

Rotorua Energy Charitable Trust

Consolidated Financial Statements contents

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CONSOLIDATED STATEMENT OF SERVICE PERFORMANCE REPORT

For the year ended 31 March 2023

This report reflects the overall performance of Rotorua Energy Charitable Trust, operating as Rotorua Trust.

WHO ARE WE, AND WHY DO WE EXIST?

OVERVIEW

We're for Rotorua | Rotorua and surrounds are our focus and priority. We are dedicated to enhancing the experiences and opportunities available to our people.

Our Kaupapa / Our Purpose

Mō tātau katoa; For All of Us



1. Provide community grants as a cornerstone of the Trust's activities.



2. Focus on impact investing to maximise return and make significant large scale social and environmental difference.



3. Continue to reflect needs of Rotorua's diverse community.



4. Connect and build relationships across the district.



5. Fill the gap between what Central Government can deliver and what the community needs.

- The Rotorua Energy Charitable Trust (Rotorua Trust) was formed in 1994 to serve the community of Rotorua. The Trust was formed by selling Rotorua Electricity Limited, with an initial capital of \$32 million.

- Originally, the Trust invested funds through a wholly owned subsidiary – Perpetual Capital Management Ltd. From April 2015, management of the Trust's investments has been undertaken by Mercer NZ Limited. Mercer's business model looks to deliver a diversified range of investments and stability of returns. This is key to being able to deliver a consistent level of grants to our community. The Trust's funds are currently allocated across a range of ethical investments including Trans-Tasman and global shares, property, infrastructure, natural resources, cash and bonds.

- The Rotorua Trust's overarching strategy has been updated to ensure it reflects Rotorua's current social and economic climate. This direction will help fill the gap between what Central Government can deliver and what the Rotorua community needs. The Trust has reviewed the areas that can make the biggest difference. Grants will continue to be a cornerstone, but there will be an additional focus on impact investing. Impact investing will allow the Trust to become more proactive with support, growing the ability to drive greater social and environmental outcomes and make a greater difference in the community.

ROTORUA TRUST'S PRIORITY TARGET AREAS



Vibrancy - Arts, Culture and Sports

To fund events which bring together and benefit a significant portion of the community and promote family/whanau engagement and participation.



Healthy Families

To fund opportunities within whanau/family contexts to address children at risk and areas of high health needs for our most vulnerable.



Energy and Environment

To fund projects that will protect and enhance the environment and that promote energy efficiency.



Education and Employment

To fund education as a foundation for success and to ensure our young people have the skills and guidance needed to transition into the work place.



Strengthening Communities

To fund organisations and activities that create and support strong communities, embrace diversity, and inclusion.

Family Harm and Housing

This priority impacts all others and will be a focus of Trust activity for the medium term.

JUDGEMENTS THAT HAVE THE MOST SIGNIFICANT EFFECT ON THE SELECTION, MEASUREMENT, AND AGGREGATION OF SERVICE PERFORMANCE DATA

The significant initial judgement made by trustees and management in conjunction with the Trust's investment partner, Mercer NZ Limited, is a review, analysis, and selection of appropriate investment criteria for its capital fund and subsequent asset allocation. This is required to maximise returns available to carry out the Trust's Kaupapa and fund the Trust's five priority target areas.

A Distribution Calculation formula is applied yearly to determine the annual distribution providing the Trust with funds for grants and to meet operational expenses. Trustees and management make judgements as to the proportions allocated to individual priority areas and then the selection and approval of individual grants.

Continuous judgements are based on trustees' and management's connections with the "community", its "partners" and other "stakeholders" to monitor which areas can deliver and fill the gap between what Central Government can deliver and what the community needs to make the biggest difference.

To get maximum leverage of the annual distribution, Rotorua Trust works closely with its partners and stakeholders including funding applicants, other funding organisations, Iwi and Māori organisations, community housing providers, Rotorua Lakes Council and government agencies.

WHAT DID WE DO?

GOVERNANCE OF THE PROCESS

The Trust's six trustees are elected by voters from within the voting district of the Trust on a triennial basis. They are responsible for the direction and supervision of the Trust's business. The Trust aims to help create positive change in Rotorua.

In meeting this responsibility, the Board approves the adoption of appropriate strategies and objectives and reviews the performance of the Trust against these objectives. They also approve operating and grant budgets and consider recommended grants in response to applications submitted online.

OVERVIEW

Through the Trust's governance process in conjunction with management, team members, and external consultants, trustees delivered the following:

INVESTMENT

- Rotorua Trust is a perpetual trust and trustees have worked to maximise the returns from the Trust's capital fund for current and future generations, by maintaining a socially responsible investment portfolio and investing an agreed allocation in initiatives which will deliver a positive impact in the Rotorua community.

FUNDING DISTRIBUTION

- Granted \$4.2 million (2022:\$3.74 million) benefitting countless kaupapa and organisations. Funding aims to support entities with the capacity to achieve maximum community impact in the Trust's priority areas, collaborating and partnering where possible.

ADVICE & FACILITATION

- Built capacity and capability in the Rotorua community by connecting people and organisations, and, where possible, removing barriers to progress.

RELATIONSHIPS & REACH

- Assisted various sectors of the community in achieving their full potential by extending reach and developing opportunities for collaboration and partnership.

CRISIS RESPONSE

- Rotorua Trust acknowledges the significant and extended impact disasters, both natural and man-made can have on our community. Rotorua Trust acted boldly and decisively, remaining nimble in responses and focused on opportunities to deliver positive and enduring community outcomes during COVID-19.

HOW DID ROTORUA TRUST PERFORM?

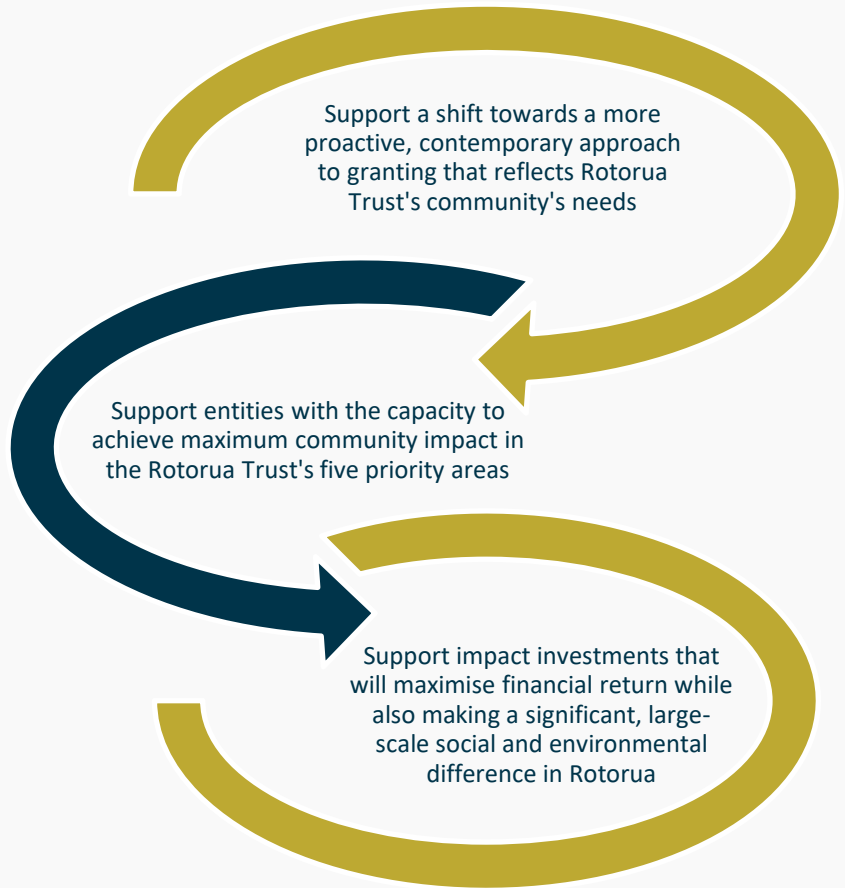
Priority Area		2022/2023			2021/2022		
		Grants		\$	Grants		\$
		Requested	Approved		Requested	Approved	
1	Grants to make Rotorua more vibrant through arts, culture, and sports.	46	43	\$864,606	52	50	\$754,470
2	Grants to focus on health and the first 1000 days.	37	37	\$430,609	38	33	\$573,985
3	Projects relating to energy and the environment.	10	9	\$376,856	11	10	\$300,420
4	Grants for education and employment opportunities.	69	63	\$1,217,306	74	63	\$1,120,713
5	Projects that strengthen the community.	56	49	\$864,635	53	49	\$962,398
<p>Family Harm: One grant was approved for \$202,300</p> <p>Community Facilities: One grant was approved for \$70,000</p> <p>Housing: One grant was approved for \$200,000</p>				<p>Family Harm: Six grants (\$106,777) were approved across the priority areas that focused on family harm outcomes.</p> <p>Housing: Due diligence is being undertaken for a number of impact investment projects.</p>			
\$4,206,494 invested into the community by 201 grants				\$3,743,617 invested into the community by 205 grants			

Key Financial Metrics			
		2022/2023	2021/2022
1	Trust surplus (deficit) before distribution	(\$6,147,000)	\$6,529,000
2	Increase (decrease) in trust fund*	(6%)*	2.5%
3	Closing trust funds	\$157,411,000	\$167,446,000
4	Allocation into investments to deliver a positive community impact	Two projects equaling \$4million dollars approved.	Nil (due diligence being undertaken)
5	Total funding requested vs total funding approved	92.2%	80.58%
*	Financial markets experienced significant losses during the year, primarily driven by central bank interest rate increases and negative market sentiment.		

OUTLOOK FOR 2023/2024 AND BEYOND

Impact on outlook

- Investment Committee focus on impact investments to deliver positive community outcomes in areas of acute need incl Housing
- Working with our new strategy we will focus on our key priority areas, in particular Healthy Families and Environment.



Rotorua Energy Charitable Trust
Consolidated Statement of Service Performance
For the year ended 31 March 2023

	Note	2023 Group \$000	2022 Group \$000
Revenue from Exchange Transactions			
Investment Income	5	(3,495)	7,856
Other Income	21	4	444
Total Revenue		(3,491)	8,300
Expenses			
Trust Activities	6	(452)	(379)
Investment Activities	6	(782)	(919)
Depreciation	10	(22)	(9)
Loss on Disposal of Asset		-	(2)
Interest		2	(3)
Trustee Fees and Expenses	15	(146)	(149)
Employee Remuneration	16	(357)	(310)
Concessionary loans issued – fair value adjustment (initial recognition)	13	(899)	-
Total Expenses		(2,656)	(1,771)
Surplus/(Deficit) for the year		(6,147)	6,529
Other Comprehensive revenue and expenses			
Fair value through other comprehensive revenue and expense	8c	(317)	355
Artwork revaluation	11	530	845
Other comprehensive revenue/(loss) and expense for the year		213	1,200
Total comprehensive revenue and expense for the year		(5,934)	7,729

Rotorua Energy Charitable Trust
Consolidated Statement of Changes in Net Assets / Equity
For the year ended 31 March 2023

<i>NZ\$ '000</i>	Note	Perpetual Capital Reserve	Artwork Revaluation Reserve	Fair value through other comprehensive revenue and expense reserve	Grant Reserve	Accumulated revenue & expense reserve	Total trust funds
Balance as at 1 April 2021		145,013	1,566	1,520	1,113	14,186	163,397
Total Comprehensive Revenue and Expenses		-	845	355	-	6,529	7,729
Transfers		8,898	-	-	2,967	(11,866)	-
Grants written back		-	-	-	63	-	63
Grants approved		-	-	-	(3,743)	-	(3,743)
At 31 March 2022		153,911	2,411	1,875	400	8,849	167,446
Total Comprehensive Revenue and Expenses	8(b)/8(c)	-	530	(317)	-	(6,147)	(5,934)
Transfers	8(e)	10,411	-	-	4,200	(14,611)	-
Grants written back	8(d)	-	-	-	105	-	105
Grants approved	14	-	-	-	(4,206)	-	(4,206)
At 31 March 2023		164,322	2,941	1,558	499	(11,909)	157,411

Rotorua Energy Charitable Trust
Consolidated Statement of Financial Position
As at 31 March 2023

	Note	2023 Group \$000	2022 Group \$000
Trust Funds			
Perpetual capital reserve	8a	164,322	153,911
Artwork Revaluation reserve	8b	2,941	2,411
Fair value through other comprehensive revenue and expense reserve	8c	1,558	1,875
Grant Reserve	8d	499	400
Accumulated revenue & expense reserve	8e	(11,909)	8,849
TOTAL TRUST FUNDS		157,411	167,446
Represented by:			
Current Assets			
Cash and cash equivalents	7	1,390	1,160
Other Assets		32	30
Total Current Assets		1,422	1,190
Non-current Assets			
Investments	9	158,889	171,097
Property, plant and equipment	10	92	71
Artworks	11	4,883	4,353
Loans to Community Organisations	12	113	-
Concessionary Loans to Community Organisations	13	1,185	-
Total Non-current Assets		165,162	175,521
Total Assets		166,584	176,711
Current Liabilities			
Creditors		59	66
Employee Entitlements		19	27
Grants payable	14	3,095	2,170
Loans & Borrowings		-	2
Total Current Liabilities		3,173	2,265
Non-Current Liabilities			
Grants payable	14	6,000	7,000
Total Non-Current Liabilities		6,000	7,000
Total Liabilities		9,173	9,265
Total Net Assets		157,411	167,446

For and on behalf of the Trustees of Rotorua Energy Charitable Trust:



Stewart Edward
Chairman



Gregg Brown
Trustee \ Chair of Investment Committee

Rotorua Energy Charitable Trust
Consolidated Statement of Cash Flows
For the year ended 31 March 2023

	2023 Group \$000	2022 Group \$000
Cash flows from Operating Activities		
Other Income	44	1
Proceeds from sale of investments	7,474	5,894
Payments to suppliers, trustees & employees	(986)	(859)
Loan advances to community organisations	(4,113)	-
Receipt of loan repayments from community organisations	2,000	-
Grants paid	(4,169)	(5,276)
Grants Received	23	62
Net cash inflow / (outflow) from operating activities	273	(178)
Cash flows from Investing Activities		
Proceeds from sale of property, plant and equipment	-	941
Purchase of property, plant and equipment	(43)	(61)
Net cash inflow / (outflow) from investing activities	(43)	880
Cash flows from Financing Activities		
Loans Advanced/(Repaid)	-	(5)
Net cash inflow / (outflow) from financing activities	-	(5)
Net increase / (decrease) in cash and cash equivalents	230	697
Cash and cash equivalents at the beginning of the year	1,160	463
Cash and Cash Equivalents at the end of the year	1,390	1,160

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Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2023

1. Reporting Entity

The Rotorua Energy Charitable Trust (the “Trust”) is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act (2013).

These consolidated financial statements for the year ended 31 March 2023 comprise the controlling entity and its subsidiaries (together referred to as the ‘Group’). Refer to Note 17.

2. Basis of Preparation

a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with the *Public Benefit Entity Accounting Standards Reduced Disclosure Regime* (“PBE Standards RDR”) as appropriate for Tier 2 not-for-profit public benefit entities, for which all reduced disclosure regime exemptions have been adopted.

The Group qualifies as a Tier 2 reporting entity as in one of the previous two years it has had between \$2m and \$30m operating expenditure and is not publicly accountable.

These financial statements were authorised for issue by the Trustees on 30 June 2023.

b) Measurement Basis

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are measured at fair value:

- Investments (Note 9)
- Artworks (Note 11)
- Initial measurement of concessionary loans received (Note 13)

c) Functional and presentation currency

The financial statements are presented in New Zealand dollars (\$NZD) which is the Group’s functional and presentation currency, rounded to the nearest thousand. There has been no change in the functional currency of the Group during the year.

3. Use of judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2023

The following is the significant management judgement in applying the accounting policies of the Group that have a significant effect on the financial statements:

Recognition of Grants payable

The criteria used to determine whether or not a grant is payable or recognised as a contingent liability is disclosed in Note 4(d).

4. Accounting Policies

Changes in accounting policies

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 Financial Instruments establishes requirements for the recognition and measurement of financial instruments by Tier 1 and Tier 2 public benefit entities. This new standard is effective for periods beginning on or after 1 January 2022. PBE IPSAS 41 supersedes PBE IPAS 29 Financial Instruments: Recognition and Measurement, which was previously applied by the Trust.

PBE IPSAS 41 provides users of financial statements with more useful information by:

- Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and objectives for which the asset is held;
- Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing ; and
- Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance and creates a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

PBE IPSAS 41 also includes PBE-specific guidance and examples. For example it includes guidance and illustrative examples related to:

- Financial guarantees issued through non-exchange transactions;
- Concessionary loans;
- Equity instruments arising from non exchange transactions; and
- Fair value measurement.

Other than terminology and disclosure changes, the main impact of the adoption of PBE IPSAS 41, is a change in the treatment of the Trust's investments. Under PBE IPSAS 29, the Trust classified some of its investments as available for sale financial assets, with unrealised gains recorded through other comprehensive revenue and expense in the available for sale assets reserve. Under PBE IPSAS 41, the investments meet the definition of financial assets at fair value through other comprehensive revenue and expense.

Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2023

Significant Accounting Policies

Apart from the changes mentioned above, the accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group.

a) Basis of Consolidation

I. Controlled entities (Refer Note 17)

Controlled entities are entities controlled by the Group, being where the Group has power to govern the financial and operating policies of another entity so as to benefit from that entity's activities. The financial statements of the Group's controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsequent changes in a controlled entity that do not result in a loss of control are accounted for as transactions with controllers of the controlling entity in their capacity as controllers, within net assets/equity.

II. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b) Revenue

Revenue from investments

Investment income comprises interest, dividends, and valuation gains/(losses) on investments.

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of consideration received.

I. Interest Income

Interest income is recognised on a time-proportion basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

II. Dividend Income

Dividend income is recognised when the right to receive payment is established.

III. Investment Income

Subsequent to initial recognition, all financial assets at fair value through surplus or deficit are measured at fair value. Gains and losses arising from changes in the fair

Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2023

value are presented in surplus or deficit in the period in which they arise using the latest available market values.

c) Income Tax

As a registered charity, the Group is wholly exempt from New Zealand income tax under section CW42 of the Income Tax Act 2007.

d) Grants and Grants payable

The Group makes discretionary grants. Each year a grants amount is transferred from the Accumulated Revenue and Expenses Reserve into a Grants Reserve. Grants to eligible organisations are recognised as a transfer from the Grants Reserve when they are approved by the Board of Trustees.

Grants payable are those grants which have been approved, and there are no other significant obligations to be met and the grant has not been paid by the reporting date (see Note 12). Grants covering multiple years are recognised proportionally in each year they relate. Where grants have been approved in current or previous years but are subject to fulfilment of further conditions in future years, they are treated as contingent liabilities (see Note 20).

e) Goods and Services Tax

Rotorua Energy Charitable Trust ("RECT") is registered for GST. All amounts are stated exclusive of GST except for income and expenses relating to exempt supply and accounts payable and receivable which are stated inclusive of GST. Rotorua Trust Perpetual Capital Fund Ltd ("RTPCFL") is not registered for GST. Therefore, all amounts related to this entity are stated inclusive of GST (if any).

f) Employee benefits

Short-term employee benefits

Short-term employee benefit liabilities are recognised when the Group has a legal or constructive obligation to remunerate employees for services provided within 12 months of reporting date, and is measured on an undiscounted basis and expensed in the period in which employment services are provided.

g) Financial Instruments

The Group initially recognises financial instruments when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2023

The Group classifies financial assets into the following categories: *fair value through surplus or deficit*, *amortised costs* and fair value through other comprehensive revenue and expense.

The Group classifies financial liabilities into the following categories: *fair value through surplus or deficit*, and *amortised cost*.

Financial instruments are initially measured at fair value, plus for those financial instruments not subsequently measured at fair value through surplus or deficit, directly attributable transaction costs.

Subsequent measurement is dependent on the classification of the financial instrument and is specifically detailed in the accounting policies below.

I. Fair value through surplus or deficit

A financial instrument is classified as *fair value through surplus or deficit on initial recognition*. The Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy.

Financial instruments classified as *fair value through surplus or deficit* are subsequently measured at fair value with gains or losses being recognised in surplus or deficit.

Financial assets at fair value through surplus or deficit comprise Mercer unlisted open-ended investment funds.

II. Amortised cost

Financial instruments measured at amortised cost are financial assets with fixed or determinable payments that are not quoted in an active market.

They are subsequently measured using the effective interest method, less any impairment losses (refer *Note 4(i)*). *These* comprise cash and cash equivalents (see *Note 7*) as well as community loans (see *Note 12* and *Note 13*).

Cash and cash equivalents represent highly liquid investments that are readily convertible into a known amount of cash with an insignificant risk of changes in value, with maturities of 3 months or less.

III. Fair value through other comprehensive revenue and expense

These are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets.

The Group manages such investments and makes purchase and sales decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. *They* are originally valued at cost and subsequently measured at fair value with gains or losses (other than foreign exchange gains or losses) recognised in other comprehensive revenue and expense and presented in the *Fair value through other comprehensive revenue and expense reserve* within net assets/equity.

Rotorua Energy Charitable Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2023

Upon de-recognition, the accumulated gain or loss within net assets/equity is reclassified to surplus or deficit.

These financial assets comprise of unlisted private equity investments.

The Trust has invested in the following private equity funds: Public Infrastructure Partners Fund, Pioneer Capital NZ Fund I, Enterprise Angels Fund 2 and WNT Ventures Fund 3. These investments have been recognised in the Trust's Statement of Financial Position based on the Trust's share of each investment's net assets (which are all subject to fair value measurement).

Uncalled capital is disclosed further in Note 18.

h) Impairment of non-derivative financial assets

A financial asset not subsequently measured at fair value through surplus or deficit is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

I. Financial assets classified as fair value through other comprehensive revenue and expense

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to surplus or deficit.

The cumulative loss that is reclassified from equity to surplus or deficit is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in surplus or deficit.

i) Property, plant and equipment

I. Recognition and measurement

Items of property plant and equipment are initially measured at cost, except those acquired through non-exchange transactions which are instead measured at fair value as their deemed cost at initial recognition.

All of the Group's items of property plant and equipment are subsequently measured in accordance with the *cost model*.

II. Depreciation

For property, plant and equipment, depreciation is based on the cost of an asset less its residual value.

Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2023

Depreciation is recognised in surplus or deficit on a diminishing value basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated.

The diminishing value depreciation rates are:

- Buildings 10% DV
- Plant and equipment 6% - 48% SL; 10% - 67% DV

Depreciation methods, useful lives, and residual values are reviewed at reporting date and adjusted if appropriate.

j) Artwork

Artwork valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Gains and losses on artwork revaluation are recognised in other comprehensive revenue and expense and presented in the *artwork revaluation reserve* within Net Assets/Equity.

Any revaluation losses in excess of credit balance of the *artwork revaluation reserve* for artwork are recognised in surplus or loss as an impairment.

k) Impairment of Non-Financial Assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

l) Cash Flows

The consolidated statement of cash flows is presented using the direct method.

Cash and cash equivalents are highly liquid investments that are readily convertible to cash with an insignificant risk of changes in value, with maturities of 3 months or less. As such the statement of cash flows does not reflect the movement of cash balances within the Mercer portfolio or other private equity investments.

Cash flows from operating activities include all transactions that relate to the operations of the Group, and are not classified as investing activities. Cash flow from operating activities includes cash flows from the realisation of investments classified as fair value through surplus or deficit and available for sale.

Cash flows from investing activities comprise the purchase and sale of property, plant and equipment and artwork, and sale and purchase of investments not classified as fair value through surplus or deficit or as fair value through other comprehensive revenue and expense.

Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2023

5. Investment Income

	2023 Group \$000	2022 Group \$000
Interest	74	-
Interest Recognised on the Concessionary Loan	85	-
Proceeds from TMP Limited Liquidation	-	830
Gain/(loss) on investments	(3,654)	7,026
	(3,495)	7,856

6. Expenses

	2023 Group \$000	2022 Group \$000
Trust Activities		
Advice & Facilitation	41	45
Audit Fees - KPMG	32	28
Consultants fees	74	59
Election Costs	100	-
Insurance	19	24
Legal	7	4
Occupancy Expenses	36	20
Other expenses	110	110
Public & statutory reporting	13	11
Sponsorship and promotion	20	78
Total Trust Activities	452	379
Investment Activities		
Artwork Storage	18	18
Mercer Management Fee	763	901
Total Investment Activities	782	919

7. Cash and cash equivalents

	2023 Group \$000	2022 Group \$000
Current Assets		
Bank balances	1,390	1,160
Cash and cash equivalents in statement of cash flows	1,390	1,160

There are no restrictions over any of the cash and cash equivalent balances held by the Group.

8. Reserves

The Rotorua Energy Charitable Trust was established on 3 June 1994 with a gift of \$100 from the settlor, Rotorua Electricity Limited.

Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2023

(a) Perpetual capital reserve

On 1 September 1994 the Trust received shares representing 51 per cent of the issued voting capital in Rotorua Electricity Limited, valued at \$32,016,652.

On 30 September 2002 Trustees established a perpetual capital reserve amounting to \$100,000,000 through the transfer of an additional \$67,983,348 from the accumulated income reserve to the original gift of shares in Rotorua Electricity Limited.

Trustees have determined that this reserve which was established to protect the fund for future generations should be restated each financial year to take account of movements in the Consumer Price Index (CPI). The CPI adjustment is made quarterly, with a total adjustment of 6.8% being applied in 2023 (2022: 6%). The allocation for the current year is \$10,410,678 (2022: \$8,898,086).

	2023 Group \$000	2022 Group \$000
Opening Balance	153,911	145,013
Current year "CPI" allocation	10,411	8,898
Closing Balance	164,322	153,911

(b) Artwork Revaluation reserve

The revaluation reserve relates to the revaluation of artworks.

	2023 Group \$000	2022 Group \$000
Opening Balance	2,411	1,566
Artwork Revaluation	530	845
Closing Balance	2,941	2,411

(c) Fair value through other comprehensive revenue and expense reserve

For financial assets deemed as fair value through other comprehensive revenue and expense, movements in fair value are recognised through the fair value through other comprehensive revenue and expense reserve. When the relevant asset is derecognised, upon sale, other disposal or permanent impairment, the cumulative fair value changes recognised directly in equity are transferred to the profit and loss and the reserve is adjusted accordingly.

	2023 Group \$000	2022 Group \$000
Opening Balance	1,875	1,520
Current year net change in fair value	(317)	355
Closing Balance	1,558	1,875

Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2023

(d) Grant reserve

Each year Trustees approve a level of grants to be made available to the community. This amount is transferred to the grant reserve. The balance in the grant reserve represents the balance available for grants at year end after the transfer to the reserve of \$4,200,000 (2022: \$3,000,000) and the deduction of grants approved during the financial year. In the event grants approved exceed the level of funds transferred to the grant reserve Trustees will address the shortfall in the following years allocation.

The balance in this reserve is available to be utilised in future years to support grants to the community.

	2023 Group \$000	2022 Group \$000
Opening Balance	400	1,113
Transfer from accumulated income	4,200	3,000
Grants approved	(4,206)	(3,743)
Cash received to pay grants	-	(33)
Grants received back in cash	13	48
Grants written back	92	15
Closing Balance	499	400

(e) Accumulated income and expense reserve

The accumulated income and expenses reserve represents the balance of income retained or losses accumulated, after the specific transfer of income in each financial year to the perpetual capital reserve and grant reserve.

	2023 Group \$000	2022 Group \$000
Opening Balance	8,849	14,186
Current year surplus / (Deficit)	(6,147)	6,529
Transfer to grant reserve	(4,200)	(2,967)
Transfer to perpetual capital reserve	(10,411)	(8,898)
Closing Balance	(11,909)	8,849

Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2023

9. Investments

	2023 Group \$000	2022 Group \$000
Financial assets designated as at fair value through surplus or deficit		
Mercer unlisted open-ended investment funds	153,824	165,730
	<u>153,824</u>	<u>165,730</u>
Financial assets designated as fair value through other comprehensive revenue and expenses		
Unlisted private equity investments	5,065	5,367
	<u>5,065</u>	<u>5,367</u>
Total investments	<u>158,889</u>	<u>171,097</u>

Mercer (NZ) Ltd is the Trust investment manager. The Group holds an investment in a Mercer unlisted open-ended investment fund. The Group has classified this investment as fair value through surplus or deficit. Trustees have determined that the most appropriate measurement base of fair value is based on the closing unit price of the fund.

The Group also holds unlisted private equity. The Group has classified these investments as fair value through other comprehensive income. Trustees have determined that the most appropriate measurement base of fair value is based on the year end managers valuation.

10. Property, Plant & Equipment

	Land and Buildings \$000	Plant and Equipment \$000	Total \$000
Cost			
Balance at 1 April 2021	-	245	245
Addition	16	45	61
Disposals	-	(176)	(176)
Balance at 1 April 2022	<u>16</u>	<u>114</u>	<u>130</u>
Addition	15	28	43
Disposals	-	-	-
Balance at 31 March 2023	<u>31</u>	<u>142</u>	<u>173</u>
Accumulated Depreciation			
Balance at 1 April 2021	-	215	215
Depreciation	-	9	9
Disposals	-	(165)	(165)
Balance at 1 April 2022	<u>-</u>	<u>59</u>	<u>59</u>
Depreciation	3	19	22
Disposals	-	-	-
Balance at 31 March 2023	<u>3</u>	<u>78</u>	<u>81</u>
Net Book Value			
As at 31 March 2021	-	30	30
As at 31 March 2022	<u>16</u>	<u>55</u>	<u>71</u>
As at 31 March 2023	<u>28</u>	<u>64</u>	<u>92</u>

Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2023

11. Artwork

	2023 Group \$000	2022 Group \$000
Opening balance	4,353	3,508
Revaluation	530	845
Closing Balance	4,883	4,353

The Trust owns Nineteenth, Twentieth and Twenty First Century artworks which reflect the unique nature of the Rotorua area and its people. The collection was independently valued by Paragon Matter Art Services and represents the value as at 31 March 2023. The artworks are maintained and stored by the Rotorua Museum of Art & History – Te Whare Taonga O Te Arawa.

12. Loans to Community Organisations

The Trust in addition to its granting activities has made loans available to various community organisations. The term of the loans varies and in certain instances security may be taken in respect of the loan.

	2023 \$000	2022 \$000
Habitat for Humanity	113	-
Closing Balance	113	-

The loan to Habitat for Humanity has the following terms:

- Repayment Date: 20 February 2037
- Loan Terms: Secured
- Interest rate: OCR + 1%

13. Concessionary Loans to Community Organisations

During the 2023 reporting period the Trust issued a loan to an external third party, at terms and interest rates that were below market for what would have been provided for a similar loan with a similar counterparty. The purpose of the loan was to facilitate the external third party in constructing a new premises in order for it to carry out its own charitable operations.

The loan was issued with the following terms:

- Loan principal: \$2,000,000
- Contractual interest rate: Interest rate: 0% per annum for years 1-3 of the term
Interest rate: OCR + 2% for years 4-10 of the term
- Maturity: 19 September 2033

In determining the day-one fair value of the concessionary loan issued, a market effective interest rate of 8% was used to discount all contractual cash flows of principal and interest

Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2023

payments back to present value. The market interest rate used was the rate that would have been obtained in the market for a loan with identical terms and counterparty risks.

A reconciliation of the opening and closing carrying amounts of the concessionary loan is provided below:

	2023 \$000	2022 \$000
Nominal value of new loans issued	2,000	-
Fair value adjustment (initial recognition)	(899)	-
Interest Income	85	-
Closing Balance	1,185	-

14. Grants Payable

	2023 Group \$000	2022 Group \$000
Opening Balance - Grants payable	9,170	10,718
Grants Written back	(114)	(15)
Grants Paid	(4,168)	(5,276)
Grants Approved	4,206	3,743
Closing Balance - Grants payable	9,095	9,170
Represented by:		
Current	3,095	2,170
Non-Current	6,000	7,000
Closing Balance	9,095	9,170

15. Trustees Fees and Expenses

Trustee fees and expenses paid during the year or due and payable are as follows:

	2023 Group \$000	2022 Group \$000
G Brown	22	22
T G Coffey	14	22
C Cooney	7	-
S J Edward	37	39
M Keefe	22	22
J M La Grouw	14	22
M Raukawa-Tait	21	22
F Wang	7	-
Training for Trustees and Staff	2	-
	146	149

Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2023

16. Related Parties

The ultimate controlling party of the Group is the Rotorua Energy Charitable Trust. No related party debts have been written off or forgiven during the year.

Key management personnel

Key management personnel of the Trust and Group include Trustees and Senior Management. All compensation paid to key management personnel of the Trust comprised short-term benefits. No post-employment, share-based payments or other long term benefits were paid to these parties during the year (2022: Nil).

	2023 Group \$000	2022 Group \$000
Salary and other payments (Excluding Trustees)	168	124
Benefits and other emoluments	-	4
Full-time equivalent managers	1	1

Refer to Note 15 for Trustee fees paid.

Other Related Parties

Trustees declared interests in relation to grants approved to the following organisations during the year (see below). Interests were declared when these grants were considered, and Trustees took no part in deliberations relating to organisations they had an interest in.

Conflicts of Interest 2022/23

Organisation	Trustee(s) and Key Management Personnel with Interest	Grants Approved during the year \$000s
Age Concern Inc	J La Grouw	72
Arataki Cancer Trust	G Brown	15
Atua Awhi Community Charitable Trust	C Cooney	30
Big Brother, Big Sister	J McCullough	20
Curtainbank	J La Grouw	3
Graeme Dingle Foundation	M Keefe	25
John Paul College	G Brown	34
Lakes Water Quality Society	S Edward, G Brown	12
Life Education Trust	J La Grouw, F Wang	15
NZ Aria Trust	J La Grouw	20
Parksyde Elderly Hub	J La Grouw	5
QE Health Community Trust	S Edward	37
Rotorua Community Youth Centre Trust	F Wang	30
Rotorua District Riding for the Disabled Assn	J La Grouw	20
Rotorua Lakes Council	G Brown, F Wang	10
Rotorua Lakes Council	M Raukawa-Tait	69
Rotorua Mountain Bike Club	G Brown	40
Tipu Waiariki	G Brown	9
		<hr/> 466

Rotorua Energy Charitable Trust

Notes to and Forming Part of the Consolidated Financial Statements For the year ended 31 March 2023

17. Group Entities Subsidiaries

The entities in the Group are as follows:

	Ownership Interest	
	2023	2022
Rotorua Trust Perpetual Capital Fund Limited	100%	100%
Thirteen Fifty Eight Investments Limited	100%	100%

All Subsidiary companies are incorporated in New Zealand and have a balance date of 31 March.

18. Commitments & Guarantees

The Group made an initial capital commitment in WNT ventures Fund 3 for \$1,000,000 in the 2022 financial year, of which \$677,000 is uncalled to date (2022: \$870,000 uncalled).

19. Subsequent Events

There are no material events subsequent to balance date that would have an effect on the financial statements.

20. Contingent Liabilities and Commitments

	2023 Group \$000	2022 Group \$000
Multi Year Grants	90	-
	90	-

As at 31 March 2023, the Trust had the above contingent liabilities which relate to multi year grants. These grants are approved by the board in their entirety; however each subsequent year of funding is subject to receiving satisfactory accountability reports. As at 31 March 2023, the accountability reports for two of these grants had not yet been received.

21. Other Income

	2023 Group \$000	2022 Group \$000
Expense Reimbursement	4	-
Capital Gain from Sale of 1358 Eruera Street, Rotorua	-	295
Depreciation Recovered from Sale of 1358 Eruera Street, Rotorua	-	148
Total	4	444

Independent Auditor's Report

To the beneficiaries of Rotorua Energy Charitable Trust

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of Rotorua Energy Charitable Trust (the 'Trust') and its subsidiaries (the 'Group') on pages 1 to 26 presents fairly, in all material respects:

- i. The Group's financial position as at 31 March 2023 and its financial performance and cash flows for the year ended on that date; and
- ii. The service performance for the year ended 31 March 2023 in accordance with the Trust's service performance criteria;

in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit) issued by the New Zealand Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprises:

- The consolidated statement of financial position as at 31 March 2023;
- The consolidated statements of comprehensive revenue and expense, changes in net assets/equity and cash flows for the year then ended;
- Notes, including a summary of significant accounting policies; and
- The consolidated statement of service performance on pages 1 to 7.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'), and the audit of the statement of service performance, in accordance with the New Zealand Auditing Standard 1 *The Audit of Service Performance Information* ('NZ AS 1'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group 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 the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) and NZ AS 1 are further described in the *Auditor's responsibilities for the audit of the consolidated financial report* section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the Trust.

Other matter

The statement of service performance for the year ended 31 March 2022, was not audited.



Use of this independent auditor's report

This independent auditor's report is made solely to the beneficiaries as a body. Our audit work has been undertaken so that we might state to the beneficiaries those matters we are required to state to them in the independent 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 beneficiaries as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Trustees for the consolidated financial statements

The Trustees, on behalf of the Trust, are responsible for:

- The preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit)) issued by the New Zealand Accounting Standards Board;
- Implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error;
- Service performance criteria that are suitable in order to prepare service performance information in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit)); and
- Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate 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 objective is:

- To obtain reasonable assurance about whether the financial statements as a whole and the statement of service performance is free from material misstatement, whether due to fraud or error; and
- To issue an independent 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 and NZ AS 1 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate and collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-13/>

This description forms part of our independent auditor's report.



KPMG
Tauranga

30 June 2023