

**TAURANGA ENERGY CONSUMER TRUST**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**  
**31 MARCH 2019**

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<p style="text-align: center;"><b>TAURANGA ENERGY CONSUMER TRUST</b> <b>CONSOLIDATED FINANCIAL STATEMENTS</b></p>
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**DIRECTORY**  
**AS AT 31 MARCH 2019**

<b>Trustees:</b>	W Holland, Chairperson N Bridges, Deputy Chairperson M Arundel (appointed August 2018) A Sutcliffe P Blackwell T Jennen (appointed August 2018) R Scott (retired August 2018) P Tustin (retired August 2018)
<b>General Manager:</b>	WA Werder
<b>Address:</b>	The Kollektive, Historic Village 159 17 <sup>th</sup> Avenue Tauranga 3112
<b>Auditor:</b>	Crowe Horwath New Zealand Audit Partnership
<b>Solicitors:</b>	Harmos Horton Lusk, Auckland Sharp Tudhope, Tauranga
<b>Accountant:</b>	BDO Tauranga Limited
<b>Date of Commencement:</b>	TECT - 21 December 1993 TECT Charitable Trust – 27 March 2002 TECT Holdings Ltd – 15 December 2006 TECT Property Ltd – 22 March 2016

**TAURANGA ENERGY CONSUMER TRUST**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	Note	TECT Group	
		2019	2018
		\$	\$
<b>REVENUE</b>			
Dividends		49,902,658	31,652,057
Distributions Received		5,385,593	15,155,045
Interest		1,717,594	3,699
Other Income		171,935	59,965
<b>Total Revenue</b>		<b>57,177,781</b>	<b>46,870,769</b>
<b>EXPENSES</b>			
<b>Administration Expenses</b>			
Accounting & Financial Consultancy		90,673	85,670
Consumer Related Expenses	3a	235,727	169,477
Depreciation Expense	14	24,200	14,851
Investment Expenses		160,112	66,116
Legal and Advisory Fees		48,038	245,108
Trustee Expenses	3b	187,719	216,713
Other Administration Expenses	3c	635,047	550,583
<b>Total Administration Expenses</b>		<b>1,381,517</b>	<b>1,348,518</b>
<b>Finance Expenses</b>			
Effective Interest Adjustment of Interest Free Loans	9d	14,621	(37,280)
Interest Expense		58,729	135,428
Net Change in Fair Value of Derivative		337,013	51,514
Other Finance Expenses		51,291	132,781
<b>Total Finance Expenses</b>		<b>461,654</b>	<b>282,442</b>
<b>Total Expenses</b>		<b>1,843,171</b>	<b>1,630,961</b>
<b>PROFIT BEFORE TAXATION</b>		<b>55,334,610</b>	<b>45,239,808</b>
Tax Expense/(Benefit)	5	(2,267,626)	2,317,393
<b>TOTAL PROFIT AFTER TAXATION</b>		<b>57,602,236</b>	<b>42,922,414</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items which will be reclassified to Profit &amp; Loss on certain conditions being met</b>			
Deferred Tax	2	(16,795,403)	-
Net Profit on sale of Till Renewables Shares		37,369,421	-
Valuation Gain/(Loss) on Investments	2	101,595,916	52,747,316
<b>Total Other Comprehensive Income</b>		<b>122,169,934</b>	<b>52,747,316</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>179,772,170</b>	<b>95,669,723</b>

This statement is to be read in conjunction with the Notes to the Financial Statements.

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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	Note	TECT Group	
		2019	2018
		\$	\$
Trust Equity at Start of the Year		776,208,270	716,079,744
Total Comprehensive Income for the year		179,772,168	95,669,723
Distributions of Equity	7	(35,280,115)	(35,897,976)
Distributions Written Back	7	796,490	356,774
Movements in Equity for the Year		145,288,543	60,128,521
Trust Equity at the End of the Year		921,496,815	776,208,270

*This statement is to be read in conjunction with the Notes to the Financial Statements.*

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**TAURANGA ENERGY CONSUMER TRUST  
CONSOLIDATED FINANCIAL STATEMENTS**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2019**

	Note	TECT Group	
		2019	2018
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Accounts Receivable & Prepayments		960,743	204,778
Cash and cash equivalents		6,855,407	2,182,495
Interest Rate Swaps		-	183,880
Taxation Refund Due		-	9
Term deposits		93,000,000	-
		100,816,151	2,571,162
<b>Non-current assets</b>			
Deferred Tax	10	-	12,521
Investment Portfolios	9c	278,486,136	164,538,852
Investment Property - Work in Progress		-	4,264,781
Loans to Consumer Organisations	9d	299,439	882,060
Property, Plant & Equipment	14	9,978,874	60,109
Shares in TILT Renewables Ltd	9b	-	150,143,120
Shares in Trustpower Ltd	9a	554,439,119	468,882,704
		843,203,568	788,784,148
<b>TOTAL ASSETS</b>		944,019,719	791,355,312
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts Payable		122,390	136,627
Accrued Expenses		27,136	21,413
Provision for Distributions	7	7,288,750	14,989,004
		7,438,276	15,147,043
<b>Non-current liabilities</b>			
Deferred Tax	10	15,084,630	-
		15,084,630	-
<b>TOTAL LIABILITIES</b>		22,522,906	15,147,043
<b>NET ASSETS / EQUITY</b>		921,496,815	776,208,270
<i>Represented By:</i>			
<b>TRUST EQUITY</b>			
Accumulated Profits	2	245,978,588	217,070,597
Fair Value Reserve	2	671,775,899	556,427,511
Reserves for Distributions	2, 12	3,742,329	2,710,161
<b>TOTAL TRUST EQUITY</b>		921,496,815	776,208,270

Trustee 

Trustee 

<b>TAURANGA ENERGY CONSUMER TRUST</b> <b>CONSOLIDATED FINANCIAL STATEMENTS</b>
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	TECT Group	
	2019	2018
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<u>Cash was provided from/(disbursed to):</u>		
Dividends Received	49,902,658	31,652,057
Interest Received	809,543	3,699
Distributions Received and Other Income	5,557,528	15,747,262
Payments to Suppliers & Trustees	(1,425,685)	(1,618,898)
Interest Paid	(58,729)	(135,428)
Cash Flows from Other Investments	-	(3,038,302)
<b>NET CASH FLOWS FROM/(DISBURSED TO) OPERATING ACTIVITIES</b>	<b>54,785,315</b>	<b>42,610,390</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<u>Cash was received from/(applied to):</u>		
Proceeds from Sale of Tilt Renewable Shares	192,921,327	-
Costs associated with sale of Tilt Renewable Shares	(2,134,711)	
Cash Flows from Portfolio Investments	(100,611,452)	(3,623,892)
Purchases of Fixed Assets	(5,103,688)	(43,379)
Movements in Term Deposits	(93,000,000)	-
<b>NET CASH FLOWS FROM/(APPLIED TO) INVESTING ACTIVITIES</b>	<b>(7,928,525)</b>	<b>(3,667,271)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<u>Cash was received from/(disbursed to):</u>		
Payments to Trustpower Consumers (including grants)	(42,183,879)	(37,119,007)
Repayment of Loans	-	(1,500,000)
<b>NET CASH FLOWS FROM (DISBURSED TO) FINANCING ACTIVITIES</b>	<b>(42,183,879)</b>	<b>(38,619,008)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>4,672,912</b>	<b>324,112</b>
Add Opening Cash & Cash Equivalents	2,182,495	1,858,384
<b>CLOSING CASH &amp; CASH EQUIVALENTS</b>	<b>6,855,407</b>	<b>2,182,495</b>
<u>Represented by:</u>		
Bank Current Accounts	6,855,407	2,182,495

This statement is to be read in conjunction with the Notes to the Financial Statements.

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# **Tauranga Energy Consumer Trust Consolidated Financial Statements**

## **Notes to the Financial Statements For the Year Ended 31 March 2019**

### **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 Property 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 Statements comprise the Consolidated Financial Statements of the Group.

#### **APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Trustees on 18 June 2019.

#### **(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 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) 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.

##### **(ii) Subsidiary Entities**

The wholly owned subsidiary entities, TECT Charitable Trust, TECT Holdings Ltd and TECT Property 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.

# **Tauranga Energy Consumer Trust Consolidated Financial Statements**

## **Notes to the Financial Statements For the Year Ended 31 March 2019**

### **(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'.

All other accounting policies have been consistently applied by TECT for all periods covered by these financial statements.

### **(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.

#### **(ii) Fair Value**

NZIFRS requires that TECT account for investments at fair value. As a result the trustees are required to make judgements as to the fair value of the investments. Where these investments are publicly traded, the trustees recognise fair value at the closing buy price at the reporting date. Where these investments are not publicly traded, the trustees recognise fair value at the closing unit price of the underlying fund as provided by the fund manager of the respective investment.

### **(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 2018.



# Tauranga Energy Consumer Trust

## Consolidated Financial Statements

### Notes to the Financial Statements For the Year Ended 31 March 2019

Standard/interpretation	Effective date	Effect
NZ IFRS 9 Financial Instruments	Periods beginning 1 January 2018	<p>NZ IFRS 9 was adopted by TECT for the first time for its financial reporting period ending 31 March 2019.</p> <p>NZ IFRS 9 replaces the existing guidance regarding financial instruments previously contained within NZ IAS 39 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>NZ IFRS 9 supersedes all previous versions of IFRS 9.</p> <p>The adoption of NZ IFRS 9 has resulted in certain financial assets previously being accounted for at amortised cost having to be reclassified as at fair value through profit or loss. All financial instruments previously classified as available-for-sale have been 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>The group currently accounts for fair value movements of financial assets through comprehensive income in accordance with 4.1.1 and 4.1.4 of this standard, as the group has been doing so for each financial asset since the date of recognition. The group remains consistent in their accounting application of all financial instruments.</p>
NZ IFRS 15 Revenue from Contracts with Customers	Periods beginning 1 January 2018	<p>NZ IFRS 15 has been adopted by TECT for the first time for its financial reporting period ending 31 March 2019.</p> <p>NZ IFRS 15 replaces the previous versions of the same standard.</p> <p>The core principle of NZ IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> <p>Due to the nature of the business of the Group the only income received for the group derives from investments and financial assets during the financial year ending 31 March 2019, and as such the impact of adopting NZ IFRS 15 is not material to TECT.</p>

# Tauranga Energy Consumer Trust Consolidated Financial Statements

## Notes to the Financial Statements For the Year Ended 31 March 2019

(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 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 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 Group's financial statements have not been disclosed.

Amendments to NZ IAS 19	Periods beginning 1 January 2019	<p>NZ IAS 19 amends the current IAS 19 reporting standard regarding the disclosure and accounting for employee benefits.</p> <p>The adoption of the amended NZ IAS 19 will result in calculated liabilities for employees that have provided a service in exchange for employee benefits to be paid in the future, and an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.</p> <p>The group already adhere to NZ IAS 19 as implemented in January 2016 and as such there is unlikely to be a significant impact on the financial statements.</p>
NZ IFRS 16 Leases	Periods beginning 1 January 2019	<p>NZ IFRS 16 will be adopted by TECT for the first time for its financial reporting period ended 31 March 2020.</p> <p>The main implications of NZ IFRS 16 on current practice for lessees include:</p> <ul style="list-style-type: none"> <li>• No more operating leases (subject to certain limited exceptions).</li> <li>• All leases (subject to certain exceptions) will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value of the obligation.</li> <li>• No rental expense – i.e. there will be no more straight-line expenses for operating lease costs. All leases will incur a front-end loaded expense, comprising depreciation on the right-of-use asset, and interest on the lease liability.</li> </ul> <p>The TECT Group is currently entered into just the one lease, which is for the premises in which they occupy as their offices. Although management have yet to assess the potential impact the initial adoption of the standard is likely to have, if status quo remains, the impact is likely to be minor in nature.</p>

# Tauranga Energy Consumer Trust Consolidated Financial Statements

## Notes to the Financial Statements For the Year Ended 31 March 2019

### (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 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, TECT Charitable Trust and TECT Property Ltd are registered for GST and GST payable or receivable by these entities are shown in the Group's Statement of Financial Position. Accounts Receivable and Payable are shown inclusive of GST.

TECT Holdings Ltd is not registered for GST and GST paid by TECT Holdings Ltd 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.

##### *b) Investments*

TECT recognises its investments at fair value at every reporting date. TECT measures its investments at fair value through other comprehensive income, in accordance with IFRS9 to ensure consistency throughout the reporting periods.

#### Trustpower and Tilt Renewables Investments

TECT Group has determined that it does not have significant influence over Trustpower Ltd. The investments are recognised at fair value in the Statement of Financial Position with movements being recognised in other comprehensive income as per IFRS 9. 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. On derecognition the difference between the carrying amount and the sum of (i) the consideration received and (ii) any cumulative gain or loss that was recognised directly in equity is recognised through other comprehensive income.

#### Portfolio Investments

TECT Group has purchased portfolio investments with Devon Funds Management, Mercer, Nikko Asset Management and Vanguard. These investments are recognised at fair value in the Statement of Financial Position with movements being recognised in other comprehensive income. Trustees have determined that the most appropriate measurement base of fair value is based on the closing unit price of the respective funds.

# Tauranga Energy Consumer Trust

## Consolidated Financial Statements

### Notes to the Financial Statements For the Year Ended 31 March 2019

TECT Group has committed to investing with Oriens Capital, Pencarrow Bridge Fund, Enterprise Angels, Waterman Fund, Continuity Capital Partners, Nikko Investment Fund, Mercer Fund and WNT Investments. These investments have been recognised in the Statement of Financial Position based on the Group's share of the Private Equity's Net Assets. Uncalled Capital is disclosed further in Note 15.

#### Loans to Consumer Organisations

These loans are interest free, and have been classified as financial assets measured at amortised cost. 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. For the purposes of calculating amortised cost the term as per the loan agreement has been used and an interest rate applying to the Westpac swap at inception date of the loan agreement is assumed. 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 comprises interest income on funds invested in financial assets, dividend income, gains on the disposal of financial assets and distributions received 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.

#### *(v) Finance Expenses*

Finance expenses comprise interest expense on borrowings, fair value adjustments on interest free loans and losses on hedging instruments that are recognised in profit or loss.

#### *(vi) 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.

#### *(vii) Impairment of Assets*

The carrying amounts of the Group's assets other than those at fair value through Profit & Loss 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.



# Tauranga Energy Consumer Trust Consolidated Financial Statements

## Notes to the Financial Statements For the Year Ended 31 March 2019

(viii) *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.

(ix) *Property, Plant & Equipment*

All property, plant and equipment are 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.

(x) *Employee Entitlements*

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

(xi) *Change in accounting policies*

There have been no changes in accounting policies in the period under review. IFRS15 and IFRS9 have been adopted for the first time this year and there are no material adjustment arising from these changes.

## 2 EQUITY

	TECT Group	
	2019 \$	2018 \$
<b>Accumulated Profits</b>		
(including initial share gift in 1993 of \$42.5 million):		
Balance at Beginning of Year	217,070,597	209,713,106
Deferred Tax written back on sale of Tilt	568,372	-
Total Profit After Taxation	57,602,234	42,922,410
Net profit on sale of Tilt Renewable shares	37,369,421	-
Transfer from Fair Value Reserve – Tilt Renewables	(31,116,246)	-
Consumer Distributions/Grants Written Back	184,210	135,079
	<b>281,678,588</b>	<b>252,770,595</b>
Less Transfers to Reserves for Distribution	(35,700,000)	(35,700,000)
	<b>245,978,588</b>	<b>217,070,597</b>

# Tauranga Energy Consumer Trust Consolidated Financial Statements

## Notes to the Financial Statements For the Year Ended 31 March 2019

<b>Fair Value Reserve</b>		
Balance at Beginning of Year	556,427,515	503,680,196
Current Year Revaluation - Trustpower Shares	84,987,008	83,040,050
Current Year Revaluation - Tilt Renewables Shares	3,274,076	(29,357,593)
Current Year Revaluation - Investment Portfolios	13,335,831	(935,141)
Deferred Tax on Fair Value Movements - Trustpower Shares	(17,364,777)	-
Transfer to Accumulated Profits	31,116,246	-
	671,775,899	556,427,515
<b>Reserves for Distributions:</b> (Note 12)		
Iconic Projects	3,000,000	2,000,000
Community Amenities	551,943	2,033
Community Events	-	106,528
Community Development	60,387	1,600
Catalyst for Change	130,000	600,000
	3,742,329	2,710,161
<b>Total Trust Equity</b>	921,496,815	776,208,269

### 3 ADMINISTRATION EXPENSES

(a) Consumer Related Expenses include the following amounts:

	TECT Group	
	2019	2018
	\$	\$
Consumer Consultation, Research & Reporting	40,384	106,204
Community Funding Schemes	11,495	6,419
Election Costs	122,078	-
TECT Cheque Distribution Costs	61,770	56,854
	235,727	169,477

(b) Trustee Expenses include the following amounts:

	2019	2018
	\$	\$
Trustee Expenses	5,631	5,149
Trustee Fees	171,965	206,794
Trustee Professional Development	10,123	4,770
	187,719	216,713

(c) Other Administration Expenses include the following amounts:

	2019	2018
	\$	\$
Audit Fees	22,000	27,700
Insurance	15,652	16,807
Marketing	21,060	26,301
Premises & Occupancy	56,799	53,154
Research & Development - Strategic Projects	58,449	2,778
Wages & Staff Expenses	371,590	368,825
Other Administration Expenses	89,497	55,018
	635,047	550,583

# Tauranga Energy Consumer Trust Consolidated Financial Statements

## Notes to the Financial Statements For the Year Ended 31 March 2019

### 4 FINANCIAL INSTRUMENTS

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

#### Interest Rate Risk

TECT Holdings Ltd entered into a swap of \$5m on 31 January 2015 with Westpac. The swap was terminated in February 2019, in advance of the due date of 15 December 2019.

#### Fair Value

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

### 5 TAXATION

	TECT Group	
	2019 \$	2018 \$
Profit Before Taxation	55,334,610	45,239,804
Add Non-Deductible Expenditure	669,925	875,718
Non-Deductible IFRS Adjustment	14,621	-
Imputation Tax Credits	11,090,646	11,090,646
	67,109,800	57,206,168
<u>Less</u>		
Deductible Distribution Payments	(9,863,819)	(6,559,117)
Less utilisation of tax losses Brought Forward	(19,919,347)	(9,054,041)
Non Assessable Income	-	(56,219)
Charitable Trust Income Exemption	(2,265,081)	(19,335,642)
<b>Taxable Income</b>	35,061,553	22,201,149
Current Tax Charge (a)	8,823,020	5,529,103
Less Imputation Tax Credits	(11,090,646)	(11,090,646)
Tax Effect of current year losses & excess IC's not recognised	-	7,878,936
<b>Income Tax Expense/(Benefit)</b>	(2,267,626)	2,317,393
<b>Tax Expense Comprises:</b>		
Current Taxation Expense	-	-
Deferred Tax Expense (Note 10)	(2,267,626)	2,317,393
<b>Tax Expense per Statement of Comprehensive Income</b>	(2,267,626)	2,317,393
<b>Imputation Credits Claimable</b>		
Total Imputation Credits	11,090,646	11,090,646
Less excess ICs unable to claim (converted to loss)	(2,272,635)	(5,573,845)
<b>Total ICs claimable as Tax Credit</b>	8,818,011	5,516,801

(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 Consolidated Financial Statements

## Notes to the Financial Statements For the Year Ended 31 March 2019

### 6 IMPUTATION CREDITS

As at 31 March 2019 the Group had Imputation Credits available of \$94,662,149 (2018: \$83,571,511).

### 7 PROVISION FOR DISTRIBUTIONS

	TECT Group	
	2019 \$	2018 \$
Balance at the beginning of year	14,989,004	16,566,810
Plus Distributions Approved (Note 12)	35,280,115	35,897,972
Less Distributions Written Back (Note 12)	(796,490)	(356,775)
	49,472,629	52,108,007
Less Distributions Paid	(42,183,879)	(37,119,003)
<b>Balance at End of Year</b>	<b>7,288,750</b>	<b>14,989,004</b>
<b>Distributions not yet uplifted:</b>		
Iconic Projects	1,000,000	8,749,120
Community Amenities	2,541,039	3,280,401
Community Events	119,444	193,119
Community Development	2,345,044	1,899,102
Catalyst for Change	470,000	150,000
Direct Consumer Distributions	813,223	717,262
	<b>7,288,750</b>	<b>14,989,004</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. 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. 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.

### 8 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 Holdings Limited**

TECT Holdings Limited is the entity which holds the Trustpower Limited and held the Tilt Renewables Limited shares sold this year.

#### **TECT Property Limited**

TECT Property Ltd was incorporated on 22 March 2016. The purpose of the entity was to be the owner and lessor of the community hub building which was completed in March 2019. The building was transferred to TECT Charitable Trust in March 2019.



# Tauranga Energy Consumer Trust Consolidated Financial Statements

## Notes to the Financial Statements For the Year Ended 31 March 2019

### 9 INVESTMENTS

#### (a) Trustpower Limited

Fair value has been assessed at \$6.61 per share (\$5.59 per share 2018), being the closing buy quotation on 31 March 2019 (being last business day of month). No allowance has been made for commission payable on any disposal of shares. Values adopted being:

	TECT Group	
	2019	2018
	\$	\$
Opening Balance	468,882,704	385,842,655
Fair Value Movement	85,556,415	83,040,049
Closing Balance 83,878,838 shares @ \$6.61 per share (2018: 83,878,838 shares @ \$5.59)	554,439,119	468,882,704

The 83,878,838 shares represent 26.8% of the total shares in Trustpower.

#### (b) Tilt Renewables Limited

The Tilt Renewables Shares were disposed of during the year in two separate sales transactions, and realised a non-taxable profit of \$37,369,421 after sales expenses. Values adopted being:

	TECT Group	
	2019	2018
	\$	\$
Opening Balance	150,143,120	179,500,713
Less Sales	(153,417,196)	-
Fair Value Movement	3,274,076	(29,357,593)
Closing Balance nil shares (2018: 83,878,838 shares @\$1.79 per share)	-	150,143,120

On 17 October 2016 Trustpower announced that the Trustpower Board had resolved to demerge Trustpower. On 1 November 2016 Trustpower shareholders received shares in both Tilt Renewables Limited (Trustpower's Australian and New Zealand wind generation assets and its wind and solar development projects) and Bay Energy Limited (New Trustpower which retains the same Trustpower name and brand). Accordingly TECT acquired 83,878,838 shares in Tilt Renewables Limited. These shares were also held by TECT Holdings Ltd.

In May 2018 The Tauranga Energy Consumer Trust (TECT) sold 74.59% of its 26.8% holding in Tilt Renewables to Mercury New Zealand for \$2.30 per share. The price of \$2.30 represents a significant premium of 24.3% over the closing price of \$1.85 at 31 May 2018. In September 2018 the remaining shares were sold to Mercury at the same price. Total proceeds from this divestment was \$193m and Trustees have signalled their intention to utilise the funds realised to further diversify their investments.

# Tauranga Energy Consumer Trust

## Consolidated Financial Statements

### Notes to the Financial Statements For the Year Ended 31 March 2019

(c) Diversified Investment Portfolios

	2019		2018	
	Units	\$NZ	Units	\$NZ
<b>Nikko AM Wholesale Core Equity Fund</b>				
Opening Balance 1 April 2018	-	-	-	-
Plus Application	5,129,374	9,000,000	-	-
Less Units Redeemed	-	-	-	-
Plus Income Distribution Reinvestment	44,130	76,940	-	-
Less Managers Fee	-	-	-	-
Plus/(Less) Current Year Change in Valuation	-	211,569	-	-
Closing Balance 31 March 2019	5,173,504	9,288,509	-	-
<b>Nikko AM Wholesale NZ Cash Fund</b>				
Opening Balance 1 April 2018	1,850,638	1,931,511	621,035	644,446
Plus Application	125,476,001	131,500,000	26,853,707	28,000,000
Less Units Redeemed	(92,834,673)	(97,500,000)	(25,833,835)	(27,000,000)
Plus Income Distribution Reinvestment	2,168,155	2,267,667	226,684	235,812
Less Managers Fee	(62,142)	(65,143)	(16,953)	(17,688)
Plus/(Less) Current Year Change in Valuation	-	213,327	-	68,938
Closing Balance 31 March 2019	36,597,979	38,347,362	1,850,638	1,931,511
<b>Devon Trans Tasman Fund</b>				
Opening Balance 1 April 2018	8,983,991	19,392,843	9,033,531	18,974,028
Plus Application	-	-	-	-
Less Units Redeemed	(50,122)	(116,231)	(49,540)	(107,679)
Plus/(Less) Current Year Change in Valuation	-	3,754,008	-	526,495
Closing Balance 31 March 2019	8,933,869	23,030,620	8,983,991	19,392,843
<b>Mercer Real Assets Portfolio</b>				
Opening Balance 1 April 2018	22,944,658	27,294,965	22,944,658	25,007,383
Plus Application	-	-	-	-
Plus/(Less) Current Year Change in Valuation	-	1,892,934	-	2,287,582
Closing Balance 31 March 2019	22,944,658	29,187,899	22,944,658	27,294,965
<b>Vanguard International Shares Fund</b>				
Opening Balance 1 April 2018	76,840,811	108,875,745	76,840,811	113,125,042
Plus Application	-	-	-	-
Less Units Redeemed	-	-	(1,656,374)	(2,379,215)
Plus Income Distribution Reinvestment	-	-	1,656,374	2,385,675
Plus/(Less) Current Year Change in Valuation	-	4,264,665	-	(4,255,757)
Closing Balance 31 March 2019	76,840,811	113,140,410	76,840,811	108,875,745

# Tauranga Energy Consumer Trust Consolidated Financial Statements

## Notes to the Financial Statements For the Year Ended 31 March 2019

	2019		2018	
	Units	\$NZ	Units	\$NZ
<b>Mercer Hedged Overseas Shares Fund</b>				
Opening Balance 1 April 2018	-	-	-	-
Plus Application	49,043,992	50,000,000	-	-
Plus/(Less) Current Year Change in Valuation	-	2,168,094	-	-
Closing Balance 31 March 2019	49,043,992	52,168,094	-	-
<b>Continuity Capital Partners Fund No.2</b>				
Opening Balance 1 April 2018	5,000,000	2,299,608	5,000,000	1,983,213
Plus Application	-	450,810	-	736,375
Less Capital Distribution	-	49,190	-	(544,975)
Plus/(Less) Current Year Change in Valuation	-	129,147	-	124,995
Closing Balance 31 March 2019	5,000,000	2,928,755	5,000,000	2,299,608
<b>Continuity Capital Private Equity Fund No.4 LP</b>				
Opening Balance 1 April 2018	-	-	-	-
Plus Application	7,500,000	3,079,962	-	-
Plus/(Less) Current Year Change in Valuation	-	(57,425)	-	-
Closing Balance 31 March 2019	7,500,000	3,022,537	-	-
<b>Enterprise Angels</b>				
Opening Balance 1 April 2018	200,000	101,400	200,000	61,400
Plus Application	-	50,000	-	40,000
Plus/(Less) Current Year Change in Valuation	-	3,360	-	-
Closing Balance 31 March 2019	200,000	154,760	200,000	101,400
<b>WNT Investment</b>				
Opening Balance 1 April 2018	-	3,389	-	-
Plus Application	-	35,000	-	10,000
Plus/(Less) Current Year Change in Valuation	-	(14,579)	-	(6,611)
Closing Balance 31 March 2019	-	23,810	-	3,389

# Tauranga Energy Consumer Trust Consolidated Financial Statements

## Notes to the Financial Statements For the Year Ended 31 March 2019

	2019		2018	
	Units	\$NZ	Units	\$NZ
<b>Oriens Capital</b>				
Opening Balance 1 April 2018	-	461,594	-	389,851
Plus Application	-	675,000	-	25,000
Plus/(Less) Current Year Change in Valuation	-	15,286	-	46,743
Closing Balance 31 March 2019	-	1,151,880	-	461,594
<b>Pencarrow Bridge Fund</b>				
Opening Balance 1 April 2018	-	1,607,125	-	1,218,438
Plus Application	-	275,000	-	400,000
Plus/(Less) Current Year Change in Valuation	-	141,375	-	(11,313)
Closing Balance 31 March 2019	-	2,023,500	-	1,607,125
<b>Waterman Fund 3</b>				
Opening Balance 1 April 2018	-	2,570,674	-	948,262
Plus Application	-	1,262,500	-	1,325,000
Plus/(Less) Current Year Change in Valuation	-	184,826	-	297,412
Closing Balance 31 March 2019	-	4,018,000	-	2,570,674
<b>Total Diversified Portfolio Funds</b>		<b>278,486,136</b>		<b>164,538,852</b>

(d) **Loans to Consumer Organisations**

TECT has advanced interest free loans to two organisations. 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.

**Fair Value Adjustment of Interest Free Loans**

	TECT Group	
	2019	2018
	\$	\$
Opening Balance	882,060	862,780
Plus Advances – Social Sector Innovation Trust	200,000	-
Less Repayments – Omanu Beach Charitable Trust	(18,000)	(18,000)
Less Repayments – Bay Venues Limited	(750,000)	-
Add/(Deduct) Current Year Effective Interest Rate Adjustment	(14,621)	37,280
Closing Balance	299,439	882,060
<u>Comprising:</u>		
Omanu Beach Charitable Trust Loan	129,303	163,789
Bay Venues Limited	-	718,271
Social Sector Innovation Trust	170,136	-
	299,439	882,060

# Tauranga Energy Consumer Trust Consolidated Financial Statements

## Notes to the Financial Statements For the Year Ended 31 March 2019

### 10 DEFERRED TAX ASSET/ (LIABILITY)

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

	TECT Group	
	2019 \$	2018 \$
Opening Balance	12,521	2,329,915
Plus/(Less):		
<u>Deferred Tax Adjustments through Income Statement</u>		
Fair Value Adjustment of Investments	(5,009)	(12,302)
Deferred Tax on Tax Losses	2,272,635	226,459
Deferred Tax on Tax Losses Utilised	-	(2,531,551)
<u>Deferred Tax Adjustments through Equity</u>		
Deferred Tax on Fair Value Movements - TPW Shares	(17,364,777)	-
Closing Balance End of Year	<u>(15,084,630)</u>	<u>12,521</u>

- (i) Following the demerger of Trustpower and Tilt Renewables, Trustpower paid fully imputed dividends and indicated that it expected future dividends to be fully imputed for the foreseeable future. Accordingly no deferred tax was provided in the 2018 year on the revaluation of the Trustpower shares. During the 2019 year Trustpower paid two fully imputed dividends plus an unimputed special dividend. The company has given no indication of expected future imputation credits but, in the light of this change, Trustees consider it prudent to provide for deferred tax with allowance for expected imputation credits calculated on a 5 year rolling average.

All of the Tilt shareholding was sold during the year at a price greater than the issue price. The sale of these shares was not taxable.

Deferred tax assets and liabilities are attributable to the following:

#### TECT Group

	Assets		Liabilities		Net	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Financial Assets (Shares)	-	-	(17,364,777)	-	(17,364,777)	-
Tax Losses	2,272,635	-	-	-	2,272,635	-
Loans and receivables	7,512	12,521	-	-	7,512	12,521
Tax assets (liabilities)	2,280,147	12,521	(17,364,777)	-	(15,084,630)	12,521
Set off of tax	(1,687,152)		1,687,152		-	
Net tax assets (liabilities)	<u>592,995</u>	<u>12,521</u>	<u>(15,677,625)</u>	<u>-</u>	<u>(15,084,630)</u>	<u>12,521</u>



# Tauranga Energy Consumer Trust Consolidated Financial Statements

## Notes to the Financial Statements For the Year Ended 31 March 2019

### 11 RELATED PARTY TRANSACTIONS

Mr Bill Holland is a Trustee of TECT and TECT Charitable Trust. Mr Holland is also a Partner in the law firm Holland Beckett. TECT Charitable Trust has entered into an agreement with Spoke Investments Limited (a company associated with Holland Beckett) to lease premises at an annual cost of \$48,000 (excluding GST). This Lease was terminated in October 2018 following completion of the Kollektive, owned by TECT Charitable Trust, where TECT is now based.

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 conflicts of interest occur.

The Trust held 12 formal meetings during the year. As well as attending Board meetings during the year, Trustees attended numerous other meetings as well as events representing the Trust. The Table below records each Trustees attendance at Board meetings and the remuneration paid to each Trustee.

	YE 2019 Monthly Meeting Attendance	YE 2019 Extra Meeting Attendance	YE 2019 Remuneration
William Holland, Chairperson	10	16	\$39,606
Natalie Bridges (Deputy Chairperson)	8	13	\$26,874
Mark Arundel (Appointed August 2018)	7	14	\$17,619
Peter Blackwell	10	21	\$26,513
Amanda Sutcliffe	11	15	\$25,187
Tina Jennen (Appointed August 2018)	7	15	\$18,028
Ronald Scott (Retired August 2018)	4	2	\$7,720
Paul Tustin (Retired August 2018)	4	8	\$10,691
<b>Total</b>	<b>61</b>	<b>104</b>	<b>\$172,238</b>

### 12 RESERVES FOR DISTRIBUTIONS

	TECT Group	
Summary:	2019 \$	2018 \$
Opening Balance	2,710,161	2,686,442
Plus Allocated - Annual Distribution Plan	35,700,000	35,700,000
Less Write Back to Retained Earnings	(184,210)	(135,079)
	38,225,951	38,251,363
Less Transfers to Provisions & Payments	(35,280,115)	(35,897,972)
Plus Write Back to Reserve	796,490	356,774
<b>Closing Balance End of Year</b>	<b>3,742,329</b>	<b>2,710,161</b>

This comprises:

# Tauranga Energy Consumer Trust Consolidated Financial Statements

## Notes to the Financial Statements For the Year Ended 31 March 2019

	TECT Group	
	2019	2018
	\$	\$
Iconic Projects		
Opening Balance	2,000,000	2,000,000
Plus Allocated - Annual Distribution Plan	1,000,000	1,000,000
	3,000,000	3,000,000
Less Transfers to Provisions & Payments	-	(1,000,000)
Closing Balance End of Year	3,000,000	2,000,000

	TECT Group	
	2019	2018
	\$	\$
Community Amenities		
Opening Balance	2,033	47,311
Plus Allocated - Annual Distribution Plan	2,500,000	2,500,000
	2,502,033	2,547,311
Less Transfers to Provisions & Payments	(2,315,875)	(2,712,160)
Plus Write Back to Reserve	365,785	166,883
Closing Balance End of Year	551,943	2,033

	TECT Group	
	2019	2018
	\$	\$
Community Development		
Opening Balance	1,604	12,396
Plus Allocated - Annual Distribution Plan	3,700,000	3,500,000
	3,701,604	3,512,396
Less Transfers to Provisions & Payments	(3,886,928)	(3,548,747)
Plus Write Back to Reserve	245,711	37,955
Closing Balance End of Year	60,387	1,600

	TECT Group	
	2019	2018
	\$	\$
Consumer Distributions		
Opening Balance	-	-
Plus Allocated - Annual Distribution Plan	28,000,000	28,000,000
Less Write Back to Retained Earnings	(184,210)	(135,079)
	27,815,790	27,864,921
Less Transfers to Provisions & Payments	(28,000,000)	(28,000,000)
Plus Unclaimed Cheques Cancelled	184,210	135,079
Closing Balance End of Year	-	-

	TECT Group	
	2019	2018
	\$	\$
Community Events		
Opening Balance	106,528	26,736
Plus Allocated - Annual Distribution Plan	500,000	700,000
	606,528	726,736
Less Transfers to Provisions & Payments	(607,312)	(637,065)
Plus Write Back to Reserve	784	16,857
Closing Balance End of Year	-	106,528

	TECT Group	
	2019	2018
	\$	\$
Catalyst for Change		
Opening Balance	600,000	600,000
Plus Allocated - Annual Distribution Plan	-	-

# Tauranga Energy Consumer Trust Consolidated Financial Statements

## Notes to the Financial Statements For the Year Ended 31 March 2019

	600,000	600,000
Less Transfers to Provisions & Payments	(470,000)	-
Closing Balance End of Year	130,000	600,000

### 13 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.

### 14 PROPERTY, PLANT & EQUIPMENT

#### TECT GROUP

	Cost Price	Book Value 31.3.18	Additions/ (Sales)	Depreciation Recovered	Depreciation \$	Book Value 31.3.19
Land & Buildings	9,723,410	-	9,723,410	-	-	9,723,410
Motor Vehicles	32,730	27,821	-	-	8,346	19,475
Furniture & Fittings	27,888	10,742	6,494	130	4,364	13,002
Computers & Software	75,676	13,039	7,463	-	6,837	13,665
Plant & Equipment	224,272	8,509	205,596	83	4,866	209,322
Closing Balance End of Year	10,083,976	60,109	9,942,963	213	24,413	9,978,874

Depreciation as indicated on the Statement of Comprehensive Income represents the depreciation charge for the year net of depreciation recovered.

The Kollective building was completed and occupied during the 2019 financial year.

### 15 COMMITMENTS & CONTINGENCIES

The TECT Group had the following commitments at the end of the financial year:

Uncalled Capital on Private Equity Investments	2019	2018
Continuity Capital Partners Fund	\$1,263,625	\$1,750,000
Enterprise Angels	\$ 50,000	\$ 100,000
Oriens Capital	\$1,375,000	\$2,050,000
Pencarrow Bridge Fund	\$ 600,000	\$ 875,000
Waterman Fund	\$1,350,500	\$2,613,000
WNT Ventures	\$ 155,000	\$ 240,000
<b>Total</b>	<b>\$4,794,125</b>	<b>\$7,628,000</b>

The TECT Group had no contingencies at the end of the financial year. (2018: Nil).

### 16 SUBSEQUENT EVENTS

There have been no other subsequent events to report as at date of approval of financial statements.



**Independent Auditor's Report****To the Beneficiaries of the Tauranga Energy Consumer Trust****Opinion**

We have audited the consolidated financial statements of Tauranga Energy Consumer Trust and its controlled entities (the Group) on pages 2 to 23, which comprise the consolidated statement of financial position as at 31 March 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards with Reduced Disclosure Regime (NZ IFRS RDR).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our firm provides consultancy services to the Group. The firm has no other relationship with, or interests in, Tauranga Energy Consumer Trust and its controlled entities.

**Information Other Than the Consolidated Financial Statements and Auditor's Report**

The Trustees are responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the consolidated financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditors' report, we concluded that there is a material misstatement of this other information, we are required to report that fact.

**Responsibilities of the Trustees for the Consolidated Financial Statements**

The Trustees are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS RDR, and for such internal control as the Trustees determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Trustees are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Crowe Horwath New Zealand Audit Partnership**  
CHARTERED ACCOUNTANTS

Dated at Auckland this 18th day of June 2019