



**TAUPO RSA TRUST INCORPORATED**

**ANNUAL REPORT**

**2016**

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**TAUPO RSA TRUST INCORPORATED**  
**FINANCIAL REPORTS**  
**for the Year Ended 31 December 2016**

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# TAUPO RSA TRUST INCORPORATED

## TRUST DIRECTORY

as at 31 December 2016

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### Nature of Business

Charitable Trust

### Registered Office

67 Horomatangi Street  
Taupo

### Postal Address

PO Box 2358  
Taupo 3351

### Auditor

Absolute Auditing Limited  
PO Box 16475  
Tauranga 3147

### Bankers

Westpac Banking Corporation (until 20/12/16)  
Horomatangi St, Taupo  
ASB Bank (from 20/12/16)  
Horomatangi St, Taupo

### Trustees

Randy Stone	Chairman
Garry Lough	Secretary / Treasurer
Peter Bell	
Barry Calder	
John Carter	
Graeme Williams	
Diane Wilson	

### Accounting Year

31 December

### Charities Commission Number

CC 38069

### Inland Revenue Number

066-276-767

# TAUPO RSA TRUST INCORPORATED

## STATEMENT OF FINANCIAL PERFORMANCE

for the Year Ended 31 December 2016

	Notes	2016	2015
<b>GROSS OPERATING</b>			
<b>PROPERTY</b>			
<b>RSA Club</b>			
<u>Revenue</u>			
Lease		13,160	8,280
		13,160	8,280
<u>Expenses</u>			
Maintenance & Development		3,576	0
Depreciation		12,607	12,997
		16,183	12,997
Total RSA Club		(3,023)	(4,717)
<b>Flats</b>			
<u>Revenue</u>			
Rentals		27,820	28,210
		27,820	28,210
<u>Expenses</u>			
Rates		8,601	8,624
Repairs & Maintenance		2,409	6,268
Insurance		2,418	2,565
Write-Off		0	655
Depreciation		13,693	14,363
		27,121	32,475
Total Flats		(699)	(4,265)
<b>Property Income (Expenditure)</b>		<b>(2,324)</b>	<b>(8,982)</b>
<b>BENEFICIARIES</b>			
<b>Education</b>			
<u>Revenue</u>			
Interest Received		4,470	5,861
		4,470	5,861
<u>Expenses</u>			
Scholarships	7	5,000	5,000
Essays	7	800	800
		5,800	5,800
<b>Education Income (Expenditure)</b>		<b>(1,330)</b>	<b>61</b>
<b>Returned &amp; Service</b>			
<u>Revenue</u>			
Interest Received		4,184	3,829
		4,184	3,829
<u>Expenses</u>			
Grants	7	2,916	2,528
Taupo Cadet Unit	7	1,300	978
Christmas Parcels	7	2,530	3,180
		6,746	6,686
<b>Returned &amp; Services Income (Expenditure)</b>		<b>(2,562)</b>	<b>(2,807)</b>

The accompanying notes form part of the financial statements.  
These financial statements should be read in conjunction with the attached Audit Report

# TAUPO RSA TRUST INCORPORATED

## STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 31 December 2016

<b>Community</b>		
<u>Revenue</u>		
Interest Received	0	0
	0	0
<u>Expenses</u>		
Grants	0	0
	0	0
<b>Community Income (Expenditure)</b>	<b>0</b>	<b>0</b>
<b>Total Beneficiaries Income (Expenditure)</b>	<b>(3,892)</b>	<b>(2,746)</b>
<b>GROSS OPERATING INCOME (EXPENDITURE)</b>	<b>(6,217)</b>	<b>(11,728)</b>
<b>OVERHEADS</b>		
<u>Revenue</u>		
Donations	0	0
Interest Received - Westpac	2,478	3,826
Interest Received - RSA Loans	1,573	2,017
	4,051	5,843
<u>Expenses</u>		
Advertising, Marketing, Communications	720	1,630
Audit & Accountancy	10 2,230	2,000
Bank Fees	54	55
Legal	2,618	842
Postal, Stationery, Printing	267	152
Insurance	780	0
Valuations	0	1,052
Depreciation	2,328	75
	8,997	5,807
<b>Overheads Income over (Expenditure)</b>	<b>(4,946)</b>	<b>36</b>
<b>NET INCOME (EXPENDITURE)</b>	<b>(11,163)</b>	<b>(11,693)</b>



# TAUPO RSA TRUST INCORPORATED

## STATEMENT OF FINANCIAL POSITION

as at the Year Ended 31 December 2016

	Notes	2016	2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Current Account – Westpac & ASB		5,391	2,157
Savings Account – Westpac & ASB		346,072	321,843
Accounts Receivable		0	0
GST Receivable		0	1,078
Prepayments		2,789	2,419
		<b>354,252</b>	<b>327,497</b>
<b>Term Assets</b>			
Term Loan – Taupo RSA Club	5	33,516	45,203
Share Portfolio	6	61,400	56,900
		<b>94,916</b>	<b>102,103</b>
<b>Fixed Assets</b>			
As per Schedule (at Book Value)	8	<b>2,359,290</b>	<b>2,385,487</b>
<b>TOTAL ASSETS</b>		<b>2,808,458</b>	<b>2,815,087</b>
<b>LESS LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable		2,350	2,410
GST Payable		94	0
<b>Total Liabilities</b>		<b>2,444</b>	<b>2,410</b>
<b>NET ASSETS (LIABILITIES)</b>		<b>2,806,013</b>	<b>2,812,677</b>
<b>REPRESENTED BY:</b>			
<b>Trust Capital</b>			
Retained Earning		1,484,216	1,490,880
EH Oliver Education Fund		90,000	90,000
Capital Reserve: Land & Buildings		1,231,797	1,231,797
<b>TOTAL CAPITAL (DEFICIT)</b>		<b>2,806,013</b>	<b>2,812,677</b>

For and on behalf of the Trustees:

Trustee



Date

28/07/2017

Trustee





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# TAUPO RSA TRUST INCORPORATED

## STATEMENT OF MOVEMENT IN CAPITAL

for the Year Ended 31 December 2016

Notes	2016	2015
Equity at Start of Period	1,490,880	1,496,160
Net Surplus (deficit)	(11,163)	(11,693)
	1,479,717	1,484,467
Revaluation – Share Portfolio	4,499	6,413
<b>Retained Earnings</b>	<b>1,484,216</b>	<b>1,490,880</b>
<u>PLUS:</u>		
EH Oliver Education Fund	90,000	90,000
Land and Buildings	1,231,797	1,231,797
<b>CAPITAL AT END OF PERIOD</b>	<b>2,806,013</b>	<b>2,812,677</b>

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**TAUPO RSA TRUST INCORPORATED****SCHEDULE OF FIXED ASSETS & DEPRECIATION**

for the Year Ended 31 December 2016

	Capital Cost or at Revaluation	Open WDV	Additions Date Cost	Disposal Date Cost	Profit / Loss	Depreciation Rate Amt	Accum Dpcn	Closing WDV
<b>Land</b>								
Pensioner Flats	159,000	159,000			0			159,000
RSA Club	1,380,000	1,380,000			0			1,380,000
	<b>1,539,000</b>	<b>1,539,000</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>1,539,000</b>
<b>Property</b>								
Pensioner Flats	500,157	418,182				3.0 DV 12,545	94,521	405,637
RSA Club Rooms	510,234	420,242				3.0 DV 12,608	102,599	407,635
	<b>1,010,391</b>	<b>838,424</b>			<b>0</b>	<b>0</b>	<b>25,153</b>	<b>197,120</b>
								<b>813,272</b>
<b>Software</b>								
Website	4,730	2,225	Apr 16	2,430		50.0 DV 2,328	2,403	2,327
	<b>4,730</b>	<b>2,225</b>		<b>2,430</b>			<b>2,328</b>	<b>2,403</b>
								<b>2,327</b>
<b>Chattels</b>								
Stoves	4,130	362				14.4 DV 52	3,820	310
Heat Pumps	9,348	5,476				20.0 DV 1,095	4,967	4,381
	<b>13,478</b>	<b>5,838</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>1,147</b>	<b>8,787</b>
								<b>4,691</b>
	<b>2,500,599</b>	<b>2,385,487</b>		<b>2,430</b>	<b>0</b>	<b>0</b>	<b>28,628</b>	<b>208,310</b>
								<b>2,359,290</b>

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# TAUPO RSA TRUST INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

for the Year ended 31 December 2016

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1. **Charities Commission Registration Number**

CC38069

2. **Revenue**

Total Revenue for the year amounted to \$53,684 (Last Year \$52,023), a 3.2% increase.

3. **Statement of Accounting Policies**

The Taupo RSA Trust Inc is established under the Incorporated Societies Act 1908. It is NOT a reporting entity for the purposes of the Financial Reporting Act 1993 and the accompanying financial statements and notes have been prepared as "Special Purpose Reports."

Special Purpose Reports do not necessarily comply with the Financial Reporting Act 1993 and Generally Accepted Accounting Practice.

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis have been used, with the exception of certain items for which specific accounting policies have been identified.

a. **Changes in Accounting Policies**

There has been no change in accounting policy. All policies have been applied on bases consistent with those used in previous years.

b. **Fixed Assets & Depreciation**

All fixed assets are recorded at cost price less accumulated depreciation, now using the diminishing value (DV) method of depreciation. Depreciation has been calculated using Inland Revenue prescribed rates (with the exception of buildings which have been depreciated at 3%) which are considered appropriate by the committee and are recorded in the schedule of Fixed Assets & Depreciation.

c. **Goods & Services Tax**

These financial statements have been prepared on a GST exclusive basis, but included in the Accounts Receivable and Payable. The Pensioner Flats are GST exempt.

d. **Income Tax**

The Trust is exempt from income tax.

e. **Investments**

Investments are stated at Market Value as at balance date.

f. **Receivables**

Receivables are stated at their estimated realisable value.

g. **Rents**

Tenant's rentals are reviewed and adjusted annually.

## TAUPO RSA TRUST INCORPORATED

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### 4. Audit

The financial statements have been subject to audit; please refer to the Auditor's Report.

### 5. Taupo RSA Club Loan

The Trust has one financial arrangement, during the reporting period with the Taupo RSA Club Inc, a Loan:

The Loan represents an advance of cash and part of the Club Rent Arrears which have been combined. The President of the Taupo RSA Club Inc had personally guaranteed this loan. However, the President of the Taupo RSA Club Inc had informed the Trust that he was unable to meet the terms of this guarantee and this was the case when he gave the guarantee. This has invalidated the terms of the loan.

The Trust and Club renegotiated this loan; the Trust agreed to remove Stuart McLeod's personal guarantee and the Club agreed to vary the terminating date of the Lease, to 30 June 2017.

The balance of this Loan is: \$33,515.94 (\$11,687.94 repaid this period and interest paid of \$1,572.92).

### 6. Share Portfolio

The following shares were purchased to diversify investment and improve returns:

Company	Shares	Yield	Value
Genesis Energy	3,108	4.2%	6,527
Mighty River Power Limited / Mercury Energy	7,800	7.4%	31,785
Meridian	12,225	8.7%	23,088
			<b>61,400</b>

The shares are recorded at the market value at balance date.

### 7. Grants & Gifts

The following grants and gifts were made during the year:

Tauhara College	3 x Bursaries	2,250
	ANZAC Essay Competition	400
Taupo Nui-a-Tia College	3 x Bursaries	2,250
	ANZAC Essay Competition	400
Taupo Cadet Unit	1 x Bursary	500
	Training & Achievement	1,300
Returned & Service / Widows	Christmas Gift Parcels	2,530
Returned & Service	Welfare Assistance	<u>2,916</u>
		<b>\$12,546</b>

### 8. Capital Valuation of Properties

The Taupo District Council triennial revaluation of District Properties revalued the Trusts properties as:

RSA Club Building / Horomatangi Street:	\$2,000,000
RSA Pensioner Flats / Taharepa Road:	\$ 627,000



## TAUPO RSA TRUST INCORPORATED

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### 9. **Contingent Liabilities**

As at balance date there were no known contingent liabilities.

### 10. **Related Parties**

Garry Lough, the Secretary/Treasurer of the Trust is a Director of Ninetyblack Ltd. Contracts have been awarded to Ninetyblack Limited; these contracts have been let on the basis of competitive quotes and vigorous assessment by the Trustees. Garry Lough was excused when discussion and decisions on these contracts were decided.

### 11. **Audit Fee**

In the preparation of these financial statements a provision for an audit fee to be charged in respect of these financial statements has been brought into account, as a creditor, based on the Auditor's quote.

### 12 **Subsequent Events**

The financial position of the Taupo RSA Club Incorporation (who at balance date owed the Trust \$33,516 and rents the Club premises from the Trust) is not strong. As a result, a Board of Management has been appointed to manage the Club to determine if its situation can be rectified or if the Club will be closed. The Trustees have oversight of the Board of Management and are receiving regular updates on their progress.

Due to the uncertainty of the Clubs future there is doubt over the collectability of the outstanding debt to the Trust and it may be written off in the future. However, no provision or write off has been included in the Trusts financial statements this year as the Trustees (based on the progress to date) are of the view that the Board of Management will be able to rectify the situation.

### 13 **Reporting Framework**

The Trustees are aware that for the 31 December 2016 Financial Statements the new Reporting Standards should have been implemented. However due to the time taken with resolving the Club issues they have elected to prepare special purpose financial statements. The Trust will comply with the new reporting standards for the 31 December 2017 financial year.



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# TAUPO RSA TRUST INCORPORATED

## CHAIRMAN'S ANNUAL REPORT

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It is with a sense of relief that I am writing my last annual report as Chairman of the Taupo RSA Trust. After six years as Chairman, I have indicated that I will not be available to take the chair in 2017 (our Chairman is appointed annually at the first meeting of the Trust each year).

Earlier this year we informed the Club that we would be undertaking a feasibility study on replacing our existing premises at 67 Horomatangi Street with a new building. The building currently leased by the Taupo RSA Club does not meet the requirements under new rules concerning earthquakes. News of our intention circulated widely among Club members, with each telling being embellished, causing further distrust among Club members of the intention of the Trust. At a combined meeting, in October, between the Club Executive and the Trust, I informed the Club Executive of the Trust's decision, that as an outcome of this study, we would not be proceeding with a replacement building because of the cost and the significant ongoing deterioration of the Club's finances. This latter issue created the uncertainty of the Club remaining solvent. Consequently, the Trust gave notice to the Club Executive that their tenancy would not be renewed on 30 June 2017.

The Trust offered to assist the Executive Committee in examining options for RSA Club facilities and consequent financial assistance; however, nothing was forthcoming by the end of January this year.

While being a little disappointed that all Trustees have not been inclined to patronize the Club on a regular basis, I must say that during the last few years, little has been accomplished to our mutual satisfaction in our dealings with the Club Executive. Requests for information concerning the financial situation of the Club (so that we can fairly set a rental for the next month) have not been completely disclosed. Some formal letters of complaint have not been acknowledged. To overcome an apparent lack of positive direction and leadership, we now have combined monthly meetings under the Chairmanship of the Club Patron, Malcolm Flowers. The Trustees are indebted to Malcolm.

The Trust's financial operating position again declined this year, despite a modest 3.2% increase in revenues. The continuing loss in the RSA Club Rental Account (\$60,478 since 2011), despite an increase in Rental, the only non-charitable activity undertaken by the Trust, was a major reason the Trustees determined that any investment in redevelopment of the club building was financially not viable. To enable the Trust to properly undertake the charitable requirements of the Deed of Trust the 'subsidizing' of the RSA Club lease (this non-charitable activity) must stop. The Executive Committee was unable to guarantee the minimum monthly rental required by the Trust; hence the non-renewal of the Lease on 30 June 2017.

Although the Trust's income improved slightly, due to the good returns from the Share Portfolio and the increase in Club Rental, the returns from Bank investments declined significantly with the drop in the national cash rate and bank fixed interest rates.

Despite these pressures on income, the Trust maintained the same level in expenditure on welfare grants, accepting a larger Operating Loss and the use of cash reserves. Again, this year, the Trust incurred larger overhead costs because of the intransient nature of the Club's Executive Committee. This attitude cost the Trust \$5,768 this year which means that plans to improve welfare outcomes for the Trust's beneficiaries has been put on hold.

On the positive side, the investment in the energy sector has continued to be beneficial in consolidating the Trust's investment value. The average yield on the Shares was 6.76%, which was double the yield received from Westpac. The Trust also gained a 7.9% growth in its Share value; this helped to offset the Trust's operating loss.

The performance of investments with Westpac was poor and they lacked any flexibility; consequently, the Trust changed its Banker to ASB in late December. The investment outlook and flexibility offered by ASB looks very good. In January, this year, all the Major banks indicated that interest rate increases on deposits will be given rather than dropping the mortgage interest rate. This will assist the Trust with improving its welfare outcomes.

The Trust expects a major improvement in its charitable outcomes later in 2017 with the new revenue stream coming from its ex-RSA building. This benefit will be seen with the wide-ranging provision of welfare support to all Returned and ex-Service members living in Taupo.

We look forward to an exciting and positive 2017 year. I thank all Trustees of the Taupo RSA Trust, each has his own function on the Trust Board, and all have made a significant contribution, however thankless it may have been.

**Randy Stone**  
**Chairman**

sarahdillon@absoluteauditing.com  
PO Box 16475, Bethlehem, Tauranga 3147  
Phone (027) 430 8707

## INDEPENDENT AUDITOR'S REPORT

To the Trustees of Taupo RSA Trust Incorporated

### Qualified Opinion

We have audited the accompanying Financial Statements of Taupo RSA Trust Incorporated on pages 5 to 15, which comprise of the Statement of Financial Performance and Statement of Movement in Capital for the year ended 31 December 2016, the Statement of Financial Position as at 31 December 2016, and Notes to the Financial Statements which have been prepared using a Special Purpose Reporting Framework.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of Taupo RSA Trust Incorporated as at 31 December 2016, and its financial performance for the year then ended.

### *Basis for Qualified Opinion*

#### *Basis for Qualified Opinion – Non-Compliance with Reporting Framework*

The reporting framework used to report the Financial Statements is non-compliant with the legislated Reporting Standards (see note 13 in the Notes to the Financial Statements). For the 31 December 2016 Financial Statements the Trustees should have implemented either the standards for Public Benefit Entity Simple Format Reporting – Accrual (Not for Profit) (Tier 3 reports) or Public Benefit Entity Simple Format Reporting – Cash (Not-for-profit) (Tier 4 reports) but have prepared Special Purpose Reporting Framework Financial Statements.

As a result, there are reports that are not included in the financial statements (such as the Statement of Service Performance and Statement of Cashflows). Additionally, two accounting policies included in the special purpose financial statements do not comply with the required accounting policies of the new Standards and have a material impact on the information reported. The valuation of Shares and Land & Buildings are currently reported at market value, however are required to be valued at cost for the new standards. Removing the valuations will have a material impact on the values of the shares, land and buildings and also the Equity of the Taupo RSA Trust Incorporated.

#### *Basis for Qualified Opinion – Club Debt*

As detailed in note 12 of the Financial Statements there is material uncertainty over the collectability of the money owing (\$33,516) from the Taupo RSA Club Incorporated, as a result of significant financial issues.

## **Basis for Opinion**

We conducted our audit of the Statement of Financial Performance, Statement of Financial Position, Statement of Movement in Capital and the Notes to the Financial Statements in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Taupo RSA Trust Incorporated 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

## **Trustees Responsibilities for the Financial Statements**

The Trustees are responsible on behalf of the Trust for the preparation and fair presentation of the Financial Statements and for such internal control as the Trustees determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Trustees are responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those Trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represents the underlying transactions and event in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Absolute Auditing Ltd*

Absolute Auditing Ltd  
New Zealand  
1 August 2017

