



PERCY THOMSON TRUST

• Percy Thomson Gallery • Percy Thomson Herbarium • Percy Thomson Arboretum

**SIX MONTHLY REPORT
FOR THE PERIOD ENDED
31 DECEMBER 2022**

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PERCY THOMSON TRUST BOARD

Chairman: Bruce Ellis

Trustees: Douglas Robinson
Gloria Webby
Christine Craig
Jim Clarkson
Deborah Clough
Helen Cloke

PERCY THOMSON TRUST STAFF

As at 31 December 2022

Gallery Director – Laura Campbell

Gallery Assistant – Amy Taunt

Part-time Gallery Assistants

- Gayleen Schrider
- Carina McQueen
- Donna Hitchcock
- Jacqueline McCluggage
- Justin Morgan

PERCY THOMSON TRUST

On behalf of the Trust, it is my pleasure to present the report for the six months ended 31 December 2022.

We have continued to show improvement in visitor numbers to the gallery, following the trend since the covid closures.

Laura has now completed her first year as Gallery Director and has successfully transitioned from Rhonda's term, completing the programme already in place when she started and introducing new artists and exhibitions to the gallery. The forward plan looks good and enticing and should see the continued growth and reputation of the gallery – a real treasure for Stratford.

Planning work has continued to refresh the Arboretum with a focus on planting, signage, and an enhanced visitor experience. These will be finalised in this current six-month period.

Financials

The financials show a slight cash improvement on budget for the six months to 31 December, however the second six months looks tight with increasing employee costs, continued requirements to upgrade the gallery as a visitor experience, refurbishment of the gallery roof, and the tightness in the availability of grant funds. We anticipate that this could see some contribution from the Trust's reserves, however this is expected to be an enhancement of the overall Trust endowment.

Investment Funds

The Investment portfolio of the Trust is summarised as follows:

Category	Book Value as at 31 December 2022 (\$)	Book Value as at 31 June 2022 (\$)
Bank Balances	212,000	275,000
Trading Bank Term Deposits	250,000	250,000
Bonds	55,000	55,000
Commercial Property through Proportionate Ownership Schemes and Property Investment Funds	397,000	397,000
Total	\$914,000	\$977,000

There has been no change in the property investments in the past six months. The following figures are those reported in the 2022 Annual Report. For further comment see below the schedule.

The breakdown of these investments is:

Property	Original Investment (as per Statement of Financial Position)	Market Value (as at Balance Date of the investments of 31 March 2022)	Market Value (as at Balance Date of the investments of 31 March 2021)	Cash Income Return on Original Investment	Summary of Tenancies
Bush Road, Albany, Auckland – light industrial	125,000	330,420	288,284	7.80%	- Thermo Fisher Scientific – 100%
Osterley Way, Manukau, Auckland – office building	50,000	75,319	79,282	9.25%	- IRD – 98% - Other – 2%
Todd Park, Porirua, Wellington – light office/ industrial complex	72,000	130,678	104,371 (Net of sale proceeds in 2022 year)	7.58%	- Placemakers 15.4% - Hannah's 10.9% - Hexatronic 17.6% - Anderson & Flowers 10.9% - Mitsubishi Motors 13.3% - Fusion Interiors 12.3% - Conroy Removals 6% - Downer NZ 4.7% - NZ Post 4.5% - Free Kindergarten Association 4.2% - Other 0.2%
Cameron Road, Tauranga – Office building and retail	50,000	59,398	58,694	7.80%	- Tauranga City Council 49.8% - IRD 40.0% - Other (3) – retail & office 10.2%
Augusta Industrial Fund – light industrial mainly in Auckland	100,000	176,385 (Net tangible asset backing)	133,000	6.50%	The 48 tenants in 11 properties across three cities but weighted 73% to Auckland include Toll, Repco, Linfox, Fujitsu, Fletcher Building Steel Group, Macpac, Vulcan Steel, and Halls Refrigeration Transport (Icepak), D&H Steel Construction, Graphic Packaging, and TCI NZ. Overall occupancy is 96%.
Total	\$397,000	\$772,200	\$663,361	Average 7.61%	
		(16.4% increase)	(33.3% increase)		

The decision to participate in the various schemes and funds has the following objectives:

- To increase the cash investment returns of the overall invested funds given the reducing returns available from Bank Term Deposits and other fixed interest bonds;
- The opportunity for capital growth in these investments.

Further, in seeking such investments particular criteria included:

- The quality of the respective buildings
- The quality and security of the tenancies within each property
- The quality and experience of the managers of the respective properties

The overall conclusion is that this portfolio of investments continues to provide good security and investment returns for the Trust.

With the overall economic situation and increasing interest rates, the market values of the properties could be seen to be under some pressure as investors seek to maintain investment margins available through, for example, bank term deposits. The Trust has commenced discussions with a view to changing the management of the investment funds. It is expected to conclude these shortly at which time a further report will be presented for consideration.

Steps have been taken to sell some of the investments to crystallise capital gains for reinvestment by the Trust. This is a slow process and is a matter of balancing ongoing investment returns and preserving capital gains. The situation will be clearer when there is clearer outlook on the economy.

Building Works

Major work is required to preserve the Gallery roof. Tenders are currently being sought to ascertain the cost of replacing the roof and to review any design elements that could be improved at the same time.

Other Responsibilities

- **The Arboretum.** We have embarked on a landscaping project at the Arboretum with a goal to attracting more visitors and adding further to the Stratford Art and heritage trail. We have been successful in obtaining funding from the Taranaki Electricity Trust for the bulk of this work.
- **The Herbarium.** Work is continuing to enhance this part of the bequest with the New Zealand Plant Network. This is proceeding as part of the development work at the Arboretum.

Summary

The Trust continues to make an important contribution to the life and culture of the District. Our stewardship of Percy Thomson's legacy is our key role and we acknowledge the support of the Council in making this happen.



Bruce Ellis
CHAIRMAN

PERCY THOMSON TRUST

PERCY THOMSON TRUST ENTITY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

Legal name

Percy Thomson 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 Stratford District Council and is a council-controlled organisation as defined in section 6 of the Local Government Act 2002.

The Trust's purpose or mission

The primary objectives of the Trust are to provide the Percy Thomson Gallery, Percy Thomson Arboretum and Percy Thomson Herbarium in accordance with the bequest left by the late Percy Thomson, and to be responsible for the ongoing maintenance of these assets.

Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of seven Trustees who oversee the governance of the Trust, including a Chairman who is responsible for the day-to-day operations of the Trust and reporting to the Trustees, and six other voluntary members who support the Chairman in delivering against the Trust's objectives. At least 50% of the Trustees shall not be current elected members of the Stratford District Council.

Main sources of the Trust's cash and resources

An operating grant received from the Stratford District Council, rental income from that part of the building not occupied by the gallery, investment income, and other forms of grant revenue are the primary sources of funding to the Trust.

Outputs

The Trust owns and maintains the building in which the gallery is situated and all expenses relating to this are incurred by the Trust. The Trust also promotes and exhibits various forms of art works in the gallery, and exhibition costs are also a major output for the Trust.

STATEMENT OF ACCOUNTING POLICIES FOR THE PERIOD TO 31 DECEMBER 2022

ACCOUNTING POLICIES APPLIED

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.

The financial statements are presented in NZ dollars and all values are rounded to the nearest thousand dollars, as per paragraph A22 and A17c of PBE tier 3 presentation and disclosure, unless stated otherwise.

Goods and Services Tax

The Trust is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

Grants

Council, government, and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

Sale of goods

Revenue from the sale of goods is recognised when the goods are sold to the customer.

Commission on Sales

Commission on exhibition sales and Percy Place sales is retained by the Trust, with the remaining proceeds passed on to the seller of the artworks. Revenue includes only amounts received and receivable by the Trust on its own account, not the amounts collected for the principal. Revenue is recognised when receivable.

Sale of services

Revenue from the sale of services is recognised by reference to the stage of completion of the services delivered at balance date as a percentage of the total services to be provided.

Interest revenue

Interest revenue is recorded as it is earned during the year.

Employee related costs

Wages, salaries, and annual leave are recorded as an expense as staff provide services and become entitled to wages, salaries, and leave entitlements.

Performance payments are recorded when the employee is notified that the payment has been granted.

Superannuation contributions are recorded as an expense as staff provide services.

Advertising, marketing, administration, and other costs

These are expensed when the related service has been received.

Bank accounts and cash

Bank accounts and cash comprise a cheque account and deposits held at call with banks.

Debtors

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.

Investments

Investments are comprised of term deposits with banks, listed bonds, listed shares, short term promissory notes issued by companies and Local Authorities, real estate, and professionally managed portfolios of investments.

Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

Listed bonds and shares are initially recorded at the amount paid. If the market price of the investment falls below cost, the carrying value of the investment is reduced to the current market price. If the market price of the investment subsequently increases, the carrying amount of the investment is increased but limited to the original cost of the investment.

Property, plant, and equipment

Property, plant, and equipment is recorded at cost, less accumulated depreciation and impairment losses. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings was determined from market based evidence using the cost approach, reflecting the cost to construct assets of comparable utility and age, adjusted for obsolescence.

Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the current value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily obtainable are not recognised.

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

For an asset to be used by the Trust, the asset is impaired if the value to the Trust in using the asset falls below the carrying amount of the asset.

Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Furniture and fittings	10 to 20 years (5% to 10%)
Office Equipment	4 to 10 years (10% to 25%)
Buildings	10 to 80 years (1.25% to 10%)

Revaluation

The Trust has adopted tier 2 standards regarding the revaluation of its land and buildings in accordance with PBE IPSAS 17. Unless stated, valuations are carried out or reviewed by independent qualified valuers and are carried out at least on three yearly cycles.

Valuations will be undertaken more regularly if necessary to ensure no individual item of property, land or equipment within a class has a carrying value that is materially different from its fair value.

Land and buildings were valued as at 1 January 2020 by Telfer Young (NZ) Ltd, independent valuers.

Revaluation increases and decreases will be transferred to equity.

Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

Employee costs payable

A liability for employee costs payable is recognised when an employee has earned the entitlement.

These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date.

Income tax

Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax.

Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

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.

Tier 2 PBE Accounting Standards applied

The Trust has applied any Tier 2 Accounting Standards for asset revaluations only, in preparing its financial statements. This was to bring consistency in property revaluations between the trust and its parent, Stratford District Council.

CHANGES IN ACCOUNTING POLICIES

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

PERCY THOMSON TRUST

PERCY THOMSON TRUST

COST OF SERVICE STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2022

	<u>Actual</u> <u>to 31 Dec 22</u>	<u>Budget</u> <u>to 31 Dec 22</u>	<u>Budget</u> <u>2022/23</u>	<u>Projected</u> <u>Year end</u>	<u>Actual</u> <u>to 31 Dec 21</u>
	\$	\$	\$	\$	\$
PROPERTY					
Revenue	-				
Café Lease	7,050	7,050	14,100	14,100	6,169
Post Box Lobby Rental	660	660	1,320	1,320	660
Rental income	9,000	9,000	18,000	18,000	9,000
Total Property Revenue	16,710	16,710	33,420	33,420	15,829
Expenditure					
Depreciation	39,922	41,000	82,000	82,000	39,977
Insurance	9,006	8,500	8,500	9,006	8,383
Rates (Services Only)	1,525	1,750	1,750	1,525	1,579
Repairs and Maintenance Building	6,385	8,650	17,300	17,300	4,859
Repairs and Maintenance Arboretum	-	-	10,000	10,000	-
Repairs and Maintenance Herbarium	-	-	1,000	1,000	-
Total Property Expenditure	56,838	59,900	120,550	120,831	54,798
	-				
Profit (Loss) from Property	(40,128)	(43,190)	(87,130)	(87,411)	(38,969)

	<u>Actual</u> <u>to 31 Dec 22</u>	<u>Budget</u> <u>to 31 Dec 22</u>	<u>Budget</u> <u>2022/23</u>	<u>Projected</u> <u>Year end</u>	<u>Actual</u> <u>to 31 Dec 21</u>
	\$	\$	\$	\$	\$
ART GALLERY	-				
Revenue					
Membership and "Friends" Donations	635	800	1,600	1,400	1,213
Rental/Hireage	5,965	5,000	10,000	11,000	4,344
Donation Box	1,201	1,500	3,000	2,200	996
Commission - Percy's Place	5,232	6,000	12,000	10,000	4,877
Commission - Gallery	2,150	3,000	6,000	7,000	3,390
Total Art Gallery Revenue	15,183	16,300	32,600	31,600	14,820
Expenditure					
ACC Levy	336	350	350	336	303
Energy Costs	5,025	7,500	15,000	15,000	6,426
Insurance	673	1,700	1,700	673	11
Miscellaneous	401	250	500	800	115
Printing & Stationery	2,084	-	-	2,500	257
Programme	12,335	10,000	20,000	20,000	11,245
Major Exhibition	6,567	5,000	10,000	10,000	3,940
Publications & Subscriptions	296	100	200	400	296
Staff training	-	750	1,500	1,500	-
Salary & Wages and Employee Costs	59,098	53,500	107,000	120,000	52,717
Telephone & Tolls	2,451	990	1,980	3,600	986
Total Art Gallery Expenditure	89,266	80,140	158,230	174,809	76,296
Profit (Loss) from Art Gallery	(74,083)	(63,840)	(125,630)	(143,209)	(61,476)

	<u>Actual</u> <u>to 31 Dec 22</u>	<u>Budget</u> <u>to 31 Dec 22</u>	<u>Budget</u> <u>2022/23</u>	<u>Projected</u> <u>Year end</u>	<u>Actual</u> <u>to 31 Dec 21</u>
	\$	\$	\$	\$	\$
<u>TRUST INVESTMENTS</u>	-				
Investment Revenue					
Interest	16,601	20,000	40,000	35,000	18,863
Stratford District Council Grant	-	-	50,000	50,000	-
External Funding	-	-	73,000	30,000	-
Creative New Zealand	-	-	-	-	11,745
Subsidies	600	-	-	600	-
Taranaki Foundation	10,000	-	-	10,000	-
Other grants and donations	4,000	-	-	4,000	-
Total Investment Revenue	31,201	20,000	163,000	129,600	30,608
Trust Investment Expenditure					
Administration	20,600	20,600	20,600	20,600	-
Audit Fees	65	-	8,500	8,500	-
Insurance - Trustees Liability	-	-	2,200	2,200	-
Investment Expenses	-	150	300	300	-
Total Trust Investment Expenditure	20,665	20,750	31,600	31,600	-
Profit (Loss) from Trust Investments	10,536	(750)	131,400	98,000	30,608

SUMMARY COST OF SERVICE STATEMENT FOR THE PERCY THOMSON TRUST

	<u>Actual</u> <u>to 31 Dec 22</u> \$	<u>Budget</u> <u>to 31 Dec 22</u> \$	<u>Budget</u> <u>2022/23</u> \$	<u>Projected</u> <u>Year end</u> \$	<u>Actual</u> <u>to 31 Dec 21</u> \$
<u>REVENUE</u>					
Property	16,710	16,710	33,420	33,420	15,829
Art Gallery	15,183	16,300	32,600	31,600	14,820
Other Investments	31,201	20,000	163,000	129,600	30,608
Total Revenue	63,094	53,010	229,020	194,620	61,257
<u>OPERATING EXPENDITURE</u>					
Property	56,838	59,900	120,550	120,831	54,798
Art Gallery	89,266	80,140	158,230	174,809	76,296
Other Investments	20,665	20,750	31,600	31,600	-
Total Operating Expenditure	166,769	160,790	310,380	327,240	131,094
Net surplus (deficit) from operations	(103,675)	(107,780)	(81,360)	(132,620)	(69,837)
Transferred to Accumulated Surpluses	(103,675)	(107,780)	(81,360)	(132,620)	(69,837)
	-				
<i>Net Surplus (Deficit)</i>	<i>(103,675)</i>	<i>(107,780)</i>	<i>(81,360)</i>	<i>(132,620)</i>	<i>(69,837)</i>
<i>Add back depreciation (non-cash)</i>	<i>39,922</i>	<i>41,000</i>	<i>82,000</i>	<i>82,000</i>	<i>39,977</i>
<i>Cash Surplus (Deficit)</i>	<i>(63,753)</i>	<i>(66,780)</i>	<i>640</i>	<i>(50,620)</i>	<i>(29,860)</i>

PERCY THOMSON TRUST

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STATEMENT OF FINANCIAL PERFORMANCE

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2022

	<u>Actual</u> <u>to 31 Dec 22</u> \$000	<u>Budget</u> <u>to 31 Dec 22</u> \$000	<u>Budget</u> <u>2022/23</u> \$000	<u>Projected</u> <u>Year End</u> \$000	<u>Actual</u> <u>to 31 Dec 21</u> \$000
Revenue					
Funding from central or local government	-	-	50	50	-
Revenue from non-governmental sources for providing goods or services	32	33	66	65	31
Donations, fundraising and other similar revenue	14	0	73	44	12
Interest, dividends and other investment revenue	17	20	40	35	19
Total Revenue	62	53	229	194	61
Expenses					
Employee related costs	59	54	107	120	53
Costs related to providing goods or services	68	66	121	125	38
Other expenses	40	41	82	82	40
Total Expenses	167	161	310	327	131
Net Operating Surplus (Deficit) for the period	(104)	(108)	(81)	(133)	(70)

PERCY THOMSON TRUST

STATEMENT OF FINANCIAL POSITION FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2022

	<u>Actual</u> <u>Year to Date</u>	<u>Actual for</u> <u>the Six Months</u> <u>to 31 Dec 2021</u>	<u>Actual for the</u> <u>Year Ended</u> <u>to 30 June 2022</u>
	\$000	\$000	\$000
<u>Assets</u>			
Current Assets			
Bank Accounts and Cash	212	147	275
Debtors and Prepayments	9	2	4
Investments	250	300	275
Total Current Assets	471	449	554
Non-Current Assets			
Property, Plant and Equipment	1,804	1,867	1,832
Non-current investments	427	502	427
Total Non-Current Assets	2,231	2,369	2,259
Total Assets	2,702	2,819	2,813
<u>Liabilities</u>			
Current Liabilities			
Creditors and Accrued Expenses	1	9	9
Employee Costs Payable	6	6	6
Total Current Liabilities	8	15	15
Total Liabilities	8	15	15
Total Assets less Total Liabilities (Net Assets)	2,694	2,804	2,798
<u>Accumulated Funds</u>			
Capital contributed by owners or members	0	0	0
Accumulated Surpluses or (deficits)	1,487	1,597	1,591
Reserves	1,207	1,207	1,207
Total Accumulated Funds	2,694	2,804	2,798

PERCY THOMSON TRUST

STATEMENT OF CASHFLOWS

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2022

	<u>Actual Year to Date</u>	<u>Actual for the Six Months to 31 Dec 2021</u>	<u>Actual for the Year Ended to 30 June 2022</u>
	\$000	\$000	\$000
<u>Cash Flows from Operating Activities</u>			
<i>Cash was received from:</i>			
Funding from central or local government	0	0	50
Receipts from non-governmental sources for providing goods or services	28	31	44
Donations, fundraising and other similar revenue	14	12	13
Interest, dividends and other investment revenue	17	19	40
Other revenue	0	0	17
Net GST	0	0	(2)
<i>Cash was applied to:</i>			
Payments to Suppliers and Employees	(134)	(91)	(213)
Net Cash Flow from Operating Activities	(76)	(30)	(51)
<u>Cash Flows from Investing and Financing Activities</u>			
Receipts from Sale of Investments	275	300	199
Payments to acquire property, plant and equipment	(12)	(6)	(5)
Payments to Acquire Investments	(250)	(250)	-
Net Cash Flow from Investing and Financing Activities	13	44	194
Net (Decrease)/Increase in Cash for the period	(63)	15	143
Add opening bank accounts and cash	275	132	132
Closing Bank Accounts and Cash	212	147	275

PERCY THOMSON TRUST

OTHER EXPLANATORY NOTES AS AT 31 DECEMBER 2022

Note 1 **Property, Plant and Equipment**

Cost or valuation	Carrying Amount 1/07/22 \$000	Additions	Depreciation to 31/12/22 \$000	Carrying Amount 31/12/22 \$000
Building	1,483	-	(36)	1,447
Land	235	-	-	235
Arboretum	49	-	(1)	48
Plant and Equipment	65	-	(3)	62
Work in Progress	12	-	-	12
Total	1,844	-	(40)	1,804