KPMG

TECT Consumer Trust

Consolidated Financial Statements
for the year ended 31 March 2023

Report contents

	Page
Directory	3
Trustees Financial Report	4
Financial statements	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 18
Auditors Report	
Independent Auditors Report	19 - 20

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 Consumer Trust	21 December 1993
	TECT Charitable Trust	27 March 2002 (removed 1 April 2022)
	TECT Holdings Limited	15 December 2006 (removed 1 April 2022)

Trustees Consolidated Financial Statements

The Trustees are pleased to present the approved consolidated financial statements including historical consolidated financial statements of TECT Consumer Trust for the year ended 31 March 2023.

Trustee W.R. Holland

Trustee M.G. Saunders

Dated this 23 day of June 2023

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March 2023

	Notes	2023 $	2022 $
Continuing operations			
Revenue			
Dividends		-	29,776,988
Distributions received		-	17,311,661
Interest		15,564,770	3,488
Other income		114,245	237,803
Total revenue		15,679,015	47,329,939
Expenses			
Administration expenses	3	465,361	3,757,258
Finance expenses	4	9,416,065	(34,034)
Total expenses		9,881,426	3,723,223
Profit before tax		5,797,588	43,606,716
Profit before taxation		5,797,588	43,606,716
Tax expense	5	5,061,487	1,326,500
Net profit/(loss) for the year		736,102	42,280,215
Other comprehensive income			
Fair value gain/(loss) on investments		1,714	(80,107,498)
Total other comprehensive income		1,714	(80,107,498)
Total comprehensive income/(loss) for the year		**737,816**	**(37,827,283)**

Consolidated statement of changes in equity

for the year ended 31 March 2023

	Notes	2023 $	2022 $
Trust Equity at start of the year		1,062,723,952	1,137,807,057
Total comprehensive income/(loss) for the year		737,816	(37,827,283)
Capital gain/(loss) on investments		-	(17,553)
Grant and consumer distributions paid out		-	(39,683,718)
Distributions written back		200,000	2,445,450
Grant reserves distributed	9	(4,236,238)	-
TECT Community Trust settlement	1	(705,142,246)	-
Rebate obligation	7	(353,005,695)	-
Trust Equity at end of the year	2	**1,277,592**	**1,062,723,952**

Consolidated statement of financial position

as at 31 March 2023

	Notes	2023 $	2022 $
Current assets			
Cash and cash equivalents		321,273	14,015,007
Trade and other receivables	11	4,775,363	14,974
TECT Community Trust Loan receivable	10	15,856,140	-
Loans to consumer organisations		-	1,045,601
Total current assets		20,952,776	15,075,582
Non-current assets			
Investment portfolio		-	454,509,514
Investment property		-	10,650,000
Loans to consumer organisations		-	91,316
TECT Community Trust Loan receivable	10	323,867,846	-
Plant and equipment		-	249,360
Deferred tax	5	3,135	245,062
Shares in Manawa Energy Limited	8	-	591,345,808
Total non-current assets		323,870,981	1,057,091,060
Total assets		**344,823,757**	**1,072,166,641**
Current liabilities			
Trade and other payables	12	65,519	310,828
Provision for taxation	5	4,819,559	-
Accrued expenses		9,500	64,968
Provision for distributions	6	102,772	9,066,891
Rebate obligation	7	14,311,763	-
Total current liabilities		19,309,113	9,442,688
Non-current liabilities			
Rebate obligation	7	324,237,053	-
Total non-current liabilities		324,237,053	-
Total liabilities		**343,546,166**	**9,442,687**
Equity			
Reserves for distribution	9	-	4,236,238
Fair value reserve	2	-	797,788,367
Accumulated profits	2	1,277,592	260,699,347
Total equity		**1,277,592**	**1,062,723,952**

Consolidated statement of cash flows

for the year ended 31 March 2023

	2023 $	2022 $
Cash flows from operating activities		
Interest, dividends and other investment receipts	10,790,020	29,780,476
Cash received from other operating activities	114,245	17,108,237
Payments to suppliers and Trustees	(662,725)	(3,554,925)
Taxes paid	(613)	-
Net cash from operating activities	10,240,926	43,333,789
Cash flows from investing activities		
Proceeds from sale of investments	505,355	4,022,566
Loans (issued)/repaid	13,281,710	-
(Acquisition)/disposal of property, plant and equipment	-	(52,055)
Cash transferred on resettlement	(13,664,591)	-
Net cash from investing activities	122,474	3,970,511
Cash flows from financing activities		
Payments to consumers (including grants)	(24,057,136)	(36,709,482)
Repayments of consumer loans	-	18,000
Net cash from financing activities	(24,057,136)	(36,691,482)
Net (decrease)/increase	(13,693,735)	10,612,817
Opening cash and cash equivalents	14,015,007	3,402,191
Closing cash and cash equivalents	321,273	14,015,007
Made up of:		
Bank balances	321,273	14,015,007
Total cash and cash equivalents	321,273	14,015,007

Notes to the consolidated financial statements

for the year ended 31 March 2023

1 REPORTING ENTITY

Tauranga Energy Consumer Trust, was renamed to TECT Consumer Trust on 1 April 2022. TECT Consumer Trust is a trust formed and domiciled in New Zealand at 145 Seventeenth Avenue, Tauranga. As required by its Trust Deed, TECT Consumer Trust complies with the financial reporting requirements of the Financial Reporting Act 2013.

Up until 1 April 2022, the TECT Group comprised of TECT Consumer Trust, TECT Charitable Trust and TECT Holdings Limited. On the 1 April 2022 the group was restructured with TECT Charitable Trust and TECT Holdings Limited forming part of the TECT Community Trust Group. TECT Consumer Trust has continued to operate as a stand alone entity since this date. On this basis the consolidated financial statements comprise the Consolidated Financial Statements of the Group until 1 April 2022 and the financial statements for TECT Consumer Trust thereafter.

Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Trustees on the 23 June 2023.

Background

The TECT 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 Consumer Trust is a Consumer Trust, the income and capital of which are to be used to provide benefits to Consumers who were 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).

The Trustees of the Trust shall at any time be those same persons who are validly elected, or appointed, and continuing in the office of a TECT Community Trust Trustee pursuant to the TECT Community Trust Deed at any time.

Restructure Effect on TECT Consumer Trust:

Following consultation with Consumers, the Trustees agreed to proceed with changes to the structure of TECT. On 14 May 2021, the Trustees filed an application in the High Court seeking an order 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.

In accordance with the restructure, $705,142,246 of assets and liabilities of TECT have been distributed to TECT Community Trust as at 1 April 2022, in line with the TECT Implementation Deed. The new structure balances protecting the annual rebate for existing beneficiaries, to provide long-term benefit for all the residents and communities of Tauranga and Western Bay.

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 interest and principal repayments on the advance to TECT Community Trust.

Basis of Preparation

Measurement Base

The accounting principles recognised for the measurement and reporting of financial performance and financial position are on an historical cost basis, or as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

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

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Notes to the consolidated financial statements

for the year ended 31 March 2023

Basis of Consolidation

The consolidated financial statements include TECT Consumer Trust, TECT Charitable Trust and TECT Holdings Limited. TECT Charitable Trust and TECT Holdings were restructured into TECT Community Trust on the 1st April 2022 and so transactions relating to these entities are only reported in the consolidated financial statements up until this date.

All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

Statement of Compliance

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalent to International Financial Reporting Standards - Reduced Disclosure Regime ("NZ IFRS RDR") as appropriate for profit oriented entities. Trustees have determined that TECT Consumer Trust 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, TECT Consumer Trust's 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 as 'profit oriented'.

Application of the Reduced Disclosure Regime

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

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

Use of Estimates and Judgements

The preparation of the consolidated 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 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:

- Rebate Obligation

NZ IFRS requires that if there is a change in the timing or amount of estimated cash flows, then the gross carrying amount of the amortised cost of the rebate obligation is adjusted in the period of change to reflect the actual and revised estimated cash flows. This requires Trustees to make judgements based on a range of assumptions - refer note 8. Trustees must apply judgement in assessing likely outcomes.

- 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.

Notes to the consolidated financial statements

for the year ended 31 March 2023

Status of Accounting Standards

There were no new standards or interpretation issued that were mandatory for the current reporting period. As a result there were no changes in these consolidated financial statements as a result of adopting the new Accounting Standards. Other issued standards and amendments that are not yet effective are not expected to have an impact on the consolidated financial statements.

Significant 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 Trust. Where an accounting policy is no longer relevant to the current financial reporting period, due to the restructure, it has been removed.

Comparatives

The comparative figures for 2022 relate to Tauranga Energy Consumer Trust Group (TECT Group).

At 1 April 2022 the Group includes wholly owned subsidiary entities, TECT Charitable Trust and TECT Holdings Limited.

The Tauranga Energy Consumer Trust was subsequently renamed TECT Consumer Trust as referred to in 'Reporting Entity' above.

At 1 April TECT Consumer Trust sold its shares in the subsidary entity, TECT Holdings Limited to TECT Community Trust. Refer to note 16.

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 consolidated financial statements have been prepared on a GST exclusive basis. TECT Consumer Trust is registered for GST and GST payable or receivable by these entities are shown in the Statement of Financial Position. Accounts receivable and payable are shown inclusive of GST.

Notes to the consolidated financial statements

for the year ended 31 March 2023

Financial Instruments

Financial instruments are recognised in the Statement of Financial Position when the TECT Consumer Trust becomes party to a financial contract. They include cash balances, bank overdrafts, receivables, payables, investments in and loans to others, and term borrowings.

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.

All other financial instruments are shown at values equivalent to their fair values, excluding the rebate obligation which is recorded at amortised cost.

Financial Liabilities

TECT Consumer Trust derecognises a financial liability when its contractual obligations financial liability when its contractual obligations are discharged or cancelled, or expire. TECT Consumer Trust also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Revenue

Revenue comprises interest income on funds invested in financial assets, distributions received and other income.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance Expenses

Finance expenses comprise interest expense on borrowings and are recognised in profit or loss.

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 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 assets' recoverable amount is estimated. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in profit or loss.

Estimated recoverable amount of 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.

Provisions

A provision is recognised if, as a result of a past event, the Trust 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.

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Notes to the consolidated financial statements

for the year ended 31 March 2023

2 EQUITY

	2023	2022
	$	$
Accumulated Final Surpluses		
Balance at beginning of year	260,699,347	250,499,182
Total surplus (loss) after taxation	736,102	42,280,215
Capital gain/(loss) on investments	-	(17,553)
Consumer distributions/grants written back	200,000	1,708,532
	261,635,449	294,470,376
TECT Community Trust settlement	(705,142,246)	-
Recognition of initial rebate obligation	(353,005,695)	-
Transfers to reserves for distribution	-	(33,750,000)
Transfer realised gain/(loss) from Fair Value Reserve	797,790,081	(21,029)
Balance at end of year	1,277,592	260,699,347
Fair Value Reserve		
Balance at beginning of year	797,788,367	877,874,836
Current year revaluation of investments	1,714	(80,107,498)
Transfer realised (gain)/loss on investments to Accumulated Profits	(797,790,081)	21,029
Balance at end of year	-	797,788,367
Reserves for Distribution		
Balance at beginning of year	4,236,238	9,433,037
TECT Community Trust settlement	(4,236,238)	-
Allocations for the year	-	33,750,000
Write back to retained earnings	-	(1,708,532)
	-	41,474,505
Transfers to provisions and payments	-	(39,654,717)
Write backs to reserve	-	2,416,450
Closing balance	-	4,236,238
TOTAL TRUST EQUITY	**1,277,592**	**1,062,723,952**

3 ADMINISTRATION EXPENSES

	2023	2022
	$	$
Audit fees	13,105	45,465
Management fees incurred	250,000	-
Trustee expenses	-	202,796
Rebate distribution costs	179,950	283,242
Other administration expenses	22,305	3,225,754
	465,361	3,757,257

4 FINANCE EXPENSES

	2023	2022
	$	$
Effective interest adjustment - Rebate obligation	9,396,193	-
Other finance expenses	19,872	(34,034)
	9,416,065	(34,034)

Notes to the consolidated financial statements

for the year ended 31 March 2023

5 TAXATION

Tax recognised in profit or loss		2023	2022
		$	$
Profit/(Loss) before taxation		5,797,588	43,606,716
Add	Imputation credits	-	11,579,940
	Non-deductible expenses	9,500,237	3,742,691
	Non-deductible IFRS adjustments	-	(42,085)
	Timing difference for tax	9,500	-
		15,307,325	**58,887,262**
Less	Deductible distribution payments	-	(2,380,367)
	PIE taxable income adjustment	-	9,705,909
	Utilisation of tax losses brought forward	(702,601)	(7,142,997)
	Charitable Trust income exemption	-	(24,689,299)
Taxable income/(loss)		**14,604,724**	**34,380,505**
Current tax charge		4,819,559	9,823,270
Less imputation credits		-	(11,579,940)
Income tax expense/(benefit)		**4,819,559**	**(1,756,670)**
Tax expense comprises			
Current tax		4,819,559	-
Deferred tax		241,928	1,326,500
Tax expense per Statement of Comprehensive Income		**5,061,487**	**1,326,500**
Imputation credits claimable			
Current tax		-	11,579,940
Deferred tax		-	(1,756,670)
Tax expense per Statement of Comprehensive Income		**-**	**9,823,270**
Loss to carry forward		**-**	**6,976,422**

TECT Consumer Trust is a Trust and pays tax at 33%, the former subsidary company, TECT Holdings Limited, did pay tax at 28% until it received charitable status on 1 April 2022. TECT Charitable Trust, who was a subsidary until 1 April 2022 had charitable status and therefore no tax was payable by this subsidary.

Deferred Tax Asset/(Liability)

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

	2023	2022
	$	$
Opening deferred tax	245,062	1,571,562
Deferred tax adjustments through profit or loss		
Deferred tax on tax losses	(231,858)	(1,313,256)
Fair value interest adjustment	(13,204)	(13,243)
Deferred tax on accrued expenses	3,135	-
Closing deferred tax	**3,135**	**245,062**

Notes to the consolidated financial statements

for the year ended 31 March 2023

Deferred tax assets and liabilities are attributable to the following:

2023	Assets	Liabilities	Net
Tax losses	-	-	-
Loans and receivables	3,500	-	3,500
Tax assets (liabilities)	3,500	-	3,500
Net tax assets (liabilities)	**3,500**	**-**	**3,500**

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

As part of the restructure, the assets of TECT Consumer Trust were transferred to TECT Community Trust as at 1 April 2022. Part of the acquisition purchase price was satisfied by way of a distribution from TECT Consumer Trust to TECT Community Trust while the remainder satisfied by way of a loan with interest payable at an agreed market rate.

During the 2023 financial year, TECT Consumer Trust derived interest income on the loan from TECT Community Trust and as a result the losses bought forward from the 2022 financial year were utilised for income tax purposes in the 2023 financial year. On this basis the deferred tax asset arising from prior year tax losses activities was used in the 2023 year.

6 PROVISION FOR DISTRIBUTIONS

	2023	2022
	$	$
Balance at beginning of year	9,066,892	8,577,627
Add distributions approved	-	39,683,718
TECT Community Trust settlement	(8,560,059)	-
Less distributions written back	(200,000)	(2,445,450)
	306,833	45,815,895
Less distributions paid	(204,064)	(36,749,003)
Balance at end of year	**102,772**	**9,066,892**
Distributions not yet uplifted		
Projects of Regional Significance	-	4,334,554
Community facilities	-	2,081,553
Community events	-	140,006
Community development	-	1,697,085
Catalyst for change	-	706,860
Direct consumer distributions - prior years carried forward	102,772	106,835
	102,772	**9,066,892**

Following the establishment of the rebate obligation (refer note 7) on the Statement of Financial Position on 1 April 2022, rebates paid are recorded against this liability, with the exception of prior year rebates which are reflected in the above provisions. These reflect the liability for prior year rebates unclaimed by consumers.

In the prior year, rebates paid were included in the movements of equity.

Notes to the consolidated financial statements

for the year ended 31 March 2023

7 REBATE OBLIGATION

	2023 $	2022 $
Balance at beginning of year	-	-
Initial rebate liability recognition	353,005,695	-
Less rebates written back	54,844	-
	353,060,539	-
Less rebates paid	(23,907,916)	
Effective interest adjustment - Rebate obligation	9,396,193	-
Balance at end of year	**338,548,816**	**-**
Current portion of rebate obligation	14,311,763	-
Non-current portion of rebate obligation	324,237,053	-

The rebate obligation is a financial liability accounted for at amortised cost. The financial liability is initially measured at fair value plus or minus transaction costs that are directly attributable to its acquisition. Fair value was determined on the present value of the future rebate obligations, adjusted for attrition. The key assumptions were:

- Discount rate
- Number of consumers eligible over time.
- Rebate amounts payable to consumers over time.

The initial rebate obligation of $353,005,695, recorded as at 1 April 2022, has been recognised at fair value and is amortised thereafter. The obligation includes an estimate of expected attribution based on historical information, and adjusted for various assumptions. In any given year, there will be a difference between forecasted attrition and actual attrition, which will be recognised in the period that it can be reasonably determined.

As per the TECT Consumer Trust Deed, the Trustees shall pay out the net annual income derived by the Trust Fund or from the capital of the Trust Fund an amount (a Rebate) to each Consumer per eligible ICP in an aggregate amount per annum. Based on current financial projections, TECT Consumer Trust has retained funds which are sufficient to pay a rebate out to eligible beneficiaries up until 31 December 2050.

This is based on the following rebates being payable to each consumer per eligible ICP as follows:

In each annual period from 31 Dec 2022 to 31 Dec 2030	$500
In each annual period thereafter to 31 Dec 2040	$600
In each annual period thereafter to 31 Dec 2050	$700

8 INVESTMENTS

Manawa Energy Limited (formerly known as Trustpower Limited)	2023 $	2022 $
Opening balance	591,345,808	690,322,837
Fair value movement	-	(98,977,029)
Transfer to TECT Community Trust Group on re-settlement	(591,345,808)	-
Closing balance	-	591,345,808

TECT Holdings Limited holds shares in Manawa Energy Limited. On 1 April 2022, the TECT Group was restructured with TECT Holdings Limited forming part of TECT Community Trust Group from this point onwards.

Notes to the consolidated financial statements

for the year ended 31 March 2023

9 RESERVES FOR DISTRIBUTIONS

	2023 $	2022 $
Summary		
Opening balance	4,236,238	9,433,037
TECT Community Trust settlement	(4,236,238)	-
Allocations for the year	-	33,750,000
Write back to retained earnings	-	(1,708,532)
	-	41,474,505
Transfers to provisions and payments	-	(39,654,717)
Write backs to reserve	-	2,416,450
Closing balance	**-**	**4,236,238**

10 LOANS TO RELATED ENTITIES

	2023 $	2022 $
TECT Community Trust		
Opening balance	-	-
Advances	353,005,695	-
Repayments	(13,281,710)	-
Closing balance	**339,723,985**	**-**
Current portion of advance	15,856,140	-
Non-current portion of advance	323,867,846	-

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.

11 TRADE AND OTHER RECEIVABLES

	2023 $	2022 $
Accrued interest	4,774,750	10,174
Prepayments	-	4,800
GST	613	-
Total closing balance	**4,775,363**	**14,974**

12 TRADE AND OTHER PAYABLES

	2023 $	2022 $
Accounts payable	65,519	3,794
GST	-	307,034
Total closing balance	**65,519**	**310,828**

Notes to the consolidated financial statements

for the year ended 31 March 2023

13 RELATED PARTIES

Trustees of TECT Consumer Trust are also trustees of TECT Community 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.

TECT Consumer Trust has a management agreement with TECT Community Trust. Management fees of $250,000 have been charged by TECT Community Trust for the period ended 31 March 2023 (31 March 2022: nil).

TECT Consumer Trust has entered into a loan agreement with TECT Community Trust. Interest of $15,557,246 was received on the loan during the year ended 31 March 2023 (31 March 2022: nil)

14 COMMITMENTS & CONTINGENCIES

TECT Consumer Trust has retained funds which are sufficient to pay a rebate to eligible beneficiaries for approximately 30 years. The intention is to retain enough funds to pay, based on current financial projections, rebates until 31 December 2050.

15 DISTRIBUTION OF ASSETS TO NEW ENTITIES

As at 1 April 2022, TECT Holdings Limited repaid it's loan advance of $182,869,026 by way of transferring the beneficial ownership of specific investments, as stated in the implementation deed, that were owned by TECT Holdings Limited as at 31 March 2022. After such repayment, TECT Holdings Limited was no longer indebted to TECT Consumer Trust.

As at 1 April 2022, TECT Consumer Trust, repaid the TECT Charitable Trust the loan advance outstanding as 31 March 2022 of $12,017,053. The loan repayment was by way of transfer of the beneficial ownership of the investment in QuayStreet NZ Equity Fund. After such repayment, TECT Consumer Trust was no longer indebted to the TECT Charitable Trust.

After the above loan repayments were satisfied, residual assets of the TECT Consumer Trust were distributed to the new TECT Community Trust as 12.01am on the 1st April 2022.

16 SALE OF SHARES IN SUBSIDARY

On 1 April 2022, following the High Court approval to progress with the restructure, TECT Consumer Trust sold the shares held in TECT Holdings Limited to TECT Community Trust.

This was transacted at fair value of the shares (being $683,271,907) of which $353,005,695 was paid via the loan advanced to TECT Community Trust on 1 April 2022. The remaining $330,266,212 was accounted for as part of the settlement transactions in line with the implementation deed.

17 SIGNIFICANT EVENTS AFTER BALANCE DATE

In May 2023, the Government announced that it would be introducing a Bill to increase the trustee tax rate from 33% to 39%. Provided the bill is passed, this would take effect from the 2024 to 2025 and later income tax years.

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INDEPENDENT AUDITOR'S REPORT

To the Members of TECT Consumer Trust

Opinion

We have audited the consolidated financial statements of TECT Consumer Trust (the Trust) and its controlled entities (the Trust) on pages 5 to 18, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at 31 March 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards [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 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.

Information Other Than the Financial Statements and Auditor's Report

The Trustees are responsible for the other information. The other information comprises the information included in the annual report on pages […] to […], 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.

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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 NZ IFRS, 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 economic 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 the 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 New Zealand Audit Partnership
CHARTERED ACCOUNTANTS
23 June 2023

The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.