

Financial Statements contents

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Rotorua Energy Charitable Trust
Consolidated Statement of Comprehensive Revenue and Expense
For the year ended 31 March 2016

	Note	2016 Group \$000	2015 Group \$000
Revenue from Exchange Transactions			
Other Income	6	223	1,593
Investment Income	7	5,766	10,566
Total Revenue		5,989	12,159
Expenses			
Trust Activities	8	445	371
Investment Activities	8	584	598
Depreciation	14	41	52
Trustee Fees and Expenses	19	144	144
Directors Fees and Expenses	20	-	170
Employee Remuneration		503	1,004
Total Expenses		1,717	2,339
Operating Surplus / (Deficit) for the year before Impairments		4,272	9,820
Impairment of assets	17	4,452	-
Surplus / (Deficit) for the year		(180)	9,820
Other Comprehensive revenue and expense			
Available-for-sale fair value reserve -Net change in fair value	10c	962	1,005
Asset revaluation	10b	32	(343)
Other comprehensive revenue and expense for the year		994	662
Total comprehensive revenue and expense for the year		814	10,482
Attributable to owners of the controlling entity		814	10,482



Rotorua Energy Charitable Trust
Consolidated Statement of Changes in Net Assets / Equity
For the year ended 31 March 2016

<i>NZ\$ '000</i>	Perpetual Capital Reserve	Artwork Revaluation Reserve	Available for sale reserve	Grant Reserve	Accumulated revenue & expense reserve	Total net asset / equity
Balance as at 1 April 2014	131,757	612	2,659	254	7,206	142,488
Total Comprehensive Income	-	(343)	1,005	-	9,820	10,482
Transfers	132	-	-	3,500	(3,632)	-
Grants approved	-	-	-	(3,511)	-	(3,511)
At 31 March 2015	131,889	269	3,664	243	13,394	149,459
Total Comprehensive Income	-	32	962	-	(180)	814
Impairment	-	-	-	-	-	0
Transfers	950	-	-	7,000	(7,950)	-
Grants approved	-	-	-	(10,084)	-	(10,084)
At 31 March 2016	132,839	301	4,626	(2,841)	5,264	140,189



Rotorua Energy Charitable Trust
 Consolidated Statement of Financial Position
 As at 31 March 2016

	Note	2016 Group \$000	2015 Group \$000
Trust Funds			
Perpetual capital reserve	10a	132,839	131,889
Artwork Revaluation reserve	10b	301	269
Available-for-sale-reserve	10c	4,626	3,664
Grants reserve	10d	(2,841)	243
Accumulated revenue & expense reserve	10e	5,264	13,394
TOTAL TRUST FUNDS		140,189	149,459
Represented by:			
Current Assets			
Cash and cash equivalents	9	5,292	23,263
Derivative financial instruments		-	104
Term Deposits		1,000	-
Other assets		109	367
Total Current Assets		6,401	23,734
Assets Held for Sale	13	-	14,140
Non-current Assets			
Investments	12	133,530	101,501
Property, plant and equipment	14	592	645
Artworks	15	2,214	1,987
Loans to Community Organisations	16	10	92
Investment in Associate	17	3,844	8,439
Total Non-current Assets		140,190	126,804
Current Liabilities			
Creditors		83	149
Employee Entitlements		10	21
Grants payable	18	6,309	909
Total Current Liabilities		6,402	1,079
Total Net Assets / Equity and Liabilities		140,189	149,459

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


 Grahame Hall
 CHAIRMAN

23/06/16
 Date


 Jo-Anne La Grouw
 DEPUTY CHAIRMAN

23-6-16
 Date



Rotorua Energy Charitable Trust
Consolidated Statement of Cash Flows
For the year ended 31 March 2016

	2016 Group \$000	2015 Group \$000
Cash flows from Operating Activities		
Interest Received	389	1,725
Dividends Received	91	1,864
Rent Received	366	1,394
Other Income	24	69
Payments to suppliers, trustees & employees	(1,026)	(2,302)
Interest paid	-	(134)
Grants paid	(4,684)	(3,804)
Receipt of loans to voluntary organisations	80	-
Loans to voluntary organisations	3	(13)
Net cash inflow / (outflow) from operating activities	(4,757)	(1,201)
Cash flows from Investing Activities		
Sale of property, plant and equipment	24	4
Sale of investment property	14,194	-
Sale of investments	17,670	24,291
Purchase of artworks	(195)	(5)
Purchase of property, plant and equipment	(12)	(9)
Purchase of Investments	(44,895)	(15,201)
Net cash inflow / (outflow) from investing activities	(13,214)	9,080
Cash flows from Financing Activities		
Bank loans repaid	-	(4,000)
Net cash inflow / (outflow) from financing activities	-	(4,000)
Net increase / (decrease) in cash and cash equivalents	(17,971)	3,879
Cash and cash equivalents at the beginning of the period	23,263	19,384
Cash and Cash Equivalents at the end of the period	5,292	23,263



Rotorua Energy Charitable Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2016

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 2016 comprise the controlling entity and its controlled entities (together referred to as the ‘Group’) and individually as ‘Group entities’.

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 for the two most recent reporting periods 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 23rd June 2016.

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 in equity and debt securities
- Artwork
- Investment Property
- Derivative financial instruments

c) Functional and presentation currency

The financial statements are presented in New Zealand dollars (\$) which is the controlling entity’s functional and Group’s 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.

a) Judgements

Judgements made by management in the application of the PBE Standards RDR that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.



4. Significant Accounting Policies

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. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

II. Controlled entities

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.

III. Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognised initially at cost, including directly attributable transaction costs.

The consolidated financial statements include the Group's share of the surplus or deficit and other comprehensive revenue and expense of its equity accounted associates and jointly-controlled-entities, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in its equity accounted associates and jointly controlled-entities, the carrying amount of the investment, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.



IV. 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.

Unrealised gains arising from transactions with equity accounted associates and jointly-controlled-entities are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Revenue

I. Revenue from exchange transactions

Rental income on investment property

Rental income from investment property is recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

II. Other Income

Dividends

Income from dividends is recognised when the Group's right to receive payment is established, and the amount can be reliably measured.

c) Employee benefits

I. 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.

II. Long-term employee benefits

Long-term employee benefit obligations are recognised when the Group has a legal or constructive obligation to remunerate employees for services provided beyond 12 months of reporting date.

III. Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in surplus or deficit in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.



d) Finance income and finance costs

Finance income comprises interest income on financial assets and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.

Finance costs comprise interest expense on financial liabilities, unwinding of the discount on provisions, losses on disposal of available-for-sale financial assets, impairment losses recognised on financial assets, and fair value adjustments on concessionary loans issued.

e) 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.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

The Group also derecognises financial assets and financial liabilities when there has been significant changes to the terms and/or the amount of contractual payments to be received/paid.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies financial assets into the following categories: *fair value through surplus or deficit*, *held-to-maturity*, *loans and receivables*, and *available-for-sale*.

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.



Rotorua Energy Charitable Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2016

I. Fair value through surplus or deficit

A financial instrument is classified as *fair value through surplus or deficit* if it is:

Designated at initial recognition: If 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.

II. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses (refer *Note 4(f)*). *Loans and receivables* comprise cash and cash equivalents, creditors, grants, loans and borrowings.

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. Available-for-sale financial assets

Available-for-sale financial assets 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.

Available-for-sale (AFS) financial assets are 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 *AFS fair value reserve* within net assets/equity, less impairment (refer *Note 4(f)*).

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

Available-for-sale financial assets comprise equity securities and debt securities.

f) 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.

Objective evidence that financial assets are impaired includes default or delinquency by a counterparty, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a counterparty or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an equity security classified as an *available-for-sale* financial asset, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.



I. Financial assets classified as held-to-maturity and loans and receivables

The Group considers evidence of impairment for financial assets measured at amortised cost (*loans and receivables and held-to-maturity*) at both a specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account against *loans and receivables* or *held-to-maturity*. Interest on the impaired asset continues to be recognised.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

II. Financial assets classified as available-for-sale

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

The cumulative loss that is reclassified from net assets/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.

Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired *available-for sale* debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in surplus or deficit. However, any subsequent recovery in the fair value of an impaired *available-for-sale* equity security is recognised in other comprehensive revenue and expense.

g) Property, plant and equipment and artwork

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.

Items of property, plant and equipment are subsequently measured either under the:

- *Cost model*: Cost (or fair value for items acquired through non-exchange transactions) less accumulated depreciation and impairment.
- *Revaluation model*: fair value, less accumulated depreciation and accumulated impairment losses recognised after the date of the most recent revaluation. The revaluation model is applied to artwork revaluations only.

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

Gains and losses on revaluation are recognised in other comprehensive revenue and expense and presented in the *revaluation surplus* reserve within net assets/equity. Gains or losses relating to individual items are offset against those from other items in the same class of property, plant and equipment, however gains or losses between classes of property, plant and equipment are not offset.

Any revaluation losses in excess of credit balance of the *revaluation surplus* for that class of property, plant and equipment are recognised in surplus or loss as an impairment.



Rotorua Energy Charitable Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2016

All of the Group's items of property plant and equipment are subsequently measured in accordance with the *cost model*, except for artwork which are subsequently measured in accordance with the *revaluation model*.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

Upon disposal of revalued items of property, plant and equipment, any associated gain or losses on revaluation to that item are transferred from the *revaluation surplus* to *accumulated surplus*.

II. Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

III. Depreciation

For property, plant and equipment, depreciation is based on the cost of an asset less its residual value. Significant components of individual assets that have a useful life that is different from the remainder of those assets, those components are depreciated separately.

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.

The diminishing value depreciation rates are:

-	Buildings	4%
-	Plant and equipment	7-48%
-	Motor vehicles	21%

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

h) 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.

I. Recognition and measurement

Investment property is 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.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment properties are subsequently measured at fair value.



Rotorua Energy Charitable Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2016

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

II. Reclassifications

When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

i) 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

5. Discontinued Operations

In May to September 2015, the Group sold its investment properties, which management had committed to a plan for disposal in April 2015 due to the appointment of Mercer (NZ) as the new Trust investment manager. As at 31 March 2015, the investment properties were disclosed as 'held for sale' in the Statement of Financial Position.

6. Other Income

	2016	2015
	Group	Group
	\$000	\$000
Property rental income	366	1,395
Share of income of associate	(143)	198
	223	1,593



Rotorua Energy Charitable Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2016

7. Investment Income

	2016 Group \$000	2015 Group \$000
Interest	389	1,712
Dividends	91	1,887
Investment Property net gains/(losses)	54	(56)
Net gain on financial assets	3,188	6,974
Other income	24	49
PIE income	2,020	-
	5,766	10,566

8. Expenses

	2016 Group \$000	2015 Group \$000
Trust Activities		
Audit Fees - KPMG	14	15
Consultants fees	41	88
Insurance	25	25
Legal	63	8
Occupancy & Artwork Storage	46	33
Other expenses	127	104
Public & statutory reporting	40	60
Property repairs	2	11
Sponsorship and promotion	87	27
Total Trust Activities	445	371

Investment Activities

Audit Fees - KPMG	10	20
Brokerage	-	70
Consultants fees	-	43
Custodial fees: Investments	-	9
Interest	-	73
Insurance	-	21
Investment Management	478	-
Investment Property Expenses	95	278
Investment Property: Repairs & Upgrading	-	-
Legal	-	7
Other expenses	1	44
Subscriptions	-	33
Total Investment Activities	584	598

Total Administration Expenses

1,029 969



Rotorua Energy Charitable Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2016

9. Cash and cash equivalents

	2016	2015
	Group	Group
	\$000	\$000
Current Assets		
Bank balances	2,628	1,002
Call & short term deposits	2,664	22,261
Cash and cash equivalents in statement of cash flows	5,292	23,263

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

10. Reserves

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

(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 allocation for the current year is \$949,546 (2015: \$132,000).

	2016	2015
	Group	Group
	\$000	\$000
Opening Balance	131,889	131,757
Current year "CPI" allocation	950	132
Closing Balance	132,839	131,889

(b) Artwork Revaluation reserve

The revaluation reserve relates to the revaluation of artworks.

	2016	2015
	Group	Group
	\$000	\$000
Opening Balance	269	612
Artwork Revaluation	32	(343)
Closing Balance	301	269



Rotorua Energy Charitable Trust
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(c) Available-for-sale reserve

For all available for sale financial assets, movements in fair value are recognised through the available-for-sale-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 accumulated revenue and expense reserve.

	2016	2015
	Group	Group
	\$000	\$000
Opening Balance	3,664	2,659
Net change in fair value	962	1,005
Closing Balance	4,626	3,664

(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 \$7,000,000 (2015: \$3,500,000) 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.

	2016	2015
	Group	Group
	\$000	\$000
Opening Balance	243	254
Transfer from accumulated income	7,000	3,500
Grants approved	(10,084)	(3,511)
Closing Balance	(2,841)	243

(e) Accumulated income reserve

The accumulated income 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.

	2016	2015
	Group	Group
	\$000	\$000
Opening Balance	13,394	7,206
Current year surplus / (Deficit)	(180)	9,820
Transfer to grant reserve	(7,000)	(3,500)
Transfer to perpetual capital reserve	(950)	(132)
Closing Balance	5,264	13,394



Rotorua Energy Charitable Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2016

11. Net Gain / (Loss) on Financial Assets

	2016	2015
	Group	Group
	\$000	\$000
Assets designated at fair value		
Realised fair value gains	742	438
Unrealised fair value gains	2,512	8,327
Foreign currency gains	-	79
Net change in fair value of derivatives designated at fair value through surplus or deficit	(66)	(1,870)
Closing Balance	3,188	6,974

12. Investments

The appointment of Mercer (NZ) as the new Trust investment manager took effective from 1 April 2015.

	2016	2015
	Group	Group
	\$000	\$000
Equity securities at fair value through surplus or deficit (designated)		
New Zealand listed equities	415	34,066
New Zealand unlisted equities	50	40
International listed equities	42,290	41,753
New Zealand listed property equities	-	3,617
Fixed interest held in managed fund	33,462	-
Cash held in managed fund	11,474	-
Real assets	18,094	-
Diversified alternatives	992	-
Trans-Tasman equities	13,183	-
	119,960	79,476
Available for sale equity securities		
Venture Capital funds	2,560	1,566
Private equity funds	9,168	7,933
Hedge funds	56	122
Unlisted equities	1,786	2,444
	13,570	12,065
Debt Securities		
New Zealand government bonds	-	9,960
Total Investments	133,530	101,501

Venture capital funds

The value of some of the venture capital funds has been written down to reflect the performance of the funds to date. Because these funds have been impaired, the changes associated with the carrying value of those funds are recognised through surplus or deficit. The amount recognised through surplus or deficit relating to venture capital funds during the year was Group Nil (2015: (\$319,000)).



Rotorua Energy Charitable Trust
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For the year ended 31 March 2016

Private equity funds

The fair value of private equity funds is determined based on financial statements of the funds provided to the Group. The fair value determination assumes the book value of the funds is a reasonable reflection of the fair value. Where the value of a private equity fund has been written down to reflect the performance of the fund any changes associated with the carrying value of these funds is recognised through the available-for-sale reserve. The amount recognised through surplus or deficit relating to private equity funds during the year was Group and Trust Nil, (2015: \$29,000).

Unlisted equities

The carrying value of unlisted equities is based on fair value. Where this cannot be estimated reliably using a valuation technique the carrying value is based on the cost of the investment. The amount recognised through surplus or deficit relating to unlisted equities during the year, was Group and Trust \$659,000, (2015: (\$250,000)).

Debt Securities

All debt securities are designated at fair value with fair value changes recognised through surplus or deficit. At balance date the entity held no NZ government / government guaranteed debt securities (2015: \$9,960,000).

Disclosures

The Trust has substantial security holdings in the following companies:

Taupo Motorsport Park Limited – The Trust holds 700,000 shares at 31 March 2016. (2015: 700,000, 10.88%). The Trust does not have an appointee to the Board. The investment is held at Nil (2015: Nil)

Hubbard Foods Limited (HFL) - 20,206 shares representing 35.64% of the shares on issue. (2015: 20,206, 35.64%). The Trust has an appointee to the Board and treats this company as an associate in the financial statements.



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13. Assets held for sale

In December 2014 Trustees appointed Mercer NZ as investment managers with effect from 1 April 2015. As a result of this decision Trustees resolved to liquidate the commercial properties that the trust owned at 31 March 2015.

	2016	2015
	Group	Group
	\$000	\$000
Opening Balance	14,140	14,250
Property upgrading	-	(54)
Proceeds from properties sold	(14,195)	-
Realised gain / (loss) on properties sold	55	-
Change in fair value	-	(56)
	-	14,140
Investment Property carrying value		
Collingwood Street, Nelson	-	3,900
Pukaki Street, Rotorua	-	4,600
Sir William Avenue, Auckland	-	5,640
	-	14,140

14. Property, Plant & Equipment

	Land and Buildings \$'000	Plant & Equipment \$'000	Total
Opening Balance at 1 April 2014	695	287	982
Additions	4	1	5
Disposals	-	(4)	(4)
Accumulated depreciation to 31 March 2014	(98)	(188)	(286)
Depreciation for the year	(20)	(32)	(52)
Balance at 31 March 2015	581	64	645
Additions	-	12	12
Disposals	-	(24)	(24)
Accumulated depreciation to 31 March 2015	(118)	(220)	(338)
Depreciation for the year	(19)	(22)	(41)
Balance at 31 March 2016	562	30	592



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15. Artwork

	Group \$000
Opening balance at 1 April 2015	2,324
Additions	6
Disposals	-
Revaluation	(343)
Balance at 31 March 2015	1,987
Additions	205
Disposals	-
Revaluation	22
Balance at 31 March 2016	2,214

The Trust has purchased and is continuing to purchase 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 Peter Webb Galleries Limited on 31 March 2016.

The artworks are maintained and stored by the Rotorua Museum of Art & History – Te Whare Taonga O Te Arawa.

16. Loans to Community Organisations

The Trust in addition to its granting activities makes loans available to various community organisations. These loans may be on an interest free basis or subject to interest. The term of the loans varies and in certain instances security may be taken in respect of the loan.

	Loan Balance \$'000	Repayment Date	Loan Terms	Interest rate charged
Q.E. Hospital Limited	80	26 February 2016	Secured	
Rotorua Ngongotaha Rail Trust	12	24 April 2019	Unsecured	6.8%
Balance at 31 March 2015	92			
Rotorua Ngongotaha Rail Trust	10	24 April 2019	Unsecured	6.8%
Balance at 31 March 2016	10			



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17. Investment in and loans to associate

The associate, Hubbard Foods Limited, has a balance date of 30 September and as such the group's share of the post-acquisition profit after income tax as shown above is based on the associate's unaudited management accounts as at 31 March 2016

The investment in the associate has been impairment tested based on the draft indicative valuation of ordinary shares completed by BDO Auckland Ltd in April 2016.

Included within the carrying value is Goodwill Nil (2015: \$3,440,000)

	2016 Group \$000	2015 Group \$000
Shares in Associate	1,504	6,099
Loans to Associate	2,340	2,340
	3,844	8,439

	2016 Group \$000	2015 Group \$000
Results of Associate		
Share of Profit / (loss)	(143)	369
Deduct		
Interest on shareholder loan	-	(171)
	(143)	198
Movements in carrying amounts		
Opening Balance	6,099	5,901
Share of recognised revenue and expenses	(143)	198
Impairment of investment in Associate	(4,452)	
Closing Balance	1,504	6,099



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18. Grants Payable

Grants approved have been accounted for on the following basis:

	2016 Group \$000	2015 Group \$000
Grants Approved	10,084	3,511
Grants unpaid from prior year	909	1,202
	10,993	4,713
Less: Grants Paid	(4,684)	(3,804)
	6,309	909
Represented by:		
Approved and unpaid	5,591	392
Obligations for the next financial year, Opex	522	517
Scholarship	196	-
Closing Balance	6,309	909

19. Trustees Fees and Expenses

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

	2016 Group \$000	2015 Group \$000
P C East	21	21
G W Hall	39	39
S M Kai Fong	21	21
J M La Grouw	21	21
T H Maxwell	21	21
L G Thurston	21	21
	144	144

20. Directors Fee

Perpetual Capital Management Limited was wound up as at 31 March 2015 and all operations ceased.
Directors fees paid were as follows:

	2016 Group \$000	2015 Group \$000
S L Mainer (Jnr)	-	60
F R S Clouston	-	40
J A Dell	-	30
M G Goldfinch	-	30
	-	160



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21. Related Parties

The ultimate controlling party of the Group is the Rotorua Energy Charitable Trust. Advances have been made to subsidiary companies within the Group which are interest free and repayable on demand. A variable advance has been made by the Trust to Thirteen Fifty Eight limited, which is subject to interest at the same rate as applicable to that company's borrowings from the Bank of New Zealand Limited.

No related party debts have been written off or forgiven during the year.

Transactions with and between subsidiaries and associate along with outstanding balances are summarised below:

	Nature of transaction	Transactions during the year		Outstanding balances (payable)/receivable	
		2016	2015	2016	2015
Rotorua Energy Charitable Trust					
Rotorua Perpetual Capital Fund	Custodial Services	-	135	-	-
Perpetual Capital Management Ltd	Investment Management Services	-	743	-	-
Subsidiaries					
Rotorua Perpetual Capital Fund / Trust	Staff Support	9	71	-	-
Perpetual Capital Management Ltd / Trust	Staff Support	-	55	-	-
Thirteen Fifty Eight Ltd / Trust	Staff Support	19	35	-	-
Perpetual Capital Management Ltd / Trust	Office accommodation	-	12	-	-
Associate					
Hubbard Foods Ltd / Perpetual Capital Management Ltd	Director Fees	-	42	-	-

Key management personnel

Key management personnel of the Trust and Group include Directors, 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 (2015: nil).

As a result of Trustees determining not to renew the Investment Management Agreement with the Trust subsidiary company, Perpetual Capital Management Limited, termination benefits of \$136,522 (2015:\$102,000) were paid to personnel of that company during the year.



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Trustees declared interests in relation to organisations that received grants as detailed below during the year. Interests were declared when these grants were considered and Trustees took no part in deliberations relating to organisations they had an interest in.

Organisation	Trustee(s) with Interest	Total Grants
NZ Aria Trust	L Thurston, J La Grouw, GHall	\$19,000
Lakes DHB	L Thurston	\$771,000
QE Hospital Community Trust	S Kai Fong	\$750,000
Riding for the Disabled	J La Grouw	\$506,000
Rotorua Musical Theatre	L Thurston	\$14,000
Community Youth Centre	P East	\$60,000
Rotorua Lakes Council	T Maxwell	\$25,000
Te Aratu Trust	GHall	\$13,000
Rotary/Outward Bound	P East	\$2,005
Get Kids Active	S Kai Fong	\$14,000
Kennel Association	L Thurston	\$2,000
Grow Rotorua	T Maxwell	\$5,000
Rotorua Multicultural Council	GHall	\$7,000
Events Attraction	T Maxwell	\$9,500
Rotorua JP Association	L Thurston, GHall	\$4,950
Lakeside Concert Trust	T Maxwell, J La Grouw, GHall	\$150,000
Western Heights Community	T Maxwell, L Thurston	\$43,500
Rotorua A & P Association	GHall	\$5,000
Rotary Club of Rotorua Sunrise	GHall	\$3,000
Events and Venues	T Maxwell	\$20,000
Toastmasters NZ	S Kai Fong	\$1,750
Rotorua Lakes Swim School	T Maxwell	\$24,000
Waipa Undergrounding Project	S Kai Fong	\$404,000
Continuing Care Trust	S Kai Fong	\$12,500
John Paul College	L Thurston	\$31,450

22. Group Entities Subsidiaries

The entities in the Group are as follows:

	Ownership Interest	
	2016	2015
Thirteen Fifty Eight Limited	100%	100%
Thirteen Fifty Eight Investments Limited	-	100%
Perpetual Capital Management Limited	-	100%
Rotorua Trust Perpetual Capital Fund Limited	100%	100%

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

At 31 March 2016 both Thirteen Fifty Eight Investments Limited and Perpetual Capital Management Limited have been wound up.



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23. Commitments & Guarantees

The Group had no known material capital commitments at balance date (2015: Nil).

Operating Lease Commitments

The Group leases certain items of plant and equipment under operating lease agreements. The following summarises the future minimum lease payments payable under non-cancellable operating leases:

	2016 Group \$000	2015 Group \$000
No later than one year	6	6
Two to Five years	13	19
Later than Five years	-	-
	19	25

24. Subsequent Events

There have been no events subsequent to period end requiring disclosure.





Independent auditor's report

To the beneficiaries of Rotorua Energy Charitable Trust

We have audited the accompanying consolidated financial statements of Rotorua Energy Charitable Trust and its subsidiaries ("the group") on pages 1 to 25. The financial statements comprise the consolidated statement of financial position as at 31 March 2016, the consolidated statements of comprehensive revenue and expense, changes in net assets/equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Trustees' responsibility 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 generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards Reduced Disclosure Regime (Not-For-Profit)) 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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



Opinion

In our opinion, the consolidated financial statements on pages 1 to 25 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of Rotorua Energy Charitable Trust as at 31 March 2016 and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (Not-For-Profit).

KPMG

23 June 2016
Tauranga