,317
Closing Balance End of Year	<u>\$602,541</u>	<u>\$994,415</u>	<u>\$602,541</u>	<u>\$994,415</u>

	TECT Group		Tauranga Energy Consumer Trust	
	2012	2011	2012	2011
	\$	\$	\$	\$
Scholarship Fund				
Opening Balance	-	42,000	-	42,000
Plus Allocated - Annual Distribution Plan	-	-	-	-
Less Reallocated to Community Organisation Subsidies	-	(34,000)	-	(34,000)
	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Less Transfers to Provisions & Payments	-	(8,000)	-	(8,000)
Closing Balance End of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

14 RESERVES FOR DISTRIBUTIONS (cont'd)

	TECT Group		Tauranga Energy Consumer Trust	
	2012	2011	2012	2011
Energy Efficiency	\$	\$	\$	\$
Opening Balance	(374,988)	25,012	(374,988)	25,012
Plus Allocated - Annual Distribution Plan	800,000	-	400,000	-
	425,012	25,012	25,012	25,012
Less Transfers to Provisions & Payments	(400,000)	(400,000)	-	(400,000)
Closing Balance End of Year	\$25,012	(\$374,988)	\$25,012	(\$374,988)

	TECT Group		Tauranga Energy Consumer Trust	
	2012	2011	2012	2011
Community Organisation Subsidies	\$	\$	\$	\$
Opening Balance	424,233	132,030	424,233	132,030
Plus Allocated - Annual Distribution Plan	1,200,000	1,200,000	1,200,000	1,200,000
Plus Reallocated from Scholarship Fund	-	34,000	-	34,000
	1,624,233	1,366,030	1,624,233	1,366,030
Less Transfers to Provisions & Payments	(999,976)	(1,005,536)	(999,976)	(1,005,536)
Plus Write Back to Reserve	63,025	63,739	63,025	63,739
Closing Balance End of Year	\$687,282	\$424,233	\$687,282	\$424,233

	TECT Group		Tauranga Energy Consumer Trust	
	2012	2011	2012	2011
Consumer Distributions	\$	\$	\$	\$
Opening Balance	-	-	-	-
Plus Allocated - Annual Distribution Plan	25,875,000	25,875,000	25,875,000	25,875,000
	25,875,000	25,875,000	25,875,000	25,875,000
Less Transfers to Provisions & Payments	(25,875,000)	(25,875,000)	(25,875,000)	(25,875,000)
Closing Balance End of Year	\$0	\$0	\$0	\$0



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2012

15 Capital Management

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

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

The 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 was required to maintain a Debt Service Reserve Bank Account with a credit balance at all times equal to or greater than the debt service for the following 6 months (see Note 4). Following repayment of \$12m in August 2011 the bank agreed to waive the requirement to maintain a Debt Service Reserve Bank Account. TECT Holdings Ltd is required to maintain a Dividend Escrow Bank Account for the deposit of dividends received from TrustPower on those shares used as security for the loan. Payments from the Dividend Escrow Bank Account are payable twice yearly provided that financial covenants are met and there has been no event of default or review.

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

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

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

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





Independent auditor's report

To the Trustees of Tauranga Energy Consumer Trust

Report on the trust and group financial statements

We have audited the accompanying financial statements of Tauranga Energy Consumer Trust ("the trust") and the group, comprising the trust and its subsidiaries, on pages 2 to 25. The financial statements comprise the statements of financial position as at 31 March 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the trust and the group.

Trustees' responsibility for the trust and group financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the trust and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the trust and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trust and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Partners and employees of our firm may also deal with the trust on normal terms within the ordinary course of trading activities of the business of the trust. These matters have not impaired our independence as auditor of the trust. The firm has no other relationship with, or interest in, the trust.

Opinion

In our opinion the financial statements on pages 2 to 25:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;

- give a true and fair view of the financial position of the trust and the group as at 31 March 2012 and of the financial performance and cash flows of the trust and the group for the year then ended.

Report on other legal and regulatory requirements

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

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



19 June 2012
Tauranga