

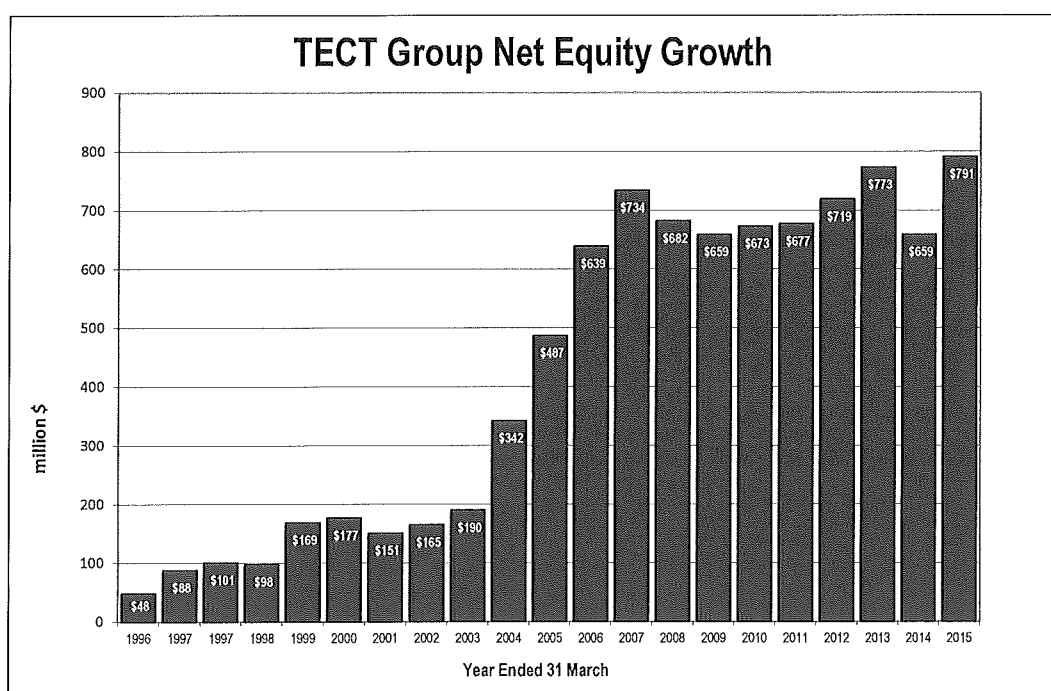
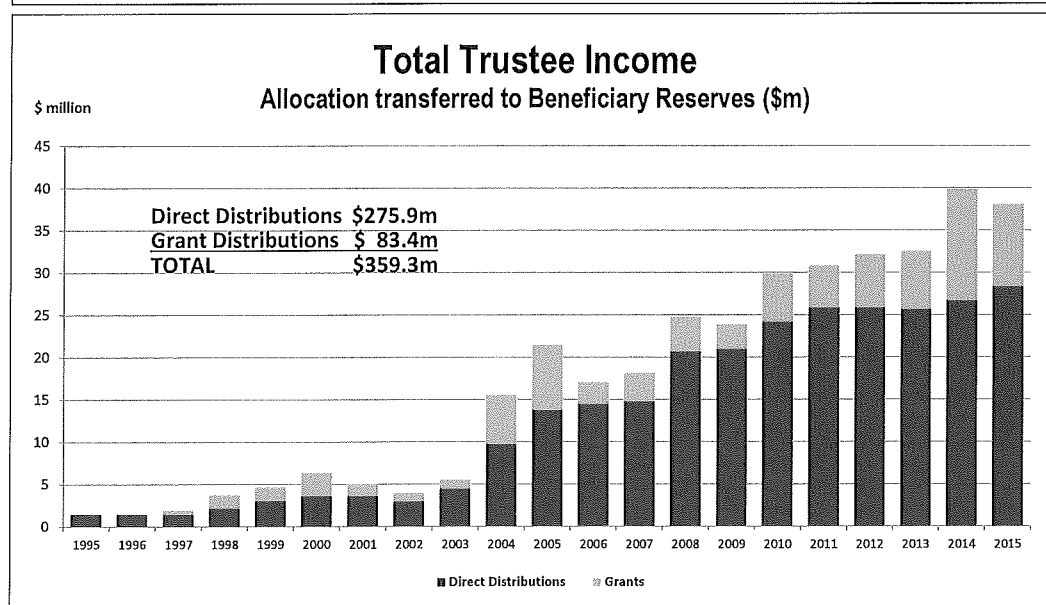
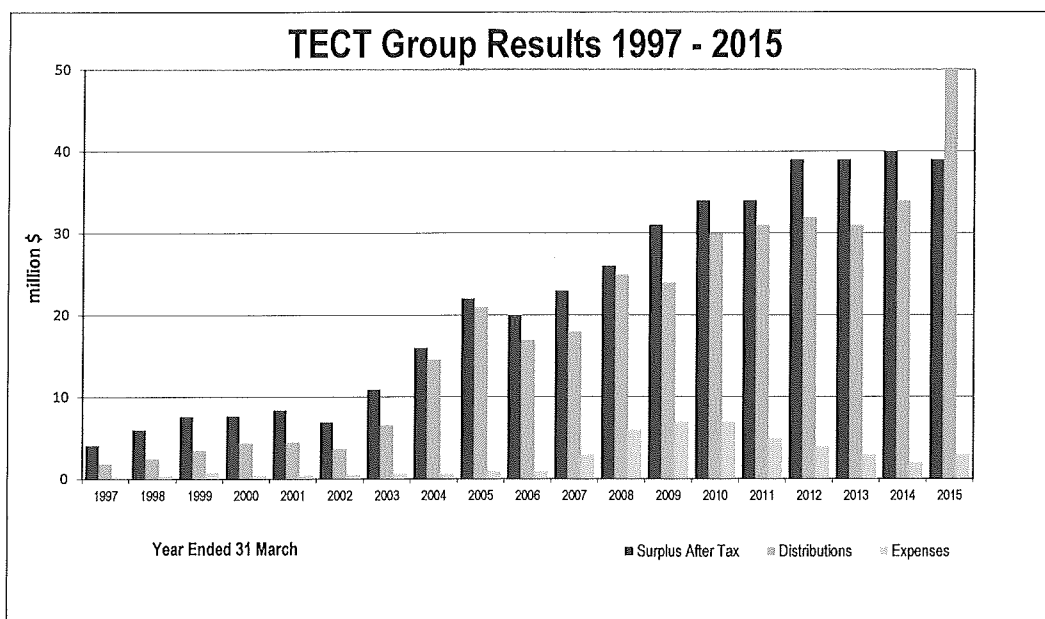
TAURANGA ENERGY CONSUMER TRUST

GROUP CONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED
31 MARCH 2015

| 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 - 21 |
| Audit Report | 22 - 23 |

Financial Highlights at 31 March 2015



TAURANGA ENERGY CONSUMER TRUST

GROUP CONSOLIDATED FINANCIAL REPORT

DIRECTORY

AS AT 31 MARCH 2015

| | |
|------------------------------|--|
| Trustees: | WB Holland, Chairperson BW Cronin, Deputy Chairperson P Blackwell (Appointed 31 July 2014) K Collings RJC Scott P Tustin (Appointed 31 July 2014) MJ Cooney (Retired 31 July 2014) S Devoy (Retired 31 July 2014) |
| Secretary: | WA Werder (from 1 April 2014) General Manager, TECT Level 2, 525 Cameron Road PO Box 356 Seventh Avenue Tauranga |
| Auditor: | KPMG Tauranga |
| Solicitors: | Sharp Tudhope & Co, 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 |

TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

| | | TECT Group | | Tauranga Energy Consumer Trust | |
|--|-----------------|-----------------------|------------------------|--------------------------------|---------------------|
| | | 2015 | 2014 | 2015 | 2014 |
| | | \$ | \$ | \$ | \$ |
| Finance Income | | | | | |
| Dividends | | 41,551,535 | 41,551,535 | - | - |
| Net Change in Fair Value of Derivative designated at Fair Value through Profit & Loss | | - | 627,427 | - | - |
| Interest | | 985,342 | 936,707 | 774,841 | 889,625 |
| Management Fees | | - | - | 27,600 | 27,600 |
| Effective Interest Adjustment of Interest Free Loans | (Note 10d) | 13,591 | 12,634 | 13,591 | 12,634 |
| Other Income | | 1,183 | 1,828 | - | 125 |
| TOTAL REVENUE | | 42,551,651 | 43,130,131 | 816,032 | 929,984 |
| Less Expenses | | | | | |
| Administration Expenses | | | | | |
| Accounting & Financial Consultancy | | 84,545 | - | 84,545 | - |
| Consumer Related Expenses | (Note 3a) | 236,432 | 116,133 | 236,432 | 116,133 |
| Legal and Advisory Fees | | 42,976 | 39,996 | 25,127 | 39,996 |
| Trustee Expenses | (Note 3b) | 169,003 | 162,167 | 169,003 | 162,167 |
| Other Administration Expenses | (Note 3c) | 420,112 | 485,535 | 415,921 | 481,344 |
| | | 953,068 | 803,831 | 931,028 | 799,640 |
| Finance Expenses | | | | | |
| Interest Expense | | 1,446,081 | 1,494,552 | 292,395 | 261,231 |
| Net Change in Fair Value of Derivative designated at Fair Value through Profit & Loss | | 82,724 | - | - | - |
| Other Finance Expenses | | 4,486 | 5,523 | 316 | 4,999 |
| | | 1,533,291 | 1,500,075 | 292,711 | 266,230 |
| TOTAL CASH EXPENSES | | 2,486,359 | 2,303,906 | 1,223,739 | 1,065,870 |
| Depreciation Expense | (Note 18) | 28,264 | 2,537 | 28,264 | 2,537 |
| TOTAL EXPENSES | | 2,514,623 | 2,306,443 | 1,252,003 | 1,068,407 |
| PROFIT BEFORE TAXATION | | 40,037,028 | 40,823,688 | (435,971) | (138,423) |
| Tax Expense | (Note 5) | 1,536,002 | 778,512 | 23,698 | 128,890 |
| TOTAL PROFIT AFTER TAXATION | | \$ 38,501,026 | \$ 40,045,176 | \$ (459,669) | \$ (267,313) |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Items which will be reclassified to Profit & Loss on certain conditions being met | | | | | |
| Valuation Gain/(Loss) on Investments | (Note 2) | 151,663,103 | (125,693,394) | - | - |
| Capital Loss on Investment written off | (Note 1(c)(ii)) | - | - | - | (4,295) |
| Tax on Components of Other Comprehensive Income | (Note 2) | (9,681,640) | 5,671,210 | - | - |
| Total Other Comprehensive Income | | 141,981,463 | (120,022,184) | - | (4,295) |
| TOTAL COMPREHENSIVE INCOME | | \$ 180,482,489 | \$ (79,977,008) | \$ (459,669) | \$ (271,608) |



TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

| | TECT Group | | Tauranga Energy Consumer Trust | |
|--|-----------------------|-----------------------|--------------------------------|-----------------------|
| | 2015 \$ | 2014 \$ | 2015 \$ | 2014 \$ |
| Profit After Taxation | 38,501,026 | 40,045,176 | (459,669) | (267,313) |
| Other Comprehensive Income | 141,981,463 | (120,022,184) | - | (4,295) |
| Total Comprehensive Income | 180,482,489 | (79,977,008) | (459,669) | (271,608) |
| Distributions of Equity (Note 8) | (49,720,749) | (33,518,433) | (29,135,132) | (28,353,220) |
| Distributions Written Back (Note 8) | 663,033 | 91,952 | 659,974 | 91,952 |
| Movements in Equity for the Year | 131,424,773 | (113,403,489) | (28,934,827) | (28,532,876) |
| Trust Equity at Start of the Year | 659,177,616 | 772,581,105 | 492,445,048 | 520,977,924 |
| Trust Equity at End of the Year | \$ 790,602,389 | \$ 659,177,616 | \$ 463,510,221 | \$ 492,445,048 |



TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

IBDO

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

| | | TECT Group | | Tauranga Energy Consumer Trust | |
|--|--------------|-----------------------|-----------------------|--------------------------------|-----------------------|
| | | 2015 | 2014 | 2015 | 2014 |
| | | \$ | \$ | \$ | \$ |
| Trust Equity | | | | | |
| Accumulated Final Profits | (Note 2) | 107,552,128 | 106,517,770 | 463,413,517 | 480,757,296 |
| Fair Value Reserve | (Note 2) | 682,953,557 | 540,972,094 | - | - |
| Reserves for Distribution | (Notes 2,15) | 96,704 | 11,687,752 | 96,704 | 11,687,752 |
| TOTAL TRUST EQUITY | | \$ 790,602,389 | \$ 659,177,616 | \$ 463,510,221 | \$ 492,445,048 |
| <i>Represented by:</i> | | | | | |
| Current Assets | | | | | |
| Cash & Cash Equivalents - | | 1,289,201 | 2,937,528 | 1,286,802 | 2,931,570 |
| Short Term Deposits (>90 days) | | 2,546,642 | 14,376,347 | 2,546,642 | 14,376,347 |
| Accounts Receivable & Prepayments | | 27,902 | 28,238 | 25,847 | 28,238 |
| Interest Rate Swaps - Westpac/ANZ Bank | (Note 12) | 148,276 | 231,000 | - | - |
| Taxation Refund Due | | 416,938 | - | 68,090 | 17,420 |
| Total Current Assets | | 4,428,959 | 17,573,113 | 3,927,381 | 17,353,575 |
| Non Current Assets | | | | | |
| Investments | | | | | |
| Shares in TrustPower Ltd | (Note 10a) | 825,836,762 | 674,173,659 | - | - |
| Investment in Subsidiaries | | - | - | 2,100 | 2,100 |
| Loan - TECT Holdings Ltd | (Note 9) | - | - | 465,404,444 | 478,930,165 |
| ANZ Senior Bonds | (Note 10b) | - | 3,077,116 | - | 3,077,116 |
| Omanu Beach Charitable Trust Loan | (Note 10d) | 192,896 | 179,305 | 192,896 | 179,305 |
| Total Investments | | 826,029,658 | 677,430,080 | 465,599,440 | 482,188,686 |
| Other Non Current Assets | | | | | |
| Deferred Taxation | (Note 13) | - | - | 2,344 | 6,829 |
| Plant & Equipment | (Note 18) | 64,950 | 67,579 | 64,950 | 67,579 |
| Total Non Current Assets | | 826,094,608 | 677,497,659 | 465,666,734 | 482,263,094 |
| TOTAL ASSETS | | \$ 830,523,567 | \$ 695,070,772 | \$ 469,594,115 | \$ 499,616,669 |
| Less Current Liabilities | | | | | |
| Sundry Accounts Payable | | 74,846 | 109,169 | 74,845 | 109,168 |
| Bank Overdrafts | | - | 264,125 | - | 264,125 |
| Accrued Expenses | | 31,019 | 1,277 | 6,391 | 1,277 |
| Advance from TECT Charitable Trust | (Note 9) | - | - | 4,917,527 | 4,628,554 |
| Provision for Distributions | (Note 8) | 15,164,277 | 5,487,231 | 1,085,131 | 2,168,497 |
| Loan - ANZ Bank | | - | 125,851 | - | - |
| Loans - Westpac | (Note 11) | 12,000,000 | - | - | - |
| Taxation Payable | | - | 10,000 | - | - |
| Total Current Liabilities | | \$ 27,270,142 | \$ 5,997,653 | \$ 6,083,894 | \$ 7,171,621 |
| Non Current Liabilities | | | | | |
| Loan - ANZ Bank | (Note 11) | - | 27,500,000 | - | - |
| Deferred Taxation | (Note 13) | 12,651,036 | 2,395,503 | - | - |
| Total Non Current Liabilities | | 12,651,036 | 29,895,503 | - | - |
| TOTAL LIABILITIES | | \$ 39,921,178 | \$ 35,893,156 | \$ 6,083,894 | \$ 7,171,621 |
| NET ASSETS | | \$ 790,602,389 | \$ 659,177,616 | \$ 463,510,221 | \$ 492,445,048 |

Trustee

Trustee



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



**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015**

| | TECT Group | | Tauranga Energy Consumer Trust | |
|---|------------------------|------------------------|--------------------------------|------------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| <u>Cash was provided from/(disbursed to):</u> | | | | |
| Dividends Received | 41,551,535 | 41,551,535 | - | - |
| Interest Received | 934,958 | 929,969 | 774,841 | 889,625 |
| Other Income | - | - | - | 125 |
| Payments to Suppliers & Trustees | (1,217,427) | (757,770) | (958,162) | (753,053) |
| Interest Paid | (1,421,453) | (1,494,552) | (415) | (3,150) |
| Taxation Paid | (1,389,047) | (724,507) | (69,883) | (731,585) |
| Donations Received | 1,183 | 1,828 | - | - |
| NET CASH FLOWS FROM/(DISBURSED TO) OPERATING ACTIVITIES | \$ 38,459,749 | \$ 39,506,503 | \$ (253,619) | \$ (598,038) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| <u>Cash was received from/(applied to):</u> | | | | |
| Purchases of Fixed Assets | (25,635) | (70,116) | (25,635) | (70,116) |
| Settlement of Investments - ANZ Senior Bonds | 3,127,500 | - | - | - |
| Movement in Intercompany Loans | - | - | 16,602,837 | 34,962,478 |
| Movements in Term Deposits | 11,829,705 | (7,292,564) | 11,829,705 | (7,292,564) |
| Movement in Advance Account | - | - | 24,593 | 19,805 |
| NET CASH FLOWS FROM/(APPLIED TO) INVESTING ACTIVITIES | \$ 14,931,570 | \$ (7,362,680) | \$ 28,431,500 | \$ 27,619,603 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| <u>Cash was disbursed to:</u> | | | | |
| Payments to TrustPower Consumers (including grants) | (39,380,670) | (33,671,693) | (29,558,524) | (28,538,241) |
| Movement in ANZ Loans | (15,394,851) | 12,778 | - | - |
| NET CASH FLOWS DISBURSED TO FINANCING ACTIVITIES | \$ (54,775,521) | \$ (33,658,915) | \$ (29,558,524) | \$ (28,538,241) |
| NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS | (1,384,202) | (1,515,092) | (1,380,643) | (1,516,676) |
| Add Opening Cash & Cash Equivalents | 2,673,403 | 4,188,495 | 2,667,445 | 4,184,121 |
| CLOSING CASH & CASH EQUIVALENTS | \$ 1,289,201 | \$ 2,673,403 | \$ 1,286,802 | \$ 2,667,445 |
| <u>Represented by:</u> | | | | |
| Short Term Deposits - Less than 90 Days | 813,779 | 2,332,823 | 813,779 | 2,332,823 |
| Sharp Tudhope & Co Trust Account | - | 202 | - | 202 |
| Bank Current Accounts | 475,422 | 604,503 | 473,023 | 598,545 |
| Bank Overdrafts | - | (264,125) | - | (264,125) |
| | \$ 1,289,201 | \$ 2,673,403 | \$ 1,286,802 | \$ 2,667,445 |



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2015

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 and TECT Finance Ltd comprise the TECT Group.

As required by its Trust Deed, TECT complies with the financial reporting requirements of the Financial Reporting Act 2013.

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 16 June 2015.

(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).

At 31 March 2015 TECT Group held 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 (*Refer Note 19 – Events Subsequent to Balance Date*).

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 2015

(ii) *Subsidiary Entities*

The wholly owned subsidiary entities, TECT Charitable Trust, TECT Holdings Ltd and TECT Finance 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) – Reduced Disclosure Regime ("NZ IFRS (RDR)") 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. This is because the majority of distributions are in the form of financial returns to beneficiaries. In addition, 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'.

Application of the Reduced Disclosure Regime

TECT Group, previously a Tier 1 entity, has adopted the Reduced Disclosure Regime applicable for Tier 2 entities. This has resulted in a reduction of disclosures for items such as financial instruments (note 4), reconciliation of net cash flow from operating activities to profit and loss in the Statement of Cash Flows and disclosure of accounting policies not yet effective and not early adopted (note 1(f)). Since the RDR changes only impact presentation aspects, there is no impact on comprehensive income.

In all other respects 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.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2015

(f) STATUS OF ACCOUNTING STANDARDS

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

There are no new and amended New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Interpretations Committee (IFRIC) interpretations effective since 1 January 2014 that have a material impact on the financial statements of the Parent or Group.

(g) SPECIFIC ACCOUNTING POLICIES

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

(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) *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.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2015

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.

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.

(iv) Revenue

Revenue is measured at the fair value of consideration received.

(v) 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.

(vi) 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.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2015

(vii) *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.

(viii) *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.

(ix) *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.

(x) *Property, Plant & Equipment*

All property, plant and equipment is stated at cost less depreciation. Depreciation has been calculated in accordance with maximum rates permitted under the income Tax Act 2007. Trustees consider that these rates give a reasonable approximation of the estimated usable lives of these assets.

Principal depreciation rates are:

| | |
|----------------------|--------|
| Motor Vehicles | 30% |
| Furniture & Fittings | 10-16% |
| Computers & Software | 50% |
| Plant & Equipment | 25% |

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(xi) *Employee Entitlements*

Annual leave entitlements due to employees are accounted for on the basis of contractual requirements.

(xii) *Leased Equipment*

Plant and equipment is leased by TECT. Operating leases are those in which all risks and benefits are substantially retained by the lessor. Operating leases are expensed in the periods in which the amounts are payable.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2015

2 EQUITY

| | TECT Group | | Tauranga Energy Consumer Trust | |
|---|----------------------|----------------------|--------------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Accumulated Final Profits | | | | |
| (including initial share gift in 1993 of \$42.5 million): | | | | |
| Balance at Beginning of Year | 106,517,770 | 106,354,299 | 480,757,296 | 515,745,396 |
| Total Profit After Taxation | 38,501,026 | 40,045,176 | (459,669) | (267,313) |
| Consumer Distributions/Grants Written Back | 591,172 | - | 588,113 | - |
| Capital Loss on Investment Written Off | - | - | - | (4,295) |
| | <u>145,609,968</u> | <u>146,399,475</u> | <u>480,885,740</u> | <u>515,473,788</u> |
| Less Transfers to Reserves for Distribution | (38,057,840) | (39,881,705) | (17,472,223) | (34,716,492) |
| | <u>\$107,552,128</u> | <u>\$106,517,770</u> | <u>\$463,413,517</u> | <u>\$480,757,296</u> |
| Fair Value Reserve | | | | |
| Balance at Beginning of Year | 540,972,094 | 660,994,278 | - | - |
| Current Year Revaluation - TrustPower Shares | 151,663,103 | (125,693,394) | - | - |
| Deferred Tax on Fair Value Movements - TrustPower Shares | (9,681,640) | 5,671,210 | - | - |
| | <u>\$682,953,557</u> | <u>\$540,972,094</u> | <u>\$-</u> | <u>\$-</u> |
| Reserves for Distributions: (Note 15) | | | | |
| Major Amenities | (500,000) | 10,839,660 | (500,000) | 10,839,660 |
| Community Amenities | 362,218 | 3,533 | 362,218 | 3,533 |
| Community Events | 4,430 | 69,737 | 4,430 | 69,737 |
| Community Development | 97,080 | - | 97,080 | - |
| Energy Efficiency | 106,902 | 525,012 | 106,902 | 525,012 |
| Community Organisation Subs - Unallocated | 26,074 | 249,810 | 26,074 | 249,810 |
| | <u>\$96,704</u> | <u>\$11,687,752</u> | <u>\$96,704</u> | <u>\$11,687,752</u> |
| Total Trust Equity | <u>\$790,602,389</u> | <u>\$659,177,616</u> | <u>\$463,510,221</u> | <u>\$492,445,048</u> |



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2015

3 ADMINISTRATION EXPENSES

(a) Consumer Related Expenses include the following amounts:

| | TECT Group | | Tauranga Energy Consumer Trust | |
|---|------------------|------------------|--------------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Consumer Consultation, Research & Reporting | 30,856 | 52,964 | 30,856 | 52,964 |
| Community Funding Schemes | 19,381 | 2,185 | 19,381 | 2,185 |
| Election Costs | 113,788 | 4,000 | 113,788 | 4,000 |
| Electricity Consumer Distribution Costs | 72,407 | 56,984 | 72,407 | 56,984 |
| | \$236,432 | \$116,133 | \$236,432 | \$116,133 |

(b) Trustee Expenses include the following amounts:

| | TECT Group | | Tauranga Energy Consumer Trust | |
|----------------------------------|------------------|------------------|--------------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Trustee Expenses | 6,727 | 2,134 | 6,727 | 2,134 |
| Trustee Fees | 158,519 | 151,005 | 158,519 | 151,005 |
| Trustee Professional Development | 3,757 | 9,028 | 3,757 | 9,028 |
| | \$169,003 | \$162,167 | \$169,003 | \$162,167 |

(c) Other Administration Expenses include the following amounts:

| | TECT Group | | Tauranga Energy Consumer Trust | |
|---|------------------|------------------|--------------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Audit Fees | 18,500 | 22,000 | 18,500 | 22,000 |
| Insurance | 11,027 | 9,328 | 11,027 | 9,328 |
| Marketing | 9,788 | - | 9,788 | - |
| Premises & Occupancy | 52,249 | - | 52,249 | - |
| Research & Development - Strategic Projects | 20,000 | 7,980 | 20,000 | 7,980 |
| Secretarial Fees | - | 358,001 | - | 358,001 |
| Staff Professional Development | 9,932 | - | 9,932 | - |
| Wages & Staff Expenses | 256,278 | 20,477 | 256,278 | 20,477 |
| Other Administration Expenses | 42,338 | 67,749 | 38,147 | 63,558 |
| | \$420,112 | \$485,535 | \$415,921 | \$481,344 |

During the year ended 31 March 2014, Trustees made the decision to open an independent office for TECT with its own staff, premises and equipment. A General Manager was appointed and commenced employment on 1 February 2014 to undertake the setting up of the independent office and employ staff. The new office was fully operational from 1 April 2014.

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.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2015

Interest Rate Risk

TECT Finance Ltd entered into three swaps of \$5m each, commencing from 15 December 2012, to mitigate interest rate risk on the funds borrowed from ANZ Bank. These swaps were due to mature in December 2015, 2017 and 2019 respectively. The swaps maturing 2015 and 2017 were terminated at 31 January 2015, and the remaining swap of \$5m maturing December 2019 was novated to Westpac. 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.

Fair Value

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

5 TAXATION

| | TECT Group | | Tauranga Energy Consumer Trust | |
|--|----------------------------|----------------------------|--------------------------------|-------------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Profit Before Taxation | 40,037,028 | 40,823,688 | (435,971) | (138,423) |
| Add Non-Deductible Expenditure | 507,784 | 528,998 | 507,784 | 528,998 |
| Imputation Tax Credits | 9,695,358 | 12,927,144 | - | - |
| | <u>50,240,170</u> | <u>54,279,830</u> | <u>71,813</u> | <u>390,575</u> |
| <u>Less</u> | | | | |
| Deductible Distribution Payments | (9,822,145) | (5,128,148) | - | - |
| Tax Amortisation of Loan Fees | (29,871) | (17,069) | - | - |
| Charitable Trust Income Exemption | (288,972) | (255,593) | - | - |
| Taxable Income | <u>\$40,099,182</u> | <u>\$48,879,020</u> | <u>\$71,813</u> | <u>\$390,575</u> |
| Current Tax Charge (a) | 11,231,360 | 13,705,654 | 23,698 | 128,890 |
| Less Imputation Tax Credits | (9,695,358) | (12,357,737) | - | - |
| Tax Effect of Losses | - | (569,405) | - | - |
| Income Tax Expense | <u>\$1,536,002</u> | <u>\$778,512</u> | <u>\$23,698</u> | <u>\$128,890</u> |
| Tax Expense Comprises: | | | | |
| Current Taxation Expense | 962,110 | 299,708 | 19,213 | 124,721 |
| Deferred Tax Expense (Note 13) | 573,892 | 478,804 | 4,485 | 4,169 |
| Tax Expense per Statement of Comprehensive Income | <u>\$1,536,002</u> | <u>\$778,512</u> | <u>\$23,698</u> | <u>\$128,890</u> |
| Imputation Credits Claimable | | | | |
| Total Imputation Credits | 9,695,358 | 12,927,144 | - | - |
| Less excess ICs unable to claim (converted to loss) | - | (569,407) | - | - |
| Total ICs claimable as Tax Credit | <u>\$9,695,358</u> | <u>\$12,357,737</u> | <u>-</u> | <u>-</u> |

(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 2015

6 IMPUTATION CREDITS

As TECT is not a company it does not have an imputation credit account.

TECT Holdings Limited and TECT Finance Limited are registered as a Group for ICA purposes. As at 31 March 2015 the Group had Imputation Credits available of \$52,931,787 (2014: \$41,917,662).

| | TECT Imputation Group | |
|--------------------------------|-----------------------|---------------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Imputation Credit Account | | |
| Opening Balance 1 April | 41,917,662 | 28,997,597 |
| Plus ICs on Dividends Received | 9,695,358 | 12,927,144 |
| Income Tax Paid | 1,319,165 | 147,567 |
| Use of Money Interest | (398) | - |
| Net Transfers | - | (154,646) |
| Closing Balance 31 March | <u>\$52,931,787</u> | <u>\$41,917,662</u> |

7 COMMITMENTS AND CONTINGENCIES

The TECT Group had no commitments or contingencies at the end of the financial year (2014: Nil).

8 PROVISION FOR DISTRIBUTIONS

| | TECT Group | | Tauranga Energy Consumer Trust | |
|--|---------------------|--------------------|--------------------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Opening Balance | 5,487,231 | 5,732,443 | 2,168,497 | 2,445,470 |
| Plus Distributions Approved (Note 15) | 49,720,749 | 33,518,433 | 29,135,132 | 28,353,220 |
| Less Distributions Written Back (Note 15) | (663,033) | (91,952) | (659,974) | (91,952) |
| | <u>54,544,947</u> | <u>39,158,924</u> | <u>30,643,655</u> | <u>30,706,738</u> |
| Less Distributions Paid | (39,380,670) | (33,671,693) | (29,558,524) | (28,538,241) |
| Closing Balance End of Year | <u>\$15,164,277</u> | <u>\$5,487,231</u> | <u>\$1,085,131</u> | <u>\$2,168,497</u> |
| Distributions not yet uplifted: | | | | |
| Major Community Amenities | 11,000,000 | - | - | - |
| Community Amenities | 1,020,358 | 1,830,001 | 190,087 | 30,000 |
| Community Events | 275,837 | 195,116 | - | 91,132 |
| Community Development | 1,473,783 | 1,529,389 | 165,428 | 295,347 |
| Energy Efficiency | 102,651 | 180,707 | - | - |
| Community Organisation | | | | |
| Subsidy Scheme | 827,330 | 815,664 | 265,298 | 815,664 |
| Direct Consumer Distributions | 464,318 | 936,354 | 464,318 | 936,354 |
| | <u>\$15,164,277</u> | <u>\$5,487,231</u> | <u>\$1,085,131</u> | <u>\$2,168,497</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.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2015

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 2015 the balance of the advance from TECT Charitable Trust was \$4,917,527 (2014: \$4,628,554). 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 \$291,980 in the current year (2014: \$258,081).

TECT Holdings Limited

The balance of the loan at 31 March 2015 was \$465,404,444 after offsetting advances made by TECT Holdings Ltd to TECT (2014: \$478,930,165). The loan is interest free and due on demand. The loan is not expected to be repaid within 12 months.

TECT Finance Limited

In 2007 TECT Finance Ltd borrowed funds from ANZ Bank to on-lend to TECT Holdings Ltd under an 'Intercompany Loan Agreement' to finance the purchase of 14 million TrustPower shares. This loan was refinanced in 2009 and has now been fully repaid.

10 INVESTMENTS

(a) TrustPower Limited

Fair value has been assessed at \$7.95 per share (\$6.49 per share 2014), being the closing buy quotation on 31 March 2015 (being last business day of month). No allowance has been made for commission payable on any disposal of shares. Values adopted being:

| | TECT Group | |
|--|----------------------|----------------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Opening Balance | 674,173,659 | 799,867,053 |
| Add Current Year Change in Valuation | 151,663,103 | (125,693,394) |
| Closing Balance 103,878,838 shares @ \$7.95 per share (2014: 103,878,838 shares @ \$6.49) | <u>\$825,836,762</u> | <u>\$674,173,659</u> |

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.

In the two months following balance date (1 April to 31 May 2015) the TrustPower share price fluctuated significantly, ranging from a high of \$8.12 to a low of \$7.65 (2014: \$7.15 to \$6.42).

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). Additionally Trustees are able to sell any shares in excess of the base level without consultation. In April 2015 TECT Group sold 20 million shares @ \$7.74 per share. (See Note 19.) The remaining 83,878,838 shares represent 26.8% of the total shares in TrustPower. The Trust Deed



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2015

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.

(b) ANZ Senior Bonds

| | TECT | |
|--|-------------|-------------|
| | 2015 \$ | 2014 \$ |
| Opening Balance (Face Value \$3m, Interest @ 8.5%) | 3,077,116 | 3,070,378 |
| Plus Effective Interest | 50,384 | 6,738 |
| Less Withdrawal at Maturity | (3,127,500) | - |
| Closing Balance | - | \$3,077,116 |

(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 | |
|---|------------|------------|
| | 2015 \$ | 2014 \$ |
| Opening Balance | 179,305 | 166,671 |
| Add Current Year Effective Interest Rate Adjustment | 13,591 | 12,634 |
| Closing Balance | \$192,896 | \$179,305 |
| <u>Comprising:</u> | | |
| Omanu Beach Charitable Trust Loan | 192,896 | 179,305 |
| | \$192,896 | \$179,305 |

11 LOANS – Westpac Bank:

| | | |
|---------|-----------|--|
| Westpac | Term: | \$9m: 110 days, maturing 30 June 2015 |
| | Term: | \$3m: 81 days, maturing 15 June 2015 |
| | Total: | \$12m |
| | Security: | 6,897,555 TrustPower shares are pledged as security for TECT's multi option credit facilities with Westpac. These facilities are limited to \$20m. |

LOAN – ANZ Bank:

| | | |
|----------|-------|--|
| ANZ Bank | Term: | Nil (2014: \$27.5m : 6 years, maturing 15 December 2015) |
|----------|-------|--|



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2015

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

12 INTEREST RATE SWAP – WESTPAC BANK:

| | | |
|-----------------------------------|------------------|------------------------------------|
| Westpac Bank - Interest Rate Swap | Term: | 7 years, maturing 15 December 2019 |
| Novated from ANZ Bank March 2015 | Notional amount: | \$5 million |
| | Mark to Market: | \$148,276 (2014: \$Nil) |

13 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 | |
|--|-----------------------|----------------------|--------------------------------|----------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Opening Balance | (2,395,503) | (7,587,909) | 6,829 | 10,998 |
| Plus/(Less): | | | | |
| <u>Deferred Tax Adjustments through Income Statement</u> | | | | |
| Fair Value Adjustment of Investments | (4,485) | (4,169) | (4,485) | (4,169) |
| Deferred Tax on Tax Losses | - | 569,407 | - | - |
| Deferred Tax on Tax Losses Utilised | (569,407) | (1,044,042) | - | - |
| <u>Deferred Tax Adjustments through Equity</u> | | | | |
| Fair Value Movement – TrustPower shares | (9,681,641) | 5,671,210 | - | - |
| Closing Balance End of Year | (\$12,651,036) | (\$2,395,503) | \$2,344 | \$6,829 |

- (i) The deferred tax liability arising in relation to the fair value movements in TrustPower shares is estimated based on 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 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 four financial years to allow for fluctuations between years (2015: 30.62%; 2014: 32.1%). 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 2015

- (ii) A decrease of 100 basis points in the average imputation credits used in the calculation of deferred tax would have resulted in an increase in deferred tax liability of \$1,538,820.

Deferred tax assets and liabilities are attributable to the following:

TECT Group

| | Assets | | Liabilities | | Net | |
|-------------------------------------|----------|-----------|-----------------------|----------------------|-----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Available-for-sale financial assets | - | - | (12,653,380) | (2,971,739) | (12,653,380) | (2,971,739) |
| Tax Losses | - | 569,407 | - | - | - | 569,407 |
| Loans and receivables | 2,344 | 6,829 | - | - | 2,344 | 6,829 |
| Tax assets (liabilities) | 2,344 | 576,236 | (12,653,380) | (2,971,739) | (12,651,036) | (2,395,503) |
| Set off of tax | (2,344) | (576,236) | 2,344 | 576,236 | - | - |
| Net tax assets (liabilities) | - | - | (\$12,651,036) | (\$2,395,503) | (\$12,651,036) | (\$2,395,503) |

Tauranga Energy Consumer Trust

| | Assets | | Liabilities | | Net | |
|-------------------------------------|----------------|----------------|-------------|----------|----------------|----------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Loans and receivables | 2,344 | 6,829 | - | - | 2,344 | 6,829 |
| Tax assets (liabilities) | 2,344 | 6,829 | - | - | 2,344 | 6,829 |
| Set off of tax | - | - | - | - | - | - |
| Net tax assets (liabilities) | \$2,344 | \$6,829 | - | - | \$2,344 | \$6,829 |

14 RELATED PARTY TRANSACTIONS

Mr Michael Cooney was the Chairman of Tauranga Energy Consumer Trust (TECT) and TECT Charitable Trust and was a Director on the Board of each of the TECT Group's subsidiary companies until 31 July 2014. Mr Cooney was also a Director of TrustPower Limited during the same period. The TECT Group owns 103,878,838 shares in TrustPower Limited and during the year received dividends of \$41,551,535 (2014: \$41,551,535). Refer to Note 10(a) for further details of the TECT Group investment in TrustPower Limited.

Mr Bill Holland is a Trustee of TECT and TECT Charitable Trust and is a Director on the Board of each of the TECT Group's subsidiary companies. Mr Holland is also a Partner in the law firm Holland Beckett. Commencing 1 April 2014 TECT has entered into an agreement to lease premises from Holland Beckett at an annual cost of \$48,000 (excluding GST).

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.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2015

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.

15 RESERVES FOR DISTRIBUTIONS

| | TECT Group | | Tauranga Energy Consumer Trust | |
|---|-----------------|---------------------|--------------------------------|---------------------|
| Summary: | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Opening Balance | 11,687,752 | 5,232,528 | 11,687,752 | 5,232,528 |
| Plus Allocated - Annual Distribution Plan | 38,057,840 | 39,880,000 | 17,472,223 | 34,716,491 |
| Less Write Back to Retained Earnings | (591,172) | - | (588,113) | - |
| | 49,154,420 | 45,112,528 | 28,571,862 | 39,949,019 |
| Less Transfers to Provisions & Payments | (49,720,749) | (33,516,729) | (29,135,132) | (28,353,220) |
| Plus Write Back to Reserve | 663,033 | 91,953 | 659,974 | 91,953 |
| Closing Balance End of Year | \$96,704 | \$11,687,752 | \$96,704 | \$11,687,752 |

This comprises:

| | TECT Group | | Tauranga Energy Consumer Trust | |
|---|--------------------|---------------------|--------------------------------|---------------------|
| Major Amenities | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Opening Balance | 10,839,660 | 3,139,660 | 10,839,660 | 3,139,660 |
| Plus Allocated - Annual Distribution Plan | 3,660,340 | 7,700,000 | (11,339,660) | 7,700,000 |
| | 14,500,000 | 10,839,660 | (500,000) | 10,839,660 |
| Less Transfers to Provisions & Payments | (15,000,000) | - | - | - |
| Closing Balance End of Year | (\$500,000) | \$10,839,660 | (\$500,000) | \$10,839,660 |

| | TECT Group | | Tauranga Energy Consumer Trust | |
|---|------------------|----------------|--------------------------------|----------------|
| Community Amenities | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Opening Balance | 3,533 | 943,459 | 3,533 | 943,459 |
| Plus Allocated - Annual Distribution Plan | 2,500,000 | 1,500,000 | 648,772 | (900,000) |
| | 2,503,533 | 2,443,459 | 652,305 | 43,459 |
| Less Transfers to Provisions & Payments | (2,141,315) | (2,440,000) | (290,087) | (40,000) |
| Plus Write Back to Reserve | - | 74 | - | 74 |
| Closing Balance End of Year | \$362,218 | \$3,533 | \$362,218 | \$3,533 |

| | TECT Group | | Tauranga Energy Consumer Trust | |
|---|----------------|-----------------|--------------------------------|-----------------|
| Community Events | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Opening Balance | 69,737 | 106,115 | 69,737 | 106,115 |
| Plus Allocated - Annual Distribution Plan | 500,000 | 500,000 | (65,307) | 92,667 |
| | 569,737 | 606,115 | 4,430 | 198,782 |
| Less Transfers to Provisions & Payments | (605,307) | (556,628) | (40,000) | (149,295) |
| Plus Write Back to Reserve | 40,000 | 20,250 | 40,000 | 20,250 |
| Closing Balance End of Year | \$4,430 | \$69,737 | \$4,430 | \$69,737 |



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2015

| | TECT Group | | Tauranga Energy Consumer Trust | |
|---|------------------|------------------|--------------------------------|----------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Community Development | | | | |
| Opening Balance | - | 113,527 | - | 113,527 |
| Plus Allocated - Annual Distribution Plan | 2,000,000 | 2,000,000 | 281,319 | 43,824 |
| Plus Write Back to Retained Earnings | (3,059) | - | - | - |
| | <u>1,996,941</u> | <u>2,113,527</u> | <u>281,319</u> | <u>157,351</u> |
| Less Transfers to Provisions & Payments | (1,902,922) | (2,113,527) | (184,241) | (157,351) |
| Plus Write Back to Reserve | 3,061 | - | 2 | - |
| Closing Balance End of Year | <u>\$97,080</u> | <u>-</u> | <u>\$97,080</u> | <u>-</u> |

| | TECT Group | | Tauranga Energy Consumer Trust | |
|---|------------------|------------------|--------------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Energy Efficiency | | | | |
| Opening Balance | 525,012 | 425,012 | 525,012 | 425,012 |
| Plus Allocated - Annual Distribution Plan | - | 500,000 | (418,110) | 100,000 |
| | <u>525,012</u> | <u>925,012</u> | <u>106,902</u> | <u>525,012</u> |
| Less Transfers to Provisions & Payments | (418,110) | (400,000) | - | - |
| Closing Balance End of Year | <u>\$106,902</u> | <u>\$525,012</u> | <u>\$106,902</u> | <u>\$525,012</u> |

| | TECT Group | | Tauranga Energy Consumer Trust | |
|---|------------------|------------------|--------------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Community Organisation Subsidies | | | | |
| Opening Balance | 249,810 | 504,755 | 249,810 | 504,755 |
| Plus Allocated - Annual Distribution Plan | 1,000,000 | 1,000,000 | (32,291) | 1,000,000 |
| | <u>1,249,810</u> | <u>1,504,755</u> | <u>217,519</u> | <u>1,504,755</u> |
| Less Transfers to Provisions & Payments | (1,255,595) | (1,326,574) | (223,304) | (1,326,574) |
| Plus Write Back to Reserve | 31,859 | 71,629 | 31,859 | 71,629 |
| Closing Balance End of Year | <u>\$26,074</u> | <u>\$249,810</u> | <u>\$26,074</u> | <u>\$249,810</u> |

| | TECT Group | | Tauranga Energy Consumer Trust | |
|---|-------------------|-------------------|--------------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Consumer Distributions | | | | |
| Opening Balance | - | - | - | - |
| Plus Allocated - Annual Distribution Plan | 28,397,500 | 26,680,000 | 28,397,500 | 26,680,000 |
| Less Write Back to Retained Earnings | (588,113) | - | (588,113) | - |
| | <u>27,809,387</u> | <u>26,680,000</u> | <u>27,809,387</u> | <u>26,680,000</u> |
| Less Transfers to Provisions & Payments | (28,397,500) | (26,680,000) | (28,397,500) | (26,680,000) |
| Plus Unclaimed Cheques Cancelled | 588,113 | - | 588,113 | - |
| 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 2015

16 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 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.

17 Loan Covenants

During the year ended 31 March 2015, TECT Group was subject to financial covenants as a condition of TECT Finance Limited's loans with ANZ Bank. Those loans were fully repaid during the year. No financial covenants were breached during the year ended 31 March 2015.

18 Fixed Assets

PARENT & GROUP

| | Cost Price | Book Value 31.3.13 | Additions | Depreciation \$ | Book Value 31.3.14 |
|------------------------------------|-----------------|-----------------------|-----------------|--------------------|-----------------------|
| Motor Vehicles | 26,335 | 24,360 | - | 7,308 | 17,052 |
| Furniture & Fittings | 24,305 | 12,226 | 11,938 | 4,743 | 19,421 |
| Computers & Software | 18,552 | 30,094 | 13,697 | 15,929 | 27,862 |
| Plant & Equipment | 924 | 899 | - | 284 | 615 |
| Closing Balance End of Year | \$70,116 | \$ 67,579 | \$25,635 | \$28,264 | \$64,950 |

19 Events Subsequent to Balance Date

On 22 April 2015 TECT sold 20 million of its shares in TrustPower at a price of \$7.74 per share. Following the sell down TECT's holding was reduced from 33.2% to 26.8% of shares in the company. The sell down was made to facilitate diversification of TECT's investment portfolio. Trustees have confirmed that there is no intention to sell any further TrustPower shares in the foreseeable future.

20 Contingent Liabilities

In February 2015 Trustees resolved to underwrite BOP Classic Aircraft Trust event 'From Tauranga to the Trenches' up to a maximum of \$55,000.





Independent auditor's report

To the beneficiaries of Tauranga Energy Consumer Trust

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 21. The financial statements comprise the statements of financial position as at 31 March 2015, 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 and fair presentation of the trust and group financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime) and for such internal control as the trustees determine is necessary to enable the preparation of 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 and fair presentation of the financial statements 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.

Our firm has also provided other services to the trust and group in relation to internal control reviews of certain key processes. 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 trust and group as TrustPower consumers. These matters have 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 21 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Tauranga Energy Consumer Trust and the group as at 31 March 2015 and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

A handwritten signature of the KPMG firm, written in a cursive style.

16 June 2015
Tauranga