

# **TAURANGA ENERGY CONSUMER TRUST**

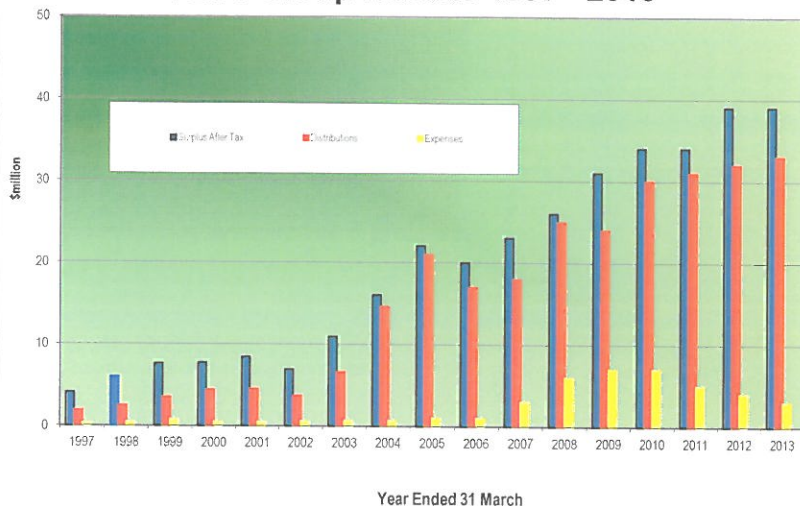
## **GROUP CONSOLIDATED FINANCIAL REPORT**

**FOR THE YEAR ENDED**  
**31 MARCH 2013**

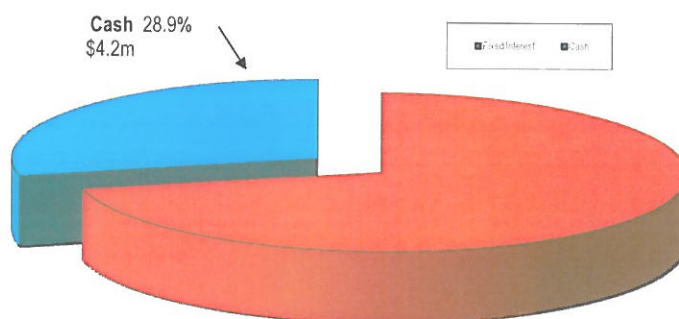
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# Financial Highlights at 31 March 2013

## TECT Group Results 1997 - 2013

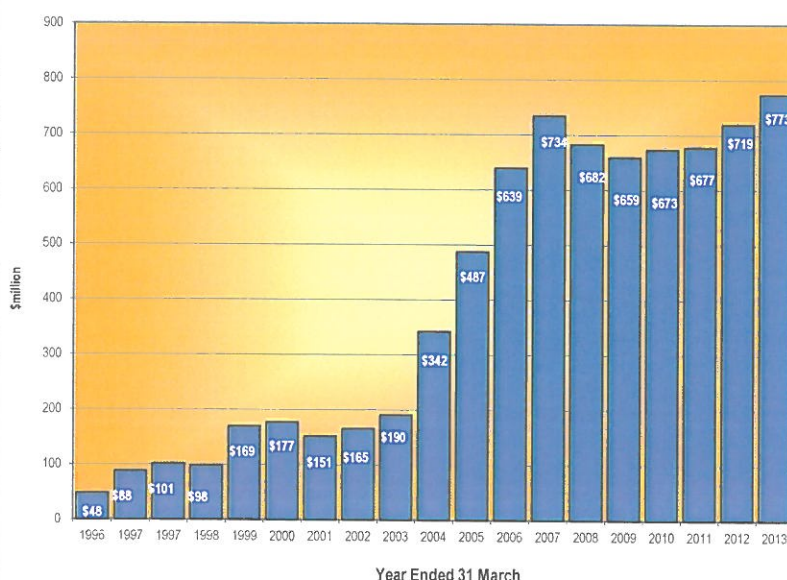


## TECT Group Consolidated Investments & Fixed Interest (excl TPW Shares)



This represents \$14.5m or 1.8% of total TECT Group Cash & Investments of \$814.4m

## TECT Group Net Equity Growth



Total Trustee Income Allocation transferred to Beneficiary Reserves (\$m) Total \$281m



# TAURANGA ENERGY CONSUMER TRUST

## GROUP CONSOLIDATED FINANCIAL REPORT

### DIRECTORY

#### AS AT 31 MARCH 2013

<b>Trustees:</b>	MJ Cooney, Chairperson BW Cronin, Deputy Chairperson K Collings S Devoy WB Holland RJC Scott
<b>Secretary:</b>	KF Lellman BDO Tauranga Ltd 96 Cameron Road PO Box 800 Tauranga
<b>Auditor:</b>	KPMG Tauranga
<b>Solicitors:</b>	Holland Beckett, Tauranga
<b>Bankers:</b>	Westpac, National Bank, ANZ Bank, Kiwibank, ASB and Bank of New Zealand
<b>Date of Commencement:</b>	TECT - 21 December 1993 TECT Charitable Trust – 27 March 2002 TECT Holdings Ltd – 15 December 2006 TECT Finance Ltd – 15 December 2006 TECT Finance No. 2 Ltd – 25 January 2007

# TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

**BDO**

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

		TECT Group		Tauranga Energy Consumer Trust	
		2013	2012	2013	2012
		\$	\$	\$	\$
<b>Finance Income</b>					
Dividends		41,551,535	41,627,151	39,033,360	75,616
Net Change in Fair Value of Derivative designated at Fair Value through Profit & Loss		112,718	620,489	-	-
Effective Interest Adjustment of Interest Free Loans Interest	(Note 3d)	11,728	215,248	11,728	215,248
		1,227,676	1,200,346	1,055,341	1,073,139
		42,903,657	43,663,234	40,100,429	1,364,003
Management Fees		-	-	27,600	27,600
Other Income		1,795	1,753	-	-
<b>TOTAL REVENUE</b>		<b>42,905,452</b>	<b>43,664,987</b>	<b>40,128,029</b>	<b>1,391,603</b>
<b>Less Expenses</b>					
<b>Administration Expenses</b>					
Audit Fees		17,585	15,228	17,585	15,228
Goods & Services Tax		4,243	4,140	103	-
Insurance		8,872	7,194	8,872	7,194
Legal and Advisory Fees		6,697	7,116	6,697	7,116
Secretarial Costs		337,142	329,200	337,142	329,200
Stationery		11,998	13,842	11,998	13,842
Sundry Expenses		5,711	5,611	5,660	5,560
		392,248	382,331	388,057	378,140
<b>Finance Expenses</b>					
Bank Charges		6,308	1,252	5,611	663
Interest Expense		2,467,603	3,108,217	253,104	231,409
		2,473,911	3,109,469	258,715	232,072
<b>Consumer Related Expenses</b>					
Consumer Consultation, Research & Reporting		48,303	42,772	48,303	42,772
Community Funding Schemes		1,383	12,657	1,383	12,657
Election Costs		95,485	24,000	95,485	24,000
Electricity Consumer Distribution Costs (inc Concession Cards)		62,141	57,972	62,141	57,972
		207,312	137,401	207,312	137,401
<b>Trustee Expenses</b>					
Professional Development - Trustees & Staff		4,030	-	4,030	-
Trustee Expenses		2,649	2,440	2,649	2,440
Trustee Fees		129,125	138,425	129,125	138,425
		135,804	140,865	135,804	140,865
<b>TOTAL EXPENSES</b>		<b>3,209,275</b>	<b>3,770,066</b>	<b>989,888</b>	<b>888,478</b>
<b>SURPLUS BEFORE TAXATION</b>		<b>39,696,177</b>	<b>39,894,921</b>	<b>39,138,141</b>	<b>503,125</b>
Tax Expense	(Note 5)	802,620	771,338	1,846,662	229,109
<b>TOTAL SURPLUS AFTER TAXATION</b>		<b>\$ 38,893,557</b>	<b>\$ 39,123,583</b>	<b>\$ 37,291,479</b>	<b>\$ 274,016</b>
<b>Other Comprehensive Income</b>					
Valuation Gain on Investments	(Note 2)	46,745,477	5,193,942	-	-
Change in Estimate of Deferred Tax on TrustPower shares	(Notes 2,12)	-	31,236,093	-	-
Tax on Components of Other Comprehensive Income	(Note 2)	(693,979)	(1,454,304)	-	-
<b>Total Other Comprehensive Income</b>		<b>46,051,498</b>	<b>34,975,731</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>\$ 84,945,055</b>	<b>\$ 74,099,314</b>	<b>\$ 37,291,479</b>	<b>\$ 274,016</b>





# TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	TECT Group		Tauranga Energy Consumer Trust	
	2013 \$	2012 \$	2013 \$	2012 \$
Surplus After Taxation	38,893,557	39,123,583	37,291,479	274,016
Other Comprehensive Income	46,051,498	34,975,731	-	-
<b>Total Comprehensive Income</b>	<b>84,945,055</b>	<b>74,099,314</b>	<b>37,291,479</b>	<b>274,016</b>
Distributions of Equity (Note 8)	(31,272,781)	(32,019,171)	(27,892,341)	(28,399,662)
Distributions Written Back (Note 8)	236,170	-	1,853,004	-
<b>Movements in Equity for the Year</b>	<b>53,908,444</b>	<b>42,080,143</b>	<b>11,252,142</b>	<b>(28,125,646)</b>
<b>Trust Equity at Start of the Year</b>	<b>718,672,661</b>	<b>676,592,518</b>	<b>509,725,782</b>	<b>537,851,428</b>
<b>Trust Equity at End of the Year</b>	<b>\$ 772,581,105</b>	<b>\$ 718,672,661</b>	<b>\$ 520,977,924</b>	<b>\$ 509,725,782</b>



# TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT



## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

		TECT Group		Tauranga Energy Consumer Trust	
		2013	2012	2013	2012
		\$	\$	\$	\$
<b>Trust Equity</b>					
Accumulated Final Surpluses	(Note 2)	106,354,299	100,040,242	515,745,396	506,036,144
Fair Value Reserve	(Note 2)	660,994,278	614,942,781	-	-
Reserves for Distribution	(Notes 2,16)	5,232,528	3,689,638	5,232,528	3,689,638
<b>TOTAL TRUST EQUITY</b>		<b>\$ 772,581,105</b>	<b>\$ 718,672,661</b>	<b>\$ 520,977,924</b>	<b>\$ 509,725,782</b>
<i>Represented by:</i>					
<b>Current Assets</b>					
Cash & Cash Equivalents -					
Bank		482,812	361,023	478,438	356,960
Short Term Deposits (less than 90 days)	(Note 4)	3,705,683	795,744	3,705,683	795,744
Short Term Deposits (Other)	(Note 4)	7,083,783	18,160,156	7,083,783	18,160,156
Advance - TECT Finance No 2 Ltd		-	-	3,295	3,111
Prepayments		9,490	7,195	9,490	7,195
GST Refund Due		17,954	14,217	17,954	14,217
ANZ Bank Interest Rate Swaps		-	84,894	-	-
Taxation Refund Due		-	120,449	-	-
<b>Total Current Assets</b>		<b>11,299,722</b>	<b>19,543,678</b>	<b>11,298,643</b>	<b>19,337,383</b>
<b>Non Current Assets</b>					
<b>Investments</b>					
Shares in TrustPower Ltd	(Note 3a)	799,867,053	753,121,576	-	-
Investment in Subsidiaries		-	-	3,100	3,100
Loan - TECT Holdings Ltd	(Note 9)	-	-	513,899,381	494,995,228
ANZ Senior Bonds	(Note 3b)	3,070,378	3,064,467	3,070,378	3,064,467
Paradise Point Development Trust Loan	(Note 3d)	166,671	154,943	166,671	154,943
<b>Total Investments</b>		<b>803,104,102</b>	<b>756,340,986</b>	<b>517,139,530</b>	<b>498,217,738</b>
<b>Other Non Current Assets</b>					
Deferred Taxation	(Note 12)	-	-	10,998	14,868
<b>Total Non Current Assets</b>		<b>803,104,102</b>	<b>756,340,986</b>	<b>517,150,528</b>	<b>498,232,606</b>
<b>TOTAL ASSETS</b>		<b>\$ 814,403,824</b>	<b>\$ 775,884,664</b>	<b>\$ 528,449,171</b>	<b>\$ 517,569,989</b>
<b>Less Current Liabilities</b>					
Sundry Accounts Payable		58,068	73,587	58,065	73,587
Bank Overdrafts		-	4	-	-
Accrued Interest		113,073	180,200	-	-
Advance from TECT Charitable Trust	(Note 9)	-	-	4,378,268	4,140,074
Provision for Distributions	(Note 8)	5,732,443	5,430,072	2,445,470	3,610,402
Loan - ANZ Bank		-	15,500,000	-	-
Interest Rate Swap - ANZ Bank		-	594,038	-	-
Taxation Payable		434,799	-	589,444	20,144
<b>Total Current Liabilities</b>		<b>\$ 6,338,383</b>	<b>\$ 21,777,901</b>	<b>\$ 7,471,247</b>	<b>\$ 7,844,207</b>
<b>Non Current Liabilities</b>					
Loan - ANZ Bank	(Note 10)	27,500,000	27,500,000	-	-
Interest Rate Swap - ANZ Bank		396,427	-	-	-
Deferred Taxation	(Note 12)	7,587,909	7,934,102	-	-
<b>Total Non Current Liabilities</b>		<b>35,484,336</b>	<b>35,434,102</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>\$ 41,822,719</b>	<b>\$ 57,212,003</b>	<b>\$ 7,471,247</b>	<b>\$ 7,844,207</b>
<b>NET ASSETS</b>		<b>\$ 772,581,105</b>	<b>\$ 718,672,661</b>	<b>\$ 520,977,924</b>	<b>\$ 509,725,782</b>

Trustee

Trustee



**TAURANGA ENERGY CONSUMER TRUST**  
**GROUP CONSOLIDATED FINANCIAL REPORT**



**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	TECT Group		Tauranga Energy Consumer Trust	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<u>Cash was provided from/(disbursed to):</u>				
Dividends Received	41,551,535	41,688,389	34,384,644	136,854
Interest Received	1,227,676	1,200,346	1,055,157	1,072,964
Payments to Suppliers & Trustees	(763,223)	(660,207)	(758,338)	(654,616)
Interest Paid	(2,534,729)	(2,333,979)	(253,104)	(101)
Taxation Paid	(1,287,544)	(851,838)	(1,273,492)	(59,116)
Donations Received	1,795	1,753	-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 38,195,510</b>	<b>\$ 39,044,464</b>	<b>\$ 33,154,867</b>	<b>\$ 495,985</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<u>Cash was received from/(applied to):</u>				
Purchases & Redemption of Investments (TCAL)	-	4,000,000	-	4,000,000
Investments & Loans to Consumer Organisations	(5,911)	688,047	(5,911)	25,139,543
Inter-Entity Advances	-	-	(14,255,437)	-
Movements in Term Deposits	11,076,373	(1,431,623)	11,076,373	(3,990,834)
Movement in Advance Account	-	-	265,794	25,162
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>\$ 11,070,462</b>	<b>\$ 3,256,424</b>	<b>\$ (2,919,181)</b>	<b>\$ 25,173,871</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<u>Cash was disbursed to:</u>				
Payments to TrustPower Consumers (including grants)	(30,734,240)	(31,686,436)	(27,204,269)	(27,890,522)
Repayment of ANZ Loans	(15,500,000)	(12,832,241)	-	-
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>\$ (46,234,240)</b>	<b>\$ (44,518,677)</b>	<b>\$ (27,204,269)</b>	<b>\$ (27,890,522)</b>
<b>NET INCREASE / (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>3,031,732</b>	<b>(2,217,789)</b>	<b>3,031,417</b>	<b>(2,220,666)</b>
Add Opening Cash & Cash Equivalents	1,156,763	3,374,552	1,152,704	3,373,370
<b>CLOSING CASH &amp; CASH EQUIVALENTS</b>	<b>\$ 4,188,495</b>	<b>\$ 1,156,763</b>	<b>\$ 4,184,121</b>	<b>\$ 1,152,704</b>
<u>Represented by:</u>				
Short Term Deposits - Less than 90 Days	3,705,683	795,744	3,705,683	795,744
Bank Current Accounts	482,812	361,023	478,438	356,960
Bank Overdrafts	-	(4)	-	-
	<b>\$ 4,188,495</b>	<b>\$ 1,156,763</b>	<b>\$ 4,184,121</b>	<b>\$ 1,152,704</b>
<b>Reconciliation of Net Surplus after Tax to Cash Flows from Operating Activities</b>				
Surplus after Tax	38,893,557	39,123,583	37,291,479	274,016
Movements in Inter-Entity Advances	-	-	(4,771,039)	-
Fair Value Adjustment Investments - Non Cash	(885,551)	(61,499)	(11,728)	(215,248)
Interest & Management Fees - Non Cash	-	-	94,539	203,533
Deferred Tax - Non Cash	(346,193)	387,330	3,870	71,033
Movements in Accounts Payable	(15,519)	2,413	(15,522)	3,224
Movements in Accounts Receivable and Accruals	(2,295)	61,237	(2,295)	61,237
Movements in GST	(3,737)	(770)	(3,737)	(770)
Movement in Taxation Payable/Receivable	555,248	(467,830)	569,300	98,960
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES (as above)</b>	<b>\$ 38,195,510</b>	<b>\$ 39,044,464</b>	<b>\$ 33,154,867</b>	<b>\$ 495,985</b>



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

## **Notes to the Financial Report For the Year Ended 31 March 2013**

### **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.

As required by its Trust Deed, TECT complies with the financial reporting requirements of the Financial Reporting Act 1993.

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 18 June 2013.

#### **(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 2013

(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 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 2012.

Standard/interpretation	Effective date	Effect
FRS 44 (2011) New Zealand Additional Disclosures	Periods beginning 1 July 2011	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.



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

		The Standard has no impact on the financial statements except for timing of recording Imputation Credits.
NZ IFRS 7	Periods beginning 1 July 2011	The Standard requires additional disclosures with regard to financial assets that are transferred to another entity. There is no impact in the year under review.

(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.

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	Periods beginning 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>The adoption of NZ IFRS 9 will result in certain financial assets currently being accounted for at amortised cost to have to be reclassified as at fair value through profit or loss. All financial instruments currently classified as available-for-sale will potentially have to be reclassified at fair value through profit or loss except where TECT is able to designate the financial assets as fair value through other comprehensive income.</p> <p>Management have yet to assess the 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>
Consolidation Standards: NZ IFRS 10 Consolidated Financial Statements	Periods beginning 1 January 2013	NZ IFRS 10 provides a revised definition of control together with accompanying guidance to identify an interest in a subsidiary.
NZ IFRS 12 Disclosure of		NZ IFRS 12 integrates and makes consistent the disclosure





# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

Interests in Other Entities		<p>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 and Trustees have assessed that the new and revised standards will have no impact on the Group's consolidated financial statements.</p>
NZ IFRS 13 Fair Value measurement	Periods beginning 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 and Trustees have assessed that the new standard will have no impact on the Group's consolidated financial statements.</p>
Amendments to NZ IAS 1 Presentation of Financial Statements	Periods beginning 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"> <li>• Will <b>not</b> be reclassified subsequently to profit or loss; and</li> <li>• Will be reclassified subsequently to profit or loss on disposal when specific conditions are met.</li> </ul> <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>

### (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.



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

## **Notes to the Financial Report For the Year Ended 31 March 2013**

### *(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.

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.



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

### 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*

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) Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, current accounts, deposits held at call with banks and other short term liquid deposits of less than 90 days not forming part of the investment portfolio.

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

### *(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.



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

## **Notes to the Financial Report For the Year Ended 31 March 2013**

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 represent expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

Grants and distributions still to be paid are considered to be provisions as the amounts can be estimated reliably and past practice indicates substantially all of the communicated commitments are subsequently paid. Grant provisions are not discounted as the date of cash outflow cannot be estimated reliably and in any event the effect of discounting is not considered to be material.

Grants and distributions recognised in the year are recorded in equity as "reserves for distribution" rather than the statement of comprehensive income as they are for the beneficiaries of the Trust.



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

### 2 EQUITY

	TECT Group		Tauranga Energy Consumer Trust	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Accumulated Final Surpluses</b> (including initial share gift in 1993 of \$42.5 million):				
Balance at Beginning of Year	100,040,242	93,091,656	506,036,144	534,317,617
Total Surplus After Taxation	38,893,557	39,123,583	37,291,479	274,016
	138,933,799	132,215,239	543,327,623	534,591,633
Less Transfers to Reserves for Distribution	(32,579,500)	(32,175,000)	(27,582,227)	(28,555,489)
	\$106,354,299	\$100,040,242	\$515,745,396	\$506,036,144
<b>Fair Value Reserve</b>				
Balance at Beginning of Year	614,942,780	579,967,049	-	-
Current Year Revaluation - TrustPower Shares	46,745,477	5,193,942	-	-
Deferred Tax on Fair Value Movements - TrustPower Shares	(693,979)	(1,454,304)	-	-
Change in Estimate of Deferred Tax on TrustPower Shares	-	31,236,093	-	-
	\$660,994,278	\$614,942,780	\$-	\$-
<b>Reserves for Distributions:</b> (Note 14)				
Major Amenities	3,139,660	1,639,660	3,139,660	1,639,660
Community Amenities	943,459	754,469	943,459	754,469
Community Events	106,115	(19,326)	106,115	(19,326)
Community Special Projects	113,527	602,541	113,527	602,541
Energy Efficiency	425,012	25,012	425,012	25,012
Community Organisation Subs - Unallocated	504,755	687,282	504,755	687,282
	\$5,232,528	\$3,689,638	\$5,232,528	\$3,689,638
<b>Total Trust Equity</b>	<b>\$772,581,105</b>	<b>\$718,672,661</b>	<b>\$520,977,924</b>	<b>\$509,725,782</b>



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

### 3 INVESTMENTS

#### (a) TrustPower Limited

Fair value has been assessed at \$7.70 per share (\$7.25 per share 2012), being the closing buy quotation on 29 March 2013 (being last business day of month). No allowance has been made for commissions payable on any disposal of shares. Values adopted being:

	TECT Group	
	2013	2012
	\$	\$
Opening Balance	753,121,576	747,927,634
Add Current Year Change in Valuation	46,745,477	5,193,942
Closing Balance 103,878,838 shares @ \$7.70 per share (2012: 103,878,838 shares @ \$7.25)	<b>\$ 799,867,053</b>	<b>\$ 753,121,576</b>

#### (b) ANZ Senior Bonds

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

Plus Effective Interest

Closing Balance

3,064,467	3,058,514
5,911	5,953
<b>\$3,070,378</b>	<b>\$ 3,064,467</b>

#### (c) 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.

#### (d) Fair Value Adjustment of Interest Free Loans

	TECT Group	
	2013	2012
	\$	\$
Opening Balance	154,943	833,695
Less Transfers - Elms Foundation	-	(644,000)
- YMCA	-	(250,000)
Add Current Year Effective Interest Rate Adjustment	11,728	215,248
Closing Balance	<b>\$166,671</b>	<b>\$154,943</b>
<u>Comprising:</u>		
Paradise Point Development Trust Loan	166,671	154,943
	<b>\$166,671</b>	<b>\$154,943</b>





# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

### 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 placed with multiple institutions including 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.

#### TECT Group and Tauranga Energy Consumer Trust

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

	2013			2012		
These comprised:	\$	Term	Rate	\$	Term	Rate
Westpac	1,204,388	Call	3.10%	795,744	Call	3.10%
Westpac	2,500,000	79 Days	3.78%	-		
Accrued Interest	1,295			-		
<b>Total Short Term Deposits (Less than 90 days)</b>	<b>\$3,705,683</b>			<b>\$795,744</b>		

##### Short Term Deposits (Other)

	2013			2012		
These comprised:	\$	Term	Rate	\$	Term	Rate
Westpac	2,000,000	151 days	4.22%	8,000,000	102 days	4.20%
Westpac	5,000,000	177 days	4.25%	5,000,000	160 days	4.48%
ASB	-	120 days	4.25%	5,000,000	120 days	4.25%
Accrued Interest	83,783			160,156		
<b>Total Short Term Deposits (Other)</b>	<b>\$7,083,783</b>			<b>\$18,160,156</b>		

#### 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.

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



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

### 4 FINANCIAL INSTRUMENTS (cont'd)

#### Sensitivity Analysis

An increase of 100 basis points in interest rates on deposits would have resulted in an increase in surplus before tax of \$179,401 in TECT and in the Group (2012: \$244,180).

An increase of 1% in the TrustPower share price would have resulted in an increase in total comprehensive income of \$7,886,688 in the Group (2012: \$5,235,494).

An increase of 100 basis points in interest rates on borrowings would have resulted in a decrease in surplus before tax of \$42,592 (2012: \$40,256) in TECT and \$358,919 (2012: \$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	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Non Derivatives</b>				
6 Months or Less	5,105,505	4,715,591	1,809,574	2,081,575
6-12 Months	2,941,575	17,911,727	5,036,578	5,344,112
1-5 Years	30,326,504	31,476,673	625,095	418,520
Over 5 Years	-	-	-	-
	<b>\$38,373,584</b>	<b>\$54,103,991</b>	<b>\$7,471,247</b>	<b>\$7,844,207</b>
Carrying amount per Statement of Financial Position	<b>\$34,882,425</b>	<b>\$48,707,633</b>	<b>\$7,471,247</b>	<b>\$7,844,207</b>

	TECT Group		Tauranga Energy Consumer Trust	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Derivatives</b>				
6 Months or Less	279,831	419,321	-	-
6-12 Months	116,596	174,717	-	-
1-5 Years	-	-	-	-
Over 5 Years	-	-	-	-
	<b>\$396,427</b>	<b>\$594,038</b>	<b>-</b>	<b>-</b>



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

### 4 FINANCIAL INSTRUMENTS (cont'd)

#### 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. At balance date Meridian Energy and Pacific Aluminium were in negotiations regarding contract for electricity supply (Tiwai Contract). The outcome of those negotiations is still uncertain. If unsuccessful, there may be a significant reduction in electricity consumption nationally which could lead to a sustained reduction in wholesale electricity prices and in electricity prices generally.

Since balance date there have also been proposals for reforms to the electricity industry from opposition political parties. This proposal involves the compulsory acquisition of electricity by a monopoly state agency. These proposals may impact future dividends payable by TrustPower and the market price of TrustPower shares.

In the two months following balance date (1 April to 31 May 2013) the TrustPower share price fluctuated significantly, ranging from a high of \$7.80 to a low of \$7.18 giving the investment a valuation between \$810,254,936 and \$745,850,057 over this period.

Trustees constantly monitor the risks outlined above.

The TECT Trust Deed requires that Trustees carry out a Consumer Consultation before selling more than 5% of TECT's base level securities (87,466,000 shares) 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).

	Level 1	Level 2	Level 3	Total
<b>31 March 2013</b>				
Shares in TrustPower	799,867,053	-	-	799,867,053
Interest Rate Swaps - ANZ Bank	-	(396,427)	-	(396,427)
	<b>\$799,867,053</b>	<b>(\$396,427)</b>		<b>\$799,470,626</b>
<b>31 March 2012</b>				
Shares in TrustPower	753,121,576	-	-	753,121,576
Interest Rate Swap - ANZ Bank	-	(509,144)	-	(509,144)
	<b>\$753,121,576</b>	<b>(\$509,144)</b>		<b>\$752,612,432</b>



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

### 5 TAXATION

	TECT Group		Tauranga Energy Consumer Trust	
	2013	2012	2013	2012
	\$	\$	\$	\$
Surplus Before Taxation	39,696,177	39,894,921	39,138,141	503,125
Add Non-Deductible Expenditure	422,083	257,115	421,899	256,940
Imputation Tax Credits	15,350,984	12,959,551	16,728,583	32,407
	<b>55,469,244</b>	<b>53,111,587</b>	<b>56,288,623</b>	<b>792,472</b>
<u>Less</u>				
Deductible Distribution Payments	(3,526,471)	(3,795,914)	-	-
Tax Amortisation of Loan Fees	(78,179)	(108,736)	-	-
Charitable Trust Income Exemption	(241,691)	(228,870)	-	-
<b>Taxable Income</b>	<b>\$51,622,903</b>	<b>\$48,978,067</b>	<b>\$56,288,623</b>	<b>\$792,472</b>
Current Tax Charge (a)	16,199,355	13,753,482	18,575,245	261,516
Less Imputation Tax Credits	(14,352,693)	(12,959,551)	(16,728,583)	(32,407)
Tax Effect of Losses	(1,044,042)	-	-	-
Change in Tax Rate (b)	-	(22,593)	-	-
<b>Income Tax Expense</b>	<b>\$802,620</b>	<b>\$771,338</b>	<b>\$1,846,662</b>	<b>\$229,109</b>
<b>Current Tax Expense</b>				
Taxation Payable current period	1,842,792	722,899	1,842,792	158,077
Adjustment to Prior Period	-	(22,593)	-	-
	<b>1,842,792</b>	<b>700,306</b>	<b>1,842,792</b>	<b>158,077</b>
<b>Deferred Tax Expense</b>				
Deferred Tax Expense	1,040,172	71,032	3,870	71,032
Total Deferred Tax Expense	<b>1,040,172</b>	<b>71,032</b>	<b>3,870</b>	<b>71,032</b>
<b>Tax Expense per Statement of Comprehensive Income</b>	<b>\$802,620</b>	<b>\$771,338</b>	<b>\$1,846,662</b>	<b>\$229,109</b>
<b>Imputation Credits Claimable</b>				
Total Imputation Credits	15,350,984	12,959,551	16,728,583	32,407
Less excess ICs unable to claim (converted to loss)	(998,291)	-	-	-
<b>Total ICs claimable as Tax Credit</b>	<b>\$14,352,693</b>	<b>\$12,959,551</b>	<b>\$16,728,583</b>	<b>\$32,407</b>

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



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

### 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 2013 the Group had Imputation Credits available of \$28,997,596.63. (2012: \$30,361,143).

	TECT Imputation Group	
	2013	2012
Imputation Credit Account	\$	\$
Opening Balance 1 April	30,361,143	16,641,276
Plus ICs on Dividends Received	15,350,984	12,927,144
Income Tax Paid	29,166	792,723
Interest Received (Net)	5,667	-
Less ICs attached to Dividends Paid	(16,728,583)	-
Tax Refunds	(637)	-
Net Transfers	(20,143)	-
Closing Balance 31 March	\$28,997,597	\$30,361,143

### 7 COMMITMENTS AND CONTINGENCIES

TECT Trustees have agreed in principle to support a joint application from Tauranga City Council and Western Bay of Plenty District Council for funding towards the cost of a tsunami warning system. It is envisaged that such funding would come from the Major Amenities Fund and is unlikely to exceed \$1m (2012: Nil).

### 8 PROVISION FOR DISTRIBUTIONS

	TECT Group		Tauranga Energy Consumer Trust	
	2013	2012	2013	2012
	\$	\$	\$	\$
Opening Balance	5,430,072	5,097,337	3,610,402	3,101,262
Plus Distributions Approved	31,272,781	32,019,171	27,892,341	28,399,662
Less Consumer Distributions Written Back	(236,170)	-	(1,853,004)	-
	36,466,683	37,166,508	29,649,739	31,500,924
Less Distributions Paid	(30,734,240)	(31,686,436)	(27,204,269)	(27,890,522)
<b>Closing Balance End of Year</b>	<b>\$5,732,443</b>	<b>\$5,430,072</b>	<b>\$2,445,470</b>	<b>\$3,610,402</b>
<b>Distributions not yet uplifted:</b>				
Major Community Amenities	1,291,088	1,800,000	-	1,800,000
Community Amenities	1,403,440	897,272	30,074	223,272
Community Events	98,100	54,284	-	14,534
Community Special Projects	1,281,530	855,920	757,111	250,000
Energy Efficiency	-	500,000	-	-
Community Organisation				
Subsidy Scheme	852,278	625,062	852,278	625,062
Direct Consumer Distributions	806,007	697,534	806,007	697,534
	<b>\$5,732,443</b>	<b>\$5,430,072</b>	<b>\$2,445,470</b>	<b>\$3,610,402</b>

Payment of grants is generally conditional upon the organisation obtaining the full amount of funds required to complete the project. TECT does not release funds until all conditions imposed by Trustees have been met.



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

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

### 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 2013 the balance of the advance from TECT Charitable Trust was \$4,378,268 (2012: \$4,140,074). 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 \$244,087 in the current year.

#### TECT Holdings Limited

The balance of the loan at 31 March 2013 was \$513,899,381 after offsetting advances made by TECT Holdings Ltd to TECT (2012: \$494,995,228). The loan is interest free, on demand. The loan is not expected to be repaid within 12 months.

#### TECT Finance Limited

In January 2007 TECT Finance Ltd 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 TECT Holdings Ltd 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. The loan was split into two tranches of \$27.5m with repayment dates of 15 December 2012 and 15 December 2015. Repayments on the first tranche of the loan were made in the year ended 31 March 2012 (\$12m) and the year ended 31 March 2013 (\$15.5m). This loan has now been fully repaid leaving the second loan of \$27.5m due in 2015.

#### TECT Finance No. 2 Limited

TECT Finance No. 2 Ltd received funds from TECT during the year. At 31 March 2013 the balance of the advance from TECT was \$3,295 (2012: \$3,111). 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 \$184 in the current year (2012: \$175).

### 10 LOAN – ANZ Bank:

ANZ Bank	Term:	\$27.5m : 6 years, maturing 15 December 2015
	Security:	14.5 million TrustPower Shares valued at \$111.65 million

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





# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

### 11 INTEREST RATE SWAPS – ANZ BANK

ANZ Bank - Interest Rate Swap (commencing 14.12.12)	Term:	3 years, maturing 15 December 2015
	Notional amount:	\$5 million
	Mark to Market:	\$58,636 (2012: (\$27,557))
ANZ Bank - Interest Rate Swap (commencing 14.12.12)	Term:	5 years, maturing 15 December 2017
	Notional amount:	\$5 million
	Mark to Market:	\$127,840 (2012: (\$34,652))
ANZ Bank - Interest Rate Swap (commencing 14.12.12)	Term:	7 years, maturing 15 December 2019
	Notional amount:	\$5 million
	Mark to Market:	\$209,951 (2012: (\$22,685))

### 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 Trust	
	2013 \$	2012 \$	2013 \$	2012 \$
Opening Balance	(7,934,102)	(37,328,561)	14,868	85,901
Plus/(Less):				
<b>Deferred Tax Adjustments through Income Statement</b>				
Fair Value Adjustment of Investments	(3,870)	(71,033)	(3,870)	(71,033)
Fair Value Adjustment of Swap	-	-	-	-
Deferred Tax on Tax Losses	1,044,042	-	-	-
Prior Year Adjustment	-	(316,297)	-	-
<b>Deferred Tax Adjustments through Equity</b>				
Fair Value Movement – TrustPower shares	(693,979)	(1,454,304)	-	-
Change in Estimate of Deferred Tax on TrustPower shares (i)	-	31,236,093	-	-
<b>Closing Balance End of Year</b>	<b>(\$7,587,909)</b>	<b>(\$7,934,102)</b>	<b>\$10,998</b>	<b>\$14,868</b>

- (i) During 2012 a re-estimation of the deferred tax liability arising in relation to the fair value movements in TrustPower shares was made. This re-estimation, which was based around the level of imputation credits likely to be attached to future dividends, resulted in a significant reduction in the 2012 year in the deferred tax liability provided on the fair value adjustment. The Trustees now consider there is more clarity and certainty about the level of imputation credits which are likely to be attached to dividends received although this may still be subject to significant variability. The level of imputation credits has been calculated based on an average of the imputation credits received over the past three financial years to allow for fluctuations between years (2013: 32.5%; 2012 31%). This methodology and the level of imputation credits estimated 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 2013

Deferred tax assets and liabilities are attributable to the following:

### TECT Group

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
Available-for-sale financial assets	-	-	(8,642,949)	(7,948,970)	(8,642,949)	(7,948,970)
Tax Losses	1,044,042	-	-	-	1,044,042	-
Loans and receivables	10,998	14,868	-	-	10,998	14,868
Tax assets (liabilities)	1,055,040	14,868	(8,642,949)	(7,948,970)	(7,587,909)	(7,934,102)
Set off of tax	(1,055,040)	(14,868)	1,055,040	14,868	-	-
<b>Net tax assets (liabilities)</b>	<b>-</b>	<b>-</b>	<b>(\$7,587,909)</b>	<b>(\$7,934,102)</b>	<b>(\$7,587,909)</b>	<b>(\$7,934,102)</b>

### Tauranga Energy Consumer Trust

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
Loans and receivables	10,998	14,868	-	-	10,998	14,868
Tax assets (liabilities)	10,998	14,868	-	-	10,998	14,868
Set off of tax	-	-	-	-	-	-
<b>Net tax assets (liabilities)</b>	<b>\$10,998</b>	<b>\$14,868</b>	<b>-</b>	<b>-</b>	<b>\$10,998</b>	<b>\$14,868</b>

### 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 (2012: \$41,551,535). 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 2013

### 14 RESERVES FOR DISTRIBUTIONS

	TECT Group		Tauranga Energy Consumer Trust	
Summary:	2013	2012	2013	2012
	\$	\$	\$	\$
Opening Balance	3,689,638	3,533,812	3,689,638	3,533,812
Plus Allocated - Annual Distribution Plan	32,579,500	32,175,000	27,583,968	28,552,310
	36,269,138	35,708,812	31,273,606	32,086,122
Less Transfers to Provisions & Payments	(31,272,780)	(32,085,871)	(27,892,341)	(28,463,181)
Plus Write Back to Reserve	236,170	66,697	1,851,263	66,697
<b>Closing Balance End of Year</b>	<b>\$5,232,528</b>	<b>\$3,689,638</b>	<b>\$5,232,528</b>	<b>\$3,689,638</b>

This comprises:

	TECT Group		Tauranga Energy Consumer Trust	
Major Amenities	2013	2012	2013	2012
	\$	\$	\$	\$
Opening Balance	1,639,660	1,583,660	1,639,660	1,583,660
Plus Allocated - Annual Distribution Plan	1,500,000	1,500,000	(300,000)	856,000
	3,139,660	3,083,660	1,339,660	2,439,660
Less Transfers to Provisions & Payments	-	(1,444,000)	1,800,000	(800,000)
Plus Write Back to Reserve	-	-	-	-
<b>Closing Balance End of Year</b>	<b>\$3,139,660</b>	<b>\$1,639,660</b>	<b>\$3,139,660</b>	<b>\$1,639,660</b>

	TECT Group		Tauranga Energy Consumer Trust	
Community Amenities	2013	2012	2013	2012
	\$	\$	\$	\$
Opening Balance	754,469	710,620	754,469	710,620
Plus Allocated - Annual Distribution Plan	1,500,000	1,500,000	188,990	331,000
	2,254,469	2,210,620	943,459	1,041,620
Less Transfers to Provisions & Payments	(1,491,010)	(1,456,643)	-	(287,643)
Plus Write Back to Reserve	180,000	492	-	492
<b>Closing Balance End of Year</b>	<b>\$943,459</b>	<b>\$754,469</b>	<b>\$943,459</b>	<b>\$754,469</b>

	TECT Group		Tauranga Energy Consumer Trust	
Community Events	2013	2012	2013	2012
	\$	\$	\$	\$
Opening Balance	(19,326)	195,872	(19,326)	195,872
Plus Allocated - Annual Distribution Plan	500,000	300,000	125,441	(63,378)
	480,674	495,872	106,115	132,494
Less Transfers to Provisions & Payments	(406,814)	(518,378)	(30,000)	(155,000)
Plus Write Back to Reserve	32,255	3,180	30,000	3,180
<b>Closing Balance End of Year</b>	<b>\$106,115</b>	<b>(\$19,326)</b>	<b>\$106,115</b>	<b>(\$19,326)</b>



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

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

	TECT Group		Tauranga Energy Consumer Trust	
	2013	2012	2013	2012
<b>Community Special Projects</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening Balance	602,541	994,415	602,541	994,415
Plus Allocated - Annual Distribution Plan	2,000,000	1,000,000	490,037	(46,312)
	<u>2,602,541</u>	<u>1,994,415</u>	<u>1,092,578</u>	<u>948,103</u>
Less Transfers to Provisions & Payments	(2,491,696)	(1,391,874)	(979,051)	(345,562)
Plus Write Back to Reserve	2,652	-	-	-
<b>Closing Balance End of Year</b>	<b>\$113,527</b>	<b>\$602,541</b>	<b>\$113,527</b>	<b>\$602,541</b>

	TECT Group		Tauranga Energy Consumer Trust	
	2013	2012	2013	2012
<b>Energy Efficiency</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening Balance	25,012	(374,988)	25,012	(374,988)
Plus Allocated - Annual Distribution Plan	400,000	800,000	400,000	400,000
	<u>425,012</u>	<u>425,012</u>	<u>425,012</u>	<u>25,012</u>
Less Transfers to Provisions & Payments	-	(400,000)	-	-
<b>Closing Balance End of Year</b>	<b>\$425,012</b>	<b>\$25,012</b>	<b>\$425,012</b>	<b>\$25,012</b>

	TECT Group		Tauranga Energy Consumer Trust	
	2013	2012	2013	2012
<b>Community Organisation Subsidies</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening Balance	687,282	424,233	687,282	424,233
Plus Allocated - Annual Distribution Plan	1,000,000	1,200,000	1,000,000	1,200,000
	<u>1,687,282</u>	<u>1,624,233</u>	<u>1,687,282</u>	<u>1,624,233</u>
Less Transfers to Provisions & Payments	(1,203,790)	(999,976)	(1,203,790)	(999,976)
Plus Write Back to Reserve	21,263	63,025	21,263	63,025
<b>Closing Balance End of Year</b>	<b>\$504,755</b>	<b>\$687,282</b>	<b>\$504,755</b>	<b>\$687,282</b>

	TECT Group		Tauranga Energy Consumer Trust	
	2013	2012	2013	2012
<b>Consumer Distributions</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening Balance	-	-	-	-
Plus Allocated - Annual Distribution Plan	25,679,500	25,875,000	25,679,500	25,875,000
	<u>(25,679,500)</u>	<u>(25,875,000)</u>	<u>(25,679,500)</u>	<u>(25,875,000)</u>
<b>Closing Balance End of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2013

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







## Independent auditor's report

### To the beneficiaries 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 2013, 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 and group on normal terms within the ordinary course of trading activities of the business of the trust and group as TrustPower consumers. This matter has not impaired our independence as auditor of the trust and group. The firm has no other relationship with, or interest in, the trust and group.



### ***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; and
- give a true and fair view of the financial position of the trust and the group as at 31 March 2013 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.



18 June 2013  
Tauranga