



Tauranga Energy Consumer Trust Group

Consolidated Annual report
for the year ended 31 March 2022



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Company directory
as at 31 March 2022

Trustees	W Holland, Chairperson N Bridges, Deputy Chairperson M Arundel P Farmer P Blackwell T Jennen	
General Manager	W A Werder	
Address	The Collective Historic Village 145 Seventeenth Avenue Tauranga	
Accountants	KPMG Level 2 247 Cameron Road Tauranga	
Auditors	Crowe New Zealand Audit Partnership 57 Spring Street Tauranga	
Solicitors	Sharp Tudhope, Tauranga	
Date of Commencement	TECT TECT Charitable Trust TECT Holdings Limited TECT Property Limited	21 December 1993 27 March 2002 15 December 2006 22 March 2016 (wound up in 2021)

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 March 2022

	Note	2022 \$	2021 \$
Revenue			
Dividends		29,776,988	27,260,622
Distributions received		17,311,661	7,711,752
Interest		3,488	213,261
Other income		237,803	208,429
Total Revenue		47,329,939	35,394,064
Expenses			
Accounting & financial consultancy		345,993	102,441
Consumer related expenses	3	389,756	505,994
Depreciation expense	12	57,586	67,530
Investment expenses		433,083	119,514
Legal & advisory expenses		1,502,520	1,029,973
Trustee expenses	3	202,796	234,941
Other administration expenses	3	825,524	727,503
Total Administrative Expenses		3,757,257	2,787,894
Finance Expenses			
Effective interest adjustment of interest free loans	10	(42,085)	26,045
Other finance expenses		8,051	116,035
Total Finance Costs		(34,034)	142,080
Total expenses		3,723,223	2,929,974
Profit before taxation		43,606,716	32,464,090
Tax expense	6	1,326,500	2,553,752
Profit after tax		42,280,215	29,910,338
Other comprehensive income			
<i>Items which will be classified to Profit & Loss on certain conditions being met</i>			
Valuation gain/(loss) on investments		(80,107,498)	274,648,807
Total other comprehensive income		(80,107,498)	274,648,807
TOTAL COMPREHENSIVE INCOME/(LOSS)		(37,827,283)	304,559,145

This statement is to be read in conjunction with the Notes to the financial statements.



Statement of changes in equity
for the year ended 31 March 2022

	2022	2021
	\$	\$
Trust Equity at Start of the Year	1,137,807,057	871,027,375
Total Comprehensive Income for the year	(37,827,283)	304,559,145
Capital gain/(loss) on investments	(17,553)	-
Distributions of Equity	(39,683,718)	(39,372,433)
Distributions Written Back	2,445,450	1,592,970
Movements in Equity for the Year	(75,083,103)	266,779,682
Trust Equity at the End of the Year	1,062,723,955	1,137,807,057



Statement of financial position

as at 31 March 2022

	Note	2022 \$	2021 \$
Current assets			
Cash and cash equivalents		14,015,007	3,402,191
Trade and other receivables		14,974	128,406
Loans to consumer organisations	10	1,045,601	-
Total current assets		15,075,582	3,530,596
Non current assets			
Investment portfolio	10	454,509,514	439,128,466
Investment property	13	10,650,000	10,619,855
Loans to consumer organisations	10	91,316	1,112,832
Property, plant and equipment	12	249,360	298,948
Deferred tax	6	245,062	1,571,562
Shares in Trustpower	10	591,345,808	690,322,837
Total non-current assets		1,057,091,060	1,143,054,501
Total assets		1,072,166,641	1,146,585,096
Current liabilities			
Trade and other payables	4	375,796	200,415
Provision for distributions	7	9,066,891	8,577,627
Total current liabilities		9,442,687	8,778,043
Total liabilities		9,442,687	8,778,043
Net assets		1,062,723,955	1,137,807,057
Equity			
Reserves for distribution	8	4,236,238	9,433,037
Fair value reserve	2	797,788,367	877,874,836
Accumulated profits	2	260,699,343	250,499,182
Total equity		1,062,723,955	1,137,807,057

Trustee



28 JUNE 2022

Trustee



28 JUNE 2022

Statement of cashflows
for the year ended 31 March 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Interest, dividends and other investment receipts		29,780,476	27,642,114
Distributions received and other income		17,108,237	7,366,083
Payments to suppliers and Trustees		(3,554,925)	(2,651,411)
Net cash from operating activities		43,333,788	32,356,787
Cash flows from investing activities			
Movements in other investments		-	(1,000,000)
Cash flows from portfolio investments		4,022,566	(10,321,484)
Acquisition of property, plant and equipment		(52,055)	(70,811)
Movements in term deposits		-	19,000,000
Net cash from investing activities		3,970,511	7,607,705
Cash flows from financing activities			
Payments to Trustpower consumers (including grants)		(36,709,482)	(38,806,891)
Repayments of consumer loans		18,000	68,000
Net cash from financing activities		(36,691,482)	(38,738,891)
Net (decrease)/increase		10,612,819	1,225,603
Opening cash and cash equivalents		3,402,191	2,176,591
Closing cash and cash equivalents		14,015,007	3,402,191
Made up of:			
Bank balances		14,015,007	3,402,191
Total cash and cash equivalents		14,015,007	3,402,191

Notes to the consolidated financial statements

1 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 and TECT Holdings Limited 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 the 28 June 2022.

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's income and capital are to be used to provide benefits to the trust beneficiaries 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.

Basis of Preparation

Measurement Basis

The accounting principles recognised 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 have been revalued.

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

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.

Notes to the consolidated financial statements

Subsidiary Entities

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

Statement of compliance

These financial statements comply with NZ GAAP, New Zealand equivalents to International Financial Reporting Standards 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.

Use of estimates and judgements

The preparation of the 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 outlined below:

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 judgements in assessing likely outcomes.

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 required in the level of imputation credits likely to be attached to future Trustpower dividends.

Notes to the consolidated financial statements

Fair Value

NZ IFRS requires that TECT accounts 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.

Standards, amendments and interpretations adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year.

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:

Notes to the consolidated financial statements

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 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.

Goods and Services Tax

These financial statements have been prepared on a GST exclusive basis. TECT and TECT Charitable Trust 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.

THL registered for GST effective from 23 February 2022, however for the purposes of the 31 March 2022 financial statements, GST paid is included in administration expenses.

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.

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.

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 NZ IFRS 9 to ensure consistency throughout the reporting periods.

Notes to the consolidated financial statements

Trustpower

TECT Group has determined that it does not have significant influence over Trustpower Limited. The investment is recognised at fair value in the Statement of Financial Position with movements being recognised in other comprehensive income as per NZ 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

The TECT Group has a number of portfolio investments. 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. Uncalled capital on investments is disclosed further in Note 11.

Loans to Community 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 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.

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.

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.

Notes to the consolidated financial statements

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.

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 assets of less than 90 days not forming part of the investment portfolio.

Impairment of Assets

The carrying amounts of the Group's assets other than those at fair value through profit or 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.

The 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.

Notes to the consolidated financial statements

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 the 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 through equity in the 'reserves for distribution' reserve, rather than through the Statement of Comprehensive Income as they are for the beneficiaries of the Trust.

Property, Plant and 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 life's of these assets.

Principal depreciation rates are:

Motor vehicles	30%
Furniture and Fittings	10 - 16%
Computers and Software	50%
Plant and Equipment	25%

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

Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at market value.

Costs include expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in Equity.

Notes to the consolidated financial statements

Employee Entitlements

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

Changes in Accounting Policies

There have been no changes in accounting policies in the period under review. All policies have been applied on a consistent basis during the year.

Notes to the consolidated financial statements

2 EQUITY

	2022	2021
	\$	\$
Accumulated Profits		
(Including initial share gift in 1993 of \$42.5 million)		
Balance at beginning of year	250,499,182	241,201,725
Total profit after taxation	42,280,215	29,910,338
Prior year adjustments to distributions/grants	-	(582,500)
Capital gain/(loss) on investments	(17,553)	-
Consumer distributions/grants written back	1,708,532	925,927
	294,470,376	271,455,490
Transfers to reserves for distribution	(33,750,000)	(40,000,000)
Transfer realised loss from Fair Value Reserve	(21,029)	19,043,696
Balance at end of year	260,699,343	250,499,182
Fair Value		
Balance at beginning of year	877,874,836	622,269,725
Current year revaluation		
Trustpower	(98,977,029)	153,498,274
Investment portfolios	18,869,531	121,150,533
	-80,107,498	274,648,807
Transfer realised loss on investments to Accumulated Profits	21,029	(19,043,696)
Balance at end of year	797,788,367	877,874,836
Reserves for Distributions		
Projects of Regional Significance	1,675,744	5,600,000
Community facilities	309,688	68,388
Community events	317,996	242,138
Community development	22,553	816,414
Catalyst for change	1,910,256	2,706,096
Closing balance	4,236,238	9,433,037
TOTAL TRUST EQUITY	1,062,723,955	1,137,807,057

Notes to the consolidated financial statements

3 ADMINISTRATION EXPENSES

	2022	2021
	\$	\$
Consumer related expenses include the following amounts:		
Consumer consultation, research and reporting	68,734	93,882
Community funding schemes	25,617	52,936
Election costs	12,162	123,577
Rebate distribution costs	283,242	235,599
	389,756	505,994
Trustee expenses including the following amounts:		
Trustee expenses	881	4,542
Trustee fees	201,819	230,325
Trustee professional development	95	74
	202,796	234,941
Other administration expenses include the following amounts:		
Audit fees	45,465	22,260
Insurance	19,788	15,414
Marketing	23,063	29,763
Premises and occupancy	60,876	50,000
Research and development - strategic projects	4,941	7,972
Wages and staff expenses	573,838	525,871
Other administration expenses	97,553	76,222
	825,524	727,503

4 TRADE AND OTHER PAYABLES

	2022	2021
	\$	\$
Accounts Payable	375,796	165,850
Rapid Response Fund	-	34,565
	375,796	200,415

5 FINANCIAL INSTRUMENTS

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

Fair Value

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

Notes to the consolidated financial statements

6 TAXATION

	2022	2021
	\$	\$
Tax recognised in profit or loss		
Profit/(Loss) before taxation	43,606,716	32,464,090
Add		
Imputation credits	11,579,940	10,604,229
Non-deductible expenses	3,742,691	1,884,680
Non-deductible IFRS adjustments	(42,085)	26,044
	<u>58,867,262</u>	<u>44,979,043</u>
Less		
Deductible distribution payments	(2,380,367)	(1,884,985)
PIE taxable income adjustment	9,705,909	29,206,229
Prior year - PIE taxable income adjustment	-	(63,273)
Utilisation of tax losses brought forward	(7,142,997)	(14,722,231)
Charitable Trust income exemption	(24,689,299)	(25,173,532)
Taxable income	<u>34,380,505</u>	<u>32,341,248</u>
Current tax charge	9,823,270	9,059,115
Less Imputation tax credits	(11,579,940)	(10,604,229)
Tax losses recognised as deferred tax	-	1,545,114
Excess imputation credits	<u>(1,756,670)</u>	<u>-</u>
Tax expense comprises		
Deferred tax	1,326,500	2,553,752
Tax expense per Profit and Loss	<u>1,326,500</u>	<u>2,553,752</u>
Imputation credits claimable		
Total imputation credits	11,579,940	10,604,229
Less excess imputation credits converted to a loss	(1,756,670)	(1,545,114)
Total imputation credits claimable as a tax credit	<u>9,823,270</u>	<u>9,059,115</u>
Losses to carry forward	<u>6,976,422</u>	<u>5,530,997</u>

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.

As a result of the TECT restructure (note 17), TECT Holdings Limited received charitable status with an effective date of 1 April 2022. Therefore, the imputation credit regime is no longer applicable and the imputation credit balance was extinguished on transition to charitable status.

Deferred Tax Asset/(Liability)

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

	2022	2021
	\$	\$
Opening deferred tax	1,571,562	4,125,314
Deferred tax adjustments through profit or loss		
Fair value adjustment of investments	(13,243)	19,793
Deferred tax on tax losses	(1,313,256)	(2,573,545)
Closing deferred tax	<u>245,062</u>	<u>1,571,562</u>

As a result of the TECT restructure (note 17), TECT Holdings Limited received charitable status with an effective date of 1 April 2022. Therefore, the deferred tax has been reversed in the company in the 2022 year.

Notes to the consolidated financial statements

During the 2020 year, the Trustees obtained further information as to the likelihood of the Trust receiving dividends that are not fully imputed and consider that the Trust should no longer account for the deferred tax liability in this regard. This same approach has been followed for the 2021 and 2022 year.

Deferred tax assets and liabilities are attributable to the following:

2022	Assets	Liabilities	Net
Tax losses	231,858	-	231,858
Loans and receivables	13,204	-	13,204
Tax assets (liabilities)	245,062	-	245,062
Set off of tax			
Net tax assets (liabilities)	245,062	-	245,062

2021	Assets	Liabilities	Net
Tax losses	1,545,114	-	1,545,114
Loans and receivables	26,447	-	26,447
Tax assets (liabilities)	1,571,561	-	1,571,561
Set off of tax	-	-	-
Net tax assets (liabilities)	1,571,561	-	1,571,561

IMPUTATION CREDITS

At at 31 March 2022 the Group had \$127,950,383 of imputation credits available (2021: \$116,364,571).

TECT Holdings Limited received charitable status with an effective date of 1 April 2022. Therefore, the imputation credits will be unusable from that effective date.

7 PROVISION FOR DISTRIBUTIONS

	2022	2021
	\$	\$
Balance at beginning of year	8,577,627	9,446,448
Add distributions approved	39,683,718	39,372,433
Less distributions written back	(2,445,450)	(1,592,970)
	45,815,895	47,225,911
Less distributions paid	(36,749,003)	(38,648,285)
Balance at end of year	9,066,892	8,577,627
Distributions not yet uplifted		
Projects of regional significance	4,334,554	2,457,690
Community facilities	2,081,553	2,899,486
Community events	140,006	565,848
Community development	1,697,085	1,415,915
Catalyst for change	706,860	790,510
Direct consumer distributions	106,835	448,177
	9,066,892	8,577,627

Notes to the consolidated financial statements

Payments 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 cashflow cannot be estimated reliably and in any event the effect of discounting is not expected to be material.

8 RESERVES FOR DISTRIBUTIONS

	2022	2021
	\$	\$
Summary		
Opening balance	9,433,037	7,555,926
Allocated - Annual distribution plan	33,750,000	40,000,000
Write back to retained earnings	(1,708,532)	(925,927)
	41,474,505	46,629,999
Transfers to provisions and payments	(39,654,717)	(38,789,933)
Write backs to reserve	2,416,450	1,592,970
Closing balance	4,236,238	9,433,037

This comprises:

Projects of Regional Significance

Opening balance	5,600,000	4,600,000
Allocated - Annual distribution plan	400,000	1,000,000
Transfers to provisions and payments	(4,324,256)	(350,000)
Write back to reserves	-	350,000
Closing balance	1,675,744	5,600,000

Community Facilities

Opening balance	68,388	157,848
Allocated - Annual distribution plan	2,500,000	2,600,000
Transfers to provisions and payments	(2,650,371)	(2,816,960)
Write back to reserve	391,671	127,500
Closing balance	309,688	68,388

Community Development

Opening balance	816,414	48,549
Allocated - Annual distribution plan	2,900,000	4,000,000
Transfers to provisions and payments	(3,724,846)	(3,366,368)
Write back to reserve	30,985	134,233
Closing balance	22,553	816,414

Consumer Distributions

Opening balance	-	-
Allocated - Annual distribution plan	27,000,000	31,000,000
Write back to retained earnings	(1,708,532)	(925,927)
Transfers to provisions and payments	(27,000,000)	(31,000,000)
Write back to reserve	1,708,532	925,927
Closing balance	-	-

Notes to the consolidated financial statements

Community Events		
Opening balance	242,138	1,793
Allocated - Annual distribution plan	600,000	1,000,000
Transfers to provisions and payments	(805,404)	(814,965)
Write back to reserve	281,262	55,310
Closing balance	317,996	242,138
Catalyst for Change		
Opening balance	2,706,096	2,747,736
Allocated - Annual distribution plan	350,000	400,000
Transfers to provisions and payments	(1,149,840)	(441,640)
Write back to reserve	4,000	-
Closing balance	1,910,256	2,706,096
Total closing balance	4,236,238	9,433,037

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 Holdings Limited

TECT Holdings Limited is the entity which holds the Trustpower Limited shares.

TECT Property Limited

TECT Property Limited 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. This company was removed from the Companies Office register in September 2021.

Notes to the consolidated financial statements

10 INVESTMENTS

Trustpower Limited

Fair value has been assessed at \$7.05 per share (\$8.23 per share 2021), being the closing buy quotation on 31 March 2022 (being the last business day of the month). No allowance has been made for commission payable on any disposal of shares. Values adopted being:

	# of shares	2022 \$	2021 \$
Opening balance	83,878,838	690,322,837	536,824,563
Fair value movement		(98,977,029)	153,498,274
Closing balance @ \$7.05 per share (2021: \$8.23 per share)	83,878,838	591,345,808	690,322,837

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

Trustpower Limited was renamed to Manawa Energy Limited as at 5 May 2022.

Loans to community 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

		2022 \$	2021 \$
Opening balance		1,112,832	206,877
Advances	Te Mana O Toi LP	-	1,000,000
Repayments	Social Sector Innovation Trust	-	(50,000)
	Omanu Beach Charitable Trust	(18,000)	(18,000)
Current year effective rate adjustment		42,085	(26,045)
Closing balance		1,136,917	1,112,832
Comprising:			
Omanu Beach Charitable Trust Loan		91,316	105,024
Te Mana O Toi LP		1,045,601	1,007,808
		1,136,917	1,112,833

Notes to the consolidated financial statements

INVESTMENTS CONTINUED

As at 31 March 2022	Asset Allocation %	2022 \$	Asset Allocation %	2021 \$
Cash Investments	1.0%		4.9%	
Nikko Asset Management		4,327,204		21,614,606
Mercer Indexed Cash Portfolio		-		114
Australasian Equities	13.3%		13.7%	
Nikko AM Wholesale Core Equity Fund		34,072,062		33,851,012
QuayStreet Equity Fund		26,192,688		26,207,444
International Equities	70.2%		68.4%	
Vanguard International Small Companies Index Fund		29,967,241		34,706,592
Mercer Emerging Markets		25,669,107		29,079,744
Mercer HOS Shares Index B		133,497,285		119,993,237
Mercer HOS Shares Index		50,664,920		45,393,502
Mercers OS Shares Index Portfolio		39,071,490		35,142,001
Mercer OS Shares Index B		40,058,380		36,123,871
Private Equity	5.9%		5.8%	
Continuity Capital PE Fund No 2		3,138,195		4,024,920
Continuity Capital PE Fund No 4		5,504,123		5,184,163
Continuity Capital PE Fund No 6		952,980		-
Purpose Capital Impact Fund		1,052,000		490,000
Waterman Fund 3		1,634,926		4,937,500
Waterman Fund 4		2,539,419		1,612,500
Enterprise Angels - EA Fund 2		200,000		202,000
Enterprise Angels - EA Fund 3		120,000		64,000
Oriens Capital Fund 1		1,665,388		3,400,000
Oriens Capital Fund 2		1,030,203		-
Pencarrow Bridge Fund		4,316,094		3,041,575
Pioneer Capital Partners		1,360,337		-
WNT Ventures Fund 2		332,216		116,850
LGT - Crown Capital Opportunities VII SCS		3,095,992		2,384,585
WNT Ventures Fund 3		52,519		7,300
Unlisted Property	3.8%		3.4%	
Mercer Unlisted Property Portfolio B		17,182,498		14,863,167
Unlisted Infrastructure	5.9%		3.8%	
Mercer Unlisted Infrastructure Portfolio		26,812,252		16,687,783
Total Investments	100%	454,509,514	100%	439,128,466

Notes to the consolidated financial statements

11 COMMITMENTS & CONTINGENCIES

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

	2022	2021
	\$	\$
Continuity Capital PE Fund No 2	450,000	500,000
Continuity Capital PE Fund No 4	1,875,000	3,000,000
Continuity Capital PE Fund No 6	4,000,000	-
Enterprise Angels Fund 2	70,000	10,000
Enterprise Angels Fund 3	70,000	120,000
Enterprise Angels PCIF	3,750,000	4,350,000
LGT - Crown Capital Opportunities	4,817,718	4,996,075
Oriens Capital Fund 1	425,000	375,000
Oriens Capital Fund 2	4,150,000	-
Pencarrow Bridge Fund	275,000	275,000
Pioneer Capital Partners	1,560,566	-
Waterman Fund 3	1,000,000	1,050,000
Waterman Fund 4	3,125,000	3,125,000
WNT Ventures Funds 2	70,000	107,500
WNT Ventures Funds 3	435,000	490,000
Total	26,073,284	18,398,575

The TECT Group had no contingencies at the end of the financial year (2021: Nil).

Notes to the consolidated financial statements

12 PROPERTY, PLANT & EQUIPMENT

	Motor Vehicles	Furniture & Fittings	Computers & Software	Plant & Equipment	Total
Balance at 31 March 2022					
Carrying value as at 31 March 2021	35,337	-	8,160	255,452	298,948
Additions	50,472	-	9,659	7,576	67,707
Disposals at cost	(32,730)	-	(2,757)	(50,130)	(85,618)
Accumulated depreciation on Disposals	23,188	-	2,534	186	25,908
Current Year Depreciation	(16,570)	-	(8,791)	(32,224)	(57,585)
Carrying Value at 31 March 2022	59,696	-	8,805	180,860	249,360

	Motor Vehicles	Furniture & Fittings	Computers & Software	Plant & Equipment	Total
Balance at 31 March 2021					
Carrying value as at 31 March 2020	23,534	11,519	6,850	234,882	276,788
Additions	24,339	-	9,100	73,141	106,580
Disposals	-	(7,393)	-	-	(7,393)
Depreciation on Disposals	-	(4,126)	(787)	(4,579)	(9,492)
Current Year Depreciation	(12,536)	-	(7,003)	(47,992)	(67,531)
Carrying Value at 31 March 2021	35,337	-	8,160	255,452	298,948

13 INVESTMENT PROPERTY

Opening cost	10,619,855
Revaluation	30,146
Carrying value at 31 March 2022	10,650,000
Carrying Value at 31 March 2021	10,619,855

Investment property comprises land and buildings that are leased to third parties under operating leases. The Collective property at 17th Avenue, Tauranga was re-classified as an investment property at year end 31 March 2021 to more accurately reflect the investment nature of the property. The Collective property was revalued in March 2022 based on a registered valuation (2021: held at cost).

TECT Charitable Trust (TCT), the owner of the Collective, has entered into an agreement with Social Sector Innovation WBOP Charitable Trust (SocialLink) to manage the property. SocialLink lease spaces to various community organisations. TCT receives lease payments, being the surplus from SocialLink, after various costs. TCT also pays SocialLink a management fee of \$10,000 per annum.

Notes to the consolidated financial statements

14 RELATED PARTIES

Bill Holland, Wayne Werder and Mark Arundel are trustees of the Tauranga Tertiary Campus Charitable Trust. There were no transactions between TECT and the Tauranga Tertiary Campus Charitable Trust for the 2022 year. (2021: NIL)

Peter Farmer is a director of Farmer Motor Group Limited. During the 2022 year, TECT paid monies to Farmer Motor Group Limited for services in relation to motor vehicles. All services provided were on normal trade terms.

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.

15 TRUSTEE MEETINGS AND REMUNERATION

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 2022 Monthly Meeting Attendance	YE 2022 Extra Meeting Attendance	YE2022 Remuneration
William Holland	Chairperson	11	36	49,437
Natalie Bridges	Deputy Chairperson	11	22	34,706
Mark Arundel		11	26	30,526
Peter Blackwell		11	21	29,224
Peter Farmer		11	24	30,002
Tina Jennen		11	16	27,926
Total		66	145	201,820

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 benefit 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.

Notes to the consolidated financial statements

17 SIGNIFICANT EVENTS AFTER BALANCE DATE

On the 28th of January 2021, Trustpower announced it was undertaking a strategic review of its retail business, including a potential sale.

As Tauranga Energy Consumer Trust is a 26.8% shareholder of Trustpower, the sale of its retail business would also require changes to the structure of Tauranga Energy Consumer Trust.

Following consultation with Consumers, the Trustees decided to proceed with changes to the structure of TECT. On 14 May 2021, the Trustees filed an application in the High Court seeking orders under the Trusts Act 2019 that it is lawful and proper for the Trustees to implement the proposed changes to TECT.

On 23 February 2022, TECT received Sealed Orders for its proposed restructure which signalled the completion of the High Court process.

The restructure has now taken place with an effective date of 1 April 2022.

Restructure effect on Tauranga Energy Consumer Trust:

A new Community Trust has been established which will be operational from 1 April 2022 and has recently received charitable status. The new structure balances protecting the annual rebate for existing beneficiaries, and the purpose TECT was established for; to provide long-term benefit for all the residents and communities of Tauranga and Western Bay.

The Tauranga Energy Consumer Trust was renamed to TECT Consumer Trust as at 1 April 2022.

The intention of the Trustees is to distribute all assets/liabilities to the new TECT Community Trust as at 1 April 2022.

The intended purpose of the TECT Consumer Trust going forward is to service long term rebate obligations for existing consumers. This rebate obligation will be funded from assets in TECT Community Trust.

TECT Holdings Limited also received charitable status with an effective date of 1 April 2022.

The costs associated with the restructure for the year ended 31 March 2022 are categorised as follows:

TECT Restructure Costs

	2022	2021
	\$	\$
Professional Fees	1,562,387	556,120
Consumer Consultation	30,710	253,750
Total TECT Restructure Costs	1,593,098	809,870



Crowe New Zealand Audit Partnership

Member Crowe International
Level 29, 188 Quay Street
Auckland 1010 New Zealand
PO Box 158, Shortland Street
Auckland 1140 New Zealand
Tel +64 9 303 4586
Fax +64 9 309 1198
www.crowe.nz

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 3 to 26, which comprise the consolidated statement of financial position as at 31 March 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows 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 2022, and its consolidated financial performance and its consolidated cashflows 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.

Other than in our capacity as auditor we have no relationship with, or interests in, Tauranga Energy Consumer Trust or any of 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.

Restriction on Use

This report is made solely to the Beneficiaries of the Tauranga Energy Consumer Trust, as a body. Our audit has been undertaken so that we might state to the Beneficiaries of the Tauranga Energy Consumer Trust those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the and the Beneficiaries of the Tauranga Energy Consumer Trust as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in purple ink that reads "Crowe".