



FINANCIAL STATEMENTS
FOR
THE YEAR ENDED
31 MARCH 2016

Rātā Foundation
Financial Statements
For the year ended 31 March 2016

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Rātā Foundation

Financial Statements

For the year ended 31 March 2016

Foundation Information

1. Foundation Entity

Rātā Foundation (the Foundation) is an “in perpetuity” trust incorporated under the Charitable Trusts Act 1957, and operates under the Community Trusts Act 1999.

As a not-for-profit Public Benefit Entity (PBE) domiciled in Christchurch New Zealand, the Foundation distributes grants to qualifying organisations in the Canterbury, Nelson, Marlborough and Chatham Island regions. Through its granting programme the Foundation seeks to enhance the lives of people in its region by equitably sharing and managing its resources. As an in perpetuity trust its resources are held in trust for present and future generations domiciled in the regions.

2. Foundation Structure

The Rātā Foundation Group consists of the Foundation and its controlled entities, Rātā Foundation Limited (RFL), Canterbury Trust House Limited (CTH), and Canterbury Direct Investments Limited (CDI).

The Foundation owns the Group’s assets which include the managed funds investment portfolio and makes grants for approved projects on recommendation from the Foundation’s Board. Grant applications which are received from qualifying organisations are evaluated against the Foundation’s funding programme policies.

RFL is a registered charity which holds an investment in a property fund, and makes grants for approved projects on recommendation from the Foundation’s Board. Grant applications which are received from Charities are evaluated against the Foundation’s funding programme policies. CTH directly owns commercial property, consisting of land and buildings. CDI is a registered charity which owns assets classed as Private Equity and Infrastructure Investments.

3. Trustees

The Foundation is governed by a Board consisting of up to twelve Trustees appointed by the Minister of Finance. Trustees are appointed for an initial term of up to four years and may, at the conclusion of their term, be appointed for a further term of up to four years. The Governance Charter provides the framework under which the Board and its committees operate.

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Foundation Information (continued)

Trustees at 31 March 2016 were:

Trustee	Date Appointed
Bill Dahlberg	June 2009
Roger Bridge	June 2010
Tracey Chambers	June 2011
Peter Graham	June 2011
Sue McKenzie	June 2011
Chris Korako	June 2012
Rosemary Wells	June 2012
Tony Fakahau	June 2014
Sarah-Jane Weir	June 2014
Tony de Reeper	August 2014
Toni Grant	June 2015

The Board's workload is allocated to the following committees:

- Investment
- Audit, Risk and IT
- Māori and Pasifika Komiti
- Grants Committees
- Remuneration

4. Management

The Executive Team, led by Louise Edwards Chief Executive, consists of:

Murray Lapworth	Chief Financial Officer
Karyn McLeod	Funding Manager
Arron Perriam	Business Operations Manager
Tanya Bethell	Communications Manager

5. Auditor

KPMG

6. Legal Counsel

Rhodes & Co

7. Investment Adviser

Mercer

Rātā Foundation

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Foundation Information (continued)

8. Main Sources of Cash and Resources

The Foundation's main source of funds is from returns on its diversified investment portfolio. Over the last three years the portfolio has earned an annual investment return of 7.5%. The Foundation may also receive grants, donations, and bequests.

9. Contact Details

Physical Address: Level 1, 12 Hazeldean Road, Hazeldean Business Park, Christchurch

Postal Address: PO Box 1440, Christchurch 8140

Phone: 03 355 0305

Freephone: 0508 266 878

e-mail: enquiry@ratafoundation.org.nz

website: www.ratafoundation.org.nz

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Consolidated Statement of Comprehensive Revenue and Expense

	NOTE	2016	2015
Revenue:			
Revenue from Investments	3	31,914	54,519
Other Income	18	15,602	81
Total Revenue		47,516	54,600
Expenses:			
Grants Committed to Community Groups	4	17,824	18,243
Administration Expenses	5	2,840	2,676
Funds Management, Custodian and Advisory Fees		1,582	1,139
Total Expenses		22,246	22,058
SURPLUS FOR THE YEAR BEFORE INCOME TAX		25,270	32,542
Income Tax Expense	6	-	-
Other Comprehensive Revenue and Expense		-	-
Total Comprehensive Revenue and Expense for the year		25,270	32,542
Surplus attributable to Equity		25,270	32,542

The notes on pages 8 to 18 are an integral part of these consolidated financial statements.

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Consolidated Statement of Changes in Foundation Equity

	Capital Base Reserve	Inflation Reserve	Special Fund Reserve	Accumulated Income Reserve	Equity
Opening Balance 1 April 2015	353,807	156,375	1,808	30,023	542,013
Total Comprehensive Revenue and Expense	(3,363)	-	-	28,633	25,270
Grants from Special Fund	-	-	(1,724)	-	(1,724)
Real Capital Transfer	-	2,040	-	(2,040)	-
Net transfer to/(from) Reserves	3,363	-	-	(3,363)	-
Closing Balance 31 March 2016	353,807	158,415	84	53,253	565,559
Opening Balance 1 April 2014	353,807	155,865	7,241	(2,009)	514,904
Total Comprehensive Revenue and Expense	(3,328)	-	-	35,870	32,542
Grants from Special Fund	-	-	(5,433)	-	(5,433)
Real Capital Transfer	-	510	-	(510)	-
Net transfer to/(from) Reserves	3,328	-	-	(3,328)	-
Closing Balance 31 March 2015	353,807	156,375	1,808	30,023	542,013

The notes on pages 8 to 18 are an integral part of these consolidated financial statements.

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Consolidated Statement of Financial Position as at 31 March 2016

	NOTE	2016	2015
CURRENT ASSETS			
Cash and Cash Equivalents	7	10,898	16,730
Investments	8	486,948	473,315
Trade and Other Receivables	18	15,839	540
TOTAL CURRENT ASSETS		513,685	490,585
NON-CURRENT ASSETS			
Investments	8	34,997	33,127
Investment Property	10	28,413	32,795
Other Non-Current Assets	11	401	528
TOTAL NON-CURRENT ASSETS		63,811	66,450
TOTAL ASSETS		577,496	557,035
CURRENT LIABILITIES			
Grants Payable	12	11,366	14,593
Other Payables		571	429
TOTAL LIABILITIES		11,937	15,022
NET ASSETS		565,559	542,013
Equity			
Real (Inflation Adjusted) Capital	13	512,222	510,182
Reserves		53,337	31,831
TOTAL EQUITY		565,559	542,013

Approved on behalf of the Board:



Board Chair

15 August 2016



Audit, Risk and
IT Committee Chair

15 August 2016

The notes on pages 8 to 18 are an integral part of these consolidated financial statements.

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Financial Statements
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Consolidated Statement of Cash Flows

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from:		
Fund managers	16,134	19,893
Property sales	5,300	3,550
Interest	637	1,342
Community loan repayments	1,694	1,189
Total cash inflows from operating activities	23,765	25,974
Payments to:		
Grants to community organisations	(23,484)	(26,801)
Loans to community organisations	(2,452)	(2,177)
Suppliers, trustees and staff	(3,661)	(4,699)
Total cash outflows from operating activities	(29,597)	(33,677)
Net cash (outflow) from operating activities	(5,832)	(7,703)
Cash Flows from Investing Activities		
Payments to:		
Purchase of Assets	-	(2)
Net cash outflow from investing activities	-	(2)
Net cash (outflow) from activities	(5,832)	(7,705)
Add: Cash and cash equivalents at 1 April	16,730	24,435
Cash and cash equivalents at 31 March	10,898	16,730

Cash and cash equivalents consists of cash balances held with Westpac Banking Corporation and short term deposits, and does not include cash or deposits held by Fund Managers.

The Consolidated Statement of Cash Flows does not reflect the cash flows within Fund Managers' portfolios.

The notes on pages 8 to 18 are an integral part of these consolidated financial statements.

Rātā Foundation

Statement of Accounting Policies and Explanatory Notes

For the year ended 31 March 2016

in New Zealand Dollars (\$000's)

1. Reporting Entity

Rātā Foundation (the Foundation) is an "in perpetuity" trust domiciled in New Zealand and incorporated under the Charitable Trusts Act 1957 and operates under the Community Trusts Act 1999. It is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act 2013.

The Foundation Group comprises the Foundation and its controlled entities, Rātā Foundation Limited, Canterbury Trust House Limited, and Canterbury Direct Investments Limited.

2. Basis of Preparation

The Foundation's financial statements have been prepared on the following basis:

Statement of Compliance:

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with Tier 2 PBE Accounting Standards for not-for-profit entities with reduced disclosure requirements and with the provisions of the Community Trusts Act 1999 and the Financial Reporting Act 2013.

The Foundation Group qualifies as a Tier 2 reporting entity as it has no public accountability (as defined by the External Reporting Board), and for the two most recent reporting periods it has had between \$2 million and \$30 million operating expenditure. The Foundation has elected to report under PBE Accounting Standards with reduced disclosure requirements.

Transition Adjustments:

These are the Foundation's first financial statements prepared in accordance with Tier 2 PBE Accounting Standards. PBE FRS 46: First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS has been applied. There have been no material adjustments as a result of converting to Tier 2 PBE Accounting Standards.

Functional and Presentation Currency

These financial statements are prepared in New Zealand Dollars which is the presentation and functional currency.

Basis of Measurement:

Historical cost is the basis of measurement, except for financial assets and liabilities which are designated at fair value through revenue or expense, and investment properties at fair value through revenue or expense. Other assets are at amortised cost.

The financial statements have been prepared on a going concern basis.

Estimates and Judgements:

Information about estimates and judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are included in Note 8: Investments.

The accounting policies of the Group have been applied consistently to the periods presented. Certain comparatives have been re-presented to conform to the current period's presentation.

Rātā Foundation

Statement of Accounting Policies and Explanatory Notes

For the year ended 31 March 2016

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3. Revenue from Investments

Revenue from investments includes interest, rent and realised and unrealised gains and losses related to investments classified as fair value through revenue and expense. Interest received is recognised on an accrual basis applying the effective interest rate method.

Revenue received from investments for the year is summarised as follows:

	2016	2015
Investment Revenue		
Interest earned	637	1,342
Rent earned	2,580	4,020
Profit on disposal of investment property	832	450
Change in fair value of investments (realised and unrealised)	27,865	48,707
Total Investment Revenue	31,914	54,519

All investments are designated as fair value through revenue or expense upon initial recognition.

4. Grants Expense

Grants to eligible organisations are recognised as an expense in the Consolidated Statement of Revenue and Expense when they are approved by the Trustees of the Group. Payments to grant recipients are made on the satisfaction of any restrictions or conditions which may have been placed on the grant. Grants covering multiple years are recognised proportionately in each year they relate.

	2016	2015
Grants Approved		
Grants approved and disbursed	15,063	17,515
Grants approved but unpaid	2,950	941
Grants approved to Community Groups	18,013	18,456
Discount on interest rate of Community Loans drawn down	58	348
Total Grants approved and committed to Community Groups	18,071	18,804
Grants written back and refunds received	(247)	(561)
Net Grants Expense	17,824	18,243

The names of the organisations to whom distributions have been made by the Group under section 13 of The Community Trust Act 1999 during the financial year and the amounts distributed are shown on the website ratafoundation.org.nz.

Funds carried forward as accumulated income are available for the payment of grants in future years. Budgeted grants unspent in the current year are expected to be distributed in the following year. The Trustees recognise that there is a need to ensure fairness and equity between the regions as far as payments of grants are concerned in relation to budgetary allocations. The allocation of grants between regions is based on population statistics for each region.

Rātā Foundation
Statement of Accounting Policies and Explanatory Notes
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5. Administration Expenses

	2016	2015
Audit fees	35	36
Consulting and Tax advice (paid to KPMG - Auditors)	12	48
Depreciation	49	52
Impairment	107	113
Employee Costs and Benefits	1,397	1,196
Other costs	1,240	1,231
Total Administration Expenses	2,840	2,676

6. Taxation

The Foundation is exempt from income tax. Canterbury Trust House Limited is the only taxable entity in the Group. The Group has an unrecognised deferred taxation asset in respect of taxation losses of \$914,000 (2015: \$1,226,000). During the year nil tax expense (2015: \$91,000) has not been recognised as it is not probable that the assets and liabilities will be realised in the foreseeable future. Therefore no provision for income tax has been made in these financial statements.

7. Cash and Cash Equivalents

	2016	2015
Bank Balances	6,543	2,501
Short Term Deposits	4,355	14,229
Total	10,898	16,730

8. Investments

Investments meet the definition of financial assets and are designated upon initial recognition as being at fair value through revenue and expense.

Transactions are recorded by Fund Managers on a trade date basis and are initially recognised at the fair value of the consideration paid. After initial recognition investments are managed at their fair value through revenue or expense. Revaluations are undertaken at each reporting date based on the methodologies outlined in PBE IPSAS 29 Financial Instruments: Recognition and Measurement. All realised and unrealised gains and losses are recognised in the Consolidated Statement of Comprehensive Revenue and Expense. Associated transaction costs are recognised in revenue or expense as incurred.

Investments are derecognised only when the contractual rights to the cash flows arising from the asset expires or are transferred and the transfer qualifies for derecognition.

Rātā Foundation
Statement of Accounting Policies and Explanatory Notes
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Investments (continued)

Investment Portfolio Construction:

The portfolio is invested in pooled funds managed by 18 investment managers (2015: 18) recommended by the Foundation's Investment Adviser Mercer and approved by the Investment Committee and Board of Trustees. Investments, apart from direct investments of private equity and venture capital, are held and priced by BNP Paribas, the Foundation's Custodian. The Foundation is not involved with the analysis, sale or purchase of individual asset securities. Each asset grouping and the portfolio as a whole is measured against an appropriate internationally accepted standard benchmark or index.

The portfolio is made up of three main asset groupings:

- **Growth assets** include listed and private equity, both global and Trans-Tasman. These assets are expected to contribute the most to the growth of the Foundation's capital.
- **Diversifying assets** include real and alternative assets, including real estate, infrastructure and hedge funds. These investments offer a different risk and return profile to equities. They also play an important role in protecting the value of the Foundation's capital by offering a hedge against inflation.
- **Income assets** include fixed interest and cash. These assets are expected to contribute to the regular return on the Foundation's capital. Perhaps more importantly, as they are expected to provide protection against the impact of both prolonged economic contraction and equity market crises, this group will include a significant allocation to government bonds.

Assets are classified according to the predominant attributes they exhibit, although some assets portray characteristics of each category. Assets have been consistently classified in all periods presented.

At balance date the portfolio including investment property was made up of:

Portfolio Composition	2016	2015
Growth Assets	167,611	169,737
Diversifying Assets	78,265	69,502
Income Assets	304,482	299,998
Total Portfolio	550,358	539,237

Community Loans

Loans are issued to not-for-profit community organisations at below market interest rates and are secured where possible by a first ranking mortgage over real property. They are classified as an income asset.

In determining the day-one fair value of concessionary loans issued, the relevant market interest rate is used to discount all contractual cash flows of principal and interest payments back to present value. The relevant market interest rate is risk-adjusted to reflect the credit risk of the counterparty particularly the security applying.

Rātā Foundation
Statement of Accounting Policies and Explanatory Notes
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Investments (continued)

	2016	2015
Opening balance	5,840	4,800
Nominal value of loans drawn down	2,452	2,214
Fair value adjustment (initial recognition)	(58)	(348)
Fair value adjustment (early repayments)	73	19
Fair value adjustment (market interest rate reduction)	282	133
Imputed interest (market effective interest rate)	165	248
Repayments during period	(1,694)	(1,226)
Impairment	-	-
Closing balance	7,060	5,840
Current	2,214	1,133
Non-current	4,846	4,707
	7,060	5,840

The nominal amount payable at reporting date is \$7,503,000 (2015: \$6,745,000)

The Trust has a commitment to advance \$299,000 (2015: \$1,068,000) upon satisfaction of conditions, which is undrawn from approved loans.

Foreign Currency

Foreign currency transactions are recorded in New Zealand dollars at the spot rate applying at the time of the transaction. All outstanding foreign currency balances at balance date are translated to New Zealand dollars at the closing exchange rate for that day. The value of the investment portfolio with currency exposure amounted to \$69.0 million (2015: \$63.3 million).

All realised and unrealised foreign currency gains and losses are recognised in change in fair value of investments in the Consolidated Statement of Comprehensive Revenue and Expense.

9. Risk Management

The Foundation's income is generated from its investments which are used to fund its operations and grant funding programmes.

Inherent risks arising from the Foundation's financial assets and liabilities are managed through an ongoing process of identification, measurement and monitoring. Through its investing activities the Foundation is exposed to credit risk, liquidity risk, and market risk (including currency, interest rate and pricing risks) through its investment portfolio.

Information regarding the fair value of assets and liabilities exposed to risk is regularly reported to management, the Audit, Risk and IT Committee, Investment Committee and ultimately to the Foundation Board. Under normal circumstances the Investment Portfolio is regularly rebalanced to ensure that asset classes remain within the Strategic Asset Allocation set out in the Foundation's Statement of Investment Policy and Objectives (SIPO).

Rātā Foundation
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Risk Management (continued)

Credit Risk

Credit Risk arises where a counterparty fails to discharge an obligation which will result in a financial loss to the Foundation.

The Foundation manages credit risks through:

- a diversified and non-correlated basket of investments across traditional and alternative asset classes
- the use of a multi-fund manager approach to portfolio investments
- compliance with mandate requirements of each investment
- registration of security interests in respect of community loans – preferably first ranking
- Standard & Poor's rating categories are used to manage the credit quality of the Foundation's Bond portfolios. At balance date the credit risk ratings of the Bond portfolios was:

31 March 2016

Investments which are rated:	AAA to		BBB	BB, CCC, NR Other		\$000's
	AA-	A+ to A-				
New Zealand Bonds	53.2%	44.8%	0.0%	2.0%	168,287	
Global Bonds	61.0%	22.7%	15.3%	1.0%	128,834	
Cash	96.3%	0.5%	0.0%	3.2%	10,898	

31 March 2015

Investments which are rated:	AAA to		BBB	BB, CCC, NR Other		\$000's
	AA-	A+ to A-				
New Zealand Bonds	56.0%	41.8%	0.0%	2.2%	162,207	
Global Bonds	64.1%	13.7%	19.7%	2.5%	131,951	
Cash	86.3%	0.3%	12.0%	1.4%	16,730	

Liquidity Risk

The Foundation manages its ability to meet current obligations through ensuring it maintains liquidity within the portfolio. The portfolio maintains a minimum allocation to cash of 12%. At balance date liquid assets (either cash or investments which could be realised in cash within twelve months) totalled 88% (2015: 88%).

Market Risk

Market Risk arises from fluctuations in the future value of cash flows from financial assets due to changes in market variables such as interest rates, foreign currency exchange rates, and market prices.

The exposure to market risk is managed through the policies set out in the Foundation's SIPO.

Rātā Foundation
Statement of Accounting Policies and Explanatory Notes
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Risk Management (continued)

The overall effect of the Foundation's uncorrelated portfolio of investments is to reduce the overall volatility and stabilise investment returns over time.

- **Interest Rate Risk** relates primarily to the Foundation's investment in bonds which are held in pooled accounts.
- **Currency Risk** arises when the Foundation is exposed to foreign currency risk both directly through investments denominated in a foreign currency, and also indirectly where fund managers invest in foreign currency securities.

Equities and Emerging Market Bonds are hedged within a range of 40% to 60%, with a target of 50%, back to the New Zealand Dollar. Global Fixed Interest investments are 100% hedged back to the New Zealand Dollar.

At balance date the exposure to currency risk was:

	2016	2015
Financial assets with currency exposure	68,978	63,255
Hedged currency exposure as at 31 March	<u>(15,467)</u>	<u>(16,346)</u>
Unhedged currency exposure at 31 March	<u>53,511</u>	<u>46,909</u>
Australian Dollar	23,478	20,408
United States Dollar	<u>30,033</u>	<u>26,501</u>
Unhedged currency exposure at 31 March	<u>53,511</u>	<u>46,909</u>

- **Pricing Risk** arises from an increase or decrease in the fair value of the Foundation's financial assets as a result of changes in market prices. The SIPO sets out the asset allocation policy. The portfolio is rebalanced to align with these policies.

10. Investment Property

	2016	2015
Opening balance	32,795	34,385
Additions	200	-
Disposals	(4,295)	(3,100)
Change in fair value (unrealised)	<u>(287)</u>	<u>1,510</u>
Closing balance	<u>28,413</u>	<u>32,795</u>

Investment property comprises a number of commercial properties that are leased to third parties: 107-117 Blenheim Road, 55 Shands Road, 126-128 Montreal Street (Christchurch), and 16 Parumoana Street (Porirua).

Properties were valued at 31 March 2016 by external, independent, professionally qualified, experienced, registered property valuers, Telfer Young Limited, and Darroch Limited for Porirua.

Rātā Foundation
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Investment Property (continued)

The future non-cancellable lease rental income of operating leases as lessor at reporting date are:

Leases as lessor

	2016	2015
Less than one year	2,013	2,139
Between one and five years	5,011	5,736
More than five years	2,732	3,620
	<u>9,756</u>	<u>11,495</u>

Measurement of fair value

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers assess the fair value of the Group's investment property portfolio at least annually.

The market value for each investment property has been established after consideration of two investment valuation approaches comprising Direct Capitalisation and Discounted Cash Flow. The results of the two approaches are reconciled and a market value established. The primary approach is the Direct Capitalisation Approach as this most accurately reflects the investment strategy adopted by investors for the type of properties owned by the Group. Key inputs to the Direct Capitalisation Approach are the assessment of market rent, its relationship to the contract rent, and the investment yield. The market rent is based on the analysis of rental agreements for similar properties adjusted for quality, size, location and lease terms. The investment yield is derived from market sales of similar investment properties adjusted for property specific attributes in terms of age, tenant quality, residual lease term, investment scale and building quality. The Discounted Cash Flow Approach requires an identical analysis to establish the market rent. Other key inputs comprise expected rental growth, potential vacancies, capital outlay, the terminal yield and the discount rate. As with the Direct Capitalisation Approach market transactions are analysed to establish the discount rate. Rental growth is based upon market expectations including anticipated CPI growth. The allowance for vacancies reflects anticipated market demand at lease expiry and the probability of lease renewal.

During the year ended 31 March 2016, rent of \$2,580,000 was recognised in the Consolidated Statement of Comprehensive Revenue and Expense (2015: \$3,057,000 net of operating expenses).

Canterbury Trust House Limited (a wholly owned subsidiary) has a 50% participating interest in an investment property in Porirua. Under the joint arrangement, rental revenue and all expenses are shared equally between each party.

The Group's share of the management fee for the property expensed in the Consolidated Statement of Comprehensive Revenue and Expense is \$17,000; (2015:\$17,000).

Rātā Foundation
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11. Other Non-Current Assets

	2016	2015
Property, plant and equipment	168	188
Investment in Associate	233	340
Total Other Assets	401	528

12. Grants Payable

Outstanding Grants are classified as Current Liabilities and are recognised at face value.

Committed but unpaid Grants are recognised as liabilities once approved by the Board. At balance date committed but unpaid grants totalled \$11.4 million (2015: \$14.6 million). The majority of these grants relate to the Special Fund for longer term projects. The timing for the payment of these grants is uncertain and is considered current.

	2016	2015
Outstanding Grants Payable		
Grants Committed in previous years but unpaid (2016: 24, 2015: 24)	8,161	11,756
Grants Committed but unpaid this year (2016: 57, 2015: 52)	3,205	2,837
Total Grants outstanding at 31 March	11,366	14,593

13. Foundation Equity

Foundation Equity consists of:

- **Capital Base Reserve**
 Shares in Trust Bank Canterbury were settled on the Foundation in terms of the Trustee Banks Restructuring Act 1988. The original capital arose from the proceeds of the sale of these shares to Westpac Bank. Subsequently a portion has been applied to establish the Special Fund Reserve.
- **Inflation Reserve**
 This provides a fund to reflect the effects of inflation on the Capital Base Reserve. The “in perpetuity” nature of the Foundation requires Trustees to preserve Real Capital for the benefit of current and future generations. Each year sufficient funds are set aside to increase Real Capital by the annual rate of inflation as measured by the Consumer Price Index.
- **Special Reserve**
 This was created as a response to the Canterbury earthquakes, and the reserve established by proportionate deductions from the Trust's Capital Base and Inflation Reserve.
- **Accumulated Income Reserve**
 This Reserve is the accumulation of the Foundation’s comprehensive revenue and expense from earlier periods. It is used to provide a stable flow of grants to the Foundation’s communities and to fund other reserves and capital.

Rātā Foundation
Statement of Accounting Policies and Explanatory Notes
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14. Group entities

Controlled entities are entities controlled by the Foundation. Financial statements of the controlled entities are included in the financial statements from the date of control until the date that control ceases. Uniform accounting policies have been used for like transactions.

Intra-group balances and revenue and expenses arising from intra-group activities are eliminated on consolidation.

The following entities form part of the Foundation group:

Name	Interest Held	Country of Incorporation	Principle Purpose
Rātā Foundation Limited	100%	New Zealand	Grants for specific charitable purposes
Canterbury Direct Investments Limited	100%	New Zealand	Private equity and infrastructure investments
Canterbury Trust House Limited	100%	New Zealand	Direct property investments
Te Kete Putea Limited Partnership*	24.6%	New Zealand	Support services for database management

*The investment in Te Kete Putea Limited Partnership represents an investment in an associate. This is not material and held under other assets.

15. Related Parties

Trustees and Key Management Personnel (Executive Team) are related parties.

Trustees are not employees of the Foundation. They are remunerated at rates set by the New Zealand Government. Honoraria payments during the year to Board and Committee Chairs totalled \$95,000 (2015: \$93,000). Honoraria payment during the year to other Trustees totalled \$92,000 (2015: \$96,000)

Members of the Executive Team only receive short term employment benefits. During the year short term employment benefit payments to the Executive Team totalled \$654,000 (2015: \$565,000).

Conflicts of Interest

During the year Trustees and staff were required to declare either a direct or indirect conflict of interest in any matters being considered by the Foundation. Conflicts of interest are recorded in a register of interests.

Clause 14 of the Foundation's Trust Deed provides that if a meeting of the Foundation Board would fail for want of a quorum because of the number of Trustees with an interest in the matter under consideration, then those Trustees who vote in favour of the matter must sign a certificate for entry in the minutes certifying that the matter is in the best interests of the Foundation. Particulars of the matter and the nature of the Trustees' interest are required to be included in the next financial statements of the Foundation.

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in New Zealand Dollars (\$000's)

Related Parties (continued)

At their meeting on 9 November 2015 the Trustees resolved to effect Trustee Liability Insurance for the sum of \$10 million at a premium cost of \$13,640 (2015: \$13,640).

After due consideration of a report from the Foundation's insurance brokers and other relevant information, all of the Trustees approved the purchase of the Trustee Liability Insurance by resolution to that effect, along with signing a certificate certifying that the transaction was in the best interests of the Foundation.

16. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
Less than one year	150	147
Between one and five years	163	306
More than five years	-	-
	313	453

17. Capital Commitments and Contingent Liabilities

At balance date the Foundation had committed a total of \$40 million (2015: \$30 million) to New Zealand based infrastructure and private equity funds. Of this sum \$20.5 million has been drawn down to date (2015: \$19.8 million). The Foundation has a contingent liability for the remaining \$17.5 million (2015: \$8.2 million).

Calls on the Foundation's commitments are contingent on calls made by Fund Managers as further investments are made. The timing of these calls is uncertain.

18. Material Events after Balance Date

On 26 July 2016, the Trustees of Rātā Foundation approved a settlement agreement with the Group's insurers in respect of outstanding insurance claims arising from the Canterbury earthquakes on properties located at: 262 Oxford Terrace, 141 Hereford Street, 253 Cambridge Terrace, and 242 Manchester Street, Christchurch. The net effect of the agreed settlement is an additional \$15.5 million, which has not been previously recognised. The settlement has been accounted for as an adjusting subsequent event because it clarifies the amount of the claim that was under negotiation at 31 March 2016. This amount has been recognised in the Consolidated Statement of Comprehensive Revenue and Expense as other income, with a corresponding amount receivable recognised in the Consolidated Statement of Financial Position.

There were no other material events after balance date which required adjustment to the Financial Statements for the year ended 31 March 2016 (2015: nil).



Independent auditor's report

To the trustees of Rata Foundation

We have audited the accompanying consolidated financial statements of Rata Foundation ("the trust") and its subsidiaries ("the group") on pages 4 to 18. The financial statements comprise the consolidated statement of financial position as at 31 March 2016, the consolidated statements of comprehensive revenue and expenses, changes in Foundation 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 trustees as a body. Our audit work has been undertaken so that we might state to the trust's trustees 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 trustees 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.



Our firm has also provided other services to the group in relation to taxation. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Opinion

In our opinion, the consolidated financial statements on pages 4 to 18 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of Rata Foundation 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

15 August 2016
Christchurch