

Notice is hereby given that an ordinary Meeting of the Council will be held on:

Date: Thursday 14 December 2017
Time: 9.30am
Meeting Room: Council Chamber
Venue: Municipal Building, Garden Place, Hamilton

Council

OPEN ATTACHMENTS

ATTACHMENTS UNDER SEPARATE COVER

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**Vibrant Hamilton Trust
Annual Report
for the year ended 30 June 2017**

Attachment 1

Vibrant Hamilton Trust
2016/17 Annual Report

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Item 9

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| <u>Trustees</u> | |
|--------------------------|--|
| | Current: |
| | T Gibbons (Chairperson) |
| | M Brooker |
| | L Flowers |
| | His Worship the Mayor A King |
| | L Vervoort |
| | Past: |
| | J Hardaker |
| | Date appointed |
| | 22-Sep-11 |
| | 22-Sep-11 |
| | 10-Feb-14 |
| | 7-Nov-16 |
| | 13-Dec-16 |
| | 30-Oct-16 |
| Secretary | C Guthrie |
| Registered Office | Hamilton City Council Municipal Offices Garden Place Private Bag 3010 Hamilton 3240 |

Entity information

Legal name
Vibrant Hamilton Trust (the Trust)

Type of entity and legal basis
The Trust is incorporated in New Zealand under the Charitable Trusts Act 1957. The Trust is controlled by Hamilton City Council and is a Council Controlled Organisation (CCO) as defined in section 6 of the Local Government Act 2002.

The Trust's purpose or mission
The principal activities of the Trust are to promote the social, economic, environmental and cultural well being of the City of Hamilton and its communities.

Structure of the Trust's operations, including governance arrangements
The Trust comprises a Board of Trustees who oversee the governance of the Trust. The Trustees are appointed by Hamilton City Council.

Main sources of the Trust's cash and expenses
The Trust has a balanced portfolio split 45/55 fixed interest/growth shares investments which is managed by Gareth Morgan Investments. The mix reflects the purpose of the portfolio, which is to enable regular drawings of 4% per annum, as required, as well as to protect the capital over the longer term.



Statement of Service Performance

The Trust prepares an annual Statement of Intent, which is approved by the Trustees and incorporates financial and performance measures for the ensuing year.

The Trusts primary objective is to earn a return on investment funds, to enable the provision of grant distributions for projects that a) meet the criteria of the Trust; and b) the purpose and mission of the Trust.

| Performance Measures | Results 2016 | Results 2017 | Comment |
|--|----------------|--------------|---|
| 1. Trust Deed review to be completed and implemented. | Not applicable | Achieved | New measure, no comparative information. Proposed amendments to the Trust Deed were approved by the CCO Subcommittee on 6 April 2016, and ratified by full Council on 28 April 2016. The Variation of Deed of Trust was signed by the Trustees on 30 September 2016. |
| 2. Ensure all Trustees are appointed in accordance with section 5 of the Trust Deed. | Not achieved | Achieved | Hamilton City Council appointed a fifth Trustee on 13 December 2016. |
| 3. Trust funds are prudently invested. | Not applicable | Achieved | New measure, no comparative information. The Trustees reviewed the performance of the portfolio with the GMI portfolio manager at the November 2016 meeting. It was resolved that the Trusts financial investments be moved to a Growth PIE fund, with no perceived disadvantage to the Trust as a result. |
| 4. The investment portfolio to be monitored to ensure it meets the risk tolerance, investment time zone and drawings requirements of the Trust. | Achieved | Achieved | GMI Portfolio update was received and considered by the Trustees in September and November 2016. |
| 5. Provide funding for projects that support Hamilton City Council's vision and strategic aspirations, in particular, sustainable, well planned projects for the well-being of people and the environment now and in the future. | Achieved | Achieved | One grant of \$300,000 was approved, and made during the 2016/17 year. |

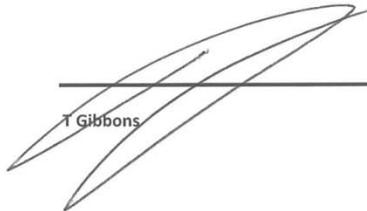


| Performance Measures | Results 2016 | Results 2017 | Comment |
|--|----------------|--------------|---|
| 6. Ensure audit issues raised in the Management letter are actioned. | Not applicable | Achieved | New measure, no comparative information. Action was taken in the first meeting after the Management Letter was received, and all matters cleared by 30 June 2017. |



Declaration by Board of Trustees

The Board of Trustees is responsible the preparation of the financial statements and performance information in accordance with the financial reporting standards. The Board of Trustees is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting. In the opinion of the Board of Trustees, these financial statements fairly reflect or give a true and fair view of the financial position and operations of Vibrant Hamilton Trust for the year ended 30 June 2017.



T Gibbons
Chairperson



M Brooker
Trustee

Date: 20/11/2017

Date: 20/11/2017



Vibrant Hamilton Trust
Statement of Financial Performance
for the year ended 30 June 2017

| | Note | Actual 2017 \$ | Budget 2017 \$ | Actual 2016 \$ |
|---|------|----------------------|----------------------|----------------------|
| Revenue | | | | |
| Dividend revenue | | 29,074 | 56,251 | 69,633 |
| Interest revenue | 4 | 3,925 | 144,647 | 18,914 |
| Compensation/Rebate | | - | - | 2,326 |
| Realised gains on investments | | 230,532 | 328,134 | 262,503 |
| Unrealised gains on investments | | 294,986 | - | - |
| Total revenue | | 558,517 | 529,032 | 353,375 |
| Expenses | | | | |
| Audit fees | | 7,628 | 7,541 | 7,399 |
| Management fees - Gareth Morgan Investments | | 31,411 | 39,510 | 33,849 |
| Other expenses | | 8,051 | 8,100 | 9,891 |
| Unrealised losses on investments | | - | - | 487,412 |
| Grants distributed | 2 | 300,000 | 300,000 | 725,000 |
| Total expenses | | 347,090 | 355,151 | 1,263,551 |
| Surplus/(deficit) before tax | | 211,427 | 173,881 | 910,176 |
| Income tax expense | | - | - | - |
| Surplus/(deficit) after tax | | 211,427 | 173,881 | 910,176 |

Vibrant Hamilton Trust
Statement of Financial Position
as at 30 June 2017

| | Note | Actual 2017 \$ | Budget 2017 \$ | Actual 2016 \$ |
|--|------|----------------------|----------------------|----------------------|
| Assets | | | | |
| Current assets | | | | |
| Bank account and cash | 3 | 108,165 | 300,000 | 134,194 |
| Other financial assets | 5 | 5,801,781 | 6,385,825 | 5,564,163 |
| Total current assets | | 5,909,946 | 6,685,825 | 5,698,357 |
| Total assets | | 5,909,946 | 6,685,825 | 5,698,357 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Creditors and accrued expenses | 6 | 18,313 | 15,641 | 18,151 |
| Total current liabilities | | 18,313 | 15,641 | 18,151 |
| Total liabilities | | 18,313 | 15,641 | 18,151 |
| Total assets less total liabilities | | 5,891,633 | 6,670,184 | 5,680,206 |
| Trust equity | | | | |
| Contributed capital | 7 | 4,169,850 | 4,169,850 | 4,169,850 |
| Accumulated surpluses | 7 | 1,721,783 | 2,500,334 | 1,510,356 |
| Total Trust equity | | 5,891,633 | 6,670,184 | 5,680,206 |



Vibrant Hamilton Trust
Statement of Cash Flows
for the year ended 30 June 2017

| | Notes | Actual 2017 \$ | Budget 2017 \$ | Actual 2016 \$ |
|---|-------|----------------------|----------------------|----------------------|
| Cash flows from operating activities | | | | |
| Interest and dividends | | 32,999 | 200,898 | 90,872 |
| Payments to suppliers | - | 46,963 | 53,003 | 50,988 |
| Grants paid | - | 300,000 | 300,000 | 725,000 |
| Net cash flows from operating activities | - | 313,964 | 152,105 | 685,116 |
| Cash flows from investing and financing activities | | | | |
| Realised gains on investments | | 230,532 | 328,134 | 262,503 |
| Receipts from sale of investments | | 57,403 | 176,029 | 191,084 |
| Net cash flow from investing and financing activities | | 287,935 | 152,105 | 453,587 |
| Net increase/(decrease) in cash for the year | - | 26,029 | - | 231,529 |
| Add opening bank accounts and cash | | 134,194 | 300,000 | 365,723 |
| Closing bank accounts and cash | | 108,165 | 300,000 | 134,194 |



Vibrant Hamilton Trust
Notes to the financial statements
for the year ended 30 June 2017

1. Statement of accounting policies
Accounting policies applied

Reporting entity

Vibrant Hamilton Trust (the "Trust") is controlled by Hamilton City Council and is a CCO as defined under section 6 of the Local Government Act 2002, by virtue of Hamilton City Council's right to appoint the Board of Trustees.

The Trust was incorporated on 24 August 2010 under the Charitable Trusts Act 1957 and is domiciled in New Zealand. The Trust was registered in accordance with the Charities Act 2005 on 1 November 2010 to give it charitable status.

The principal activities of the Trust are to promote the social, economic, environmental and cultural well being of the City of Hamilton and its' communities. Accordingly the Trust is designated as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The Trust commenced trading when the initial capital was received on 31 January 2012, resulting from the transfer of 65% of funds previously held by Waikato Foundation Trust.

The financial statements of the Trust are for the year ended 30 June 2017.

Basis of preparation

The Board has elected to apply PBE-SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

Goods and services tax

The Trust is not registered for GST. All amounts in the financial statements are recorded inclusive of GST.

Significant Accounting Policies

Interest revenue

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Trust reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Grant expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Trust has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Board and the approval has been communicated to the applicant.



Realised gains/(losses) on investments

Realised gains/(losses) on investment portfolio managed by GMI

Unrealised gains/(losses) on investments

Unrealised gains/(losses) on investment portfolio managed by GMI

Foreign currency transactions

Foreign currency transactions are translated into New Zealand Dollars (the functional currency) using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Bank accounts and cash

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

Debtors and other receivables

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Financial assets

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

Income Tax

The Trust has charitable status and is exempt from income tax.

Budget figures

The budget figures are derived from the statement of intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Equity

Equity is measured as the difference between total assets and total liabilities. Accumulated funds are defined as the aggregated surplus/deficit for each financial year.

Accounting Policies

There have been no changes in accounting policies during the financial year (last year - nil)

2. Grants approved for distribution

| 2017 | 2016 |
|---------|---------|
| 300,000 | 725,000 |

The Trustees approved a total grant of \$300,000 on 30 November 2016, which was paid out on 27 January 2017.

3. Bank accounts and cash

| | 2017 | 2016 |
|------|---------|---------|
| Cash | 108,165 | 134,194 |

Cash accounts comprises a number of New Zealand and foreign currency bank accounts held by Gareth Morgan Investments (GMI) on behalf of the Trust.



4. Interest revenue

| 2017 | 2016 |
|-------|--------|
| 3,925 | 18,914 |

Prior to December 2015 Vibrant Hamilton Trust held fixed interest bonds directly. In December 2015 the fixed interest component moved to a portfolio investment entity (PIE). In 2017 the PIE fixed interest was reported as part of realised gains, \$33,205 (2016 \$29,501) and unrealised gains, \$53,199 (2016 \$124,099).

5. Other financial assets

| | 2017 | 2016 |
|-------------------------------------|------------------|------------------|
| Current | | |
| Equity fund managed by GMI | 5,801,781 | 5,564,163 |
| Total current portion | 5,801,781 | 5,564,163 |
| Total Other financial assets | 5,801,781 | 5,564,163 |

The Trust has a portfolio of equity funds and fixed interest instruments managed by Gareth Morgan Investments (GMI). These investments are managed as a balanced portfolio to an agreed investment mandate.

6. Creditors and accrued expenses

| | 2017 | 2016 |
|------------------------------------|--------|--------|
| Accrued expenses | 10,313 | 10,151 |
| Amounts due to related parties | 8,000 | 8,000 |
| Total creditors and other payables | 18,313 | 18,151 |

Amounts due to related parties relates to an amount owing to Council for accounting and other administration services provided through out the year.

7. Equity

| | 2017 | 2016 |
|--------------------------------|------------------|------------------|
| Contributed capital | | |
| Balance at 1 July | 4,169,850 | 4,169,850 |
| Capital contribution | - | - |
| Balance at 30 June | 4,169,850 | 4,169,850 |
| Accumulated surpluses | | |
| Balance at 1 July | 1,510,356 | 2,420,532 |
| Surplus/(deficit) for the year | 211,427 - | 910,176 |
| Balance at 30 June | 1,721,783 | 1,510,356 |
| Closing balance | 5,891,633 | 5,680,206 |

Vibrant Hamilton Trust (the Trust) commenced trading with a capital of \$4,169,850 was received on 31 January 2012, resulting from the transfer of funds (65%) previously held by Waikato Foundation Trust. The Waikato Foundation Trust was subsequently dissolved.



8. Related party transactions

Related-party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that is reasonable to expect the Trust would have adopted in dealing with the party at arm's length in the same circumstances.

Hamilton City Council (Council) is the ultimate controlling party of the Trust.

The following transactions were carried out with related parties during the year:

Hamilton City Council

Council provides accounting and other administration support to the Trust. The Trustees agreed that Council will charge the Trust \$8,000 (2016 \$8,000) annually for these services. The fee is included in 'other expenses' in the Statement of financial performance and classified as 'amounts due to related parties' in note 6.

Key management personnel

Key management personnel includes all Trustees. Trustees were not paid any fees for the year ended 30 June 2017 (2016 \$nil). Also there were no other transactions between the Trust and the Trustees (2016 \$nil).

9. Events after balance date

There were no significant events after the balance date.

10. Statutory compliance

The draft Statement of Intent (SOI) for 2017/18 was approved by Trustees on 10 February 2017. The Finance Committee approved the draft Statement of Intent with no amendments at its 11 April 2017 meeting.

11. Capital commitments

There are no capital commitments at 30 June 2017 (2016 \$nil).

12. Contingent liabilities

There are no contingent liabilities at 30 June 2017 (2016 \$nil).

13. Breach of Local Government Act 2002

The Trust did not adopt its audited financial statements within three months of balance date (30 September 2017) as required by section 67 of the Local Government Act 2002.

The reason for the late adoption was that GMI's audited report on internal controls was not available in time for the 30 September 2017 deadline.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Vibrant Hamilton Trust's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of Vibrant Hamilton Trust (the Trust). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Trust on his behalf.

Opinion

We have audited:

- the financial statements of the Trust on pages 6 to 11, that comprise the statement of financial position as at 30 June 2017, the statement of financial performance and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Trust on pages 3 to 4.

In our opinion:

- the financial statements of the Trust on pages 6 to 11:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Simple Format Reporting Standard – Accrual (Public Sector); and
- the performance information of the Trust on pages 3 to 4 presents fairly, in all material respects, the Trust's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Trust's objectives for the year ended 30 June 2017.

Our audit was completed on 20 November 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Trustees and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Trustees for the financial statements and the performance information

The Board of Trustees is responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Trustees is also responsible for preparing the performance information for the Trust.

The Board of Trustees is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Trustees is responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Board of Trustees is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Trustees intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees' responsibilities arise from the Local Government Act 2002 and the Trust Deed.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Trust's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.
- We evaluate the appropriateness of the reported performance information within the Trust's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Independence

We are independent of the Trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Trust.



Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand



STATEMENT OF INTENT

VIBRANT HAMILTON TRUST
for the year ended 30 June 2017

This Statement of Intent (SOI) is presented by Vibrant Hamilton Trust (VHT) as required by Section 64(1) of the Local Government Act 2002.

The SOI forms the basis for the accountability of the Trustees of Vibrant Hamilton Trust to Hamilton City Council, and sets out the objectives, scope of activities undertaken, and performance targets by which Vibrant Hamilton Trust will be measured.

The purpose of this SOI is to provide accountability and transparency by outlining the activities and intentions of this Council Controlled Organisation (CCO) and the objectives of our activities for the year.

This SOI covers the year ended 30 June 2017 and includes the forecast financial statements for the following two years 2018 and 2019.

Thomas Gibbons
Chair
12 February 2016



INTRODUCTION

Vibrant Hamilton Trust was established as a CCO in accordance with section 64(1) of the Local Government Act 2002.

It is a legal entity incorporated under the Charitable Trusts Act 1957.

The Waikato Foundation Trust resolved in 2010 to make distributions to Vibrant Hamilton Trust (65%) and The Waikato District Wellbeing Trust Board (35%).

Vibrant Hamilton Trust received a \$4.671 million distribution from Waikato Foundation Trust on 31 January 2012. The Waikato Foundation Trust was subsequently wound up.

Vibrant Hamilton Trust approved grants totalling \$375,000 in 2015/16 for the following projects:

- *Hamilton Gardens Development Project (\$200,000)*
- *Dominion Park Destination Playground (\$100,000)*
- *Bike Hamilton (\$50,000)*

- *Alexandra/Collingwood Laneway Development Project (\$25,000)*

Applications must be projects that support Hamilton's City vision and strategic aspirations, in particular, sustainable, well planned projects for the well-being of people and the environment now and in the future.

Grants are distributed based on charitable purposes (and in line with the Trust Deed).



PURPOSE

PURPOSE OF THE TRUST

In addition to the statutory objective as stated in section 59 of the Local Government Act 2002, the objectives of the Trust as outlined in clause 3 (3.1) of the Trust Deed are:

1. Promote the social, economic, environmental and cultural wellbeing of the City of Hamilton and its communities, and/or
2. Relieve poverty through sustainable policies and practices, and/or
3. Advance education in the City of Hamilton, particularly to promote and advance economic standards for the benefit of the public generally, and/or
4. Deliver on the strategic aspirations of Hamilton City as identified by the community from time to time and endorsed by the Hamilton City Council.

These purposes, objectives and activities will be monitored to ensure that they are charitable and in accordance with the law.

ACTIVITIES

- *Governance*
- *Investment*
- *Grant Disbursement*

SCOPE OF ACTIVITIES



GOVERNANCE

The Trust will be governed in accordance with the terms of the Trust Deed.

Objective

- To comply with the terms of the Trust Deed and in particular with the duties of the Trust Board as set out in clause 11 of the Deed.

Performance measure

- Trust membership obligations are fulfilled in accordance with clause 5 of the Trust Deed.

INVESTMENT

The Trust will, in accordance with the Trust Deed, invest or reinvest part or parts of the Trust Fund not immediately required for the purposes of the Trust (whether income or capital) in investments or securities, as the Trust Board considers beneficial to the Trust Fund.

Objective

- To adhere to the Trust's Management of Share Portfolio and Distribution Policy.
- To review on an annual basis the investment mandate with the portfolio manager and the performance of the portfolio manager.

Performance measure

- The performance of investments is monitored by receiving and considering portfolio reports and financial information, on at least a quarterly basis.
- The investment mandate is monitored to ensure the investment portfolio reflects the risk tolerance, investment time zone and drawings requirement of the Trust.
- The performance of the portfolio manager is found satisfactory.

GRANT DISBURSEMENT

The Trust will, as appropriate, fund projects that meet the Trust's criteria and the Objects of the Trust Deed.

Objective

- To distribute grants totalling a minimum of \$300,000 for 2016/2017 in accordance with the Management of Share Portfolio and Distribution Policy.

Performance measure

- A process is undertaken that distributes the annual fund to eligible recipients who meet the fund criteria. Any distributions are determined by the Trustees in their sole discretion in accordance with the Trust Deed and the law.
- As a minimum, six-monthly reports are received from all successful applicants within the required timeframe.

FINANCIAL STATEMENTS

The budgeted/forecast financial statements for the years 2016 to 2019 are shown below. For comparative purposes, we have disclosed the original budget for 2016 (i.e. the approved SOI for 2016) and the revised forecast for 2016 (which incorporates the audited results for 2015 and more recent information on the portfolio performance).

Vibrant Hamilton Trust
Statement of financial performance
Forecast for the year ended 30 June

| | Note | Revised forecast 2016 \$ | Budget 2016 \$ | Budget 2017 \$ | Forecast 2018 \$ | Forecast 2019 \$ |
|---------------------------------------|------|-----------------------------------|----------------------|----------------------|------------------------|------------------------|
| Revenue | | | | | | |
| Interest and dividend revenue | 2 | 198,251 | 190,290 | 200,898 | 200,575 | 205,768 |
| Increase in value of investment | 2 | 323,811 | 311,836 | 328,134 | 327,605 | 336,087 |
| Total revenue | | 522,062 | 502,756 | 529,032 | 528,180 | 541,855 |
| Expenses | | | | | | |
| Management fee | 3 | 38,989 | 37,548 | 39,510 | 39,446 | 40,468 |
| Audit fee | 3 | 7,393 | 7,476 | 7,541 | 7,692 | 7,846 |
| Other expenses | 3 | 9,940 | 8,100 | 8,100 | 8,100 | 8,100 |
| Grants distributed | 4 | 375,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Total expenses | | 431,322 | 353,124 | 355,151 | 355,238 | 356,414 |
| Surplus/(deficit) for the year | | 90,740 | 149,632 | 173,881 | 172,942 | 185,441 |

**Vibrant Hamilton Trust
Statement of financial position
Forecast as at 30 June**

| | Note | Revised forecast 2016 \$ | Budget 2016 \$ | Budget 2017 \$ | Forecast 2018 \$ | Forecast 2019 \$ |
|--|------|-----------------------------------|----------------------|----------------------|------------------------|------------------------|
| Assets | | | | | | |
| Current assets | | | | | | |
| Bank account and cash | 5 | 290,723 | 300,000 | 300,000 | 300,000 | 300,000 |
| Other financial assets | 6 | 6,405,892 | 6,211,879 | 6,385,825 | 6,558,918 | 6,744,513 |
| Total current assets | | 6,696,615 | 6,511,879 | 6,685,825 | 6,858,918 | 7,044,513 |
| Total assets | | 6,696,615 | 6,511,879 | 6,685,825 | 6,858,918 | 7,044,513 |
| Liabilities | | | | | | |
| Current liabilities | | | | | | |
| Creditors and accrued expenses | | 15,493 | 15,576 | 15,641 | 15,792 | 15,946 |
| Grants payable | | 0 | 0 | 0 | 0 | 0 |
| Total current liabilities | | 15,493 | 15,576 | 15,641 | 15,792 | 15,946 |
| Total liabilities | | 15,493 | 15,576 | 15,641 | 15,792 | 15,946 |
| Total assets less total liabilities | | 6,681,122 | 6,496,303 | 6,670,184 | 6,843,126 | 7,028,567 |
| Trust equity | | | | | | |
| Contributed capital | | 4,169,850 | 4,169,850 | 4,169,850 | 4,169,850 | 4,169,850 |
| Accumulated surpluses/(deficits) | | 2,511,272 | 2,326,453 | 2,500,334 | 2,673,276 | 2,858,717 |
| Total Trust equity | | 6,681,122 | 6,496,303 | 6,670,184 | 6,843,126 | 7,028,567 |

Vibrant Hamilton Trust
Statement of cashflows
forecast for the year ended 30 June

| | Revised | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | Forecast | Budget | Budget | Forecast | Forecast |
| | 2016 | 2016 | 2017 | 2018 | 2019 |
| Cash flows from operating activities | | | | | |
| Interest and dividends | 198,251 | 190,920 | 200,898 | 200,575 | 205,768 |
| Realised gains on investments | 323,811 | 311,836 | 328,134 | 327,605 | 336,087 |
| Payments to suppliers | (56,322) | (54,877) | (53,003) | (55,087) | (56,260) |
| Grants paid | (375,000) | (300,000) | (300,000) | (300,000) | (300,000) |
| Net cash flow from operating activities | 90,740 | 147,879 | 176,029 | 173,093 | 185,595 |
| Cash flows from investing and financing activities | | | | | |
| Payments to acquire investments | (165,740) | (147,879) | (176,029) | (173,093) | (185,595) |
| Net cash flow from investing and financing activities | (165,740) | (147,879) | (176,029) | (173,093) | (185,595) |
| Net increase/(decrease) in cash for the year | (75,000) | 0 | 0 | 0 | 0 |
| Add opening bank accounts and cash | 365,723 | 300,000 | 300,000 | 300,000 | 300,000 |
| Closing bank accounts and cash | 290,723 | 300,000 | 300,000 | 300,000 | 300,000 |

Vibrant Hamilton Trust
Notes to the financial statements
Forecast for the year ended 30 June 2017-2019

1. Statement of accounting policies

Reporting entity

Vibrant Hamilton Trust (the "Trust") is controlled by Hamilton City Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of Hamilton City Council's right to appoint the Board of Trustees.

The Trust was incorporated on 24 August 2010 under the Charitable Trusts Act 1957 and is domiciled in New Zealand. The Trust was registered in accordance with the Charities Act 2005 on 1 November 2010 to give it charitable status.

The principal activities of the Trust are to promote the social, economic, environmental and cultural well-being of the City of Hamilton and its communities. Accordingly the Trust is designated as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The Trust commenced trading when the initial capital was received from on 31 January 2012, resulting from the transfer of 65% of funds previously held by Waikato Foundation Trust.

The budget/forecast financial statements of the Trust are for the year ended 30 June 2017-2019 and were authorised for issue by the Trustees on 12 February 2016.

Basis of preparation

The Board has elected to apply PBE-SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

Goods and services tax

The Trust is not registered for GST. All amounts in the financial statements are recorded inclusive of GST.

Significant Accounting Policies

• Interest revenue

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Trust reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

• Dividend revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Grant expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Trust has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Board and the approval has been communicated to the applicant.

Realised gains/(losses) on investments

Realised gains/(losses) on investment portfolio managed by GMI

Unrealised gains/(losses) on investments

Unrealised gains/(losses) on investment portfolio managed by GMI

Foreign currency transactions

Foreign currency transactions are translated into New Zealand Dollars (the functional currency) using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Bank accounts and cash

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

Debtors and other receivables

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Financial assets

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

Income Tax

The Trust has charitable status and is exempt from income tax.

Budget figures

The budget figures are derived from the Statement of intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Equity

Equity is measured as the difference between total assets and total liabilities.
Accumulated funds are defined as the aggregated surplus/deficit for each financial year.

Changes in accounting policies and transition to the new PBE SFR-A (PS) standard

This is the first Statement of intent using the new PBE SFR-A (PS) standard.

The forecast assumptions for 2017 to 2019 are summarised below.

Forecast assumptions 2017-2019:

2. GMI have estimated an average return on the portfolio of 7.9% per annum, before deducting management fees, over the next three years.

Interest and dividend revenue has been based on an average rate of return of 3.0% of the previous year's closing portfolio balance per annum.

3. Expenses:
 - Audit fees: base of \$7,393 for 2016 plus an increment of 2% per annum thereafter
 - Accounting and administration fee is fixed at \$8,000 per annum
 - GMI management fee is based on an average rate of 0.59% of the previous year's closing portfolio balance per annum.
4. Value of grants distributed \$300,000 per annum.
5. Maintain cash balance of \$300,000 to provide liquidity to the Trust.
6. Investments comprise fixed interest securities and shares.
Net operating surpluses are reinvested to investments.
7. **Ratios:**
The Local Government Act 2002 requires the Statement of Intent to include the projected ratio of equity to total assets.

| Year | Ratio |
|-------------|--------------|
| | % |
| 2017 | 99.77% |
| 2018 | 99.77% |
| 2019 | 99.77% |

8. Reports to be provided to Hamilton City Council

- The audited financial statements for the year ended 30 June 2017, including a summary of how the Trust has performed against its objectives and performance targets, within three months of year-end i.e. 30 September 2017.
- Report for the six months ended 31 December 2016 by 28 February 2017
- Draft Statement of Intent for 2017/2018 by 28 February 2017.
- Final Statement of Intent for 2017/18 by 30 June 2017.

Vibrant Hamilton Trust
Performance measures for 2016/2017

| Performance measure | How measured/by whom | Timeframe |
|--|---|---|
| 1. Trust Deed review to be completed and implemented. | Review is completed. | <ul style="list-style-type: none"> No later than June 2016 subject to Council comments. |
| 2. Ensure all Trustees are appointed in accordance with section 5 of the Trust Deed. | | <ul style="list-style-type: none"> Within five months of completing Trust Deed review. |
| 3. Trust funds are prudently invested. | <ul style="list-style-type: none"> Funds are invested according to the Trust's Investment Policy. Trustees to review annually the investment mandate for VHT with GMI's Portfolio Manager for the next financial year. | <ul style="list-style-type: none"> Annual review with Portfolio Manager to be completed in August/September. |
| 4. Investment portfolio to be monitored to ensure it meets the risk tolerance, investment time zone and drawings requirements of the Trust. | <ul style="list-style-type: none"> Trustees to receive and consider investment portfolio reports and financial information | <ul style="list-style-type: none"> Most recent monthly GMI report received prior to VHT meeting. |
| 5. Provide funding for projects that support Hamilton City Council's vision and strategic aspirations, in particular, sustainable, well planned projects for the well-being of people and the environment now and in the future. | <ul style="list-style-type: none"> Funding applications must demonstrate that they meet the Trust's core objective of 'promoting the social, environmental and cultural wellbeing of the Waikato District and its communities'. Six monthly review of previous funding. | <ul style="list-style-type: none"> Each funding round. February and September |
| 6. Ensure audit issues raised in the Management Letter are actioned. | <ul style="list-style-type: none"> Council staff to address any audit issues. | Any response/action to be approved by Trustees at first meeting after Management Letter is received. |

Financial Performance Targets:

| | Budget 2017 \$ | Forecast 2018 \$ | Forecast 2019 \$ |
|--|----------------------|------------------------|------------------------|
| Surplus/(deficit) for the year before grants distributed | 473,881 | 472,942 | 485,441 |
| Grants distributed | 300,000 | 300,000 | 300,000 |
| Projected Portfolio Balance | 6,685,825 | 6,858,918 | 7,044,513 |