



# **Annual Report 2014**

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## **Chairman's Review**

### **Kia Ora, Greetings**

The conclusion of our 2014 financial year sees us approaching a major milestone for the Rotorua Energy Charitable Trust as we turned 20 on 3<sup>rd</sup> June 2014.

For two decades, my fellow trustees and those who served before us have worked to achieve the Trust's vision of helping to create *"a safe and vibrant district, where people are proud to live, work, invest, play and educate their families"*.

So, what difference are we making? We believe a significant one!

During the past 20 years, we've made 4,288 community grants totalling \$90.3 million. \$5.8 million of this funding has been provided by way of Tertiary Study Awards to support 841 students from our district.

During the past year alone, we've provided 300 community grants totalling \$2.6 million and helped 40 students pursue a higher education with \$281,000 in Tertiary Study Awards.

Every dollar we grant and every scholarship we provide has had a positive effect – not only on individuals young and old, but also on Rotorua as a collective community.

As we look back on the past year in particular, we've made steady progress toward achieving our vision. Some highlights include:

#### **Calling for Major Grants:**

Recently we called for expressions of interests from organisations throughout the Rotorua District with ideas for capital projects that require an injection of major funds in excess of \$750,000. This is the first request the Trust has made for expressions of interest related to major project ideas since 2006.

#### **Untagged Funding a Success:**

In 1998 the Trust commenced granting community groups funding for operational costs. That year the Trust granted \$75,000 to support 25 community groups. This year 100 community groups have shared in more than \$500,000. This funding helps community groups fund costs that keep their doors open such as salaries and wages. Because there are essentially 'no strings attached,' the untagged funding allows groups to put the grant toward their area of greatest need.

#### **Elections Held Unopposed:**

In September, all current trustees stood for re-election and each was re-elected unopposed. This is the first time in the Trust history this has happened. Each of us thanks the Rotorua community for their confidence in our service and we look forward to working on your behalf for another three-year term.

The Trust's ability to make a difference is possible due to the investment returns that the Trust receives from its "Perpetual Capital Fund" which is managed by our wholly owned subsidiary, Perpetual Capital Management Limited (PCML). The fund returned 12.4% over the year resulting in a current portfolio value of \$135.03 million after meeting investment management expenses and distributions to the Trust.

Additionally, our investment portfolio achieved a significant milestone this year in that we exceeded our reserve target of \$131.76 million for the first time since the global financial crisis took hold. During the recession, the Trust continued to provide grants and study awards – although to a lesser degree than prior to the financial crisis.

Now that we've reached our reserve target once again, this has given trustees the ability to be able to provide even more grants to the Rotorua District community.

I want to thank the PCML investment team. It is their prudent strategy that allows the Trust to continue investing millions each year and working toward our goal of creating a healthy community from the inside out.

In closing, I would like to sincerely thank our small but dedicated staff members, CEO Stuart Burns, and all my fellow Trustees for their ongoing efforts and continued support throughout the year.

Thank you.

A handwritten signature in black ink, appearing to read "G. W. Hall". The signature is fluid and cursive, with a large initial "G" and "H".

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

## **Governance**

The Rotorua Energy Charitable Trust (Rotorua 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 Rotorua 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.

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. The Trust's wholly owned subsidiary Perpetual Capital Management Limited (PCML) undertakes the management of the Perpetual Capital Fund in accordance with the terms of a formal Investment Management Agreement with the Rotorua Trust. The Board of PCML comprise directors, who are independent of the Rotorua Trust.

### **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 commencement 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 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 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 (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.

<b>Trustee</b>	<b>Board &amp; Committee Meetings held during the year</b>	<b>Number attended</b>
GW Hall	17	17
JM La Grouw	20	20
PC East	16	14
S Kai Fong	16	15
TH Maxwell	16	15
LG Thurston	19	19

## Community Support

GRANTS APPROVED FOR THE YEAR ENDED 31 MARCH 2014	TOTAL
	\$
Adorers of the Sacred Heart of Jesus of Montmartre Trust	7,231
Agape Christian Pre School	3,000
Arts Rotorua Charitable Trust - Concert for the Elderly	4,000
Athletics New Zealand Inc.	25,000
Bay of Plenty Blues Club Inc.	10,000
Bay of Plenty Regional Science Fair	2,500
Bay of Plenty Rugby Union Inc.	25,000
Brass Band Association of New Zealand Inc.	4,000
Empowered Learning Trust	13,935
Empowering Families for Effective Communities Trust	10,000
Ex Vietnam Services Association	2,000
Exult Ltd - Fundraising Seminar	850
Faith A Charitable Trust	5,000
Friends of the Rotorua District Library Inc.	6,000
Geyserland Lions - Carols by Candlelight	4,575
Globalfest Rotorua Charitable Trust	20,000
Growing Through Grief	6,000
Halberg Disability Sport Foundation	15,000
Hannah's Bay Community Restoration Trust	5,000
Hindu Council of New Zealand Inc.	3,000
Hurungaterangi Marae	3,620
Inspiring Communities Trust	10,450
John Paul College	20,525
KidsCan Charitable Trust	5,000
Ko Te Tuara Totara O Fordlands Inc.	2,500
Lynmore Playcentre	3,000
Maketu Volunteer Coastguard Inc.	10,000
Maori Research Institute Charitable Trust	2,000
Mid-Island Gym Sports Inc.	15,000
Mokoia Community Association Inc.	16,000
Neighbourhood Support Rotorua Inc.	8,645
New Zealand Aria Trust	15,000
New Zealand Choral Federation Inc.	10,000
New Zealand Country Music Association Inc.	3,000
New Zealand Dairy Industry Awards Trust	2,500
New Zealand Walking Association Inc.	4,000
Ngongotaha Free Kindergarten	3,500
Older Persons Community Centre Trust	100,000
Operating Costs Support to 100 Community Organisations	538,450
Outdoors New Zealand Inc.	5,000
Parenting with Confidence Inc.	15,000
Performing Arts Centre	23,315
Philips Search and Rescue Trust	70,000

Progress Ngongotaha - Kokori Ngongotaha Inc.	1,500
Rakeiao Maori Reservation	5,000
Reporoa College	6,925
Reporoa Community Health Committee	4,160
Resource Teachers of Learning and Behaviour Eastern Cluster	25,000
Rhapsody Rotorua	12,000
Rotary Club of Rotorua Sunrise	10,000
Rotary Club of Rotorua West	3,500
Rotorua Arts Village Trust	35,000
Rotorua Basketball Association	6,000
Rotorua BMX Club Inc.	3,000
Rotorua Boys' High School	25,575
Rotorua Breast Cancer Trust	3,000
Rotorua Careers Expo Trust	22,000
Rotorua Chamber of Commerce and Industry	20,525
Rotorua Christmas Parade Charitable Trust	7,500
Rotorua Civic Arts Trust	50,000
Rotorua Community Hospice Trust	25,000
Rotorua Community Youth Centre Trust	25,000
Rotorua Competitions Society Inc.	5,000
Rotorua Creative Art Trust	15,000
Rotorua District Community Law Centre Trust	2,762
Rotorua District Council - Community Activities	16,232
Rotorua District Council - Community Arts Projects	25,426
Rotorua District Council - Events Attraction Funding	75,000
Rotorua District Council - Rotorua Emergency Response Team	25,000
Rotorua District Council - Young Enterprise Scheme	2,000
Rotorua Dog Obedience Club Inc.	6,000
Rotorua Embroiderers Guild	5,000
Rotorua Girls' High School	17,725
Rotorua Gospel Broadcasting Charitable Trust	5,300
Rotorua Hospital Auxiliary Inc.	5,000
Rotorua Hospital Chaplaincy Trust	2,500
Rotorua Kennel Association Inc.	2,000
Rotorua Lakes High School	18,900
Rotorua Lakes Volunteer Coastguard Inc.	10,000
Rotorua Lakeside Concert Charitable Trust - Lakeside 2014	125,875
Rotorua Musical Theatre	6,000
Rotorua Ngongotaha Rail Trust	2,400
Rotorua School for Young Parents Trust	11,850
Rotorua Special Olympics	10,000
Rotorua United Association Football Club Inc.	10,000
Rotorua Wake & Ski Club Inc.	50,000
Rotorua X Charitable Trust	10,000
Rotorua Young Achievers Awards	5,500
Royal New Zealand Foundation of the Blind	25,000
Royal Society of New Zealand (Rotorua Branch)	800



Salvation Army - Rotorua Community & Family Services	5,000
Scholarships - Outward Bound	12,624
Scholarships - Tertiary Study Awards	288,000
Scholarships - Waiariki Institute of Technology - Whare Takiura 2014	25,000
Sexual Abuse Centre (Rotorua) Inc.	20,000
Sir Peter Blake Leadership Week	1,354
Sport Bay of Plenty Charitable Trust Board Inc.	5,000
St Chad's Communication Centre Trust	25,000
St David's Presbyterian Church	10,000
Stage Challenge Foundation	8,000
Swim Rotorua Inc.	4,000
Tauranga Environment Centre Charitable Trust	2,000
Te Arawa Church	20,000
Te Arawa Federation of Maori Authorities	2,000
Te Arawa Pouako I Te Reo Society Inc.	9,000
Te Arawa Waka Taua Trust	1,000
Te Kura Kaupapa Maori O Ruamata	1,400
Te Papa Takaro O Te Arawa Trust	5,000
Te Runanga O Ngati Rangiteaorere Inc.	5,000
Te Takinga Marae Trust	14,200
Te Wahiao Trust	18,000
Te Wharekura o Ngati Rongomai	300
The Gifted Children's Advancement Charitable Trust	25,000
The Lamp Trust	5,000
The New Zealand Cuban Festival Trust	5,000
The Rotorua Choir	2,000
The Rotorua Christian Education Trust	475
The Tauranga Bay of Plenty Hearing Association Inc.	1,994
Trust Waikato Symphony Orchestra	4,000
Tu Tolu Sports and Cultural Club Inc.	8,000
Tuahine Charitable Trust	1,500
W.I.S.E Better Homes	50,000
Waiariki Maori Women's Welfare League Inc.	2,000
Waiotapu Forest School Camp Trust	24,546
Water Safety New Zealand Inc.	19,317
Wera Aotearoa Charitable Trust	18,000
Western Bay of Plenty Ostomy Society Inc.	2,000
Western Heights Community Association Inc.	18,500
Western Heights High School	45,300
Whakarewarewa Village Charitable Trust	8,000
Wingspan Birds of Prey Trust	10,000
Youth Projects Trust	9,000
Zonta Club of Rotorua	2,000
	<hr/>
	<b>\$2,589,062</b>
<b>Prior year Grants Cancelled</b>	<b>(29,272)</b>
<b>TOTAL</b>	<b>\$2,559,790</b>
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## Income statement

For the Year Ended 31 March 2014

	Note	2014 Group	2013 Group	2014 Trust	2013 Trust
In New Zealand dollars					
<b>Revenue</b>					
Interest		1,464,434	1,548,571	1,589,913	1,782,155
Dividends		1,587,722	1,378,093	1,587,722	1,359,235
Rental income		2,174,438	2,446,120	-	-
		<b>5,226,594</b>	<b>5,372,784</b>	<b>3,177,635</b>	<b>3,141,390</b>
<b>Gains and Other Income</b>					
Investment property net gains	9	(83,925)	(1,157,846)	-	-
Net gain on financial assets	6	9,022,755	8,034,467	10,267,303	7,997,577
Share of income of associate	13	461,943	347,158	-	-
Other income		62,552	132,917	15,550	85,595
		<b>9,463,325</b>	<b>7,356,696</b>	<b>10,282,853</b>	<b>8,083,172</b>
<b>Total Income</b>		<b>14,689,919</b>	<b>12,729,480</b>	<b>13,460,488</b>	<b>11,224,562</b>
<b>Operating Expenses</b>					
<b>Trust Activities</b>					
Audit		12,700	11,660	12,700	11,660
Consultants fees		44,453	58,588	44,453	58,588
Depreciation	10	50,952	43,303	50,952	43,303
Election cost		19,007	-	19,007	-
Employee remuneration		361,344	275,763	361,344	275,763
Insurance		24,471	20,693	24,471	20,693
Loss on sale of assets		-	282	-	282
Legal		28,717	33,011	28,717	33,011
Occupancy & artwork storage		26,266	26,748	26,266	26,748
Other expenses		88,421	89,049	88,421	89,049
Public & statutory reporting		47,764	43,075	47,764	43,075
Property repairs		5,578	11,183	5,578	11,183
Sponsorship and promotion		20,091	15,033	20,091	15,033
Trustee fees	18	139,304	137,724	139,304	137,724
Trustee expenses	18	4,090	3,441	4,090	3,441
		<b>873,158</b>	<b>769,553</b>	<b>873,158</b>	<b>769,553</b>
<b>Investment Activities</b>					
Audit		22,165	22,036	-	-
Audit - Internal		-	6,000	-	-
Brokerage		81,496	95,029	81,496	95,029
Consultants fees		44,519	38,872	-	-
Custodial fees: Investments		8,491	6,674	125,473	119,838
Depreciation	10	6,261	6,423	-	-
Directors fees	19	200,000	186,665	-	-
Directors travel and accommodation		12,190	12,476	-	-
Employee remuneration		477,259	529,659	-	-
Interest		194,002	550,963	-	148,269
Insurance		20,540	14,508	-	-
Loss on sale of assets		39	37	-	-
Investment advisory services		-	-	690,100	662,893
Investment Property operating expenses		191,459	323,294	-	-
Investment Property repairs & upgrading		234,482	222,084	-	-
Legal		11,534	40,557	-	-
Occupancy		12,000	12,000	-	-
Other expenses		37,573	47,500	3,692	945
Subscriptions: Investment research		31,999	32,406	-	-
		<b>1,586,009</b>	<b>2,147,183</b>	<b>900,761</b>	<b>1,026,974</b>
<b>Total Operating Expenses</b>		<b>2,459,167</b>	<b>2,916,736</b>	<b>1,773,919</b>	<b>1,796,527</b>
<b>Surplus for the year</b>		<b>12,230,752</b>	<b>9,812,744</b>	<b>11,686,569</b>	<b>9,428,035</b>

The accompanying notes form an integral part of these financial statements



## Statement of comprehensive income

For the Year Ended 31 March 2014

	Note	2014 Group	2013 Group	2014 Trust	2013 Trust
In New Zealand dollars					
Surplus for the year	5e	12,230,752	9,812,744	11,686,569	9,428,035
<b>Other comprehensive income:-</b>					
Available-for-sale reserve - net change in fair value:	5c	1,483,356	398,402	1,483,356	398,402
Gift from subsidiaries		-	-	-	18,858
Asset revaluation	5b	1,722	88,172	1,722	88,172
<b>Other comprehensive income for the year</b>		<b>1,485,078</b>	<b>486,574</b>	<b>1,485,078</b>	<b>505,432</b>
<b>Total comprehensive income for the year</b>		<b>13,715,830</b>	<b>10,299,318</b>	<b>13,171,647</b>	<b>9,933,467</b>

## Statement of changes in equity

For the Year Ended 31 March 2014

	Note	2014 Group	2013 Group	2014 Trust	2013 Trust
In New Zealand dollars					
Opening Trust funds		131,331,963	123,189,271	130,609,067	122,832,226
Total comprehensive income for the year		13,715,830	10,299,318	13,171,647	9,933,467
Grants approved	17	(2,559,790)	(2,156,626)	(2,559,790)	(2,156,626)
<b>Closing Trust funds</b>		<b>142,488,003</b>	<b>131,331,963</b>	<b>141,220,924</b>	<b>130,609,067</b>

The accompanying notes form an integral part of these financial statements



## Balance sheet


As at 31 March 2014

	Note	2014 Group	2013 Group	2014 Trust	2013 Trust
In New Zealand dollars					
<b>Trust Funds</b>					
Capital	5	100	100	100	100
Perpetual capital reserve	5a	131,756,055	129,766,450	131,756,055	129,766,450
Revaluation reserve	5b	612,194	610,472	612,194	610,472
Available-for-sale reserve	5c	2,659,310	1,175,954	2,659,310	1,175,954
Grant reserve	5d	253,768	313,558	253,768	313,558
Accumulated income reserve	5e	7,206,576	(534,571)	5,939,497	(1,257,467)
<b>TOTAL TRUST FUNDS</b>		<b>142,488,003</b>	<b>131,331,963</b>	<b>141,220,924</b>	<b>130,609,067</b>
Represented by:					
<b>Current Assets</b>					
Cash and cash equivalents	14	19,383,354	7,340,652	14,686,330	6,561,458
Other assets		338,829	375,582	269,008	297,299
<b>Total Current Assets</b>		<b>19,722,183</b>	<b>7,716,234</b>	<b>14,955,338</b>	<b>6,858,757</b>
<b>Non-current Assets</b>					
Equity securities	7	83,005,673	71,452,723	81,013,310	69,220,411
Debt securities	8	19,750,435	22,425,600	19,750,435	22,425,600
Investment property	9	14,250,000	27,990,000	-	-
Property, plant and equipment	10	696,482	705,867	689,484	693,177
Artwork	11	2,324,042	2,315,085	2,324,042	2,315,085
Loans to community organisations	12	80,000	80,000	80,000	80,000
Investment in associate	13	8,241,462	7,779,519	7,393,212	7,393,212
Investment in subsidiaries	21	-	-	16,266,308	24,281,709
<b>Total Non-current Assets</b>		<b>128,348,094</b>	<b>132,748,794</b>	<b>127,516,791</b>	<b>126,409,194</b>
<b>TOTAL ASSETS</b>	22	<b>148,070,277</b>	<b>140,465,028</b>	<b>142,472,129</b>	<b>133,267,951</b>
<b>Current Liabilities</b>					
Creditors and employee entitlements		353,448	361,259	74,470	74,425
Derivative financial instruments	15	26,547	139,881	(25,544)	(47,466)
Loans and borrowings	16	4,000,000	6,000,000	-	-
Grants	17	1,202,279	1,931,925	1,202,279	1,931,925
<b>Total Current Liabilities</b>		<b>5,582,274</b>	<b>8,433,065</b>	<b>1,251,205</b>	<b>1,958,884</b>
<b>Non-current Liabilities</b>					
Grants	17	-	700,000	-	700,000
<b>Total Non-current Liabilities</b>		<b>-</b>	<b>700,000</b>	<b>-</b>	<b>700,000</b>
<b>TOTAL LIABILITIES</b>		<b>5,582,274</b>	<b>9,133,065</b>	<b>1,251,205</b>	<b>2,658,884</b>
<b>NET ASSETS</b>		<b>142,488,003</b>	<b>131,331,963</b>	<b>141,220,924</b>	<b>130,609,067</b>

The Trustees of Rotorua Energy Charitable Trust authorised these financial statements for issue on 19 June 2014.



Grahame Hall  
CHAIRMAN



Jo-Anne La Grouw  
DEPUTY CHAIRMAN

The accompanying notes form an integral part of these financial statements



## Statement of cash flows

For the Year Ended 31 March 2014

	Note	2014 Group	2013 Group	2014 Trust	2013 Trust
In New Zealand dollars					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
Interest		1,444,771	1,528,477	1,575,438	1,762,038
Dividends		1,608,820	1,362,015	1,608,820	1,343,157
Rent - investment property		2,174,438	2,446,120	-	-
Other Income		207,154	710,722	15,550	429,511
		<b>5,435,183</b>	<b>6,047,334</b>	<b>3,199,808</b>	<b>3,534,706</b>
<b>Cash was disbursed on:</b>					
Payments to suppliers, trustees & employees		2,115,569	2,320,530	1,512,021	1,518,676
Interest		349,463	517,872	-	151,095
Grants		3,989,436	2,209,951	3,989,436	2,209,951
		<b>6,454,468</b>	<b>5,048,353</b>	<b>5,501,457</b>	<b>3,879,722</b>
<b>Net cash inflow / (outflow) from operating activities</b>	25	<b>(1,019,285)</b>	<b>998,981</b>	<b>(2,301,649)</b>	<b>(345,016)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
Sale of property, plant and equipment		29,565	10,000	29,565	10,000
Sale of investment property		14,400,396	5,191,691	-	-
Subsidiary company gift		-	-	-	18,858
Subsidiary advances repaid		-	-	9,250,000	6,250,000
Sale of investments		19,328,955	34,480,152	19,328,955	34,480,153
		<b>33,758,916</b>	<b>39,681,843</b>	<b>28,608,520</b>	<b>40,759,011</b>
<b>Cash was disbursed on:</b>					
Purchase of artworks		8,433	19,586	8,433	19,586
Purchase of investment property improvements		744,321	877,884	-	-
Purchase of property, plant and equipment		77,434	59,341	76,825	57,722
Subsidiary advances		-	-	230,000	6,000,000
Purchase of investments		17,866,741	34,284,931	17,866,741	34,251,287
		<b>18,696,929</b>	<b>35,241,742</b>	<b>18,181,999</b>	<b>40,328,595</b>
<b>Net cash inflow / (outflow) from investing activities</b>		<b>15,061,987</b>	<b>4,440,101</b>	<b>10,426,521</b>	<b>430,416</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
Loans repaid		-	-	-	-
		-	-	-	-
<b>Cash was disbursed on:</b>					
Bank loans repaid		2,000,000	9,707,365	-	3,707,365
Loans advanced		-	80,000	-	80,000
		<b>2,000,000</b>	<b>9,787,365</b>	<b>-</b>	<b>3,787,365</b>
<b>Net cash inflow / (outflow) from financing activities</b>		<b>(2,000,000)</b>	<b>(9,787,365)</b>	<b>-</b>	<b>(3,787,365)</b>
Net (decrease) / increase in cash and cash equivalents		12,042,702	(4,348,283)	8,124,872	(3,701,965)
Cash and cash equivalents at the start of the period		7,340,652	11,688,935	6,561,458	10,263,423
<b>Cash and Cash Equivalents at the End of the Period</b>	14	<b>19,383,354</b>	<b>7,340,652</b>	<b>14,686,330</b>	<b>6,561,458</b>

The accompanying notes form an integral part of these financial statements



## Notes to the 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.

Financial statements for the Trust (separate financial statements) and consolidated financial statements are presented.

The consolidated financial statements of Rotorua Energy Charitable Trust comprise the Trust, its subsidiaries and associate (together referred to as the “Group”).

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. Basis of preparation

#### (a) Statement of compliance

The financial statements 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 New Zealand equivalents for International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to public benefit entities that qualify for Differential Reporting concessions. The Trust is a reporting entity and its financial statements comply with NZ GAAP.

The Trust and the Group qualify under the Framework for Differential Reporting on the basis that they are not publicly accountable and are not ‘large’ as defined under the Framework. The Trust and Group have adopted certain reporting concessions available to them as qualifying entities except those available under NZ IAS 7 – Cash Flow Statements. Differential Reporting concessions in the main require the same recognition and measurement standards as full NZ IFRS and allow concessions with regard to disclosure.

The financial statements were approved by Trustees on 19 June 2014.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Investments in equity and debt securities are measured at fair value
- Investment property is measured at fair value
- Artwork and land and buildings are measured at fair value
- Derivative financial instruments are measured at fair value

The methods used to measure fair values are disclosed further in note 4.

#### (c) Functional and presentation currency

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



## Notes to the financial statements

### 2. Basis of preparation (continued)

#### (d) Use of estimates and judgements

The preparation of financial statements requires trustees and management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

#### (a) Basis of consolidation

##### Subsidiaries

Subsidiaries are entities controlled by the Trust. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Trust, where appropriate. Control exists when the Trust has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in equity securities of subsidiaries are measured at cost subject to impairment in the separate financial statements of the Trust.

##### Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

##### Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in any associate includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of post-acquisition profits or losses of an associate is recognised in the surplus or deficit, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Should the Group's share of losses in an associate equal or exceed its interest in the associate, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.





## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### (a) Basis of consolidation Associates (continued)

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in any associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of the associates are reviewed to ensure consistency with policies adopted by the Group. Dilution gains or losses arising in investments in the associate are recognised in the Income Statement.

#### (b) Foreign Currency Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between cost in the functional currency at the beginning of the period, adjusted for movements during the period, and the cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the surplus or deficit.

#### (c) Financial instruments

Financial instruments are recognised in the balance sheet initially at fair value plus, for instruments not at fair value through surplus or deficit, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognised when the Trust becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised if the Trust's contractual rights to the cash flows from the financial assets expire or if the Trust transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the Trust's obligations specified in the contract expire or are discharged or cancelled.

#### Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, cash and cash equivalents, creditors, grants and loans and borrowings.

Cash and cash equivalents comprise cash balances and call deposits.

The Group's financial instruments are classified as at fair value through surplus or deficit, available-for-sale or at amortised cost.



## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### *Instruments at fair value through surplus or deficit*

An instrument is classified as at fair value through surplus or deficit if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through surplus or deficit if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the surplus or deficit when incurred. Subsequent to initial recognition, financial instruments at fair value through the surplus or deficit are measured at fair value, and changes therein are recognised in the surplus or deficit.

##### *Available for sale financial instruments*

A financial asset is classified as available for sale if it is designated as such on initial recognition or is not classified as loans and receivables, held to maturity or at fair value through surplus or deficit. Subsequent to initial recognition these instruments are recognised at fair value, and changes therein are recognised through the available-for-sale reserve in equity. Upon sale, derecognition or permanent impairment of available for sale assets, the cumulative fair value adjustments are transferred to the income statement.

##### *Other*

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

#### **Derivative financial instruments**

The Group uses derivative financial instruments which comprise foreign currency hedge contracts and interest rate swaps, to manage its exposure to risks arising from investment activities. The Group does not hold derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value, the gain or loss on remeasurement to fair value is recognised immediately in the surplus or deficit.

The Group does not utilise any derivatives which would qualify for “hedge accounting”.

#### **Investments in listed equity securities**

Investments in listed equity securities held by the Group are designated at fair value through surplus or deficit.

#### **Investments in venture capital, private equity and hedge funds**

Investments in venture capital, private equity and hedge funds are classified as available for sale financial assets.

#### **Investments in debt securities**

Investments in debt securities held by the Group are designated at fair value through surplus or deficit.



## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### Loans and borrowings

Loans and borrowings are classified as other non-derivative financial instruments and are measured at amortised cost using the effective interest method.

##### Creditors

Creditors are stated at cost.

#### (d) Property, plant and equipment & Artwork

##### Recognition and measurement

Classes of property, plant and equipment includes land and buildings used by the Group, plant and equipment and artwork.

Artwork is measured at fair value. Fair value is determined by reference to market value by a registered valuer. Fair value increases are recognised in equity through the revaluation reserve except in the situation the increases reverse a previous revaluation decrease that was recognised through the income statement. Revaluation decreases are recognised in surplus or deficit except where any credit balance remains in the revaluation reserve in respect of that asset.

Items of property, including buildings and plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

##### Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as incurred.

##### Depreciation

Depreciation is recognised in the surplus or deficit over the estimated useful lives of each part of an item of property, plant and equipment.

The applicable depreciation rates are:

Plant and equipment	7%-48%
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#### (e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in surplus or deficit. Investment property is not depreciated.



## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### (f) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement unless the asset is subject to revaluation. Where a reserve exists for revalued assets, this is reduced before the income statement is affected.

#### (g) Employee benefits

##### Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, in respect of redundancies.

##### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under a short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### Long term Incentive plan

The Trust subsidiary Perpetual Capital Management Limited operates a long term incentive plan in respect of its employees. The Group recognises a provision in respect of long term incentive plan which takes into consideration the targets to be met and the likelihood of these targets being met.

#### (h) Lease payments

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease.

#### (i) Grants

Grants are recognised as they are distributed or committed for distribution to eligible Organisations as approved by the trustees.

#### (j) Revenue Interest

Interest income is recognised as it accrues, using the effective interest rate method.

##### Dividends

Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

##### Rental income

Rental income from investment properties is recognised in surplus or deficit on a straight-line basis over the term of the lease.



## Notes to the financial statements

### 3. Significant accounting policies (continued)

#### (k) Income tax

The Trust and its subsidiaries are registered charities and they have and it is expected will continue to maintain their tax exempt status and accordingly no provision is made for income tax.

#### (l) Goods and services tax (GST)

With the exception of Thirteen Fifty Eight Investments Limited and RotoruaTrust Perpetual Capital Fund Limited, the Group is registered for GST. The financial statements have been prepared on a GST exclusive basis.

#### (m) Statement of cash flows

The following are the definitions used in the statement of cash flows:

- cash is considered to be cash on hand and current accounts in banks;
- operating activities include all transactions and other events that are not investing or financing activities;
- investing activities are those activities relating to the acquisition, holding and disposal of property, plant & equipment and of investments;
- financing activities are those activities which result in a change in the size and composition of the capital structure.

#### (n) Changes in accounting policies

There have been no changes in accounting policies during the year.

The recently promulgated Financial Reporting Act 2013 and Financial Reporting (Amendments to Other Enactments) Act 2013 will have an impact on future financial reporting by the Trust. The new Acts separate “Not for Profit” and “For Profit” reporting and, in addition, introduce a system of “tiers” depending on, inter alia, the size of an entity. Trustees have determined that the Trust qualifies as a “Public Benefit Entity” for which the new financial reporting framework is effective from 1 April 2015. Trustees are yet to determine the tiers and reporting impacts that are applicable from that date.

### 4. Determination of fair values

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is in the notes specific to that asset or liability.

#### (a) Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the group’s investment properties annually. 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 willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Readers of these financial statements should be aware that there is a high degree of uncertainty in cases where fair value is based not on observable market data but is based on subjective determinations of future rents and capitalisation rates.



## Notes to the financial statements

### 4. Determination of fair values (continued)

#### (b) Investments in equity and debt securities

##### Listed equities

Unless disclosed separately, the fair value of investments in equities listed on a recognised trading platform is their last quoted market bid price at the reporting date.

##### Debt securities

The fair value of investments in debt securities is their closing market price as at the reporting date.

##### Unlisted equities

When the fair value of investments in unlisted equities cannot be determined reliably using a valuation technique, the assets are recognised at cost, taking account of any impairment of the individual investment.

##### Investment funds

The fair value of investments in managed investment funds, including venture capital, private equity and hedge funds is determined by reference to market reports received from the fund managers and taking into account any impairment of the investments.

#### (c) Derivative financial instruments

The fair value of forward exchange contracts and interest rate swaps is determined using rates applicable at the reporting date.

#### (d) Artworks

An external, independent valuation company, having appropriate recognised professional qualifications and experience in the valuation of artworks, values the group's "Heritage Collection". 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 willing seller in an arm's length transaction.

### 5. Trust funds

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

#### (a) Perpetual capital reserve

On 1 September 1994 the Trust received shares representing 51 per cent of the issued voting capital in Rotorua Electricity Limited, valued at \$32,016,652.

On 30 September 2002 Trustees established a perpetual capital reserve amounting to \$100,000,000 through the transfer of an additional \$67,983,348 from the accumulated income reserve, to the original gift of shares in Rotorua Electricity Limited.



## Notes to the financial statements

### 5. Trust funds (continued) (a) Perpetual capital reserve (continued)

Trustees have determined that this reserve which was established to protect the fund for future generations should be restated each financial year to take account of movements in the Consumer Price Index (CPI). The allocation for the current year is \$1,989,605 (2013: \$1,105,336).

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
Opening balance	129,766,450	128,661,114	129,766,450	128,661,114
Current year "CPI" allocation	1,989,605	1,105,336	1,989,605	1,105,336
Closing balance	<u>131,756,055</u>	<u>129,766,450</u>	<u>131,756,055</u>	<u>129,766,450</u>

### (b) Revaluation reserve

The revaluation reserve relates to the revaluation of artworks and land and buildings.

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
Opening balance	610,472	522,300	610,472	522,300
Gain on Artwork revaluation	1,722	88,172	1,722	88,172
Closing balance	<u>612,194</u>	<u>610,472</u>	<u>612,194</u>	<u>610,472</u>

### (c) Available-for-sale reserve

For all available for sale financial assets, movements in fair value are recognised through the available-for-sale-reserve. When the relevant asset is derecognised, upon sale, other disposal or permanent impairment, the cumulative fair value changes recognised directly in equity are transferred to surplus or deficit.

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
Opening balance	1,175,954	777,552	1,175,954	777,552
Net change in fair value	1,483,356	398,402	1,483,356	398,402
Closing balance	<u>2,659,310</u>	<u>1,175,954</u>	<u>2,659,310</u>	<u>1,175,954</u>

### (d) Grant reserve

Each year trustees approve a level of grants to be made available to the community. This amount is transferred to the grant reserve. The balance in the grant reserve represents the balance available for grants at year end after the transfer to the reserve of \$2,500,000 (2013: \$2,250,000) and the deduction of grants approved during the financial year.

The balance in this reserve is available to be utilised in future years to support grants to the community.

In New Zealand dollars	Group and Trust	
	2014	2013
Opening balance	313,558	220,184
Transfer from accumulated income	2,500,000	2,250,000
	<u>2,813,558</u>	<u>2,470,184</u>
<i>Deduct:</i>		
Grants approved	2,559,790	2,156,626
Closing balance	<u>253,768</u>	<u>313,558</u>



## Notes to the financial statements

### 5. Trust funds (continued)

#### (e) Accumulated income reserve

The accumulated income reserve represents the balance of income retained or losses accumulated, after the specific transfer of income in each financial year to the perpetual capital reserve and grant reserve.

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
Opening balance	(534,571)	(6,991,979)	(1,257,467)	(7,349,024)
Surplus for the year	<u>12,230,752</u>	<u>9,812,744</u>	<u>11,686,569</u>	<u>9,428,035</u>
	11,696,181	2,820,765	10,429,102	2,079,011
<u>Add</u>				
Transfers from:				
Gift from subsidiaries	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,858</u>
	11,696,181	2,820,765	10,429,102	2,097,869
<u>Deduct</u>				
Transfers to:				
Grant reserve	<u>2,500,000</u>	<u>2,250,000</u>	<u>2,500,000</u>	<u>2,250,000</u>
Perpetual capital reserve	<u>1,989,605</u>	<u>1,105,336</u>	<u>1,989,605</u>	<u>1,105,336</u>
Closing balance	<u>7,206,576</u>	<u>(534,571)</u>	<u>5,939,497</u>	<u>(1,257,467)</u>

### 6. Net gain / (loss) on financial assets

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
Assets designated at fair value:				
Realised fair value gains / (losses)	<u>416,266</u>	<u>408,575</u>	<u>416,266</u>	<u>716,884</u>
Unrealised fair value gains / (losses)	<u>6,736,663</u>	<u>6,494,289</u>	<u>7,981,211</u>	<u>6,149,090</u>
Foreign currency gains / (losses)	<u>(61,411)</u>	<u>24,600</u>	<u>(61,411)</u>	<u>24,600</u>
Hedging contracts gains / (losses)	<u>1,931,237</u>	<u>1,107,003</u>	<u>1,931,237</u>	<u>1,107,003</u>
	<u>9,022,755</u>	<u>8,034,467</u>	<u>10,267,303</u>	<u>7,997,577</u>





## Notes to the financial statements

### 7. Equity securities

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
Equity securities at fair value through surplus and deficit (designated)	72,296,886	63,109,975	72,296,886	63,109,975
Available for sale equity securities	10,708,787	8,342,748	8,716,424	6,110,436
	<u>83,005,673</u>	<u>71,452,723</u>	<u>81,013,310</u>	<u>69,220,411</u>

#### Equity securities at fair value through surplus and deficit (designated)

In New Zealand dollars	Group and Trust	
	2014	2013
New Zealand listed equities	26,904,431	24,830,230
New Zealand unlisted equities	250,000	250,000
International listed equities	38,708,612	33,060,901
New Zealand listed property equities	6,433,843	4,968,844
	<u>72,296,886</u>	<u>63,109,975</u>

#### Available for sale equity securities

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
Venture capital funds	1,992,363	2,232,312	0	0
Private equity funds	6,701,918	4,863,422	6,701,918	4,863,422
Hedge funds	141,289	217,774	141,289	217,774
Unlisted equities	1,873,217	1,029,240	1,873,217	1,029,240
	<u>10,708,787</u>	<u>8,342,748</u>	<u>8,716,424</u>	<u>6,110,436</u>

The fair value of the investment in Rural Equities Limited which is listed on the New Zealand “Unlisted Exchange” is the Volume Weighted Average Price (VWAP) over the six month period preceding balance date.

#### Available for sale equity securities

#### Venture capital funds

The fair value of venture capital funds is determined based on financial statements of the funds provided to the Group. The fair value determination assumes the book value of the funds is a reasonable reflection of the fair value. The value of some of the venture capital funds has been written down to reflect the performance of the funds to date. Because these funds have been impaired, the changes associated with the carrying value of those funds are recognised through surplus or deficit. The amount recognised through surplus or deficit relating to venture capital funds during the year was Group (\$146,529), (2013: (\$60,328)), Trust \$Nil, (2013: \$Nil).

#### Private equity funds

The fair value of private equity funds is determined based on financial statements of the funds provided to the Group. The fair value determination assumes the book value of the funds is a reasonable reflection of the fair value. Where the value of a private equity fund has been written down to reflect the performance of the fund any changes associated with the carrying value of these funds is recognised through the available-for-sale reserve. The amount recognised through surplus or deficit relating to private equity funds during the year was Group and Trust \$19,542, (2013: (\$85,220)).



## Notes to the financial statements

### 7. Equity securities (continued) Available for sale equity securities (continued)

#### Hedge funds

The fair value of hedge funds is determined based on financial statements of the funds provided to the Group. The fair value determination assumes the book value of the funds is a reasonable reflection of the fair value. The value of the hedge funds has been written down to reflect the performance of the funds to date. Because these funds have been impaired, the changes associated with the carrying value of these funds are now recognised through surplus or deficit. The amount recognised through surplus or deficit relating to hedge funds during the year, was Group and Trust \$107,829, (2013: (\$64,671)).

#### Unlisted equities

The carrying value of unlisted equities is based on fair value. Where this cannot be estimated reliably using a valuation technique the carrying value is based on the cost of the investment. Unlisted equities with a value of \$Nil (2013: \$Nil) have been measured at cost. The amount recognised through surplus or deficit relating to unlisted equities during the year, was Group and Trust \$Nil, (2012: (\$100,000)).

#### Disclosures

The Trust has substantial security holdings in the following companies:

**Taupo Motorsport Park Limited** - 700,000 shares representing 10.88% of the shares on issue. (2013: 700,000, 10.88%). The Trust does not have an appointee to the Board.

**Rural Equities Limited** – 1,515,677 shares representing 4.23% of the shares on issue. (2013: 1,515,677, 4.05%). The Trust does not have an appointee to the Board.

**Hubbard Foods Limited (HFL)** - 20,206 shares representing 35.64% of the shares on issue. (2013: 20,206, 35.64%). The Trust has an appointee to the Board and treats this company as an associate in the financial statements.

### 8. Debt securities

All debt securities are designated at fair value with fair value changes recognised through surplus or deficit.

	Group and Trust	
In New Zealand dollars	2014	2013
NZ government / government guaranteed	13,698,827	14,094,100
NZ local government	2,075,950	2,173,060
Bank bonds	2,983,068	2,076,000
Rated corporate capital notes	0	4,082,440
Capital notes / Bonds	992,590	0
	<u>19,750,435</u>	<u>22,425,600</u>

Fixed interest securities have an average yield of 4.81% and duration of 3.94 years (2013: 5.60% and 3.58 years)



## Notes to the financial statements

### 9. Investment property

Investment property comprises a number of commercial properties:

	Group	
In New Zealand dollars	2014	2013
Opening balance	27,990,000	33,470,000
Earthquake rating upgrading	232,966	496,014
Property upgrading	511,355	373,522
	<u>28,734,321</u>	<u>34,339,536</u>
Assets derecognised	(100,000)	(110,000)
Proceeds from properties sold	(14,400,396)	(5,191,691)
Realised gain/(loss) on properties sold	70,900	(308,309)
Change in fair value	(54,825)	(739,536)
Closing balance	<u>14,250,000</u>	<u>27,990,000</u>

Investment property carrying value includes the following commercial properties including their valuation details:  
All properties have been valued as at year end.

	2014	2013	Valuer
Roydvale Ave, Christchurch	Sold	7,740,000	
Collingwood Street, Nelson	4,200,000	4,350,000	Colliers International, Wellington (2013 Duke & Cooke, Nelson)
Pukaki Street, Rotorua	4,550,000	4,400,000	Colliers International, Hamilton (2013 Telfer Young, Rotorua)
De Leeuw Place, Hamilton	Sold	6,500,000	
Sir William Avenue, Auckland	5,500,000	5,000,000	Colliers International, Auckland (2013 Telfer Young, Auckland)
	<u>14,250,000</u>	<u>27,990,000</u>	

The investment properties are leased under operating lease agreements. The following summarises the future minimum lease payments receivable under non-cancellable operating leases:

<i>Receivable:</i>	2014	2013
Not later than one year	1,366,907	2,218,491
Later than one year not later than five years	4,595,506	6,246,810
Later than five years	811,536	1,222,589
	<u>6,773,949</u>	<u>9,687,890</u>

In preparing the financial statements, management reviewed judgements made last year with regard to earthquake and other upgrades as noted above. In the light of current information and classifications in the current year; and in order to ensure consistency of treatment of similar items, the following reclassifications have been made in respect of the 2013 year for the Group in the Income Statement:

Investment property net gains	reduced	\$744,221
Net change to Total Income	reduced	\$744,221
Investment property repairs & upgrading	reduced	\$753,569
Consultant fees	increased	\$ 9,348
Net change to Investment Activity expenses	reduced	\$744,221
Net change to Surplus for the year		Nil



## Notes to the financial statements

### 10. Property, plant and equipment

In New Zealand dollars	Land and buildings	Group Plant and equipment	Total
<b>Cost or valuation</b>			
Balance at 1 April 2012	678,329	276,015	954,344
Additions	16,298	43,043	59,341
Disposals	0	(43,634)	(43,634)
Balance at 31 March 2013	<u>694,627</u>	<u>275,424</u>	<u>970,051</u>
Balance at 1 April 2013	<b>694,627</b>	<b>275,424</b>	<b>970,051</b>
Additions	0	77,433	77,433
Disposals	0	(64,757)	(64,757)
<b>Balance at 31 March 2014</b>	<u><b>694,627</b></u>	<u><b>288,100</b></u>	<u><b>982,727</b></u>
<b>Depreciation and impairment losses</b>			
Balance at 1 April 2012	52,646	195,126	247,772
Depreciation for the year	23,383	26,343	49,726
Disposals	0	(33,314)	(33,314)
Balance at 31 March 2013	<u>76,029</u>	<u>188,155</u>	<u>264,184</u>
Balance at 1 April 2013	<b>76,029</b>	<b>188,155</b>	<b>264,184</b>
Depreciation for the year	22,489	34,724	57,213
Disposals	0	(35,152)	(35,152)
<b>Balance at 31 March 2014</b>	<u><b>98,518</b></u>	<u><b>187,727</b></u>	<u><b>286,245</b></u>
<b>Carrying amounts</b>			
At 1 April 2012	<u>625,683</u>	<u>80,889</u>	<u>706,572</u>
At 31 March 2013	<u>618,598</u>	<u>87,269</u>	<u>705,867</u>
At 1 April 2013	<u>618,598</u>	<u>87,269</u>	<u>705,867</u>
<b>At 31 March 2014</b>	<u><b>596,109</b></u>	<u><b>100,373</b></u>	<u><b>696,482</b></u>



## Notes to the financial statements

### 10. Property, plant and equipment (continued)

In New Zealand dollars	Land and buildings	Trust Plant and equipment	Total
<b>Cost or valuation</b>			
Balance at 1 April 2012	678,329	243,760	922,089
Additions	16,298	41,424	57,722
Disposals	0	(43,311)	(43,311)
Balance at 31 March 2013	<u>694,627</u>	<u>241,873</u>	<u>936,500</u>
Balance at 1 April 2013	<b>694,627</b>	<b>241,873</b>	<b>936,500</b>
Additions	0	76,825	76,825
Disposals	0	(64,148)	(64,148)
Balance at 31 March 2014	<u>694,627</u>	<u>254,550</u>	<u>949,177</u>
<b>Depreciation and impairment losses</b>			
Balance at 1 April 2012	52,646	180,402	233,048
Depreciation for the year	23,383	19,920	43,303
Disposals	0	(33,028)	(33,028)
Balance at 31 March 2013	<u>76,029</u>	<u>167,294</u>	<u>243,323</u>
Balance at 1 April 2013	<b>76,029</b>	<b>167,294</b>	<b>243,323</b>
Depreciation for the year	22,489	28,463	50,952
Disposals	0	(34,582)	(34,582)
Balance at 31 March 2014	<u>98,518</u>	<u>161,175</u>	<u>259,693</u>
<b>Carrying amounts</b>			
At 1 April 2012	<u>625,683</u>	<u>63,358</u>	<u>689,041</u>
At 31 March 2013	<u>618,598</u>	<u>74,579</u>	<u>693,177</u>
At 1 April 2013	<u>618,598</u>	<u>74,579</u>	<u>693,177</u>
At 31 March 2014	<u>596,109</u>	<u>93,375</u>	<u>689,484</u>



## Notes to the financial statements

### 11. Artwork

	<b>Group and Trust</b>
In New Zealand dollars	
<b>Cost or valuation</b>	
Balance at 1 April 2012	2,206,129
Additions	20,784
Sales	0
Revaluation	88,172
Balance at 31 March 2013	<u>2,315,085</u>
Balance at 1 April 2013	2,315,085
Additions	7,233
Sales	0
Revaluation	1,724
Balance at 31 March 2014	<u>2,324,042</u>
<b>Carrying amounts</b>	
At 1 April 2012	2,206,129
At 31 March 2013	<u>2,315,085</u>
At 1 April 2013	2,315,085
At 31 March 2014	<u>2,324,042</u>

The Trust has purchased and is continuing to purchase Nineteenth, Twentieth and Twenty First Century artworks which reflect the unique nature of the Rotorua area and its people.

The collection was independently valued by Peter Webb Galleries Limited on 27 March 2014.

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

### 12. Loans to community organisations

#### Q.E. Hospital Limited

The Trust provided a loan of \$80,000 to Q.E. Hospital Limited to assist with the purchase of gymnasium equipment. This activity was undertaken as a part of the redevelopment strategy for Q.E. Health.

The loan which was advanced on 19<sup>th</sup> February 2013 is not subject to interest and is repayable in full on 26<sup>th</sup> February 2016.

The Trust holds a PPSR registration over the gymnasium equipment and a General Security Agreement with Q.E. Hospital Limited as security for the advance.



## Notes to the financial statements

### 13. Investment in associate

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
Shares in Associate	<b>5,901,208</b>	5,439,265	<b>5,052,958</b>	5,052,958
Loans to Associate	<b>2,340,254</b>	2,340,254	<b>2,340,254</b>	2,340,254
	<b><u>8,241,462</u></b>	<u>7,779,519</u>	<b><u>7,393,212</u></b>	<u>7,393,212</u>

The investment in associate is disclosed using the equity method in the Group accounts and at cost by the Trust

The group's share of the results of the investment in the associate and their aggregated assets, including goodwill and liabilities are as follows:

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
<i>Results of Associate:</i>				
Share of profit	<b>624,591</b>	509,806		
Deduct				
Interest on shareholder loan	<b>(162,648)</b>	(162,648)		
Total recognised revenues and expenses	<b><u>461,943</u></b>	<u>347,158</u>		
<i>Interest in Associate:</i>				
Shares at cost including acquisition costs			<b><u>5,052,958</u></b>	<u>5,052,958</u>
<i>Movements in carrying amounts:</i>				
Opening Balance	<b>5,439,265</b>	5,092,107		
Share of total recognised revenues and expenses	<b>461,943</b>	347,158		
Closing Balance	<b><u>5,901,208</u></b>	<u>5,439,265</u>		
Included within the carrying value is:				
Goodwill	<b>3,440,118</b>	3,440,118		

The associate has a balance date of 30 September and as such the group's share of the post-acquisition profit before income tax as shown above is based on the associate's unaudited management accounts as at 31 March 2014.



## Notes to the financial statements

### 14. Cash and cash equivalents

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
Bank balances	231,984	371,378	77,433	198,090
Call & short term deposits	19,151,370	6,969,274	14,608,897	6,363,368
Cash and cash equivalents	<u>19,383,354</u>	<u>7,340,652</u>	<u>14,686,330</u>	<u>6,561,458</u>

### 15. Derivative financial instruments

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
<b>Current Liabilities</b>				
Fair value hedges				
Fx swap contracts	(25,544)	(47,466)	(25,544)	(47,466)
Interest rate swap contracts	52,091	187,347	0	0
Closing balance	<u>26,547</u>	<u>139,881</u>	<u>(25,544)</u>	<u>(47,466)</u>

The group holds investments in \$US non derivative financial instruments. In order to hedge against exchange rate movements the group has entered into forward exchange rate contracts to purchase United States dollars.

The group has loans in New Zealand dollars and has had during the financial year loans in US dollars. In order to hedge against interest rate movements the group has entered into interest rate swap contracts.

These contracts are hedging \$US non derivative financial instruments and loans, which qualify as fair value hedges and designated as such.

The group relies upon its bankers Bank of New Zealand Limited and Australia & New Zealand Banking Group Limited for the provision of the period end swap fair values.

For each swap the asset or liability recognised in the Balance Sheet will be continually revalued through the Income Statement until the swap expires and the value becomes nil.





## Notes to the financial statements

### 16. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group exposure to foreign currency risk and cash flow interest rate risk, see note 22.

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
<b>Current liabilities</b>				
Secured bank loans	<u>4,000,000</u>	<u>6,000,000</u>	<u>0</u>	<u>0</u>
	<u>4,000,000</u>	<u>6,000,000</u>	<u>0</u>	<u>0</u>

#### Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

#### Group

In New Zealand dollars	Currency	Nominal Interest rate	Maturity	Face value		Carrying amount	
				2014	2014	2013	2013
secured bank loan	NZD	4.84%	02/04/2013	0	0	2,000,000	2,000,000
secured bank loan	NZD	4.75%	01/04/2014	4,000,000	4,000,000	4,000,000	4,000,000
Total Interest-bearing liabilities					<u>4,000,000</u>		<u>6,000,000</u>

The New Zealand currency funding is provided to the group subsidiary Thirteen Fifty Eight Limited by the Bank of New Zealand Limited under a committed cash advance facility which expires on 29 July 2015. The facility amount is \$16,000,000 (2013 \$16,000,000), is interest only and is secured by mortgages over the properties owned by the subsidiary.

At balance date the following interest rate swap contracts applied to the Group in respect of the borrowings:

Financial Institution	Currency	Amount	Interest Rate	Expiry Date
Bank of New Zealand Limited	NZD	4,000,000	4.50%	1 April 2016



## Notes to the financial statements

### 17. Grants

Grants approved have been accounted for on the following basis:

In New Zealand dollars	Group and Trust	
	2014	2013
Grants Approved	2,559,790	2,156,626
Grants unpaid from prior year	2,631,925	2,685,250
	<u>5,191,715</u>	<u>4,841,876</u>
Less: Grants Paid	3,989,436	2,209,951
	<u>1,202,279</u>	<u>2,631,925</u>
Represented by:		
<b>Current Grants</b>		
Unpaid at balance date	502,279	431,925
Payable Next Financial Year	700,000	1,500,000
	<u>1,202,279</u>	<u>1,931,925</u>
<b>Non Current Grants</b>		
Payable in Future Financial Years	0	700,000
	<u>0</u>	<u>700,000</u>
	<u>1,202,279</u>	<u>2,631,925</u>

### 18. Trustee fees and expenses

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

In New Zealand dollars	Group and Trust			
	2014		2013	
	Fee	Expenses	Fee	Expenses
P C East	20,562	240	20,344	446
G W Hall	36,494	1,820	36,004	1,565
S M Kai Fong	20,562	700	20,344	230
J M La Grouw	20,562	860	20,344	795
T H Maxwell	20,562	180	20,344	165
L G Thurston	20,562	290	20,344	240
	<u>139,304</u>	<u>4,090</u>	<u>137,724</u>	<u>3,441</u>

### 19. 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 New Zealand dollars	Group	
	2014	2013
S L Maier (Jnr)	80,000	80,000
F R S Clouston	40,000	40,000
J A Dell	40,000	33,332
M G Goldfinch	40,000	33,333
	<u>200,000</u>	<u>186,665</u>



## Notes to the financial statements

### 20. Related party information

#### Ultimate controlling party

The ultimate controlling party of the Group is the Rotorua Energy Charitable Trust.

#### Transactions with subsidiaries and associate

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

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

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

Subsidiary or Associate *	Nature of transactions	Amount		Outstanding balance	
		2014	2013	2014	2013
<b>Rotorua Trust</b>					
RPCF	Custodial Services	125,473	119,838	0	0
PCML	Investment Management Services	690,100	662,895	0	0
<b>Subsidiaries</b>					
RPCF / Trust	Staff support	81,461	59,887	0	0
PCML/ Trust	Staff support	50,083	62,268	0	0
1358/ Trust	Staff support	35,125	85,956	0	0
1358/ Trust	Interest on advances	194,286	275,625	0	0
PCML/ Trust	Office Accommodation	12,000	12,000	0	0
HFL/PCML	Director Fees	40,000	40,000	0	0

\* Refer to note 9 for associate and note 21 for subsidiary abbreviations

#### Transactions with related parties

The Trust received reimbursement from Investconsult Ltd in relation to time and expenses incurred in relation to the Chief Executive's appointment as a director to various entities outside of the Rotorua Trust Group. The amount reimbursed to the Trust was \$15,050 (2013: \$18,398)

The terms and conditions relating to these transactions are no more favourable than those available, or expected to be available, on an arm's length basis.

#### Key management personnel

Key management personnel of the Trust and Group include Directors, Trustees and Senior Management. All compensation paid to key management personnel of the Trust comprised short-term benefits. No post-employment, termination benefits, share-based payments or other long term benefits were paid to these parties during the year (2013: nil).

The Perpetual Capital Management Limited Board has determined that the cost for the current financial year of the long term incentive plan as disclosed in note 3g is nil (2013: nil).

The chief executive is one of the key management personnel of the Trust. His wife is employed as the finance administrator on terms and conditions that are no more favourable to her than the trustees would have agreed to had there been no such relationship.



## Notes to the financial statements

### 20. Related party information (continued)

The Trust has insured Trustees and the Directors of its subsidiary companies against liabilities to other parties (except the Trust or a related party of the Trust) that may arise from their position as Trustees or Directors. The Trust has also indemnified the Directors of all of its subsidiary companies and employees who are Directors of associate companies. Any liabilities arising from criminal actions are not covered.

#### Investment Manager

The Trust has an investment management agreement with its wholly owned subsidiary Perpetual Capital Management Limited to provide investment management services for the Trust's "Perpetual Capital Fund".

#### Custodian

The Trust has a custodian agreement with its wholly owned subsidiary RotoruaTrust Perpetual Capital Fund Limited to provide custodian services in respect of the investments relating to the Trust's "Perpetual Capital Fund".

### 21. Group entities Subsidiaries

Investments in and advances to group subsidiaries.

In New Zealand dollars	Trust	
	2014	2013
Thirteen Fifty Eight Limited (1358)	14,273,645	22,049,097
Thirteen Fifty Eight Investments Limited	1,992,463	2,232,412
Perpetual Capital Management Limited (PCML)	100	100
RotoruaTrust Perpetual Capital Fund Limited (RPCF)	100	100
	<u>16,266,308</u>	<u>24,281,709</u>

	Ownership interest (%)	
	2014	2013
Thirteen Fifty Eight Limited	100	100
Thirteen Fifty Eight Investments Limited	100	100
Perpetual Capital Management Limited	100	100
RotoruaTrust Perpetual Capital Fund Limited	100	100

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

### 22. Financial risk management

The Group is subject to a number of financial risks as a result of its investment activities, these include exposure to credit risk, market risk, liquidity risk, foreign currency risk and interest rate risks.

To manage and limit those financial risks, the Trust has in place a formal Statement of Investment Policy and Objectives along with a formal Investment Management Agreement with Perpetual Capital Management Limited which includes policy and procedure guidelines and authorises the use of various financial instruments.



## Notes to the financial statements

### 22. Financial risk management (continued)

The policies and procedures of the investment manager cover the investment and operating authorities, investment class policies, investment asset mix, investment benchmarks and the basis on which distributions from the investment portfolio are made to the Trust to meet its operating and grant requirements.

The long term goals of the Group's "long-term investment portfolio" are to meet the grant requirements of the Trust, meet the costs associated with Trust, investment and custody management and maintain the value of the portfolio after taking account of inflation.

The policy also requires that the portfolio meet its individual benchmarks in respect of the relevant asset classes and also outperform the median manager in the Mercer survey of investment managers, on a rolling one-year time horizon for the overall portfolio.

The asset mix for the long-term investment portfolio is as follows:

	Target Asset mix		Actual Asset mix	
	Minimum	Maximum	2014	2013
Cash & short term deposits	0.0%	7.5%	7.2%	1.1%
Debt securities	12.5%	22.5%	14.8%	17.9%
New Zealand equity securities	10.0%	20.0%	20.1%	19.8%
International equity securities	20.0%	30.0%	30.2%	26.8%
Alternative assets	17.5%	27.5%	18.1%	16.8%
Investment property (net of debt)	12.5%	22.5%	9.6%	17.6%
			<u>100.0%</u>	<u>100.0%</u>



## Notes to the financial statements

### 22. Financial risk management (continued)

The sensitivity of the long-term investment portfolio to market changes is as follows:

Sensitivity Impact March 2014 group investment portfolio assets						
In New Zealand dollars		Change	-ve	+ve	-ve	+ve
			Surplus/(Deficit) Impact		Asset Impact	
Cash & short term deposits (1)	Interest rate change of 100 bps		(191,000)	191,000	nil	nil
Debt securities (2)	Interest rate change of 100 bps		835,000	(737,000)	835,000	(737,000)
New Zealand listed equities (3)	Share price change of 10%		(2,690,000)	2,690,000	(2,690,000)	2,690,000
International listed equities (4)	Share price change of 10%		(3,871,000)	3,871,000	(3,871,000)	3,871,000
Private equity (5)	Valuation change of 10%		(2,410,000)	2,410,000	(2,410,000)	2,410,000
Investment Property (6)	Yield change of 100 bps		1,861,000	(1,476,000)	1,861,000	(1,476,000)

Sensitivity Impact March 2013 group investment portfolio assets						
In New Zealand dollars		Change	-ve	+ve	-ve	+ve
			Surplus/(Deficit) Impact		Asset Impact	
Cash & short term deposits (1)	Interest rate change of 100 bps		(70,000)	70,000	nil	nil
Debt securities (2)	Interest rate change of 100 bps		856,000	(750,000)	856,000	(750,000)
New Zealand listed equities (3)	Share price change of 10%		(2,483,000)	2,483,000	(2,483,000)	2,483,000
International listed equities (4)	Share price change of 10%		(3,306,000)	3,306,000	(3,306,000)	3,306,000
Private equity (5)	Valuation change of 10%		(2,109,000)	2,109,000	(2,109,000)	2,109,000
Investment Property (6)	Yield change of 100 bps		3,708,000	(2,931,000)	3,708,000	(2,931,000)

#### Notes and assumptions

- (1) The analysis is prepared assuming that the holding at balance date is held throughout the year
- (2) The general intention is to hold debt securities to maturity, so a change in interest rates would not affect interest income
- (3) NZ listed equities are held for trading purposes and the analysis is prepared assuming that the holding at balance date is held throughout the year
- (4) International listed equities are held for strategic rather than trading purposes and the analysis is prepared assuming that the holding at balance date is held throughout the year
- (5) Private equity investments are held for strategic rather than trading purposes and the analysis is prepared assuming that the holding at balance date is held throughout the year
- (6) Investment property is held for strategic purposes and the analysis is prepared assuming that the holding at balance date is held throughout the year
- (7) A 10% movement in the \$NZ against foreign currency positions held as at 31 March 2014 would result in a loss or profit on these investments of \$NZ 53,000 (2013 \$NZ 17,000) and \$NZ 64,000 (2013: \$NZ 20,000) respectively.
- (8) All amounts in this analysis have been rounded to the nearest \$NZ 1,000.

#### Credit risk

Financial instruments, which potentially subject the Group to credit risk, principally consist of bank balances, investments and call accounts, which are disclosed in the Balance Sheet. The Group has no significant concentrations of credit risk.

The counterparties used for banking and finance activities are financial institutions with high credit ratings.

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

The primary market risk variables are interest rates, equity prices and foreign exchange rates, any movements in these will impact the Trust and Group's financial position and performance.



## Notes to the financial statements

### 22. Financial risk management (continued)

#### Foreign currency

During the normal course of business the Group undertakes investments denominated in foreign currency. As a result of those transactions exposure to fluctuations in foreign currency exchange rates arise. The foreign currency in which the Group deals is the United States Dollar.

Hedging policies exist in relation to foreign currency transactions, to enable the group exposure to be kept at an acceptable level.

At balance date the position in relation to these foreign exchange forward contracts, was as follows:

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
<b>Current Liabilities</b>				
Fair value hedge	<u>(25,544)</u>	<u>(47,466)</u>	<u>(25,544)</u>	<u>(47,466)</u>
Closing balance	<u>(25,544)</u>	<u>(47,466)</u>	<u>(25,544)</u>	<u>(47,466)</u>

The Group holds investments denominated in United States dollar non derivative financial instruments. In order to hedge against exchange rate movements the Group has entered into forward exchange contracts to purchase United States dollars.

These contracts are hedging United States dollar denominated non derivative financial instruments which qualify as fair value hedges and are designated as such.



## Notes to the financial statements

### 22. Financial risk management (continued) Foreign currency (continued)

The following table summarises the NZD equivalents of the Group assets and liabilities:

	2014			TOTAL
	NZD	AUD	USD	
Cash and cash equivalents	17,699,936		1,683,418	19,383,354
Other assets	319,341	4,406	15,082	338,829
Equity securities	52,107,963	430,560	38,708,612	91,247,135
Debt securities	19,750,435			19,750,435
Investment property	14,250,000			14,250,000
Property, plant and equipment	696,482			696,482
Artworks	2,324,042			2,324,042
Loans to Community Organisations	80,000			80,000
<b>TOTAL ASSETS</b>	<b>107,228,199</b>	<b>434,966</b>	<b>40,407,112</b>	<b>148,070,277</b>
Creditors & employee entitlements	353,448			353,448
Derivative financial instruments	52,091		(25,544)	26,547
Loans and borrowings	4,000,000			4,000,000
Grants	1,202,279			1,202,279
<b>TOTAL LIABILITIES</b>	<b>5,607,818</b>	<b>0</b>	<b>(25,544)</b>	<b>5,582,274</b>

	2013			TOTAL
	NZD	AUD	USD	
Cash and cash equivalents	6,813,811		526,841	7,340,652
Other assets	368,795		6,787	375,582
Equity securities	45,571,143	600,198	33,060,901	79,232,242
Debt securities	22,425,600			22,425,600
Investment property	27,990,000			27,990,000
Property, plant and equipment	705,867			705,867
Artworks	2,315,085			2,315,085
Loans to Community Organisations	80,000			80,000
<b>TOTAL ASSETS</b>	<b>106,270,301</b>	<b>600,198</b>	<b>33,594,529</b>	<b>140,465,028</b>
Creditors & employee entitlements	361,259			361,259
Derivative financial instruments	187,347		(47,466)	139,881
Loans and borrowings	6,000,000			6,000,000
Grants	2,631,925			2,631,925
<b>TOTAL LIABILITIES</b>	<b>9,180,531</b>	<b>0</b>	<b>(47,466)</b>	<b>9,133,065</b>





## Notes to the financial statements

### 22. Financial risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the Trust cannot pay its debts as they fall due. To manage this risk the investment manager ensures there are sufficient liquid funds to pay the operating costs of the Trust. Given the nature of the Trusts business and strong balance sheet position, liquidity risk is not considered a significant risk for the Group.

More than 90% of the total assets are able to be liquefied within 12 months and the vast majority of these within 3 months.

#### Cash flow interest rate risk

The group's cash flow interest rate risk arises primarily from short and long term variable rate borrowings from financial institutions as disclosed in note 15. Borrowings issued at variable rates expose the group to cash flow interest rate risk. In relation to these variable rate borrowings, the Investment Manager, continuously reviews the group's interest rate risk on borrowings and maintains a portion of the group's borrowings at fixed rates by entering into interest rate swaps to hedge against its exposure to changes in cash flows resulting from these borrowings.

At balance date the following interest rate swap contracts applied to the group:

Financial Institution	Currency	Amount	Interest Rate	Expiry Date
Bank of New Zealand Limited	NZD	4,000,000	4.50%	1 April 2016

At balance date the position in relation to these interest rate swap contracts, was as follows:

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
<b>Current Liabilities</b>				
Fair value hedge	<u>52,091</u>	<u>187,347</u>	<u>0</u>	<u>0</u>
Closing balance	<u>52,091</u>	<u>187,347</u>	<u>0</u>	<u>0</u>

#### Fair value measurement

Determination of fair value is outlined in Note 4 to the financial statements. The estimated fair value of the group's financial assets and liabilities are the same as set out in the balance sheet.

The table below analyses financial assets carried at fair value according to the valuation technique used to determine their fair value.

The different levels of technique are defined below:

**Level 1:** quoted prices (unadjusted) in active markets that the entity can access at the measurement date.

**Level 2:** inputs other than quoted prices included in Level 1 that are observable for the financial asset, either directly (i.e., as prices) or indirectly i.e., derived from prices)



## Notes to the financial statements

### 22. Financial risk management (continued) Fair value measurement (continued)

**Level 3:** unobservable inputs for the financial assets that are not based on observable market data which have been developed to reflect the assumptions that a market participant would use when determining an appropriate price.

#### Fair Value of Financial Instruments

	Level 1	Group Level 2	Level 3	Total
<b>31 March 2014</b>				
In New Zealand dollars				
<b>Financial Assets</b>				
Derivative Financial Instruments		(26,547)		(26,547)
	0	(26,547)	0	(26,547)
Other Financial Assets designated at fair value through surplus and deficit				
Listed equities	65,613,043	6,433,843		72,046,886
Debt securities	19,750,435			19,750,435
Unlisted equities			250,000	250,000
Investment property		14,250,000		14,250,000
	85,363,478	20,683,843	250,000	106,297,321
Available for sale financial assets				
Venture capital funds			1,992,363	1,992,363
Private equity funds			6,701,918	6,701,918
Hedge funds			141,289	141,289
Unlisted equities			1,873,217	1,873,217
	0	0	10,708,787	10,708,787
	<u>85,363,478</u>	<u>20,657,296</u>	<u>10,958,787</u>	<u>116,979,561</u>
<b>31 March 2013</b>				
In New Zealand dollars				
<b>Financial Assets</b>				
Derivative Financial Instruments		(139,881)		(139,881)
	0	(139,881)	0	(139,881)
Other Financial Assets designated at fair value through surplus and deficit				
Listed equities	57,891,131	4,968,844		62,859,975
Debt securities	22,425,600			22,425,600
Unlisted equities			250,000	250,000
Investment property		27,990,000		27,990,000
	80,316,731	32,958,844	250,000	113,525,575
Available for sale financial assets				
Venture capital funds			2,232,312	2,232,312
Private equity funds			4,863,422	4,863,422
Hedge funds			217,774	217,774
Unlisted equities			1,029,240	1,029,240
	0	0	8,342,748	8,342,748
	<u>80,316,731</u>	<u>32,818,963</u>	<u>8,592,748</u>	<u>121,728,442</u>



## Notes to the financial statements

### 22. Financial risk management (continued) Fair value measurement (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements.

	Financial assets at fair value through surplus and deficit	Available for sale financial assets	Total
In New Zealand dollars			
<b>Group as at 31 March 2014</b>			
Balance 1 April 2013	113,385,094	8,342,748	121,727,842
Total gains or losses:			
In Income Statement	9,080,999	(58,244)	9,022,755
In Other Comprehensive Income		209,433	209,433
Purchases, issues and settlements (net)	(16,195,319)	940,927	(15,254,392)
Transfers in/out of level 3			
Balance 31 March 2014	<u>106,270,774</u>	<u>9,434,864</u>	<u>115,705,638</u>
Total gains or losses (realised and unrealised) included in Income Statement for the period for assets held at the end of the reporting period:	<u>9,080,999</u>	<u>(58,244)</u>	<u>9,022,755</u>

### 23. Capital management

The Group manages as capital the perpetual capital reserve and accumulated income reserve included within Trust Funds. The Group's approach to capital management is to ensure sufficient capital is available to meet the objectives of the Trust and to grow the capital base to ensure future benefits for the Rotorua community.

The Group also needs to ensure that sufficient funds are available on an annual basis to meet the grant requirements of the Trust along with the budgeted operating costs.

### 24. Commitments and guarantees

#### Capital commitments

The Group had no known material capital commitments at balance date. (2013 \$Nil).

#### Investment property

At balance date the Group has capital contractual commitments relating to earthquake remediation, tenancy fit out and repairs and maintenance associated with investment properties of Nil. (2013 \$843,000).

#### Other commitments

Entities within the group have the following commitments in respect of capital contributions to Investments in private equity and venture capital funds:

In New Zealand dollars	2014	2013
Rotorua Energy Charitable Trust	5,496,673	7,197,496
Thirteen Fifty Eight Investments Ltd	<u>76,621</u>	<u>137,773</u>
	<u>5,573,294</u>	<u>7,335,269</u>



## Notes to the financial statements

### 24. Commitments and guarantees (continued)

#### Operating lease commitments

Certain items of office equipment are leased under operating lease agreements. The following summarises the future minimum lease payments payable under non-cancellable operating leases:

In New Zealand dollars	2014	2013
Not later than one year	6,444	6,220
Later than one year but not later than five years	24,606	1,555
Later than five years	<u>0</u>	<u>0</u>
	<u>31,050</u>	<u>7,775</u>

#### Guarantees

The Group has guarantees outstanding at balance date as disclosed in note 16 of Nil (2013 Nil).

#### Tertiary study awards

The Trust has a tertiary study award scheme, whereby recipients will be provided with funding for up to four years, providing certain conditions are met, to enable them to undertake full time tertiary study.

The balance due to students for the 2014 financial year is included in "Committed Grants" in the balance sheet.

At balance date the commitment to future financial years is:

2016	\$ 164,000
2017	\$ 89,000
2018	\$ 23,000

#### Rotorua museum centennial trust

The Trust agreed to a commitment of up to \$4,700,000 toward a project to complete the Bath House in accordance with the original specifications.

The various conditions in relation to project timing and fundraising were met in the 2009 financial year by the Rotorua Museum Centennial Trust and contributions of \$4,000,000 have been paid prior to balance date (2013 \$2,500,000).

The remaining balance of \$700,000 which was paid in April 2014 is included in full as a liability in the balance sheet at balance date (2013 \$2,200,000).



## Notes to the financial statements

### 25. Reconciliation of the surplus/ (deficit) for the year with net cash from operating activities

In New Zealand dollars	Group		Trust	
	2014	2013	2014	2013
Surplus for the year	12,230,752	9,812,744	11,686,569	9,428,035
Other comprehensive income	1,485,078	486,574	1,485,078	505,432
Grants approved	<u>(2,559,790)</u>	<u>(2,156,626)</u>	<u>(2,559,790)</u>	<u>(2,156,626)</u>
Surplus for the year after grants	11,156,040	8,142,692	10,611,857	7,776,841
<b>Adjustments for non cash items:</b>				
Depreciation & loss on sale of assets	57,252	50,045	50,952	43,585
Gifts received from subsidiaries	0	0	0	(18,858)
Exchange variation ((gains)/losses) on offshore loans	0	(245,753)	0	(245,753)
Investment property revaluation (gains)/losses	13,025	883,181	0	0
Investment property (gains)/losses on sale	70,900	308,309	0	0
Investment (gains)/losses	(10,296,677)	(8,111,199)	(11,541,226)	(8,074,308)
Share of associate (income) / loss	<u>(461,943)</u>	<u>(347,158)</u>	<u>0</u>	<u>0</u>
	<u>(10,617,443)</u>	<u>(7,462,575)</u>	<u>(11,490,274)</u>	<u>(8,295,334)</u>
Balance net of adjustments	538,597	680,117	(878,417)	(518,493)
<b>Movements in working capital</b>				
(Increase)/decrease in other assets	36,868	562,370	28,291	309,582
(Increase)/decrease in derivative financial instruments	(21,922)	(89,532)	(21,922)	(89,532)
Increase/(decrease) in loans and borrowings	(135,256)	19,768	0	0
Increase/(decrease) in committed grants	(1,429,646)	(53,325)	(1,429,646)	(53,325)
Increase/(decrease) in creditors & employee entitlements	<u>(7,926)</u>	<u>(128,765)</u>	<u>45</u>	<u>6,752</u>
Net cash outflow from operating activities	<u>(1,019,285)</u>	<u>990,633</u>	<u>(2,301,649)</u>	<u>(345,016)</u>

Cash flows from operating activities of the Group, comprise:

#### 2014

Cash inflow/(outflow)	Investment activities	Trust activities	Total
In New Zealand dollars			
Interest received	1,311,547	133,224	1,444,771
Dividends	1,608,820	0	1,608,820
Rent	2,174,438	0	2,174,438
Other income	191,604	15,550	207,154
Payments to suppliers & trustees	(1,249,318)	(866,251)	(2,115,569)
Interest	(349,463)	0	(349,463)
Grants	0	(3,989,436)	(3,989,436)
	<u>3,687,628</u>	<u>(4,706,913)</u>	<u>(1,019,285)</u>

#### 2013

Cash inflow/(outflow)	Investment activities	Trust activities	Total
In New Zealand dollars			
Interest received	1,431,955	96,522	1,528,477
Dividends	1,362,015	0	1,362,015
Rent	2,446,120	0	2,446,120
Other income	281,211	429,511	710,722
Payments to suppliers & trustees	(1,561,825)	(758,705)	(2,320,530)
Interest	(517,872)	0	(517,872)
Grants	0	(2,209,951)	(2,209,951)
	<u>3,441,604</u>	<u>(2,442,623)</u>	<u>998,981</u>



## **INDEPENDENT AUDITOR'S REPORT**

To the Trustees of ROTORUA ENERGY CHARITABLE TRUST

### **Report on the Financial Statements**

We have audited the financial statements of Rotorua Energy Charitable Trust and Group on pages 10 to 44, which comprise the consolidated and separate balance sheet as at 31 March 2014, and the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The Group comprises the Trust and the entities it controlled at 31 March 2014.

#### *Trustees' Responsibility for the Financial Statements*

The trustees are responsible for the preparation of financial statements that give a true and fair view of the matters to which they relate and in accordance with generally accepted accounting practice in New Zealand 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand).

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust and Group's preparation of financial statements that give a true and fair view of the matters to which they relate 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 and 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 overall presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, Rotorua Energy Charitable Trust or any of its subsidiaries.

#### *Opinion*

In our opinion, the financial statements on pages 10 to 44 give a true and fair view of the financial position of Rotorua Energy Charitable Trust and Group as at 31 March 2014 and their financial performance and cash flows for the year then ended in accordance with generally accepted accounting practice in New Zealand and with International Financial Reporting Standards.

  
19 June 2014  
1081 Hinemoa Street  
Rotorua

## Directory

### Rotorua Energy Charitable Trust

#### 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, FCIS, CFIP, M Inst D
Finance Administrator	Andrea Thompson AT
Grants Assessor	Alison Perrin BA, JP
Accounts & 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 Falcon Clouston BAgSc Economics, AF Inst D, Wellington John Dell BCom (Hons), CA, Auckland Martin Goldfinch LLB, BCom, Auckland
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#### Investment Team

Chief Investment Officer	Peter Halligan BA, BSc (Hons), Dip Bus
Investment Analyst	Aaron Gabbie BMS (Hons)

#### Advisory team

Audit	Iles Casey, Rotorua
Banking	Bank of New Zealand Limited Australia & New Zealand Banking Group Limited
Investment Manager	Perpetual Capital Management Limited, Rotorua
Legal	Simpson Grierson, Auckland

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