



Annual Report 2011



Annual report contents

Chairman's Review	2
Investment Review	3
Governance	4-5
Community Support	6-8
Financial Statements	9-40
Auditors Report	41
Directory	42



Chairman's Review

Kia Ora, Greetings

I am pleased to report that despite the prolonged difficult economic environment, Rotorua Trust has continued to maintain a high level of support to the local community, donating more than \$3.8 million over the past financial year.

Sadly, almost everyone in our community knows someone who has faced the challenge of living with cancer. A major health risk, it is the country's leading cause of death and a major cause of hospitalisation. One in three New Zealanders will have some experience of the disease, either personally or through a friend or relative.

This is something Trustees are well aware of and as a consequence, the Trust has this year invested more than \$1 million to assist with the establishment of facilities to help those people in the Rotorua community requiring treatment.

The New Cancer Society's Lions Lodge in Hamilton is a 'home away from home' for Rotorua residents undergoing cancer treatment at the Waikato Regional Cancer Centre. Over 360 people from the Rotorua area used the previous lodge facilities over the past five years; 75 people used it just last year.

The new \$15.6 million, purpose built lodge, which opened to guests in February 2011, can accommodate 200 more people each year. It has 55-bedrooms and five family units, as well as IT facilities and activity, therapeutic massage and meeting rooms, a library and lounges. The 'R.E.C.T. Room', funded by the Rotorua Trust, is the venue for a wide range of meetings, support groups, information sessions and seminars, as well as 'Look Good Feel Better' courses.

The Rotorua Trust Chemotherapy and Medical Day Stay Unit at Rotorua Hospital will accommodate nine chairs and one bed plus three medical day-stay beds. The old unit had five chairs. It is estimated that the number of people using the unit will increase from 2,000 to more than 3,500 by 2021.

Currently under construction, the new unit is due to be opened on 29 July this year as part of the new inpatient building opening ceremony and commissioning.

Aside from this major focus on cancer support, the Trust has continued to provide a wide level of support to numerous groups operating in our community. Full details of all of the Trust's donations for the year are set out in the "Community Support" section of this annual report.

This year has not been an easy one from an economic viewpoint and Trustees along with the directors and management of Perpetual Capital Management Limited have continued to have to make some hard decisions in this challenging economic climate.

The Trust triennial election took place in November 2010. I would like to take this opportunity to acknowledge the work and support of retiring trustee, Judy Keaney, over the past 16 years and to welcome Sandra Kai Fong, who is already making a valuable contribution to the Trust.

In closing, I would like to sincerely thank my fellow trustees, our management team, and the board and management team of Perpetual Capital Management Limited for their efforts and support over the past year.

Thank you.

Grahame W Hall, QSO, JP
Chairman



Investment Review

The Year in Review:

The financial year ended 31 March 2011 has seen a lot less volatility compared with the prior couple of years from an investment standpoint. Following the massive loss of value in 2009, markets have now recovered a substantial proportion of their value.

The continued support for markets by central banks with particularly low interest rates has meant cheap capital has been readily available for all manner of uses and is helping aid the recovery. Economies however, remain patchy and uncertain, sometimes in recovery mode while at other times weaker.

The investment portfolio recorded a gain of four percent for the year, which was below the market benchmark. This is a disappointing outcome given our expectations but we need to bear-in-mind that the portfolio holds many long term investments and it can take time for these to reach their full potential. Furthermore, we were fortunate not to suffer losses as great as many other investors had had in prior years.

Reasonably good gains by Global Shares and New Zealand Fixed Interest were largely offset by flat returns from the Alternates and Property classes while New Zealand Shares provided only modest returns this year.

The continued rise in the New Zealand dollar against the US currency over the year once again negatively impacted the portfolio although this was partially offset by a fall against the Australian dollar. All investment classes, however, provided a positive return for the period which was pleasing.

Overall, given the Trust's set of assets and the probabilities involving investment characteristics the annual investment return is considered to fall within the normal range of expectations.

The Year Ahead:

Much has been achieved in the last year to stabilise investment markets with a concerted focus from central banks and the IMF, however, significant issues remain.

In particular, a threat to the continued recovery will hinge on the ability of the authorities to restrain inflation from getting out of control. This has already had a significant impact in emerging economies; however the key question will be around whether this problem now gets exported to the developed world. Another likely stumbling block may be how countries such as Greece and Portugal manage their large debt positions and whether belt tightening in the UK will be successful.

On a more positive note, corporate profits are looking better as companies have successfully restructured their balance sheets and a semblance of normality returns to economic conditions. In addition, with interest rates remaining very low the cost of doing business has improved and this is benefiting both companies and consumers alike.

Regardless of the market conditions that may lie ahead, by holding a diverse range of high quality investments the Trust continues to be able to meet its objectives in terms of cash flow requirements, protection from inflation and longer term capital growth.



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 donations 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 by the Trust's wholly owned subsidiary Perpetual Capital Management Limited (PCML). 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 comprises four directors, three of whom are independent of the Rotorua Trust.

Donations

Donation 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 donation 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 Green, JM LaGrouw, LG Thurston)

This committee is responsible for:

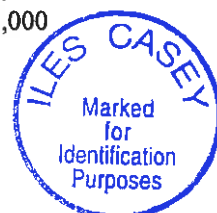
- Identifying, assessing and managing business and organisational risk and assisting the Board in the discharge of its financial reporting responsibilities.
- Reviewing the effectiveness of internal control systems.
- Providing a formal forum for the Board, auditors and staff.
- Agreeing with the external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

Trustee	Board Meetings held during the year	Number attended
GW Hall	13	13
JM La Grouw	13	13
JA Keaney	8	8
S M Kai Fong	5	3
PC East	13	12
TH Maxwell	13	10
LG Thurston	13	13



Community Support

DONATIONS APPROVED FOR THE YEAR ENDED 31 MARCH 2011	TOTAL \$
Allergy New Zealand Inc	5,000
Alzheimer's Society Rotorua Inc	2,000
Anglican Care (Waiapu) Ltd	15,000
Arawa Scout Group	750
Arts and Media Projects Trust	5,000
Arts Rotorua Charitable Trust – 2011 Festival of the Arts	125,000
Arts Rotorua Charitable Trust - Concert for the Elderly	4,000
Atamira Dance Collective Charitable Trust	8,000
Athletics New Zealand Inc	15,000
Auckland Symphony Orchestra Inc	5,000
Bainbridge House Charitable Trust	6,000
Bay of Plenty Blues Club Inc	12,000
Bay of Plenty Disabled Sailing Trust	4,265
Bay of Plenty Hockey Association Inc	10,000
Bay of Plenty Regional Science Fair	3,000
Blind Indoor Bowling Club	250
BOP Mathematical Association	1,228
Cancer Society's Lions Lodge	300,000
Catholic Diocese of Hamilton	6,100
Child Cancer Foundation - Lakes Branch	5,000
Churches Education Commission	10,000
Energy Options Charitable Company Ltd	25,000
Enviro-Challenge New Zealand Charitable Trust	5,000
Environmental Education for Resource Sustainability Trust	3,835
Geyser Community Foundation	30,000
Geyserland Lions - Carols by Candlelight	5,000
Girls Brigade 3 and 4 Rotorua Company	2,500
Globalfest Rotorua Charitable Trust	20,000
Halogen Foundation	5,000
Hannah's Bay Community Restoration Trust	9,000
Hindsight Project	19,550
Hindu Council of New Zealand Inc	10,000
IHC New Zealand Inc - Rotorua Branch	5,000
Inspiring Communities	500
John Paul College	129,775
Kaharoa Kokako Trust	8,000
Lake Okareka Pre-school Education Group	2,000
Lakes Arthritis Pool Group	3,000
Lakes District Health Board – Chemotherapy Unit	670,000
Lakes Water Quality Society	5,000
Life Education Trust – Rotorua	4,000
Lynmore Playcentre	2,000
Manaakitanga Aotearoa Trust	25,000
Mokoia Community Association Inc	10,000
National Council of Women of New Zealand Inc - Rotorua	2,000
National Lions Convention	2,000
New Zealand Aria Trust	15,000
Ngati Rangiwewehi Charitable Trust	6,000



Ngongotaha Free Kindergarten	3,000
Older Persons Community Centre Trust	15,000
Opera in the Pa	20,000
Operating Costs Support to 90 Community Organisations	314,675
Opus Chamber Orchestra	18,000
Parents Inc	5,300
Philanthropy New Zealand	20,000
Philips Search and Rescue Trust	25,000
Presbyterian Support - Rotorua	4,473
QE Health	12,000
RAVE - Arts @ RAVE	10,000
RAVE - Programmes	24,900
Reporoa College	8,075
Reporoa Lions Club	5,000
Reporoa Order of St John	4,600
Resource Teachers of Learning and Behaviour Eastern Cluster	20,000
Rhapsody Rotorua	15,000
Rhema Broadcasting Group Inc	5,000
Ronald McDonald House - Auckland Trust	16,245
Rotary Club of Rotorua Sunrise	3,500
Rotary Club of Rotorua West	4,130
Rotorua BluesFest Trust	10,000
Rotorua Boys' High School	28,875
Rotorua Breast Cancer Trust	3,000
Rotorua Budget Advisory Service Inc	3,500
Rotorua Camera Club Inc	4,000
Rotorua Careers Expo Trust	19,000
Rotorua Chamber of Commerce and Industry	10,000
Rotorua Christmas Parade Charitable Trust	4,000
Rotorua Civic Arts Trust	50,000
Rotorua Community Toy Library Inc	5,000
Rotorua Community Youth Centre Trust	33,000
Rotorua Creative Art Trust	20,000
Rotorua District Cadet Unit	7,500
Rotorua District Community Law Centre Trust	2,000
Rotorua District Council - Community Arts Projects	20,000
Rotorua District Council - Events Attraction Funding	84,000
Rotorua District Council - Industry Training Graduation	3,500
Rotorua District Council - International Day of Older Persons	1,500
Rotorua District Council - Lighting for Youth Spaces	25,000
Rotorua District Council - New Year's Mardi Gras	10,000
Rotorua District Council - Youth Week 2010	14,000
Rotorua District Principals' Association	20,000
Rotorua Dog Obedience Club Inc	7,500
Rotorua Energy Charitable Trust Undergrounding Project	120,000
Rotorua Ethnic Council Inc	1,700
Rotorua Girls' High School	24,300
Rotorua Gospel Broadcasting Charitable Trust	5,000
Rotorua KartSport Development Trust	390,000
Rotorua Lakes High School	15,600
Rotorua Lakes Volunteer Coastguard Inc	25,000
Rotorua Lakeside Concert Charitable Trust - Lakeside 2011	125,000
Rotorua Music School Inc	5,500
Rotorua Musical Theatre	15,000
Rotorua Parents Centre	5,200
Rotorua School for Young Parents Trust	800



Rotorua Society of Model Engineers	1,000
Rotorua Television Trust	20,000
Rotorua Young Achievers Awards	6,000
Royal New Zealand Foundation for the Blind	25,000
Schizophrenia Fellowship Rotorua Inc	1,125
Scholarships - Waiariki Institute of Technology - Whare Takiura 2011	20,000
Scholarships - JWJ Lepper Memorial Apprenticeship 2011	10,000
Scholarships - Tertiary Study Awards	361,000
Sport Bay of Plenty Charitable Trust Board Inc	34,000
St Francis Whanau Aroha Early Childhood and Family Support Centre	5,000
St John's Presbyterian Church	8,000
St Mary's Catholic Church	2,000
Stage Challenge Foundation	3,500
Te Amorangi Trust Museum Inc	4,613
Te Arawa Pouako I Te Reo Society Inc	15,000
Te Kura Kaupapa Maori O Ruamata	2,025
Te Kura O Te Koutu	400
Te Papa Takaro O Te Arawa Trust	5,000
Te Puna Whaiaora Children's Health Camps	25,000
The Gifted Children's Advancement Charitable Trust	25,000
Trinity Presbyterian Church	8,000
Trust Waikato Symphony Orchestra	3,000
Waikite Valley Scout Group	7,000
Western Heights Community Association Inc	5,000
Western Heights High School	47,125
Whakarewarewa Village Charitable Trust	10,000
	<hr/>
	\$3,892,914
Prior year donations cancelled	(25,808)
TOTAL	<hr/> \$3,867,106 <hr/>



Financial Statements contents

Income statement	10
Statement of comprehensive income	11
Statement of changes in equity	11
Balance sheet	12
Statement of cash flows	13
Reporting entity	14
Basis of preparation	14-15
Significant accounting policies	15-20
Determination of fair values	20-21
Trust funds	21-23
Net gain / (loss) on financial assets	23
Equity securities	24-25
Debt securities	26
Investment property	26
Property, plant and equipment	27-28
Artwork	29
Loans	29-30
Investment in associate	30
Cash and cash equivalents	31
Derivative financial instruments	31
Loans and borrowings	31-32
Donations	32
Trustee fees and expenses	33
Director's fees & employees' remuneration	33
Related party information	34-35
Group Entities	35
Financial risk management	35-37
Capital management	37
Commitments and guarantees	38-39
Reconciliation of the surplus/ (deficit) for the year with net cash from operating activities	40
Auditors report	41



Income statement

For the Year Ended 31 March 2011

	Note	2011 Group	2010 Group	2011 Trust	2010 Trust
In New Zealand dollars					
Revenue					
Interest		1,101,174	1,831,431	1,082,163	1,816,055
Dividends		1,612,145	1,815,181	1,567,217	1,815,181
Rental income		2,957,963	2,487,790	-	-
		5,671,282	6,134,402	2,649,380	3,631,236
Gains and Other Income					
Investment property revaluation	9	(2,172,949)	(1,129,280)	-	-
Net gain / (loss) on financial assets	6	1,913,632	11,244,861	1,681,511	11,935,594
Prior years' GST recovered		-	298,016	-	298,016
Share of income of associate	13	(388,478)	128,877	-	-
Other income		119,503	24,207	77,598	18,225
		(528,292)	10,566,681	1,759,109	12,251,835
Total Income		5,142,990	16,701,083	4,408,489	15,883,071
Operating Expenses					
Trust Management					
Audit		10,823	8,014	10,823	7,974
Consultants fees		10,902	30,883	10,902	30,883
Depreciation	10	46,400	25,931	46,400	25,931
Election expenses		78,174	-	78,174	-
Employee remuneration	20	297,285	264,817	297,285	264,817
Insurance		16,728	15,095	16,728	15,095
Loss on sale of assets		397	44	397	44
Legal		10,981	10,746	10,981	10,746
Occupancy & Artwork Storage		24,991	21,612	24,991	57,612
Other expenses		87,307	108,472	87,307	87,197
Public & statutory reporting		44,199	43,909	44,199	43,909
Property repairs		34,201	-	34,201	-
Sponsorship and promotion		25,741	15,218	25,741	15,218
Trustee fees	18	127,171	126,714	127,171	126,714
Trustee expenses	18	3,052	2,767	3,052	2,767
		818,352	674,222	818,352	688,907
Investment Management					
Audit		20,800	17,898	-	-
Audit - Internal		2,850	-	-	-
Brokerage		74,591	194,758	74,591	194,758
Consultants fees		47,273	49,525	-	-
Custodial fees: Investments		8,281	10,984	124,116	113,919
Depreciation	10	5,873	2,631	-	-
Directors fees	19	150,000	140,018	-	-
Directors travel and accommodation		12,232	13,820	-	-
Employee remuneration	20	436,212	460,139	-	-
Interest		676,528	451,390	3,443	-
Insurance		7,992	7,840	-	-
Loss on sale of assets		16	240	-	-
Investment advisory services		-	-	674,293	653,285
Investment Property expenses		280,469	163,615	-	-
Legal		47,852	9,635	7,925	-
Occupancy		12,000	12,000	-	-
Other expenses		65,211	67,633	6,539	1,802
Subscriptions: Investment research		34,597	47,387	-	-
		1,882,777	1,649,513	890,907	963,764
Total Operating Expenses		2,701,129	2,323,735	1,709,259	1,652,671
Surplus for the year		2,441,861	14,377,348	2,699,230	14,230,400



Statement of comprehensive income

For the Year Ended 31 March 2011

In New Zealand dollars

	Note	2011 Group	2010 Group	2011 Trust	2010 Trust
Surplus for the year	5e	2,441,861	14,377,348	2,699,230	14,230,400
Other comprehensive income:-					
Available-for-sale fair value reserve - net change in fair value:	5c	(58,650)	60,288	(58,650)	60,288
Gift from subsidiary		-	-	44,929	236,069
Asset revaluation	5b	(7,870)	(78,121)	(7,870)	(78,121)
Other comprehensive income for the year		(66,520)	(17,833)	(21,591)	218,236
Total comprehensive income for the year		2,375,341	14,359,515	2,677,639	14,448,636

Statement of changes in equity

For the Year Ended 31 March 2011

In New Zealand dollars

	Note	2011 Group	2010 Group	2011 Trust	2010 Trust
Opening Trust funds	5	127,338,522	115,220,124	126,900,241	114,692,722
Total comprehensive income for the year		2,375,341	14,359,515	2,677,639	14,448,636
Donations approved	17	(3,867,106)	(2,241,117)	(3,867,106)	(2,241,117)
Closing Trust funds	5	125,846,757	127,338,522	125,710,774	126,900,241



Balance sheet

As at 31 March 2011

In New Zealand dollars

Trust Funds

	Note	2011 Group	2010 Group	2011 Trust	2010 Trust
Capital	5	100	100	100	100
Perpetual capital reserve	5a	126,671,509	121,216,755	126,671,509	121,216,755
Revaluation Reserve	5b	550,243	558,113	550,243	558,113
Available-for-sale reserve	5c	(97,360)	(38,710)	(97,360)	(38,710)
Donations reserve	5d	260,582	427,688	260,582	427,688
Accumulated income reserve	5e	(1,538,317)	5,174,576	(1,674,300)	4,736,295
TOTAL TRUST FUNDS		125,846,757	127,338,522	125,710,774	126,900,241

Represented by:

Current Assets

Cash and cash equivalents	14	5,882,174	6,839,254	5,366,135	5,951,787
Other assets		526,150	2,801,826	311,069	2,729,814
Total Current Assets		6,408,324	9,641,080	5,677,204	8,681,601

Non-current Assets

Equity securities	7	79,379,826	72,330,674	75,177,790	67,192,783
Debt securities	8	18,927,995	21,278,209	18,927,995	21,278,209
Investment property	9	32,912,000	34,077,700	-	-
Property, plant and equipment	10	741,662	728,422	721,161	703,720
Artwork	11	2,254,825	2,097,932	2,254,825	2,097,932
Loans	12	706,400	740,000	706,400	740,000
Investment in associate	13	7,133,611	7,522,089	7,393,212	7,393,212
Investment in subsidiaries	22	-	-	23,563,773	25,631,749
Total Non-current Assets		142,056,319	138,775,026	128,745,156	125,037,605

TOTAL ASSETS

		148,464,643	148,416,106	134,422,360	133,719,206
--	--	--------------------	--------------------	--------------------	--------------------

Current Liabilities

Creditors and employee entitlements		573,610	2,909,976	167,310	2,651,357
Derivative financial instruments	15	502,939	52,635	502,939	52,635
Loans and borrowings	16	17,430,145	14,000,000	3,930,145	-
Donations	17	1,911,192	414,973	1,911,192	414,973
Total Current Liabilities		20,417,886	17,377,584	6,511,586	3,118,965

Non-current Liabilities

Donations	17	2,200,000	3,700,000	2,200,000	3,700,000
Total Non-current Liabilities		2,200,000	3,700,000	2,200,000	3,700,000

TOTAL LIABILITIES

		22,617,886	21,077,584	8,711,586	6,818,965
--	--	-------------------	-------------------	------------------	------------------

NET ASSETS		125,846,757	127,338,522	125,710,774	126,900,241
-------------------	--	--------------------	--------------------	--------------------	--------------------

The Trustees of Rotorua Energy Charitable Trust authorised these financial statements for issue on 16 June 2011.



Grahame Hall
CHAIRMAN



Jo-Anne La Grouw
DEPUTY CHAIRMAN



Statement of cash flows

Other comprehensive income:-

In New Zealand dollars

CASH FLOWS FROM OPERATING ACTIVITIES

Cash was provided from:

	2011 Group	2010 Group	2011 Trust	2010 Trust
Interest	1,464,156	1,871,931	1,445,108	1,856,594
Dividends	1,564,435	1,775,801	1,519,507	1,775,801
Rent - investment property	2,957,963	2,487,790	-	-
Other Income	283,191	438,215	35,148	302,516
	6,269,745	6,573,737	2,999,763	3,934,911

Cash was disbursed on:

Payments to suppliers & trustees	2,242,311	1,961,304	1,725,133	1,633,837
Interest	670,367	400,903	-	-
Donations	3,870,887	4,141,019	3,870,887	4,141,019
	6,783,565	6,503,226	5,596,020	5,774,856

Net cash inflow / (outflow) from operating activities 26 (513,820) 70,511 (2,596,257) (1,839,945)

CASH FLOWS FROM INVESTING ACTIVITIES

Cash was provided from:

Sale of property, plant and equipment	250	-	-	-
Subsidiary company gift	-	-	44,929	236,069
Subsidiary advances repaid	-	-	1,452,108	2,391,938
Sale of investments	12,895,244	33,165,105	12,393,136	32,193,168
	12,895,494	33,165,105	13,890,173	34,821,175

Cash was disbursed on:

Purchase of artworks	164,762	188,583	164,762	188,583
Prepaid investment property acquisition costs	-	21,550	-	-
Purchase of property, plant and equipment	66,176	25,848	64,238	678,865
Subsidiary advances	-	-	413,307	4,021,382
Purchase of investments	16,750,342	59,335,101	15,379,787	41,648,911
	16,981,280	59,571,082	16,022,094	46,537,741

Net cash inflow / (outflow) from investing activities (4,085,786) (26,405,977) (2,131,921) (11,716,566)

CASH FLOWS FROM FINANCING ACTIVITIES

Cash was provided from:

Bank loans advanced	4,108,926	13,250,000	4,108,926	-
Loans repaid	390,000	-	390,000	-
	4,498,926	13,250,000	4,498,926	-

Cash was disbursed on:

Bank loans repaid	500,000	-	-	-
Loans advanced	356,400	50,000	356,400	50,000
	856,400	50,000	356,400	50,000

Net cash inflow / (outflow) from financing activities 3,642,526 13,200,000 4,142,526 (50,000)

Net (decrease) / increase in cash and cash equivalents (957,080) (13,135,466) (585,652) (13,606,511)

Cash and cash equivalents at the start of the period 6,839,254 19,974,720 5,951,787 19,558,298

Cash and Cash Equivalents at the End of the Period 14 5,882,174 6,839,254 5,366,135 5,951,787

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 16 June 2011.

(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 ongoing 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, donations 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%
---------------------	--------

(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.

(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) Donations

Donations 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.

(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.



Notes to the financial statements

3. Significant accounting policies (continued)

(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.

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.

(b) Investments in equity and debt securities

Listed equities

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.



Notes to the financial statements

4. Determination of fair values (continued)

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.

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 \$5,454,754 (2010: \$2,376,799).

During the 2010 financial year Actuaries Melville Jessup Weaver undertook a review of the trust policy in relation to the reserve which was to take account of movements in the Consumer Price Index (CPI) and a capital growth factor which was set at 2.0% per annum. Their review recommended that the reserve only account for movements in the CPI. Trustees adopted this recommendation and in the 2010 financial year recalculated the reserve on this basis from its inception. This resulted in a write back to the reserve in the 2010 financial year of \$9,547,978.



Notes to the financial statements

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

In New Zealand dollars	Group		Trust	
	2011	2010	2011	2010
Opening balance	121,216,755	128,387,934	121,216,755	128,387,934
Exclusion of previous "growth" allocation from the reserve	0	(9,547,978)	0	(9,547,978)
Current year "CPI" allocation	5,454,754	2,376,799	5,454,754	2,376,799
Closing balance	<u>126,671,509</u>	<u>121,216,755</u>	<u>126,671,509</u>	<u>121,216,755</u>

(b) Revaluation reserve

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

In New Zealand dollars	Group		Trust	
	2011	2010	2011	2010
Opening balance	558,113	872,998	558,113	636,234
Gain/(Loss) on Artwork revaluation	(7,870)	(78,121)	(7,870)	(78,121)
Property revaluation reversed on disposal	0	(236,764)	0	0
Closing balance	<u>550,243</u>	<u>558,113</u>	<u>550,243</u>	<u>558,113</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	
	2011	2010	2011	2010
Opening balance	(38,710)	(98,998)	(38,710)	(98,998)
- Net change in fair value	(58,650)	(38,710)	(58,650)	(38,710)
- Net amount transferred to surplus or deficit	0	98,998	0	98,998
Closing balance	<u>(97,360)</u>	<u>(38,710)</u>	<u>(97,360)</u>	<u>(38,710)</u>

(d) Donations reserve

Each year trustees approve a level of donations to be made available to the community. This amount is transferred to the donations reserve. The balance in the donations reserve represents the balance available for donations at year end after the transfer to the reserve of \$3,700,000 (2010: \$2,375,000) and the deduction of donations approved during the financial year.

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

In New Zealand dollars	Group and Trust	
	2011	2010
Opening balance	427,688	293,805
Transfer from accumulated income	<u>3,700,000</u>	<u>2,375,000</u>
	4,127,688	2,668,805
<i>Deduct:</i>		
Donations approved	<u>3,867,106</u>	<u>2,241,117</u>
Closing balance	<u><u>260,582</u></u>	<u><u>427,688</u></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 donations reserve.

In New Zealand dollars	Group		Trust	
	2011	2010	2011	2010
Opening balance	5,174,576	(14,235,716)	4,736,295	(14,526,353)
Surplus/(Deficit) for the year	<u>2,441,861</u>	<u>14,377,348</u>	<u>2,699,230</u>	<u>14,230,400</u>
	7,616,437	141,632	7,435,525	(295,953)
Add				
Transfers from:				
Gift from subsidiary	0	0	44,929	236,069
Realised revaluation on asset disposal	0	236,765	0	0
Perpetual capital reserve	<u>0</u>	<u>9,547,978</u>	<u>0</u>	<u>9,547,978</u>
	7,616,437	9,926,375	7,480,454	9,488,094
Deduct				
Transfers to:				
Donations reserve	3,700,000	2,375,000	3,700,000	2,375,000
Allocation to perpetual capital reserve	<u>5,454,754</u>	<u>2,376,799</u>	<u>5,454,754</u>	<u>2,376,799</u>
Closing balance	<u>(1,538,317)</u>	<u>5,174,576</u>	<u>(1,674,300)</u>	<u>4,736,295</u>

6. Net gain / (loss) on financial assets

In New Zealand dollars	Group		Trust	
	2011	2010	2011	2010
Assets designated at fair value:				
Realised fair value gains / (losses)	232,679	(3,156,454)	232,679	(2,465,721)
Unrealised fair value gains / (losses)	1,409,839	13,325,105	1,177,718	13,325,105
Foreign currency gains / (losses)	225,866	(1,347,524)	225,866	(1,347,524)
Hedging contracts gains / (losses)	<u>45,248</u>	<u>2,423,734</u>	<u>45,248</u>	<u>2,423,734</u>
	<u>1,913,632</u>	<u>11,244,861</u>	<u>1,681,511</u>	<u>11,935,594</u>



Notes to the financial statements

7. Equity securities

In New Zealand dollars	Group		Trust	
	2011	2010	2011	2010
Equity securities at fair value through surplus and deficit (designated)	71,880,795	65,027,516	71,880,795	65,027,516
Available for sale equity securities	7,499,031	7,303,158	3,296,995	2,165,267
	<u>79,379,826</u>	<u>72,330,674</u>	<u>75,177,790</u>	<u>67,192,783</u>

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

In New Zealand dollars	Group and Trust	
	2011	2010
New Zealand listed equities	12,700,464	10,908,198
Australian listed equities	16,792,340	16,006,898
International listed equities	24,718,037	22,202,104
New Zealand listed property equities	15,046,795	13,324,163
Alternative listed equities	2,623,159	2,586,153
	<u>71,880,795</u>	<u>65,027,516</u>

Available for sale equity securities

In New Zealand dollars	Group		Trust	
	2011	2010	2011	2010
Venture capital funds	2,625,333	3,754,269	0	0
Private equity funds	3,252,977	1,417,282	2,214,221	571,607
Hedge funds	557,774	1,068,660	557,774	1,068,660
Unlisted equities	1,062,947	1,062,947	525,000	525,000
	<u>7,499,031</u>	<u>7,303,158</u>	<u>3,296,995</u>	<u>2,165,267</u>

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 \$(842,314), (2010: (\$231,321)), Trust \$Nil, (2010: \$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 \$209,602, (2010: (\$30,000)), Trust \$209,602, (2010: (\$30,000)).



Notes to the financial statements

7. 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 (\$256,227), (2010: (\$485,608)).

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 (2010: \$Nil) have been measured at cost.

Disclosures

The Trust has substantial security holdings in the following companies:

Taupo Motorsport Park Limited - 700,000 shares representing 11.27% of the shares on issue. (2010: 700,000, 11.27%). The Trust does not have an appointee to the Board.

Rural Equities Limited - 4,687,475 shares representing 11.11% of the shares on issue. (2010: 4,675,145, 11.09%). The Trust does not have an appointee to the Board.

Hubbard Foods Limited - 20,206 shares representing 35.64% of the shares on issue. (2010: 20,206, 35.64%). The Trust has an appointee to the Board and as such treats this company as an associate in the financial statements.



Notes to the financial statements

8. Debt securities

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

In New Zealand dollars	Group and Trust	
	2011	2010
NZ government / government guaranteed	9,456,134	10,269,769
Local authority bonds	0	501,452
SOE bonds	0	0
Bank bonds	3,954,978	4,551,595
Rated corporate bonds	0	0
Unrated corporate bonds	1,890,550	1,843,315
Rated corporate capital notes	2,388,007	2,444,716
Capital notes / Bonds	1,238,326	1,667,362
	<u>18,927,995</u>	<u>21,278,209</u>

Fixed interest securities have an average yield of 6.28% and duration of 3.14 years (2010: 6.76% and 3.67 years).

9. Investment property

Investment property comprises a number of commercial properties:

In New Zealand dollars	Group	
	2011	2010
Opening balance	34,077,700	18,140,000
Acquisitions	0	16,754,519
Alterations to existing properties	1,007,249	312,461
Change in fair value	(2,172,949)	(1,129,280)
Closing balance	<u>32,912,000</u>	<u>34,077,700</u>

Investment property carrying value includes the following commercial properties including their valuation details:

	2011	2010	Valuer	Date of latest valuation
Roydvale Ave, Christchurch	6,810,000	7,150,000	Colliers International, Christchurch	8 March 2011
Collingwood Street, Nelson	4,530,000	4,810,000	Duke & Cooke, Nelson	31 March 2011
Pukaki Street, Rotorua	4,350,000	4,200,000	Reid & Reynolds, Rotorua	31 March 2011
De Leeuw Place, Hamilton	7,097,000	6,967,700	Fergusson Lockwood & Assoc, Hamilton	29 March 2011
Aintree Avenue, Auckland	5,625,000	6,300,000	Darroch, Auckland	31 March 2011
Sir William Avenue, Auckland	4,500,000	4,650,000	Darroch, Auckland	31 March 2011
	<u>32,912,000</u>	<u>34,077,700</u>		

During the year the property at Roydvale Avenue, Christchurch sustained damage from two major earthquakes. The property is fully insured and all costs of repairs are expected to be met from the insurance cover which is in place. No major structural damage was caused by the earthquakes.

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

Receivable:	2011	2010
Not later than one year	2,582,539	2,947,319
Later than one year not later than five years	7,064,461	7,656,434
Later than five years	2,277,783	3,336,220
	<u>11,924,783</u>	<u>13,939,973</u>



Notes to the financial statements

10. Property, plant and equipment

In New Zealand dollars	Land and buildings	Group Plant and equipment	Total
Cost or valuation			
Balance at 1 April 2009	675,000	201,467	876,467
Additions	0	25,848	25,848
Disposals	0	(3,361)	(3,361)
Revaluation	0	0	0
Balance at 31 March 2010	675,000	223,954	898,954
Balance at 1 April 2010	675,000	223,954	898,954
Additions	0	66,175	66,175
Disposals	0	(12,912)	(12,912)
Balance at 31 March 2011	675,000	277,217	952,217
Depreciation and impairment losses			
Balance at 1 April 2009	0	145,046	145,046
Depreciation for the year	7,484	21,078	28,562
Disposals	0	(3,076)	(3,076)
Balance at 31 March 2010	7,484	163,048	170,532
Balance at 1 April 2010	7,484	163,048	170,532
Depreciation for the year	22,450	29,823	52,273
Disposals	0	(12,250)	(12,250)
Balance at 31 March 2011	29,934	180,621	210,555
Carrying amounts			
At 1 April 2009	675,000	56,421	731,421
At 31 March 2010	667,516	60,906	728,422
At 1 April 2010	667,516	60,906	728,422
At 31 March 2011	645,066	96,596	741,662



Notes to the financial statements

10. Property, plant and equipment (continued)

In New Zealand dollars	Land and buildings	Trust Plant and equipment	Total
Cost or valuation			
Balance at 1 April 2009	0	192,272	192,272
Additions	675,000	3,865	678,865
Disposals	0	(2,694)	(2,694)
Balance at 31 March 2010	675,000	193,443	868,443
Balance at 1 April 2010	675,000	193,443	868,443
Additions	0	64,237	64,237
Disposals	0	(12,518)	(12,518)
Balance at 31 March 2011	675,000	245,162	920,162
Depreciation and impairment losses			
Balance at 1 April 2009	0	141,441	141,441
Depreciation for the year	7,484	18,447	25,931
Disposals	0	(2,649)	(2,649)
Balance at 31 March 2010	7,484	157,239	164,723
Balance at 1 April 2010	7,484	157,239	164,723
Depreciation for the year	22,450	23,950	46,400
Disposals	0	(12,122)	(12,122)
Balance at 31 March 2011	29,934	169,067	199,001
Carrying amounts			
At 1 April 2009	0	50,831	50,831
At 31 March 2010	667,516	36,204	703,720
At 1 April 2010	667,516	36,204	703,720
At 31 March 2011	645,066	76,095	721,161



Notes to the financial statements

11. Artwork

	Group and Trust
In New Zealand dollars	
Cost or valuation	
Balance at 1 April 2009	2,156,375
Additions	188,583
GST recovered on art collection	(168,905)
Revaluation	<u>(78,121)</u>
Balance at 31 March 2010	<u>2,097,932</u>
Balance at 1 April 2010	<u>2,097,932</u>
Additions	164,763
Revaluation	<u>(7,870)</u>
Balance at 31 March 2011	<u>2,254,825</u>
Carrying amounts	
At 1 April 2009	<u>2,156,375</u>
At 31 March 2010	<u>2,097,932</u>
At 1 April 2010	<u>2,097,932</u>
At 31 March 2011	<u>2,254,825</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 21 March 2011.

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

12. Loans

Rotorua KartSport Development Trust

The Trust has agreed to provide an unsecured advance of up to \$950,000 (2010: \$800,000) to the Rotorua KartSport Development Trust to assist with the establishment Kart Sport venue at Mamaku, Rotorua.

As at balance date \$920,000 had been advanced under the terms of the agreement (2010: \$740,000) and the Trust had received principal repayments of \$390,000 (2010: \$Nil).

The amount outstanding at balance date was \$530,000 (2010: \$740,000)

The loan which is unsecured and is due for repayment on 30 April 2012 and is subject to interest, at the prevailing "Official Cash Rate" plus a margin of 0.25%.



Notes to the financial statements

12. Loans (continued)

Rotorua District Council

The Trust has agreed to provide an unsecured advance of \$176,400 to the Rotorua District Council to assist with the purchase of three pianos and the refurbishment of another piano. This activity was undertaken as a part of the redevelopment of the backstage area of the Rotorua Convention Centre.

The loan which was advanced on 1st February 2011 is not subject to interest and is repayable in full on 8th July 2011.

13. Investments in associate

In New Zealand dollars	Group		Trust	
	2011	2010	2011	2010
Shares in Associate	4,793,357	5,181,835	5,052,958	5,052,958
Loans to Associate	<u>2,340,254</u>	<u>2,340,254</u>	<u>2,340,254</u>	<u>2,340,254</u>
	<u>7,133,611</u>	<u>7,522,089</u>	<u>7,393,212</u>	<u>7,393,212</u>

The investments 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	
	2011	2010	2011	2010
<i>Results of Associate:</i>				
Post-acquisition share of profit before income tax	(388,478)	128,877		
Income Tax	<u>0</u>	<u>0</u>		
Total recognised revenues and expenses	<u>(388,478)</u>	<u>128,877</u>		
<i>Interest in Associate:</i>				
Shares at cost including acquisition costs			<u>5,052,958</u>	<u>5,052,958</u>
<i>Movements in carrying amounts:</i>				
Opening Balance	5,181,835	0		
Cost of shares	0	4,759,746		
Acquisition costs	0	293,212		
Share of total recognised revenues and expenses	(388,478)	128,877		
Dividends	<u>0</u>	<u>0</u>		
Closing Balance	<u>4,793,357</u>	<u>5,181,835</u>		
Included within the carrying value is:				
Goodwill	3,440,118	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 2011.



Notes to the financial statements

14. Cash and cash equivalents

In New Zealand dollars	Group		Trust	
	2011	2010	2011	2010
Bank balances	367,014	1,020,887	138,607	133,420
Call deposits	5,515,160	5,818,367	5,227,528	5,818,367
Cash and cash equivalents	<u>5,882,174</u>	<u>6,839,254</u>	<u>5,366,135</u>	<u>5,951,787</u>

15. Derivative financial instruments

In New Zealand dollars	Group		Trust	
	2011	2010	2011	2010
Current Liabilities				
Fair value hedge	502,939	52,635	502,939	52,635
Closing balance	<u>502,939</u>	<u>52,635</u>	<u>502,939</u>	<u>52,635</u>

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

Fair Value Hedge

These contracts are hedging Australian and US non derivative financial instruments which qualify as fair value hedges and designated as such.

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 23.

In New Zealand dollars	Group		Trust	
	2011	2010	2011	2010
Current liabilities				
Secured bank loans	17,430,145	14,000,000	3,930,145	0
	<u>17,430,145</u>	<u>14,000,000</u>	<u>3,930,145</u>	<u>0</u>

Terms and debt repayment schedule
Terms and conditions of outstanding loans are as follows:

Group

	Currency	Nominal Interest rate	Maturity	Face value 2011	Carrying amount 2011	Face value 2010	Carrying amount 2010
In New Zealand dollars							
secured bank loan	NZD	4.650%	3/05/2011	13,500,000	13,500,000	14,000,000	14,000,000
secured bank loan	USD	2.059%	20/06/2011	3,000,000	3,930,145	0	0
Total Interest-bearing liabilities					<u>17,430,145</u>		<u>14,000,000</u>

Trust

	Currency	Nominal Interest rate	Year of maturity	Face value 2011	Carrying amount 2011	Face value 2010	Carrying amount 2010
In New Zealand dollars							
secured bank loan	USD	2.059%	20/06/2011	3,000,000	3,930,145	0	0
Total Interest-bearing liabilities					<u>3,930,145</u>		<u>0</u>



Notes to the financial statements

16. Loans and borrowings (continued)

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, is interest only and is secured by mortgages over the properties owned by the subsidiary.

The United States currency funding is provided to the Trust via its investment custodian RotoruaTrust Perpetual Capital Fund Limited (RPCF) by the ANZ National Bank Limited under a committed advance facility which expires on 18 March 2013. The facility amount is \$6,000,000, is interest only and is secured by a registered first ranking general security agreement over the assets of the Trust supported by a guarantee from the Trust in favour of RPCF for an amount of \$15,000,000 plus 12 months interest and certain costs.

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
ANZ National Bank Limited	USD	3,000,000	1.45%	18 March 2014

17. Donations

Donations approved have been accounted for on the following basis:

In New Zealand dollars	Group and Trust	
	2011	2010
Donations Approved	3,867,106	2,241,117
Donations unpaid from prior year	4,114,973	6,014,875
	<u>7,982,079</u>	<u>8,255,992</u>
Less: Donations Paid	3,870,887	4,141,019
	<u>4,111,192</u>	<u>4,114,973</u>
Represented by:		
Current Donations		
Unpaid at balance date	411,192	414,973
Payable Next Financial Year	1,500,000	0
	<u>1,911,192</u>	<u>414,973</u>
Non Current Donations		
Payable 2012 Financial Year	0	1,500,000
Payable 2013 Financial Year	0	0
Payable 2014 Financial Year	1,500,000	1,500,000
Payable 2015 Financial Year	700,000	700,000
	<u>2,200,000</u>	<u>3,700,000</u>
	<u>4,111,192</u>	<u>4,114,973</u>



Notes to the financial statements

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			
	2011		2010	
	Fee	Expenses	Fee	Expenses
P C East	19,140	220	18,716	233
G W Hall	33,876	1,400	33,133	1,130
S M Kai Fong	4,809	55	0	0
J A Keaney	11,926	172	18,716	233
J M La Grouw	19,140	785	18,717	778
T H Maxwell	19,140	150	18,716	147
L G Thurston	19,140	270	18,716	246
	<u>127,171</u>	<u>3,052</u>	<u>126,714</u>	<u>2,767</u>

19. Directors fees

Directors 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	
	2011	2010
F R S Clouston	37,500	35,004
P C East	37,500	35,005
J M Green	37,500	35,004
S L Maier (Jnr)	<u>37,500</u>	<u>35,005</u>
	<u>150,000</u>	<u>140,018</u>

20. Employee remuneration

During the year the following number of employees in the Group received remuneration (including the value of other benefits) of at least \$100,000:

	Number of employees	
	2011	2010
240,000 – 250,000	1	0
230,000 – 240,000	0	2
210,000 – 220,000	1	0



Notes to the financial statements

21. Related party information

Ultimate controlling party

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

Transactions with subsidiaries

Advances have been made to subsidiary companies within the group which are interest free and repayable on demand.

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

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

Subsidiary *	Nature of transactions	Amount		Outstanding balance	
		2011	2010	2011	2010
Rotorua Trust					
RPCF	Custodial Services	124,116	113,919	0	0
PCML	Investment Advisory Services	674,293	653,285	0	0
RTPL	Office Accommodation	0	36,000	0	0
Subsidiaries					
RPCF / Trust	Staff support	50,846	58,219	0	0
PCML/ Trust	Staff support	62,800	74,250	0	0
1358/ Trust	Staff support	55,000	35,000	0	0
PCML/ Trust	Office Accommodation	12,000	3,000	0	0
PCML/ RTPL	Office Accommodation	0	9,000	0	0

* Refer to note 21 for subsidiary abbreviation

Transactions with related parties

Perpetual Capital Management Ltd purchased consulting services from Investconsult Limited, a company of which the Trust Chief Executive is a director and shareholder. The cost of these services was \$Nil (2010 \$15,000).

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 \$17,648 (2010: \$13,725)

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. Compensation paid to these parties during the year is outlined in notes 17-19 above. All compensation 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 (2010: nil).

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.



Notes to the financial statements

21. Related party information (continued)

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".

22. Group entities Subsidiaries

Investments in and advances to group subsidiaries.

In New Zealand dollars	Trust	
	2011	2010
Thirteen Fifty Eight Limited (1358)	19,361,437	20,493,558
Thirteen Fifty Eight Investments Limited	4,202,136	5,137,991
Perpetual Capital Management Limited (PCML)	100	100
RotoruaTrust Perpetual Capital Fund Limited (RPCF)	100	100
	<u>23,563,773</u>	<u>25,631,749</u>

	Ownership interest (%)	
	2011	2010
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.

23. 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 through its Investment Management Agreement with Perpetual Capital Management Limited has approved policy and procedure guidelines and authorised the use of various financial instruments.

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 donation requirements.



Notes to the financial statements

23. Financial risk management (continued)

The long term goals of the Group's "long-term investment portfolio" are to meet the donation 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.

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.

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 currencies in which the Group deals are the Australian & 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:

	Group		Trust	
In New Zealand dollars	2011	2010	2011	2010
Current Liabilities				
Fair value hedge	<u>502,939</u>	<u>52,635</u>	<u>502,939</u>	<u>52,635</u>
Closing balance	<u>502,939</u>	<u>52,635</u>	<u>502,939</u>	<u>52,635</u>



Notes to the financial statements

23. Financial risk management (continued)

Foreign currency (continued)

The Group holds investments denominated in Australian and 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 Australian and United states dollars.

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

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
ANZ National Bank Limited	USD	3,000,000	1.45%	18 March 2014

Fair value

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.

24. 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 donation requirements of the Trust along with the budgeted operating costs.



Notes to the financial statements

25. Commitments and guarantees

Capital commitments

The Group had no known material capital commitments at balance date. (2010 \$Nil).

Investment property

At balance date the Group has capital contractual commitments relating to repairs and maintenance associated with investment properties of \$61,810. (2010 \$Nil).

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	2011	2010
Rotorua Energy Charitable Trust	4,280,356	2,662,000
Thirteen Fifty Eight Investments Ltd	<u>1,203,438</u>	<u>1,607,203</u>
	<u>5,483,794</u>	<u>4,269,213</u>

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	2011	2010
Not later than one year	644	6,901
Later than one year but not later than five years	0	644
Later than five years	<u>0</u>	<u>0</u>
	<u>644</u>	<u>7,545</u>

Guarantees

The Group has guarantees outstanding at balance date as disclosed in note 15 of \$15,000,000 (2010 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 2012 financial year is included in "Committed Donations" in the balance sheet.

At balance date the commitment to future financial years is:

2013	\$ 209,000
2014	\$ 104,000
2015	\$ 28,000



Notes to the financial statements

25. Commitments and guarantees (continued)

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 the initial contribution of \$1,000,000 was paid during the 2010 financial year.

The remaining balance of \$3,700,000 is included in full as a liability in the balance sheet.



Notes to the financial statements

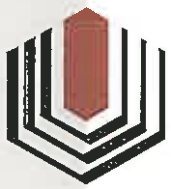
26. Reconciliation of the surplus/ (deficit) for the year with net cash from operating activities

In New Zealand dollars	Group		Trust	
	2011	2010	2011	2010
Surplus/(deficit) for the year	2,441,861	14,377,348	2,699,230	14,230,400
Donations approved	<u>(3,867,106)</u>	<u>(2,241,117)</u>	<u>(3,867,106)</u>	<u>(2,241,117)</u>
Surplus/(deficit) for the year after donations	(1,425,245)	12,136,231	(1,167,876)	11,989,283
Adjustments for:				
Depreciation & loss on sale of assets	52,686	28,846	46,797	25,975
Investment property revaluation (gains)/losses	2,172,949	1,129,280	0	0
Prepaid investment property acquisition costs	0	(96,269)	0	0
Unrealised investment (gains)/losses	(1,680,953)	(13,710,582)	(1,448,832)	(14,401,315)
Share of associate (income) / loss	388,478	(128,877)	0	0
Realised (gains)/losses on sale of investments	(232,679)	2,465,721	(232,679)	2,465,721
Increase/(decrease) in derivative financial instruments	450,304	(833,540)	450,304	(833,540)
	<u>1,150,785</u>	<u>(11,145,421)</u>	<u>(1,184,410)</u>	<u>(12,743,159)</u>
Balance net of adjustments	(274,460)	990,810	(2,352,286)	(753,876)
Movements in working capital:				
(Increase)/decrease in debtors & prepayments	2,274,417	(2,136,345)	2,418,745	(2,209,715)
(Increase)/decrease in broker accounts	275,416	(389,064)	275,416	(389,064)
(Increase)/decrease in derivative financial instruments	(450,304)	833,540	(450,304)	833,540
Increase/(decrease) in committed donations	(3,781)	(1,899,902)	(3,781)	(1,899,902)
Increase/(decrease) in creditors & accruals	<u>(2,335,108)</u>	<u>2,671,472</u>	<u>(2,484,047)</u>	<u>2,579,072</u>
Net cash outflow from operating activities	<u>(513,820)</u>	<u>70,511</u>	<u>(2,596,257)</u>	<u>(1,839,945)</u>

Cash flows from operating activities of the Group, comprise:

2011	2011			
	Cash inflow/(outflow)	Investment activities	Trust activities	Total
In New Zealand dollars				
Interest received	1,392,874		71,282	1,464,156
dividends	1,564,435		0	1,564,435
Rent	2,957,963		0	2,957,963
Other income	248,043		35,148	283,191
payments to suppliers & trustees	(1,384,750)		(857,561)	(2,242,311)
Interest	(670,367)		0	(670,367)
Donations	0		(3,870,887)	(3,870,887)
	<u>4,108,198</u>		<u>(4,622,018)</u>	<u>(513,820)</u>
2010				
Cash inflow/(outflow)		Investment activities	Trust activities	Total
In New Zealand dollars				
Interest received	1,807,322		64,609	1,871,931
dividends	1,775,801		0	1,775,801
Rent	2,487,790		0	2,487,790
Other income	135,699		302,516	438,215
payments to suppliers & trustees	(1,366,390)		(594,914)	(1,961,304)
Interest	(400,903)		0	(400,903)
Donations	0		(4,141,019)	(4,141,019)
	<u>4,439,319</u>		<u>(4,368,808)</u>	<u>70,511</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 40, which comprise the consolidated and separate balance sheet as at 31 March 2011, 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.

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.

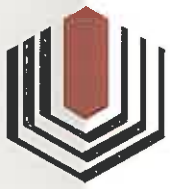
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control.

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 40 give a true and fair view of the financial position of Rotorua Energy Charitable Trust and Group as at 31 March 2011 and their financial performance and cash flows for the year then ended in accordance with generally accepted accounting practice in New Zealand.



Iles Casey
Chartered Accountants

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations that we have required.

In our opinion proper accounting records have been kept by Perpetual Capital Management Limited as far as appears from an examination of those records.


16 June 2011

Rotorua
New Zealand

Directory

Trustees

Chairman	Grahame Hall QSO, JP
Deputy Chairman	Jo-Anne La Grouw MNZM Judith Keaney QSM (retired 13 November 2010) Rt. Hon. Paul East QC, CNZM Trevor Maxwell MNZM Sandra Kai Fong (elected 13 November 2010) Lyll Thurston QSO, JP

Directors

Perpetual Capital Management Limited
Rt. Hon. Paul East QC, CNZM, Rotorua
Falcon Clouston BAgSc Economics, AF Inst D,
Wellington
John Green BCA, CA, Rotorua
Samford Maier (Jnr) Doctor of Jurisprudence
(Harvard), BA (Yale), Auckland

Management team

Chief Executive	Stuart Burns BMS, FCA, CFIP, FCIS, M Inst D
Chief Investment Officer	Peter Halligan BA, BSc (Hons), Dip Bus
Investment Analyst	Michael Wyeth BCom
Accountant	Andrea Thompson AT
Donations Assessor	Alison Perrin BA, JP
Accounts & Investment Administrator	Edith Tissink
Office Administrator/ Secretary	Lee-Anne Thompson

Advisory team

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

Office

Physical Address	1358 Eruera Street, Rotorua
Postal Address	P O Box 1418, Rotorua
Telephone	07 347 6239
Facsimile	07 347 6305
Email	admin@rotoruatrust.org.nz
Website	www.rotoruatrust.org.nz

