
Te Aute Trust Board
Financial Statements
For the Year Ended 31 December 2016

Te Aute Trust Board
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For the Year Ended 31 December 2016

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Te Aute Trust Board

Directory

For the year ended 31 December 2016

Board of Trustees Mr Stephen Jacobi
Chairman
Mr Joseph Halapua
The Most Reverend Brown Turei
Ms Mele Tuilotolava
The Most Reverend Philip Richardson
Mr Maui Tangohau

Registered Office Level 4
123 Carlton Gore Road
Newmarket
Auckland

Charities Commission CC50280
Registration number

Independent Auditor KPMG
18 Viaduct Harbour Avenue
Auckland

Te Aute Trust Board

**Statement of Comprehensive Revenue and Expenses
For the year ended 31 December 2016**

	Notes	2016 \$'000
Revenue		
Fees Received		1,468
Farming Income	2	1,511
Lease Income		225
Other Income		161
Total Operating Revenue		3,365
Expenses		
Farming Expenses		1,341
Staff Costs		1,157
Property Costs		546
Legal and Professional Fees		470
Other Operating Expenses		437
Total Expenses		(3,951)
Net Changes in Fair Value of Investment Property	5	105
Total Deficit for the Year		(481)
Net Changes in Fair Value of Land and Improvements	6	781
Other Comprehensive Revenue and Expenses For the Year		781
Total Comprehensive Revenue and Expenses for the Year		300

These financial statements should be read in conjunction with the notes to the financial statements.

Te Aute Trust Board

**Statement of Changes in Net Assets
For the year ended 31 December 2016**

	Property Grants and Attendance Fees Special Funds \$'000	Property Revaluation Reserve \$'000	Investment Revaluation Reserve \$'000	Trust Capital \$'000	Total Equity \$'000
Equity as at 1 January 2016 (under old basis of preparation)	-	-	-	10,939	10,939
<i>Transition to PBE Standards</i>					
Reclassification of Revaluation Reserve	-	2,188	90	(2,278)	-
Reclassification of Attendance Fees as Special Funds	308	-	-	(308)	-
Recognition of Hostel Buildings and School Land	-	-	-	659	659
Recognition of Grants as Special Funds	23	-	-	-	23
Recognition of Other Farm Liabilities	-	-	-	(144)	(144)
Equity as at 1 January 2016	331	2,188	90	8,868	11,477
Total Deficit for the Year	-	-	-	(481)	(481)
Other Comprehensive Revenue and Expenses	-	781	-	-	781
Transfer to Special Funds	122	-	-	(122)	-
Equity at 31 December 2016	453	2,969	90	8,265	11,777

Te Aute Trust Board

**Statement of Financial Position
As at 31 December 2016**

	Notes	31 Dec 2016 \$'000	1 Jan 2016 (Restated) \$'000
Current Assets			
Cash and Cash Equivalent		1,059	1,327
Livestock	3	2,566	2,156
Trade and Other Receivables		582	499
Total Current Assets		4,207	3,982
Non Current Assets			
Investments	4	988	980
Investment Properties	5	6,670	6,565
Property, Plant & Equipment	6	15,250	13,072
Total Non Current Assets		22,908	20,617
Total Assets		27,115	24,599
Current Liabilities			
Trade and Other Payables		872	598
Total Current Liabilities		872	598
Non Current Liabilities			
Related Party Loan	7	14,466	12,524
Total Non Current Liabilities		14,466	12,524
Equity			
Property Revaluation Reserve		2,969	2,188
Investment Revaluation Reserve		90	90
Property Grant and Attendance Fees Special Funds		453	331
Trust Capital		8,265	8,868
Total Equity		11,777	11,477
Total Funds Employed		27,115	24,599

For and on behalf of the Board who authorise these Financial Statements
for issue on


Chairman

9/06/2017
Date

Te Aute Trust Board

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 December 2016**

	2016 \$'000
Cash Flows From Operating Activities:	
<i>Cash was provided from:</i>	
Income from Farming Activities	1,101
Income from Fees Charged	1,385
Other Income	386
	<u>2,872</u>
<i>Cash was disbursed to:</i>	
Payments to Suppliers and Employees	(3,530)
Net Cash Outflows from Operating Activities	(658)
Cash Flows From Investing Activities:	
<i>Cash was applied to:</i>	
Purchase of Property, Plant and Equipment	(1,543)
Purchase of Investments	(8)
Net Cash used in Investing Activities	(1,551)
Cash Flows From Financing Activities:	
<i>Cash was provided from:</i>	
Proceeds from Loan	1,942
Cash used in Financing Activities	1,942
Net (Decrease) in Cash Held	(268)
Add Cash at the beginning of the financial year	1,327
Cash at the end of the financial year	1,059
Represented by	
Cash	1,059
	<u>1,059</u>

These financial statements should be read in conjunction with the notes to the financial statements.

**Te Aute Trust Board
Notes to the Financial Statements
For the year ended 31 December 2016**

1 Statement of Accounting Policies

Reporting Entity

The financial statements are in respect of the Te Aute Trust Board (the Trust).

These financial statements have been approved and were authorised for issue by the Board of Trustees on the date on page 5.

Statement of Compliance

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity Standards Reduced Disclosure Regime (Not-For-Profit) that have been authorised for use by the External Reporting Board (XRB).

The Trust is eligible to apply Tier 2 on the basis that it does not have public accountability and it is not defined as large. The Board of Trustees has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions.

First Time Adoption of PBE Accounting Standards

These are the Trust's first financial statements prepared in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (Not-For-Profit). In the previous year the Trust prepared its financial statements in accordance with the Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAP's) (referred to as old GAAP). The date of transition is 1 January 2016.

The Trust has applied PBE FRS 47 First-time Adoption of PBE Standards by Entities Other than Those Previously Applying NZ IFRS. The Trust has chosen to apply the exemption available under PBE FRS 47 and has not presented comparative information in its first set of financial statements under PBE Standards, but has included its opening statement of financial position. As disclosed in Note 12, there were adjustments to previously reported equity as a result of adopting these accounting standards.

The Trust has adopted the disclosure initiative (amendments to PBE IPSAS 1). This has resulted in a number of changes to the format and presentation of the financial statements designed to enhance reader comprehension and disclosure effectiveness.

Functional and presentational currency

These financial statements are presented in thousands of New Zealand dollars (\$'000), which is the Trust's functional currency. All financial information presented in New Zealand Dollars has been rounded to the nearest thousand dollar, except when otherwise indicated.

Measurement Base

The accounting principles are recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the Trust, with the exception that livestock biological assets, investments, investment properties and land and improvements are stated at fair value.

Change in Accounting Policies

There has been a number of changes in accounting policies as described in note 12. Apart from these changes, all other accounting policies have been applied on a consistent basis with the prior year.

Te Aute Trust Board
Notes to the Financial Statements
For the year ended 31 December 2016

1 Statement of Accounting Policies (Continued)

Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

Accounts Receivable

Accounts receivable are stated at their estimated realisable value.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Trust and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Rental income is recognised in the Statement of Comprehensive Revenue and Expenses on a straight line basis over the term of the lease.

Livestock sales, and sales of other agricultural produce, are recognised upon receipt by the customer when the risks and rewards of ownership have been transferred.

Distribution income from investments is recognised when the Trust's right to receive payment has been established.

Cash and Cash Equivalents

Cash and cash equivalents includes bank, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Goods and Services Tax

All items in the Statement of Financial Position are stated exclusive of GST, with the exception of accounts receivable and accounts payable, which include GST. All items in the Statement of Comprehensive Revenue and Expenses are stated exclusive of GST.

Use of Estimates and Judgements

The preparation of the financial statements in conformity with PBE IPSAS requires management to make judgement, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. The significant estimates and judgements made in applying accounting policies and that affect amounts recognised in the financial statements are the following:

- (a) The estimation of useful lives and depreciation profiles for property, plant and equipment.
- (b) Investment Properties: estimate of fair value of investment properties.
- (c) Property valuations: estimate of fair value of land and improvements.

Income Taxation

The Trust is exempt from Income Tax. The Trust is registered with the Department of Internal Affairs (DIA) Charities (Registration Number CC28728).

Te Aute Trust Board
Notes to the Financial Statements
For the year ended 31 December 2016

2 Farming Revenue

Sheep and beef cattle are primarily grown to produce meat. Dairy cattle are primarily held to produce milk.

	2016 \$'000
Sale of Cattle	1,665
Purchase of Cattle	(1,494)
Stock Adjustment	409
Dairy Produce	748
Other Income	183
Total Farming Revenue	1,511

3 Livestock Biological Assets

Livestock are recorded at fair value. Changes in the value of livestock are recognised in the Statement of Comprehensive Income. Value changes, including animal growth, changes in livestock numbers and general livestock price movements, are recognised in the Statement of Comprehensive Income within revenue.

	2016 \$'000	1-Jan-16 \$'000
Dairy Herd	982	924
Sheep and Cattle	1,584	1,232
Total Livestock	2,566	2,156

4 Investments

Investments are classified as available-for-sale financial assets. These assets are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, investments are measured at fair value.

Fair value is determined based on the quoted prices of the underlying investments at balance date. Changes in the fair value of investments, other than impairment losses, are recognised in other comprehensive revenue and expense and accumulated in the investment revaluation reserve in equity.

When investments are derecognised on sale, the gain or loss accumulated in equity is reclassified to surplus or deficit. This is presented as a realised gain or loss on sale of investments. Transactions are based on trade date where purchase or sale of an investment is under a contract.

	2016 \$'000	1-Jan-16 \$'000
Investments in Shares	988	980

5 Investment Property

Initially investment properties and properties held for sale are measured at cost including transaction costs. Subsequent to initial recognition investment properties and properties held for sale are stated at fair value. Gains and losses arising from changes in the fair values of investment properties and properties held for sale are included in the surplus or deficit the year in which they arise.

External, independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value the Trust's investment property portfolio every 12 months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property.

Investment properties and properties held for sale are derecognised when they have either been disposed of or when the investment property and property held for sale is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property or property held for sale are recognised in the surplus or deficit in the year of derecognition.

The following schedule discloses the revaluations of the Investment Properties as at 31 December 2016. There were no additions or disposals during the year (2015: nil).

	2016 \$'000
Ground Lease Interests, Pukehou, Hawkes Bay	
Balance as at 1 January 2016	6,565
Change in Fair Value	105
Balance as at 31 December 2016	6,670

Te Aute Trust Board
Notes to the Financial Statements
For the year ended 31 December 2016

6 Property, Plant and Equipment

Property, plant and equipment consists of land and improvements, hostel buildings, plant, motor vehicles, furniture and equipment and computer equipment.

Land and farm improvements are measured at fair value less accumulated depreciation and impairment losses.

Hostel buildings and all other items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

- (a) Revaluations: Freehold land and improvements (including buildings) are valued annually on 31 December at fair value by independent registered valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the assets revalued amount. Changes in valuation are taken to the freehold land and improvements revaluation reserve using the net revaluation method. Where an asset's downwards revaluation exceeds previous positive revaluations, the amount of the revaluation is reported within profit or loss in the Statement of Comprehensive Income.
- (b) Additions: An item of property, plant and equipment is initially recognised at cost plus directly attributable costs of bringing the item to working condition for its intended use.
- (c) Disposal: Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains or losses on disposal of land are recognised as profit or loss on sale of land and gains and losses on disposal of other items of property, plant and equipment are recognised as gain or loss on disposal of property, plant and equipment in the Statement of Comprehensive Income. When revalued areas are sold, the revaluation reserve attributable to that item is transferred from the asset revaluation reserve to other equity.
- (d) Depreciation: Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and land improvements. Depreciation rates are used to allocate the cost or revalued amount of the assets to their estimated residual values over their useful lives. The useful lives of buildings on freehold land have been estimated to be 50 years.
- (e) Impairment: If the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down to its estimated recoverable amount. For property, plant and equipment that are revalued annually, this difference is accounted for in the same manner as a downwards revaluation. For property, plant and equipment recorded at depreciated historical cost an impairment loss is recognised in the Statement of Comprehensive Income. Recoverable amount is the greater of fair value less costs to sell and value in use.

Cost	Land	Improvements	Hostel Buildings	Plant and Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost/Valuation as at 1 Jan 2016	10,332	2,559	181	-	13,072
Additions	391	158	992	2	1,543
Fair value changes	557	224	-	-	781
Disposals	-	-	-	-	-
Cost/Valuation as at 31 Dec 2016	11,280	2,941	1,173	2	15,396

Depreciation as at 1 Jan 2016	-	-	-	-	-
Additions	-	135	10	1	146
Disposals	-	-	-	-	-
Fair Value Changes	-	-	-	-	-
Depreciation as at 31 Dec 2016	-	135	10	1	146

Net Book Value as at 1 Jan 2016	10,332	2,559	181	-	13,072
Net Book Value as at 31 Dec 2016	11,280	2,806	1,163	1	15,250

Te Aute Trust Board
Notes to the Financial Statements
For the year ended 31 December 2016

7 Loans

2016 \$'000	1-Jan-16 \$'000
14,466	12,524

Loan owing to the St John's College Trust Board

During the 2014 financial year, a funding facility was provided by the St John's College Trust Board to enable the repayment of debt facilities previously held with the Bank of New Zealand and to allow for investment in the Trust's hostel and farming operations.

The loan is secured over the land owned by the Trust and is repayable on demand. The St John's College Trust Board may, at any time after 27 May 2024, give a minimum of one year's written notice to the Borrower specifying the date on which the loan is to be repaid. The interest rate is 0%. During the year there have been no repayments or interest charged.

8 Related Parties

Key Management Personnel of six Trustees (2015: six) did not receive any remuneration nor other benefits during the year (2015:NIL).

On the 3rd December 2013, all Trustees of the St John's College Trust Board were appointed Trustees of the Te Aute Trust Board. During 2014, the St John's College Trust Board agreed the terms of a loan to the Te Aute Trust Board (refer to Note 6). As at 31 December 2016 Stephen Jacobi, Maui Tangohau, Brown Turei, Philip Richardson, Mele Tuilotalava and Joseph Halapua remained Trustees of the Te Aute Trust Board.

9 Contingent Liabilities

In the ordinary course of business there are certain unresolved disputes with employees and suppliers arising from past transactions. The Trust is in the process of resolving these disputes and is not expected to incur more than \$50,000 in doing so. There were no contingent liabilities at 31 December 2015.

10 Commitments

There were no capital commitments at 31 December 2016 (2015: \$390,000).

11 Subsequent Events

There have been no material post balance sheet events which would require disclosure or adjustment to these Financial Statements.

**Te Aute Trust Board
Notes to the Financial Statements
For the year ended 31 December 2016**

12 Transition to PBE Standards

Reconciliation of Equity as at 1 January 2016

	Special Purpose - 31 December 2015	Reclassification of land and improvements	Recognition of school land and hostel buildings	Derecognition of grant liabilities	Recognition of farm liabilities	PBE Standards 1 January 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and Other Receivables	633	-	-	-	(134)	499
Investment Properties	18,978	(12,413)	-	-	-	6,565
Property, Plant and Equipment	-	12,413	659	-	-	13,072
Other Payables	(611)	-	-	23	(10)	(598)
Equity	(10,939)	-	(659)	(23)	144	(11,477)

Notes to the reconciliation:

- (a) Reclassification of land and improvements: Prior to adopting PBE Standards, the Trust included the farms land and improvements as part of its investment property portfolio. On transition to PBE standards, the Trust recognised these as Property, Plant and Equipment as they did not meet the definition of investment properties under PBE IPSAS.
- (b) Recognition of school land and buildings: Prior to adopting PBE Standards, the Trust did not recognise the hostel buildings and school land. On transition to PBE standards, the Trust recognised these as Property, Plant and Equipment as they met the recognition criteria under PBE IPSAS.
- (c) Derecognition of grant liabilities: Prior to adopting PBE Standards, the Trust recognised Ministry of Education Property Grant as liabilities. On transition to PBE standards, the Trust derecognised these as liabilities and reclassified them as special funds.
- (d) Recognition of farm liabilities: Prior to adopting PBE Standards, some of the farms liabilities in respect of GST were not recognised. On transition to PBE standards, the Trust recognised these as liabilities.

Other adjustments which did not affect equity include the reclassification of general funds into revaluation reserves and special funds.



Independent Auditor's Report

To the trustees of Te Aute Trust Board

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Te Aute Trust Board (the trust) on pages 3 to 12:

- i. present fairly in all material respects the trust's financial position as at 31 December 2016 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with Public Benefit Entity Standards Reduced Disclosure Regime (Not-For-Profit).

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). 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 trust in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

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



Other Information

The Trustees, on behalf of the trust, are responsible for the other information included in the entity's directory. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this Independent Auditor's Report

This report is made solely to the trustees as a body. Our audit work has been undertaken so that we might state to the trustees 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 trustees as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Trustees for the financial statements

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

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards Reduced Disclosure Regime (Not-For-Profit));
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; 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 financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are 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 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx.

This description forms part of our Independent Auditor's Report.



KPMG
Auckland

19 June 2017