KPMG Enterprise

TECT Community Trust Group

Consolidated Financial Statements
for the year ended 31 March 2023

KPMG Enterprise

Report contents

Directory
as at 31 March 2023

Trustees	W Holland, Chairperson M Arundel, Deputy Chairperson P Blackwell P Farmer R Gemming (appointed September 2022) K Barry-Piceno (elected November 2022) N Bridges, (resigned September 2022) T Jennen (retired November 2022)
Chief Executive	W A Werder
Address	The Kollective Historic Village 145 Seventeenth Avenue Tauranga
Accountants	KPMG Level 2 247 Cameron Road Tauranga
Auditors	Crowe New Zealand Audit Partnership 35 Grey Street Tauranga
Solicitors	Sharp Tudhope Tauranga

Date of Commencement	TECT Community Trust	8 February 2022
	TECT Holdings Limited	15 December 2006
	TECT Charitable Trust	27 March 2002 (wound up 31 May 2022)

Why Do We Exist, What We Aim To Do

As a passionate and community-driven Trust, we strive to nurture and build the prosperity of Tauranga and the Western Bay of Plenty residents through unwavering support for local initiatives, events, and facilities.

Our efforts empower the communities and organisations we support, as we work together to make a significant impact on shaping the quality of life and wellbeing for all.

In 1993, the birth of TECT marked a momentous turning point in our community's history. We embarked on a journey towards a vision for a region where our communities and environment can thrive. Today, the Trust's impact has reverberated throughout our region, touching the lives of countless individuals now and in the future.

We are committed to supporting innovation and progress in our community in order to create sustainable and measurable change. By protecting and growing our capital base, building strong partnerships, and investing well into community initiatives, TECT's impact can be transformational.

We strive to make a difference for Tauranga and Western Bay of Plenty communities, positively impacting the lives of current residents and future generations. Our funding approach is inclusive of all communities, and we prioritise support for those experiencing the highest need as well as enabling future transformational projects which benefit everyone in our community.

Our Strategic Plan

We're on a mission to make a real difference in our community, and following TECT's recent restructure, we've developed a new strategy and funding framework that will guide our decision-making and fuel our action.

We've conducted an evidence-based review that included analysing our community profile and gathering input from key representatives of local community organisations. This review identified a range of challenges in our region. Housing, the natural environment, and community infrastructure have been identified as priority issues, but we also know that supporting community wellbeing and vibrancy is vital in building an economically sustainable and healthy region.

The evidence review shows that Māori, diverse ethnic communities, children, and young people are more likely to experience inequity in relation to socio-economic deprivation, income, and education. The NZ Deprivation Index identifies local communities within our region with high levels of deprivation - Matakana Island; Te Puke West and Maketū; Yatton Park, Baypark-Kairua, Tauranga Hospital, Gate Pā, Greerton South and Matapihi. We also know that there are pockets of need within other sections of our communities, and that our rapidly aging population also brings challenges.

We're not just prepared to talk about these issues; we're taking action to make a difference and prepare for future needs now. We have developed strategic focus areas that will guide our funding into our wider community, prioritising funding for initiatives that not only support communities experiencing the greatest disadvantage but also contribute to long-lasting benefits for all.

Our vision | Ko te whakatitenga

A thriving, caring and connected community here in the Western Bay of Plenty.

Our mission | Ko te uaratanga

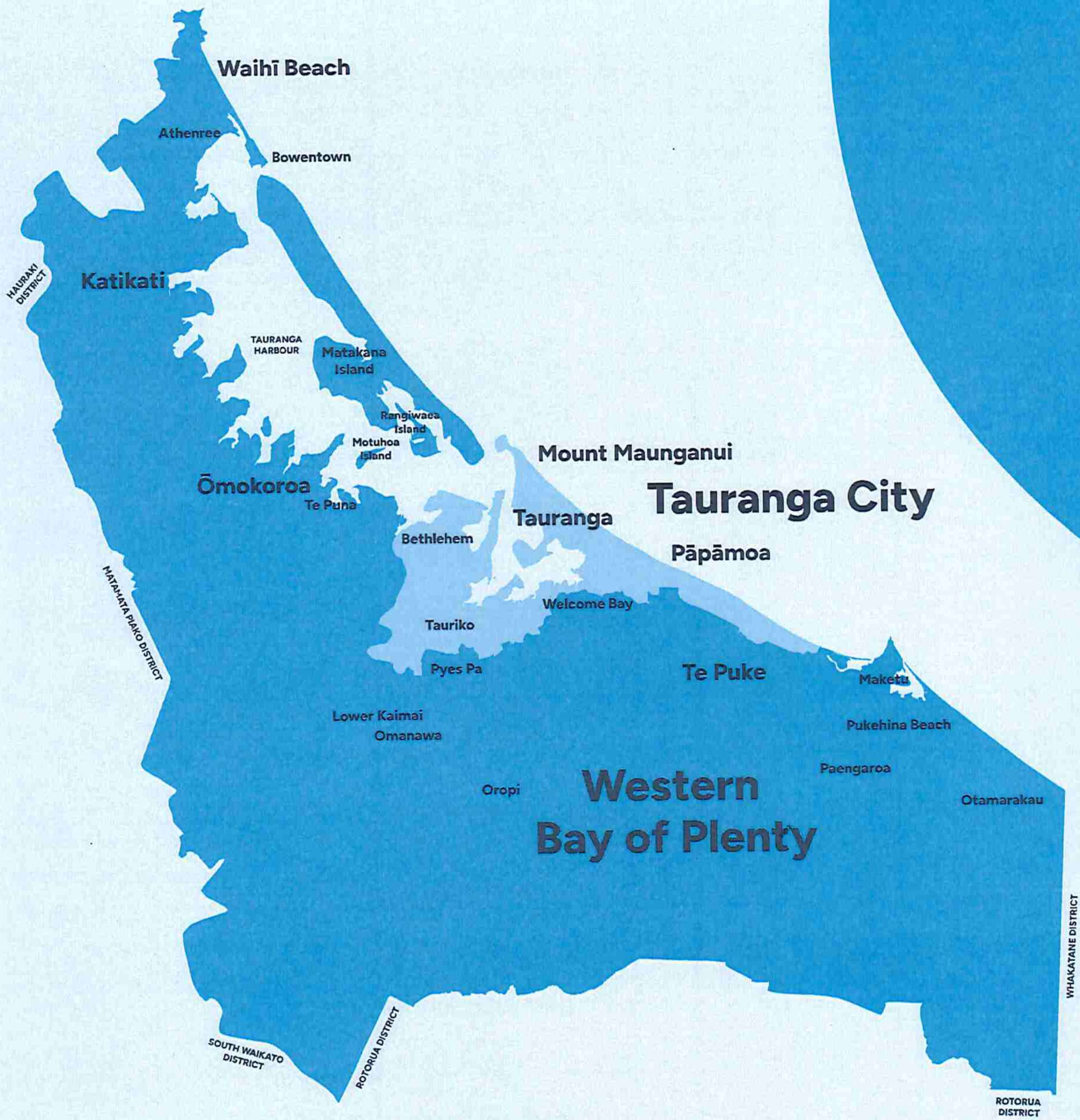
Responsibly manage our investments and effectively distribute funds for the long-term benefit of the community we serve.

Our purpose | Ko te whāinga

To make a significant impact on shaping the quality of life and wellbeing of current and future generations in the Western Bay of Plenty. We are part of the fabric of this region and are ambitious for the future of our community.

Our Region

The TECT region is the same as the regions administered by Tauranga City Council and Western Bay of Plenty District Council.



Our Way of Working

Impact Focused - We aim to be embedded in our community and to meaningfully contribute to community wellbeing and quality of life. Our fund enables us to invest in ways that seek to achieve deep, measurable impact, addressing key challenges and benefiting our region's people intergenerationally.

Collaborative - We have unique flexibility to use our resources collaboratively alongside other funders and believe it is important to work with people who have strong community connections and understanding. Together we work to bring about sustainable and equitable change in our region.

Balanced Approach - We will balance our funding approach between responsive and strategic investment. Responsive funding ensures we listen and stay open to community needs and ambitions. Strategic funding approaches give us the tools we need to address systemic issues in our region.

Enabling - We believe in empowering communities to lead change. Our aim is to help strengthen local organisations so they can create long-term social change that enables our region's communities to thrive. Across all of our funds we aim to be approachable, accessible and enabling of community aspirations.

Agile - We recognise the value of being nimble and flexible – meaning that we can respond quickly to opportunities that may arise, and can adapt as the needs of our partners and communities change. Being evidence-informed ensures we adapt to our community's changing needs.

Commitment to Māori - We recognise the importance of building meaningful relationships with tangata whenua and enabling the aspirations of Māori in our region. As a Trust, we are committed to developing our understanding of Te Tiriti o Waitangi and its implications for our work.

At TECT, we strive to make a difference for Western Bay of Plenty communities, positively impacting the lives of current residents and future generations. Our funding approach is inclusive of all communities, and we prioritise support for those experiencing the highest need.

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What We Have Done/Our Outputs

Key Performance Highlights For The Year Include

The overall Trust portfolio experienced a difficult 12 months, largely owing to the decline in the Manawa share price. The three and five year annual returns remained in positive territory.

Overall, performance of the diversified portfolio has been in line with other portfolios of similar asset allocations. Most portfolios have seen a return to positive performance over the March quarter owing to strong equities performance for which sentiment has improved due to cooling inflation.

Furthermore, yearly returns across similar portfolios remain flat or slightly negative, which have followed on from a very difficult 2022 calendar year for most asset classes.

$39.3M Group net surplus, this included a special dividend of **$29.3M** following the sale of the retail arm of Trustpower.

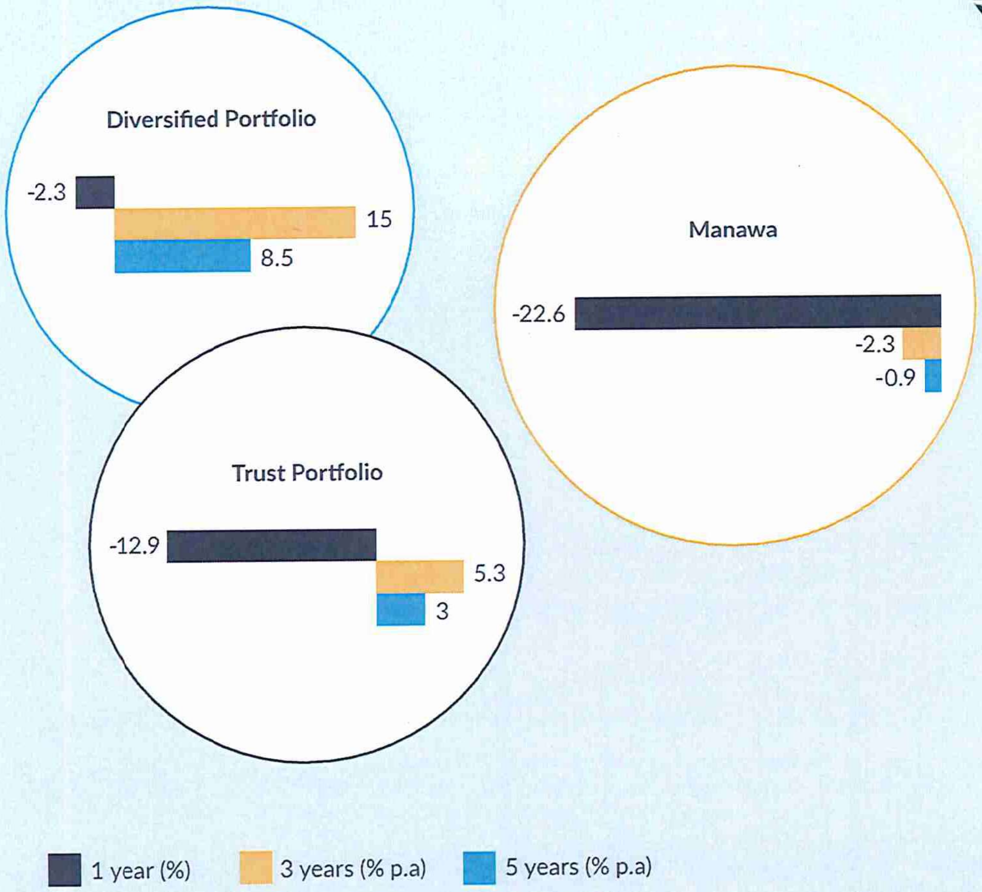
Group administration expenses of **$2.5M** (before finance and interest payments).

Total Assets were **$893.6M**, with Net Assets of **$535.2M** after the loan to the TECT Consumer Trust.

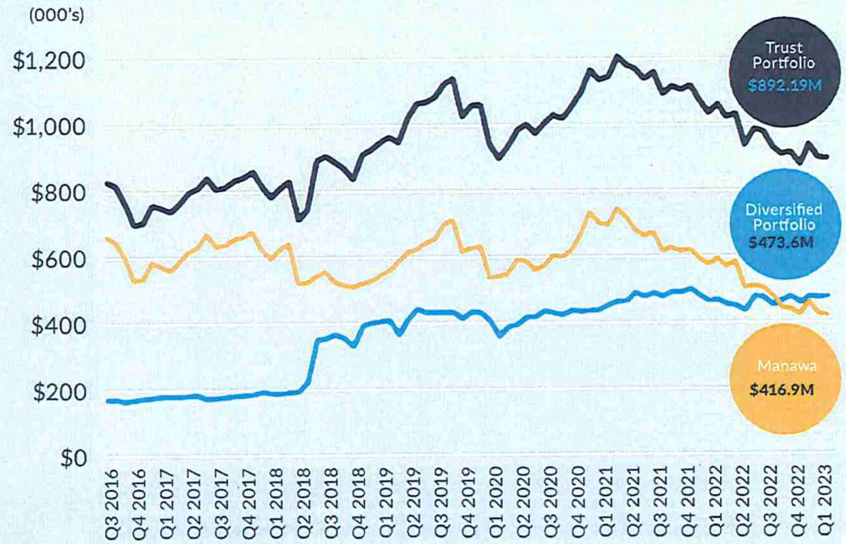
The diversified portfolio had a negative return of **-2.3%** due to the volatility in the markets throughout the year.

Performance Summary

as at 31 March 2023



Market Value



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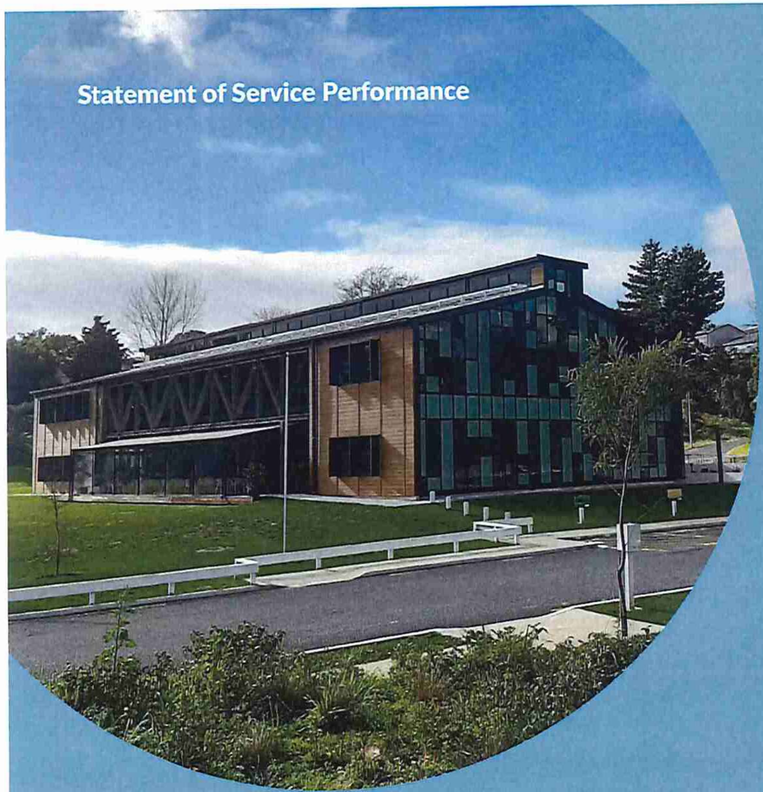

Impact Investments

As at 31 March 2023

The Kollective Encouraging collaborative practice amongst community organisation	$10,650,000
Durham Street Property Development of Tertiary Precinct	$5,970,748
Purpose Capital Impact Fund Mobilises new capital for systemic social and environmental change	$1,818,200
Te Mana O Toi - Loan Development of Blake Park sporting precinct	$1,088,006
WNT Ventures Fund 2 Development of regional investment eco system	$416,643
WNT Ventures Fund 3 Development of regional investment eco system	$118,219
Enterprise Angels - EA Fund 2 Development of regional investment eco system	$209,681
Enterprise Angels - EA Fund 3 Development of regional investment eco system	$185,059
Omanu Beach Charitable Trust - loan Organisational sustainability of Surf Life Saving	$77,514
Total Impact Investments	$20,534,070

The performance objective of the Trust's impact investments is to generate a financial return consistent with the benchmark, as well as positive, measurable social and environmental impact. To date, the Trust has invested in a number of impact investments.

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Grants Programme

Each year the TECT grants programme makes funding available to community organisations and initiatives. The Trust engages in community consultation and receives feedback on the distribution plan. Funds that are not uplifted because a project does not go ahead, or accountability has not been met will be returned to the grants distribution pool and any unused funds will be carried over to the following year.

The year under review was our first under the new Trust structure and as a result it was pleasing to able to deliver immediate benefit to the community with $27.5m allocated for distribution across our five Grant Funds. This compares with $6.7m the previous year, a significant increase which is a signal of the transformational opportunity the restructure has provided. TECT's grants fund is split between strategic and responsive, across our five funds – Projects of Regional Significance, Catalyst for Change, Community Facilities, Community Development and Community Events.

The following distribution plan was approved for the 2022/23 period:

	Allocated to Reserve 2022/23		Balance in Reserves at 31 March 2022		**TOTAL in Reserve**
Proactive					
Projects of Regional Significance	$13,350,000	+	$1,675,744	=	**$15,025,744**
Catalyst for Change	$3,500,000		$1,910,256	=	**$5,410,256**
Reactive					
Community Facilities	$4,950,000	+	$309,689	=	**$5,259,689**
Community Events	$650,000	+	$317,996	=	**$967,996**
Community Development	$5,000,000	+	$22,553	=	**$5,022,553**
TOTAL ALLOCATIONS	**$27,450,000**		**$4,236,238**	=	**$31,686,238**

Description and quantification of the entity's output

	Actual	Forecast
Total number of grants approved	243	225
Number of community groups approved funding	238	220
Value of grants approved	$15,982,275	$31,686,238
Percentage of grants approved	88.8%	85%
Total grants paid out in the year	$13,616,517	$27,450,000
TOTAL ALLOCATIONS	**$27,450,000**	**$4,236,238**

** Grants approved include total number of grants approved directly from TECT, as well as the funding decisions made through the joint funds where TECT has made a contribution.*

The Trust continued to strive to operate a clear, consistent and transparent funding process. The value of grants approved is dependent on the number and type of applications received during the year. A further breakdown of the value of grants approved is as follows:

Grants approved by type:

	Actual	Available for distribution
Projects of Regional Significance	$920,000	$15,025,744
Community Development	$5,072,009*	$5,023,035
Community Facilities	$3,616,488	$5,259,689
Catalyst for Change	$5,406,719	$5,410,256
Community Events	$967,559	$967,996
TOTAL	**$15,982,275**	**$31,686,238**

**Include lapses returned to the fund, then reallocated*
**The strategic funds (Projects of Regional Significance and Catalyst for Change) are built up over a number of years to allow for larger grants, and as such funds will be carried over into the next year.*

In the 2022/23 year, 60% of grants were made from our responsive funding approach and 40% made from the strategic funds.

Split of Grants

Applications received decreased through the previous two years, however the number of grant application numbers has bounced back to pre-covid levels and an average application approval rate of 90% remains consistent with previous years. In this financial year TECT granted $15.5m to 171 organisations.

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Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 31 March 2023

	Notes	2023 $
Revenue from exchange transactions	2	727,760
Finance income	3	56,707,340
Total Revenue		**57,435,100**
Operating and Administration expenses	4	2,496,419
Finance expenses	5	15,598,756
Total Expenses		**18,095,176**
Net Surplus		**39,339,924**
Other Comprehensive Revenue and Expense for the Year		
Gain/(loss) in fair value movement of investments		(197,672,927)
		(197,672,927)
Total Comprehensive Revenue and Expense		**(158,333,003)**

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Consolidated Statement of Changes in Net Assets

For the year ended 31 March 2023

	Notes	Base Capital	Investment Fair Value Reserve	Accumulated Funds	Reserves for Distribution	Total Equity
Balance at 1 April 2022		-	-	-	-	-
Base capital - Initial settlement assets	1	705,142,246	-	-	-	705,142,246
Reserves for distribution transferred - TECT Consumer Trust		-	-	-	4,236,238	4,236,238
Total comprehensive income for the year		-	(197,672,927)	39,339,924	-	(158,333,003)
Transfer of realised loss on disposal of investments		-	20,333,520	(20,333,520)	-	-
Distributions of equity		-	-	(27,450,000)	11,467,725	(15,982,275)
Distributions written back		-	-	-	101,172	101,172
Balance at 31 March 2023		705,142,246	(177,339,407)	(8,443,596)	15,805,135	**535,164,378**

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 $
Current Assets		
Cash and cash equivalents		1,520,662
Trade and other receivables		112,803
Loans to community organisations	7	1,088,006
		2,721,471
Non-current Assets		
Investment in shares	8	416,877,825
Investment portfolio	9	457,007,187
Plant and equipment	15	250,174
Investment property	10	16,620,748
Loans to community organisations	7	77,514
		890,833,448
Total Assets		**893,554,919**
Current Liabilities		
Trade and other payables	6	5,050,038
Loan - TECT Consumer Trust	13	15,856,140
Provision for grant distributions	12	13,616,517
		34,522,695
Non-current Liabilities		
Loan - TECT Consumer Trust	13	323,867,846
		323,867,846
Total Liabilities		**358,390,541**
Net Assets		**535,164,378**
Equity		**535,164,378**

Trustee W.J. Holland

Trustee M.E. ARUNDEL.

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 $
Cash flows from operating activities	
Finance income	56,697,944
Revenue from exchange transactions	646,119
Cash paid to suppliers, staff and Trustees	(13,151,786)
Grants paid to the community	(10,824,649)
Proceeds from sale of investments	427,424,591
Funds invested	(342,822,226)
Cash transferred on resettlement	13,664,590
Taxes paid	(6,711)
Net cash flow - operating activities	**131,627,872**
Cash flows from investing activities	
Acquisition of property, plant and equipment	(64,128)
Acquisition of investment property	(5,970,748)
Loans (repaid)/issued	(124,072,334)
Net cash flow - investing activities	**(130,107,210)**
Net increase/(decrease) in cash and cash equivalents	1,520,662
Cash at beginning of year	-
Cash at end of year	1,520,662
Represented by:	
Cash on hand and at bank	1,520,662

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Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

1 Reporting entity

These consolidated financial statements are for the Group consisting of TECT Community Trust, TECT Holdings Limited and TECT Charitable Trust (until May 2022 when it deregistered).

TECT Community Trust is a Charitable Trust, registered with Charities Services. All TECT Community Trust subsidiaries are incorporated and domiciled in New Zealand.

TECT Community Trust Group 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 Consolidated Financial Statements

The Consolidated Financial Statements were approved by the Trustees on the 23 June 2023.

Background

The Tauranga Energy Consumer Trust (TECT) was established in 1993 as part of the reforms of the energy sector. It was created to be a cornerstone shareholder in the newly established Trustpower Limited, the energy company that succeeded to the assets of the Tauranga Electric Power Board, and to share the benefits of ownership of that company with Trustpower consumers resident in the Tauranga and Western Bay of Plenty district which it served, by way of payment of rebates and provision of grants and other benefits within the wider community of that district.

As a consequence of a strategic review by Trustpower of its retail consumer business in early 2021, TECT itself undertook a restructuring. Pursuant to that restructuring, TECT received High Court approval for a new community trust to serve the wider needs of the Tauranga and Western Bay District. Accordingly the Trustees established a charitable trust for the benefit of the people and community of the Tauranga and Western Bay of Plenty district, and for those purposes to receive from TECT the Initial Settlement Assets (including the shares then held by TECT in Trustpower Limited).

The base capital of $705,142,246 represents funds transferred on resettlement from TECT Charitable Trust and TECT Consumer Trust on 1 April 2022, in line with the implementation deeds.

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Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis. Although TECT Community Trust was formed on the 8th February 2022, no transactions occurred prior to 1 April 2022. TECT Holdings and TECT Charitable Trust were restructured to form part of the TECT Community Trust Group from 1 April 2022 onwards. Therefore no comparative information has been presented.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Principles ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable Financial Reporting Standards, as appropriate for Tier 2 not-for-profit public benefit entities for which all reduced disclosure regime exemptions have been adopted. The entity has elected to report in accordance with the Tier 2 standards, taking advantage of all disclosure concessions as it is not publicly accountable and has expenses less than $30 million.

(b) Basis of consolidation

The consolidated financial statements include the TECT Community Trust (The Parent) and its subsidiaries, TECT Holdings Limited (100% shareholding) and TECT Charitable Trust for the period 1 April 2022 - 31 May 2022 being the date the trust was wound up. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

(c) Measurement basis

The consolidated financial statements have been prepared on the basis of historical cost, apart from investments which are carried at fair value.

(d) Functional and presentation currency

The consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar ($).

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Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

(e) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with PBE Standards 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

PBE Standards require that assets are carried at no more than their recoverable amount. This requires the Trustees to make judgements regarding amounts recoverable and provisions for impairment. The Trustees must apply judgements in assessing likely outcomes.

Fair value

The Trustees have elected to account for the 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) Taxation

TECT Community Trust Group is exempt from income tax under CW 40(1) of the Income Tax Act 2007.

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 consolidated financial statements and consistently by the Group:

(a) Goods and services tax

All balances are presented net of goods and services tax (GST), except for receivables and payables which are presented inclusive of GST.

(b) 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.

(c) 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.

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Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

(d) Investments

The Group recognises its investments at fair value at every reporting date. The Group measures its investments at fair value through other comprehensive revenue and expense, in accordance with PBE IPSAS 41 Financial Instruments. As the investments held are defined as equity investments by PBE IPSAS 28 Financial Instruments: Presentation, and are not held for trading, the Trustees have elected to apply the irrevocable other comprehensive revenue and expense option.

(e) Portfolio investments

The 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 revenue and expenses. As the investments held are defined as equity investments by PBE IPSAS 28 Financial Instruments: Presentation, and are not held for trading, the Trustees have elected to apply the irrevocable other comprehensive revenue and expense option.

(f) Loans to community organisations

Loans accrue interest 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. Gains and losses when the asset is impaired or derecognised are recognised in revenue and expense.

(g) 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.

(h) Revenue from exchange transactions

Rental income from investment properties

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and included in revenue.

(i) Finance income

Interest income

Interest income is earned for the use of cash and cash equivalents or any amounts due to the Group. Interest income is recognised in the statement of comprehensive revenue and expenses as it is earned. Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income is recognised in surplus or deficit 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.

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Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

(j) 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.

(k) 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.

(l) 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 Group.

(m) 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% - 67%
Plant and equipment	10% - 40%

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

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Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

(n) 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 initially measured at cost. Investment property acquired through a non-exchange transaction is measured at it's fair value at the date of acquisition.
Subsequent to initial recognition investment property is measured at fair value, with changes in fair value recognised in surplus or deficit in the statement of comprehensive revenue and expense.

(o) Employee entitlements

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

Changes in accounting policies

All accounting policies have been consistently applied in these consolidated financial statements. This is the first year of operations, therefore no comparative information is presented.

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Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2 Revenue from exchange transactions

	2023 $
Management fees	250,000
Services charged	23,685
Rental income	454,074
	727,760

3 Finance income

	2023 $
Dividend income	49,069,120
Interest income	128,994
Investment portfolio distribution income	7,471,351
Other income	37,875
	56,707,340

4 Administration expenses

	2023 $
Audit fees	31,100
Depreciation expense	63,313
Election costs	337,225
Employee benefit costs	710,789
Financial accounting and consultancy	158,220
Grants programme expenses	69,642
Investment expenses	434,253
Legal and advisory expenses	186,089
Trustee expenses	235,590
Other administration expenses	270,198
	2,496,419

5 Finance expenses

	2023 $
Interest expense - TECT Consumer Trust	15,557,247
Other finance expenses	41,510
	15,598,756

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Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

6 Trade and other payables

	2023 $
Accounts Payable	200,847
Accrued expenses	23,750
Accrued interest	4,774,751
Holiday pay accrual	50,690
	5,050,038

7 Loans to community organisations

TECT Consumer Trust had advanced loans to two organisations, being Omanu Beach Charitable Trust and Te Mana O Toi LP. These two loans were novated to TECT Community Trust in line with the implementation deeds.

8 Investment in shares

	2023 $
Shares - Manawa Energy Limited (formerly known as Trustpower Limited)	
Opening balance	-
Balance transferred into TECT Community Trust Group on re-settlement	591,345,808
Fair value movement	(174,467,983)
Closing balance (83,878,838 shares @ $4.97 per share (2022: 83,878,838 shares @ $7.05)	416,877,825

Fair value has been assessed at $4.97 per share ($7.05 per share 2022), being the closing buy quotation on 31 March 2023 (being last business day of month). No allowance has been made for commission payable on any disposal of shares.

Trustpower, which has subsequently been renamed to Manawa Energy sold its retail arm of its business to Mercury Energy, with a settlement date of 1 May 2022. The sale of the retail arm for $441m was completed, and a special dividend of $110m was declared to shareholders. A one off special dividend was paid to shareholders in the current financial year, of which TECT Community Trust Group received $29,357,593. Thereafter, Manawa Energy Limited is now focused on renewable energy generation.

TECT Community Trust Group has the majority of its funds invested in Manawa Energy Limited, therefore there is a concentration of market risk associated with this investment. The Trustees have determined TECT Community Trust Group does not have significant influence over Manawa Energy Limited.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

9 Investments

As at 31 March 2023	Asset Allocation %	2023 $
Investment portfolios		
Cash Investments	**3.4%**	
Nikko Asset Management		16,321,441
Australasian Equities	**10.4%**	
Nikko AM Wholesale Core Equity Fund		26,546,151
Castle Point Trans Tasman Fund		22,671,668
Impact Investments	**0.6%**	
Enterprise Angels - EA Fund 2		209,681
Enterprise Angels - EA Fund 3		185,059
Purpose Capital Impact Fund		1,818,200
WNT Ventures Fund 2		416,643
WNT Ventures Fund 3		118,219
Property	**9.4%**	
Mercer Unlisted Property Portfolio B		36,217,197
Resolution Capital Global Property Securities Fund		8,162,450
Unlisted Infrastructure	**6.2%**	
Mercer Unlisted Infrastructure Portfolio		29,429,127
International Equities	**61.2%**	
Mercer HOS Shares Index B		128,080,820
Mercer HOS Shares Index		102,906,757
Skerryvore Global Emerging Markets All-Cap Equity Fund		31,706,930
Vanguard International Small Companies Index Fund		27,233,697
Private Equity	**5.3%**	
Continuity Capital PE Fund No 2		2,120,685
Continuity Capital PE Fund No 4		5,375,348
Continuity Capital PE Fund No 6		1,623,915
LGT - Crown Capital Opportunities VII SCS		4,504,770
Oriens Capital Fund 1		1,617,476
Oriens Capital Fund 2		1,747,399
Pencarrow Bridge Fund		1,772,590
Pioneer Capital Partners		1,543,359
Waterman Fund 3		909,564
Waterman Fund 4		3,768,043
Total investment portfolios	**96.5%**	**457,007,188**

10 Investment property

As at 31 March 2023	Asset Allocation %	2023 $
Impact Investments	**3.5%**	
The Kollective		10,650,000
Durham Street		5,970,747
Carrying value of investment property	**3.5%**	**16,620,748**

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

10 Investments property - continued

Investment property comprises land and buildings that are leased to third parties under operating leases.

TECT Community Trust , the owner of the Kollective, has entered into an agreement with Social Sector Innovation WBOP Charitable Trust (SociaLink) to manage the property. SociaLink lease spaces to various community organisations.

11 Commitments and contingencies

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

	2023 $
Continuity Capital PE Fund No 2	200,000
Continuity Capital PE Fund No 4	1,425,000
Continuity Capital PE Fund No 6	3,250,000
Enterprise Angels Fund 3	30,000
Purpose Capital Impact Fund	2,650,000
LGT - Crown Capital Opportunities	4,005,757
HabourVest Partners Stewardship Feeder Fund LP	7,759,655
Oriens Capital Fund 1	287,500
Oriens Capital Fund 2	3,050,000
Pencarrow Bridge Fund	275,000
Pioneer Capital Partners	1,093,826
Waterman Fund 3	978,500
Waterman Fund 4	2,347,500
WNT Ventures Funds 2	50,000
WNT Ventures Funds 3	338,500
Total	**27,741,238**

The investments outlined above are a schedule of committed capital. These remain uncalled at balance date.

The Trust had no contingencies at the end of the financial year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

12 Provision for grant distributions

	2023 $
Balance at beginning of year	-
Distributed from Tauranga Energy Consumer Trust	8,560,059
Add grant distributions approved	15,972,275
Less grant distributions written back	(91,172)
	24,441,162
Less grant distributions paid	(10,824,649)
Balance at end of year	**13,616,513**
Grant distributions not yet uplifted	
Projects of regional significance	2,577,395
Community facilities	3,452,858
Community events	282,293
Community development	2,697,236
Catalyst for change	4,606,731
	13,616,513

Payments of grants is generally conditional upon the organisation obtaining the full amount of funds required to complete the project. The Group 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.

13 Loans from related entities

	2023 $
Loan - TECT Consumer Trust	
Opening balance	-
Advances	353,005,695
Repayments	(13,281,710)
Closing balance	**339,723,985**
Current portion of loan	15,856,140
Non-current portion of loan	323,867,846
	339,723,985

A loan agreement formed part of the TECT restructure and expires on 31 December 2050. Principal and interest payments were made in the year and interest accrued at year end is reflected as accrued interest.

A binding ruling and factual review were obtained from the Inland Revenue Department confirming that the restructure transactions were at arms length terms.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

14 Reserves for distribution

	2023
	$
Summary	
Opening balance	-
Distributed from TECT Consumer Trust	4,236,238
Allocated - Annual distribution plan	27,450,000
	31,686,238
Transfers to provisions and payments	(15,982,275)
Write back to reserve	101,172
Closing balance	**15,805,135**
This comprises:	
Projects of Regional Significance	
Opening balance	-
Distributed from TECT Consumer Trust	1,675,744
Allocated - Annual distribution plan	13,350,000
Transfers to provisions and payments	(920,000)
Write back to reserves	-
Closing balance	**14,105,744**
Community Facilities	
Opening balance	-
Distributed from TECT Consumer Trust	309,689
Allocated - Annual distribution plan	4,950,000
Transfers to provisions and payments	(3,616,488)
Write back to reserve	6,634
Closing balance	**1,649,835**
Community Development	
Opening balance	-
Distributed from TECT Consumer Trust	22,553
Allocated - Annual distribution plan	5,000,000
Transfers to provisions and payments	(5,071,509)
Write back to reserve	71,735
Closing balance	**22,779**
Community Events	
Opening balance	-
Distributed from TECT Consumer Trust	317,996
Allocated - Annual distribution plan	650,000
Transfers to provisions and payments	(967,559)
Write back to reserve	22,803
Closing balance	**23,240**
Catalyst for Change	
Opening balance	-
Distributed from TECT Consumer Trust	1,910,256
Allocated - Annual distribution plan	3,500,000
Transfers to provisions and payments	(5,406,719)
Write back to reserve	-
Closing balance	**3,537**
Total closing balance	**15,805,135**

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

15 Plant and equipment

Balance at 31 March 2023	Motor Vehicles	Office Equipment	Plant & Equipment	Total
Carrying value as at 31 March 2022	-	-	-	
Distributed from TECT Group	59,695	170,010	19,656	249,360
Additions	-	41,951	22,177	64,128
Disposals at cost	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-
Current year depreciation	(17,908)	(38,172)	(7,234)	(63,314)
Carrying value at 31 March 2023	41,787	173,789	34,599	250,174

16 Related party transactions

Trustees of TECT Community Trust are also Trustees of TECT Consumer Trust. Given the common ownership and the dependency on funding between the two entities, they are considered 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 throughout the year.

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

17 Capital management

The Group's capital is its Equity, which comprises base capital, accumulated comprehensive revenue and expense and the various reserves listed above. Equity is represented by net assets.

The Group manages its Equity prudently as part of the process of effectively managing its revenues, expenditure, assets, liabilities and all related financial affairs. In order to ensure that the Group achieves its charitable objectives and purpose, the Group has a board of trustees and directors that actively controls and monitors progress of plans and activities against financial and social key performance indicators.

18 Subsequent events

There are no subsequent events to disclose.

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INDEPENDENT AUDITOR'S REPORT

To the Members of TECT Community Trust

Opinion

We have audited the consolidated financial statements of TECT Community Trust (the Trust) and its controlled entities (the Trust) on pages 6 to 24, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets 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 Trust as at 31 March 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Benefit Entity Accounting Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

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 Consolidated Financial Statements* section of our report. We are independent of the Trust in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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, TECT Community 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. The other information comprises the information included in the Directory on page 3 but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Trustees' Responsibilities for the Consolidated Financial Statements

The Trustees are responsible on behalf of the Trust for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Accounting Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board, 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 Trust'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 Trust 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 Trust'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 Trust'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 Trust 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 Trust 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 Members of the Trust, as a body. Our audit has been undertaken so that we might state to the Members of the 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 Members of the Trust as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe

Crowe New Zealand Audit Partnership
CHARTERED ACCOUNTANTS
23 June 2023