



2015 Annual Report  
**CALENDAR**





**Rotorua**energy  
charitable **Trust**

**[www.rotoruatrust.org.nz](http://www.rotoruatrust.org.nz)**

358 Eruera Street, Rotorua

Tel: 07 347 6239 Fax: 07 347 6305

Email: [admin@rotoruatrust.org.nz](mailto:admin@rotoruatrust.org.nz)

## Our Vision

*A safe and vibrant district, where people are proud to live, work, invest, play and educate their families.*

## Our Mission

*To manage and enhance the assets held in the Trust and distribute income for the long-term benefit of the Rotorua district Community.*

2015  
Financial Statements

# Chairman's Review

## Kia Ora, Greetings

- 2014/15 was a milestone year for the Rotorua Energy Charitable Trust as we turned twenty on 3 June 2014.
- Our Annual General Meeting in July 2014 was a wonderful time of celebration where nearly 100 members of our community joined Trustees and staff during a special lunchtime event to mark our anniversary.
- The Trust continues to make a huge difference in the community through the grants and scholarships we provide. This year alone we've provided 343 community grants and scholarships totalling \$3.0 million.
- Looking back on our nearly 21 years in existence, we've now awarded 4,631 community grants and scholarships totalling \$93.6 million.
- Every dollar we grant and every scholarship we provide continues to have a positive, significant effect - not only on individuals young and old, but also on Rotorua as a collective community.
- As we look back over the past year, we have continued to make steady progress toward achieving our vision of helping to create "a safe and vibrant district, where people are proud to live, work, invest, play and educate their families."

### This year's highlights include:

- **\$500,000 to Healthy Homes:** In July 2014 we announced the Trust is contributing \$500,000 over the next two years toward the cost of improving Rotorua housing conditions through the popular 'retrofit' Healthy Homes insulation programme.
- **\$7,500,000 in major grants:** In December we announced \$7.5 million was conditionally granted to 13 organisations whose capital projects bring a significant benefit to the wider community. The grants range from \$250,000 to \$1.5 million, are spread across a variety of sectors, and primarily contribute toward building and facility development. Subject to receipt of further information from the organisations, the grants will be formally considered for approval with the funding being distributed over the next three years.

- **\$200,000 to Crankworx:** We contributed \$200,000 to the world's largest mountain biking festival - Crankworx - which came to Rotorua in March 2015. The economic and reputational impact on the region was incredibly significant as the event attracted around 15,000 spectators and 750 riders from New Zealand and around the world.

The Trust's ability to make a difference is possible due to the investment returns that the Trust receives from the investment of its Perpetual Capital Fund.

For the past twenty years, the Trust has managed its investment portfolio internally and in recent years this has been by way of the Trust's wholly owned subsidiary, Perpetual Capital Management Limited (PCML).

Trustees undertook a review of the management of the Trust's investment portfolio this year and sought proposals from external managers as well as PCML. After careful consideration, in December 2014 we announced the appointment of Mercer (NZ) as the new trust investment manager, effective 1 April 2015.

While internal investment management had served the Trust well over the past 20 years, Trustees believe that the appointment of Mercer is the best option going forward. The company has a strong New Zealand-based team backed by global experience and strength.

We want to take this opportunity to thank PCML directors and staff for their longstanding service. It is their prudent strategy that has allowed the Trust to invest millions over the past two decades as we've worked toward creating a healthy community from the inside out.

In closing, I would like to sincerely thank our small but dedicated team of staff members and my fellow Trustees for their ongoing efforts and continued support.

Thank you



**Grahame W Hall, QSO, JP  
Chairman**



# Governance

The Rotorua Energy Charitable Trust (the Trust) is a Charitable Trust established pursuant to the Energy Companies Act 1992. It is incorporated under the Charitable Trusts Act 1957 and the Charities Act 2005.

## ROLE OF THE BOARD

The six Trustees of the Trust are elected by voters from within the voting district of the Trust, on a triennial basis, and are responsible for the direction and supervision of the Trust's business.

The Board has determined that its principal responsibility is to manage and enhance the assets held by the Trust and distribute income for the long-term benefit of the Rotorua district community.

The Board has formally adopted a Corporate Governance Charter.

In meeting this responsibility the Board approves the adoption of appropriate strategies and objectives and reviews the performance of the Trust against these objectives.

They also approve operating and grant budgets and review operating performance against budgeted performance.

## DELEGATION OF AUTHORITY

The formulation and implementation of reporting procedures, other than those reserved specifically for the Board are delegated to management. The Board monitors that delegation as part of the formal business of the Board meetings.

## CONFLICTS OF INTEREST

It is recognised that Trustees have a wide range of involvement in the Rotorua district community and as such, the potential for conflict will arise from time to time.

In order to cover this eventuality, Trustees disclose their involvement with other organisations, do not take part in discussion relating to organisations with which they have a relationship (unless the consent of fellow Trustees is obtained), and do not vote on any matter where a conflict or potential conflict exists.

## INVESTMENT

Investment decisions relating to the Trust's Perpetual Capital Fund are undertaken in accordance with the statement of investment policies and objectives, which have been determined by the Trustees. PCML has undertaken the management of the Perpetual Capital Fund in accordance with the terms of a formal investment management agreement with the Rotorua Trust.

The PCML Board comprise directors, who are independent of the Rotorua Trust.

The investment management agreement with PCML has not been renewed. Effective 1 April 2015, Mercer (NZ) has been appointed as the Trust investment managers.

## GRANTS

Grant requests are received and processed by management. The requests, together with management recommendations, are presented to the Board where a formal decision is made.

At the start of each financial year, the Board determines the allocation and level of grant funding to various sectors. The Board also appoints individual Trustees to act as the spokesperson for these sectors.

## COMMITTEES

The Board has formally established two sub-committees to assist with the operation of the Trust.

### Executive - GW Hall & JM LaGrouw

This committee is responsible for:

- Monitoring the systems of corporate governance.
- Establishing and reviewing the remuneration policy for the Board, directors of subsidiary companies and staff.
- Reviewing the chief executive's performance and remuneration.

### Audit - JM LaGrouw, LG Thurston & J Roberts (until 30 September 2014) B Lane (from 1 October 2014) (consultant to the committee)

This committee is responsible for:

- Identifying, assessing and managing business and organisational risk, and assisting the Board in the discharge of its financial reporting responsibilities.
- Reviewing the effectiveness of internal control systems.
- Providing a formal forum for the Board, auditors and staff.
- Agreeing with the external auditors on the nature, scope and cost of the audit.
- Ensuring the Board meets financial reporting requirements and that external reporting of information is of a high quality.

Trustee	Board & Committee Meetings held during the year	Number attended
GW Hall	17	17
JM La Grouw	20	20
PC East	16	14
SM Kai Fong	16	15
TH Maxwell	16	15
LG Thurston	19	19



# Summary Financial Statements

## Income statement

For the year ended 31 March 2015  
In thousands of New Zealand dollars

	Group	
Note	2015	2014
<b>Income</b>		
Interest	1,712	1,464
Dividends	1,887	1,588
Property Rental income	1,395	2,174
Investment property revaluation	(56)	(84)
Share of income of associate	198	462
Net gain on financial assets	6,974	9,023
Other income	49	63
<b>Total income</b>	<b>12,159</b>	<b>14,690</b>
<b>Expenses</b>		
<b>Trust activities</b>		
Audit	15	13
Consultants	88	44
Depreciation	53	51
Employee remuneration	290	361
Other expenses	204	213
Public and statutory reporting	60	48
Trustee fees and expenses	144	143
	<b>854</b>	<b>873</b>
<b>Investment activities</b>		
Audit	20	22
Brokerage	70	81
Consultants	43	45
Depreciation	3	6
Directors fees	160	200
Employee remuneration	714	477
Interest	73	194
Investment Property - expenses	278	191
Investment Property - repairs & upgrading	-	235
Other expenses	124	135
	<b>1,485</b>	<b>1,586</b>
<b>Total expenses</b>	<b>2,339</b>	<b>2,459</b>
<b>Surplus for the year</b>	<b>9,820</b>	<b>12,231</b>

## Statement of comprehensive income

For the year ended 31 March 2015  
In thousands of New Zealand dollars

	Group	
	2015	2014
Surplus for the year	9,820	12,231
Other comprehensive income:		
Available-for-sale reserve - net change in fair value	1,005	1,483
Asset revaluation	(343)	2
Other comprehensive income for the year	662	1,485
<b>Total comprehensive income for the year</b>	<b>10,482</b>	<b>13,716</b>

The accompanying notes form an integral part of these summary financial statements.

## Statement of changes in Trust funds

For the year ended 31 March 2015  
In thousands of New Zealand dollars

	Group	
Note	2015	2014
Opening Trust funds	142,488	131,332
Total comprehensive income for the year	10,482	13,716
Grants approved	(3,511)	(2,560)
<b>Closing Trust funds</b>	<b>149,459</b>	<b>142,488</b>

## Statement of financial position

For the year ended 31 March 2015  
In thousands of New Zealand dollars

	Group	
	2015	2014
<b>TRUST FUNDS</b>		
Perpetual capital reserve	131,889	131,757
Revaluation reserve	269	612
Available for sale reserve	3,664	2,659
Grant reserve	243	254
Accumulated income reserve	13,394	7,206
<b>TOTAL TRUST FUNDS</b>	<b>149,459</b>	<b>142,488</b>
Represented by:		
<b>Current assets</b>		
Cash and cash equivalents	23,263	19,383
Derivative financial instruments	104	(27)
Other assets	367	339
<b>Total current assets</b>	<b>23,734</b>	<b>19,695</b>
<b>Non-current Assets</b>		
Equity securities	91,541	83,006
Debt securities	9,960	19,751
Investment property	14,140	14,250
Property, plant, and equipment	645	696
Artwork	1,987	2,324
Loans to community organisations	92	80
Investment in associate	8,439	8,241
<b>Total non-current assets</b>	<b>126,804</b>	<b>128,348</b>
<b>TOTAL ASSETS</b>	<b>150,538</b>	<b>148,043</b>
<b>Current Liabilities</b>		
Creditors and employee entitlements	170	353
Loans and borrowings	-	4,000
Grants	909	1,202
<b>Total current liabilities</b>	<b>1,079</b>	<b>5,555</b>
<b>TOTAL LIABILITIES</b>	<b>1,079</b>	<b>5,555</b>
<b>NET ASSETS</b>	<b>149,459</b>	<b>142,488</b>
<b>Statement of cash flows</b>		
For the year ended 31 March 2015 In thousands of New Zealand dollars		
<b>Net cash inflow / (outflow) from operating activities</b>	<b>(1,201)</b>	<b>(1,019)</b>
<b>Net cash inflow / (outflow) from investing activities</b>	<b>9,080</b>	<b>15,061</b>
<b>Net cash inflow / (outflow) from financing activities</b>	<b>(4,000)</b>	<b>(2,000)</b>
Net (decrease) / increase in cash and cash equivalents	3,879	12,042
Cash and cash equivalents at the start of the year	19,384	7,341
<b>Cash and cash equivalents at the end of the year</b>	<b>23,263</b>	<b>19,383</b>



# Notes to the Summary Financial Statements

## 1. Reporting entity

The Rotorua Energy Charitable Trust (the Trust) is a charitable trust established on 3 June 1994, pursuant to the Energy Companies Act 1992 and was incorporated under the Charitable Trusts Act 1957 on 2 November 1995. The Trust and its subsidiaries were registered as charitable entities under the Charities Act 2005 on 30 June 2008.

The Rotorua Energy Charitable Trust is involved in the management of assets held in trust and the distribution of income from these assets for the long-term benefit of the Rotorua District community.

## 2. Summary financial statements

These are the summary financial statements of Rotorua Energy Charitable Trust as at and for the year ended 31 March 2015 and comprise the operations of the Trust and its subsidiaries (together referred to as the "Group"). The specific disclosures included in these summary financial statements have been extracted from the full annual financial statements approved by Trustees on 18 June 2015.

These summary financial statements are presented in New Zealand dollars (\$), which is the Group's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial statements of the income statement, comprehensive income, changes in trust funds, statement of financial position and cash flows of the Group.

These summary financial statements are in compliance with FRS 43 - Summary financial statements.

An unmodified audit opinion has been received on the full financial statements for the year ended 31 March 2015. A copy of the full Group financial statements for the year ended 31 March 2015 is available on the Trust website [www.rotoruatrust.org.nz](http://www.rotoruatrust.org.nz) or alternatively may be obtained by contacting the Trust on (07) 347 6239.

## 3. Basis of preparation

### (a) Statement of compliance

The full financial statements, from which this summary has been extracted from, have been prepared in accordance with the provisions of section 9(b) of the Trust Deed and Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"), applying the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to public benefit entities that qualify for and apply concessions available under the Framework for Differential Reporting. The Trust is a reporting entity and its financial statements comply with NZ GAAP.

The financial statements were approved by Trustees on 18 June 2015.

### (b) Specific accounting policies

All specific accounting policies have been applied on the same bases as those used in the full financial statements of the Group.

## 4. Trustee fees and expenses

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

In thousands of New Zealand dollars	2015	2014
P C East	21	21
G W Hall	39	38
S Kai Fong	21	21
J M La Grouw	21	21
TH Maxwell	21	21
LG Thurston	21	21
	<u>144</u>	<u>143</u>

## 5. Directors' fees

Director's fees paid during the year or due and payable to members of the Board of Perpetual Capital Management Limited are as follows:

In thousands of New Zealand dollars	2015	2014
S L Maier (Jnr)	60	80
F R S Clouston	40	40
J A Dell	30	40
M G Goldfinch	30	40
	<u>160</u>	<u>200</u>

## 6. Investment management - employee remuneration

Included in employee remuneration for the year are the following payments:

Employee long-term incentives of \$50,000, (2014: Nil)  
Termination benefits of \$102,000, (2014: Nil), which resulted from the decision by Trustees not to renew the investment management agreement with Trust subsidiary company, Perpetual Capital Management Limited.

## 7. Grants

Grants approved have been accounted for on the following basis:

In thousands of New Zealand dollars	2015	2014
Grants approved	3,511	2,560
Grants unpaid from prior year	1,202	2,632
	<u>4,713</u>	<u>5,192</u>
Less: Grants paid	3,804	3,990
	<u>909</u>	<u>1,202</u>
Represented by:		
<b>Current grants</b>		
Approved and unpaid	154	502
Obligations for the next financial year	755	700
	<u>909</u>	<u>1,202</u>

## 8. Subsequent events

During the current year Trustees undertook a review of the management of the Trust's investment portfolio and sought proposals from external managers as well as the trust subsidiary Perpetual Capital Management Limited (PCML). In December 2014 the appointment of Mercer (NZ) as the new Trust investment manager effective from the 1 April 2015, was announced.

Messrs S Maier, J Dell and M Goldfinch resigned from the PCML Board on 31 December 2014 and Mr F Clouston resigned on 31 March 2015.

The staff of PCML had their positions terminated as at 31 March 2015, resulting in redundancy payments totalling \$102,000.

In the period leading up to 31 March 2015 the portfolio was readied for transfer to management by Mercer (NZ). This resulted in the portfolio being outside its target asset mix as at 31 March 2015.

A new Statement of Investment Policy and Objectives has been developed and adopted with effect from 1 April 2015.

In February 2015 Trustees commenced a review into the overall operations and management of the Trust. This review had not been completed at balance date. The outcome of this review may result in restructuring and / or redundancy costs being incurred in the 2016 financial year.

A full set of the annual financial statements, including the auditor's report is on the Trust website [www.rotoruatrust.org.nz](http://www.rotoruatrust.org.nz) and is available from the Trust **PO Box 1418 Rotorua 3040**, telephone **07 347 6239**, or email [admin@rotoruatrust.org.nz](mailto:admin@rotoruatrust.org.nz)



## Independent auditor's report on the summary financial statements

### To the beneficiaries of Rotorua Energy Charitable Trust

The accompanying summary financial statements, which comprise the summary statement of financial position as at 31 March 2015, the summary income statement and summary statement of comprehensive income, changes in trust funds and cash flows for the year then ended and notes are derived from the audited financial statements of Rotorua Energy Charitable Trust and its subsidiaries ("the group"), for the year ended 31 March 2015. We expressed an unmodified audit opinion on those financial statements in our report dated 18 June 2015.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the group.

#### *Directors' responsibility for the company and group financial statements*

The directors are responsible for the preparation of a summary of the audited financial statements, in accordance with FRS-43 Summary Financial Statements.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810 Engagements to Report on Summary Financial Statements.

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

#### *Opinion*

In our opinion, the summary consolidated financial statements, derived from the audited consolidated financial statements of Rotorua Energy Charitable Trust and its subsidiaries ("the group") for the year ended 31 March 2015, are a fair summary of those financial statements, in accordance with FRS-43 Summary Financial Statements.

The financial statements of Rotorua Energy Charitable Trust for the year ended 31 March 2014, were audited by another auditor who expressed an unmodified opinion on those statements on 19 June 2014.

18 June 2015  
Tauranga

# Directory

## TRUSTEES

### Chairman

Grahame Hall QSO, JP

### Deputy Chairman

Jo-Anne La Grouw MNZM

Rt. Hon. Paul East QC, CNZM

Sandra Kai Fong

Trevor Maxwell MNZM

Lyll Thurston QSO, JP

## MANAGEMENT TEAM

### Chief Executive

Stuart Burns BMS, FCA, CFIP, FCIS, CM Inst D

### Finance Administrator

Andrea Thompson AT

### Grants Assessor

Alison Perrin BA, JP

### Accounts and Investment Administrator

Edith Tissink

### Executive Secretary

Lee-Anne Thompson

## PERPETUAL CAPITAL MANAGEMENT LIMITED DIRECTORS

### Chairman

Samford Maier (Jnr) Doctor of Jurisprudence (Harvard), BA (Yale), Auckland (Resigned 31 December 2014)

Falcon Clouston BAgSc Economics, AF Inst D, Wellington (Resigned 31 March 2015)

John Dell BCom (Hons), CA, Auckland (Resigned 31 December 2014)

Martin Goldfinch LLB, BCom, Auckland (Resigned 31 December 2014)

## INVESTMENT TEAM

### Chief Investment Officer

Peter Halligan BA, BSc (Hons), Dip Bus (Resigned 31 March 2015)

### Investment Analyst

Aaron Gabbie BMS (Hons)

## ADVISORY TEAM

### Audit

KPMG, Tauranga

### Banking

Bank of New Zealand Limited  
Australia & New Zealand Banking  
Group Limited

### Investment Manager

Perpetual Capital Management Limited,  
Rotorua (Until 31 March 2015)

### Legal

Simpson Grierson, Auckland

## OFFICE

### Physical Address

1358 Eruera Street, Rotorua

### Postal Address

P O Box 1418, Rotorua, 3040

### Telephone

07 347 6239

### Facsimile

07 347 6305

### Email

admin@rotoruatrust.org.nz

### Website

www.rotoruatrust.org.nz



