

Trust Waikato

CHAIRPERSON'S REPORT: 1 APRIL 2008 – 31 MARCH 2009

Tena koutou katoa – Greetings to you all

He honore he kororia ki te Atua,
He maungarongo ki te mata o te whenua,
He whakaaro pai ki nga tangata katoa.

Honour and Glory to God,
Acknowledge the land and the,
Well-being of all peoples.

I am pleased to report on the activities of Trust Waikato for the year ended 31 March 2009.

The year has been an extremely difficult one for investors around the world; the Trust has not been immune to the significant and unprecedented falls in the financial markets. Although the Trust is a conservative institutional investor, falls in the values of both fixed income and equities markets reduced the value of the Trust fund, with a loss of 9.89% on the Trust investments through the year. The loss and the year's donations and operational expenditure depleted the Trust's usual reserves and lowered the capital position of the fund, with the capital at the end of the financial year valued at just over \$207million.

Investment losses for long term investors such as Trust Waikato are, in the main, unrealised. Nevertheless, it was essential that the Trust consider ways in which it could balance its commitment to maintaining the real value of the capital, with which it is entrusted for future generations, and the needs of current communities already beginning to feel the pain of the global recession. The Trust continued to donate to community groups because of its commitment to the current needs of communities in the Trust region and over the year approximately \$8.4million of donation commitments were made. During the year the Trust donated its 100 millionth dollar, a suitable milestone for its 20 years of donations.

However, the Trust also chose to review its donations levels and priorities for forthcoming years. To that end the Trust decided to reduce the donations levels for the next three years by approximately a quarter, so that over time the capital fund and reserves can be rebuilt. This decision was communicated widely around the Trust region to enable community groups to plan accordingly. The Trust chose to re-focus its donation priorities for the reduced donation levels so that donations would benefit children and families and those communities with the greatest needs and which have been and are likely to be affected most by the recession.

Because of the drop in value of the Trust capital, the Trust also reviewed its strategic asset allocation for its investments and agreed on a slightly revised allocation which will be implemented early in the new financial year and reviewed during the year. The Trust also committed to reducing its operational expenditure.

The Trust's donations continue to benefit the diverse range of communities and community groups around the region. During the year, the Trust moved from one major donation round each year to three donation rounds each year. This improved the accessibility and responsiveness of the Trust to the community groups it supports.

The Trust's donations were in line with its priorities of supporting families and young people, preserving cultural

identity, supporting iwi and Maori communities, strengthening communities and promoting organisational effectiveness, particularly by supporting volunteering. The Trust donations range from many small donations which support small, largely voluntary organisations together providing a huge range of community services, to larger donation commitments for community facilities and significant community development projects. The bulk of the Trust's donations support social service and sports groups, with significant portions also going to arts, recreation and community development groups.

The Trust is governed by 14 trustees appointed by the Minister of Finance, all of whom bring a range of professional skills and community commitments to the board table. During the year Christine Cave's term on the Trust ended after eight years, Bruce Hosking was re-appointed for a further 4 year term and new trustee Dianne Yates joined the Trust.

Trust Waikato pays tribute to the community and voluntary organisations striving to build vibrant and resilient communities around the region.

Ko te Atua koutou hei maanaki
hei tiaki i nga wa katoa.

May the Lord protect and care
for us all for ever more.


John Kilbride, Chairperson

THE WAIKATO COMMUNITY TRUST INCORPORATED DIRECTORY

For the year ended 31 March 2009

PRINCIPAL ACTIVITY:

Investment

TRUSTEES:

Anderson, Josie
Astle, Dennis
Baddeley, Clint
Cave, Christine (to May 2008)
Doube, Bernadette
Hosking, Bruce (Investment Committee Chair)
Karalus, Peta
Kilbride, John (Chair)
Law, Michael
McConnell, Angus
Moxon, Tureiti (Deputy Chair)
Muru, Judith
Purnell, Max
Tan, Fee-Ching
Yates, Dianne (from June 2008)

CHIEF EXECUTIVE: Bev Gatenby

SECRETARY: Geoff Balme

ACCOUNTANTS: PricewaterhouseCoopers, Hamilton

AUDITORS: Deloitte, Hamilton

BANKERS: Westpac Limited, Hamilton

THE WAIKATO COMMUNITY TRUST INCORPORATED SUMMARISED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 NZ\$'000	2008 NZ\$'000
Revenue	2	13,663	17,159
Realised & Unrealised Gains/(Losses)	3	(36,102)	(14,516)
Total Operating Expenses		(10,304)	(10,875)
DEFICIT FROM OPERATIONS		(32,743)	(8,232)

SUMMARISED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Notes	2009 NZ\$'000	2008 NZ\$'000
TRUST FUNDS AS AT 1 APRIL		240,070	248,302
Deficit for the year		(32,743)	(8,232)
TRUST FUNDS AS AT 31 MARCH		207,327	240,070

SUMMARISED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Notes	2009 NZ\$'000	2008 NZ\$'000
Net Cash Flow from Operating Activities	4	(19,267)	13,027
Net Cash Flow from Investing Activities		19,139	(12,785)
NET INCREASE IN CASH & CASH EQUIVALENTS		(128)	242
Cash and cash equivalents at beginning of the financial year		313	71
CASH & CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		185	313

THE WAIKATO COMMUNITY TRUST INCORPORATED SUMMARISED BALANCE SHEET

As at 31 March 2009

	Notes	2009 NZ\$'000	2008 NZ\$'000
EQUITY			
Trust Funds		207,327	240,070
TOTAL EQUITY		207,327	240,070
CURRENT LIABILITIES			
Trade & Other Payables		130	182
Donations Payable		1,423	1,414
Employee Entitlements		16	17
Derivative Financial Instruments		-	620
		1,569	2,233
NON CURRENT LIABILITIES			
Donations Payable - Future Years		-	1,080
TOTAL EQUITY AND LIABILITIES		208,896	243,383

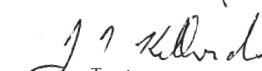
CURRENT ASSETS


Cash & Cash Equivalents		185	313
Trade & Other Receivables		17	37
Derivative Financial Instruments		2,975	-
		3,177	350

NON CURRENT ASSETS

Financial Assets at Fair Value through Profit or Loss	5	201,902	240,538
Property, Plant & Equipment		2,760	2,495
Sport Waikato Loan	6	1,028	-
Work in Progress	7	29	-
		205,719	243,033
TOTAL ASSETS		208,896	243,383

For and behalf of the Trustees, who authorised the issue of these financial statements on the date shown below:


Trustee:
Date: 15 June 2009


Trustee:
Date: 15 June 2009

THE WAIKATO COMMUNITY TRUST INCORPORATED NOTES TO AND FORMING PART OF THE SUMMARISED FINANCIAL STATEMENTS

For the year ended 31 March 2009

1. STATEMENT OF ACCOUNTING POLICIES

Background

These are the summarised financial statements of The Waikato Community Trust Incorporated. The Trust was incorporated on 5 August 1988 with trust capital of \$21,316,622.

These summarised financial statements are prepared in compliance with FRS - 43 'Summary Financial Statements' and have been extracted from the full audited financial statements for the year ended 31 March 2009 which were authorised for issue on 15 June 2009. Summarised financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements, which can be obtained from the office of the Trust or from the Trust's website www.trustwaikato.co.nz.

The full financial statements have been subject to audit by Deloitte and an unqualified audit report was issued on 15 June 2009. The audit concluded that the full financial statements "fairly reflect the financial position of The Waikato Community Trust Incorporated as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date". These summarised financial statements were authorised by the Trustees for issue on 15 June 2009 and have been examined by Deloitte for consistency with the full financial statements.

Statement of Compliance

The Trust's full financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and The Incorporated Societies Act 1908. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for public benefit entities.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain assets which are stated at their fair value.

	2009 NZ\$'000	2008 NZ\$'000
2. REVENUE		
Comprises:		
Dividends	4,015	6,628
Interest	9,623	10,496
Rent	25	35
	13,663	17,159

3. REALISED & UNREALISED GAINS/(LOSSES)

Realised Gains/(Losses)	(3,922)	1,204
Unrealised Gains/(Losses)	(17,615)	(19,930)
Realised Gain/(Loss) on Derivative Financial Instrument	(18,160)	4,830
Unrealised Gain/(Loss) on Derivative Financial Instrument	3,595	(620)
	(36,102)	(14,516)

	2009 NZ\$'000	2008 NZ\$'000
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4. CASH FLOW RECONCILIATION

DEFICIT FOR THE YEAR	(32,743)	(8,232)
Adjust for non-cash items	14,580	20,631
Impact of changes in net assets and liabilities:	(1,104)	628
Net cash inflow from operating activities	(19,267)	13,027

Financial Statements

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Trust uses the services of an investment advisor to pursue an investment policy considered appropriate for the Trust. Due to the current conditions of financial markets, over the course of the year the Trust has reviewed, and will continue to review, its long term asset allocation. For much of the year, with actual achievement subject to some significant market movements and gradual transition to a new policy, the Trust has had a long term asset allocation of:

New Zealand Equities	7.5%
New Zealand Fixed Interest	25.0%
New Zealand Cash	12.5%
Global Fixed Interest (Fully Hedged)	27.5%
Global Equities (Fully Hedged)	27.5%
	<u>100.0%</u>

At 31 March 2009 the policy is to achieve a long term asset allocation of:

New Zealand Equities	10.0%
New Zealand Fixed Interest	10.0%
New Zealand Cash	5.0%
Global Fixed Interest (Fully Hedged)	47.5%
Global Equities (Fully Hedged)	27.5%
	<u>100.0%</u>

The Trust's actual asset allocation during the year has reflected the gradual transition from the old policy to the new.

	2009 NZ\$'000	2008 NZ\$'000
Enhanced Passive Global Equities	37,295	66,775
NZ Fixed Interest and Cash	81,061	85,004
NZ Equities and Cash	13,168	17,540
Global Fixed Interest	70,378	71,219
	<u>201,902</u>	<u>240,538</u>

6. SPORT WAIKATO LOAN

The loan to Sport Waikato is secured by a first ranking general security agreement over all of the present and after-acquired property of the borrower. The loan is interest free and repayable in one sum by 19 August 2013. The loan balance is made up as follows:

	2009 NZ\$'000	2008 NZ\$'000
Loan Principal	1,500	-
Fair Value Adjustment on Initial Recognition of Interest Free Loan	(525)	-
Notional Interest	53	-
	<u>1,028</u>	-

The above loan carrying value is calculated using the market interest rate at the time of the loan drawdown. The fair value of the Sport Waikato loan at balance date is \$1,088,065.

7. WORK IN PROGRESS

The work in progress consists of computer database costs that are directly attributable costs capitalised as part of the database project including software development employee costs and an appropriate portion of relevant overheads. The asset will not be amortised until it is available for use.

8. DONATIONS

On 14 May 2009 the Waikato Times published a list totalling \$8,444,700 which showed the donations approved by the Trust during the year ended 31 March 2009.

Total donations published in the Waikato Times	8,444,700
Less: Future conditional commitments included in above:	
Cambridge BMX Club	(30,000)
Cambridge High School	(100,000)
Central King Country REAP Society Inc	(20,000)
Christian Youth Camps (Inc)	(15,000)
Hauraki Rail Trail Trust	(15,000)
Hora Hora Marae	(95,000)
Huntly Mining & Cultural Museum Society Inc	(41,000)
IHC Regional	(20,000)
Maungatautari Ecological Island Trust	(50,000)
Te Ohaki Marae - Matamata	(12,500)
Turangawaewae Kohanga Reo	(8,000)
Volunteer Fire Brigade - Athenree	(15,000)
Weraroa Marae Trust	(80,000)
Whitianga Community Services Trust	(116,000)
	<u>(617,500)</u>

Add: Past conditional commitments paid during year:

Glen Murray Community Association Inc	15,000
Hamilton Boys High School	70,000
Hora Hora Marae	70,000
Otorohanga Domain Sports Association	7,000
Pirongia Sports & Recreation Centre	75,000
Pokura Marae	18,000
Tauhei Marae Charitable Trust	65,000
Tauwhare Marae Committee	30,000
Te Awamutu Gracelands Trust	75,000
Te Awamutu Gracelands Trust	25,000
Te Awamutu Light Operatic Society Inc	13,000
Te Kohao Health Limited	300,000
Tokoroa Mountain Bike Club	18,000
	<u>781,000</u>

Less: Payment of donations payable at beginning of year:

Music & Arts Waikato Trust	(343,000)
Social Services Waikato Trust	(491,000)
Sport Waikato - Sports Force	(580,000)
	<u>(1,414,000)</u>

Add: Donations approved during year and payable at end of year:

Music & Arts Waikato Trust	93,000
Social Services Waikato Trust	250,000
	<u>343,000</u>

Less: Donations refunded during year:

Ngaroto Boating Club	(2,000)
Riverlea Theatre	(5,000)
Thames Scout Group	(1,000)
	<u>(8,000)</u>

Total donations for the year shown in the Income Statement. 7,529,200

Of this amount \$7,186,200 has actually been paid to community groups during the year. The remaining \$343,000 represents donations which will be paid in the time frame approved by the Trust.

Donations payable at balance date are:

For the 2009/2010 year	1,423,000
	<u>1,423,000</u>

A full list of donations is available on request.

9. MEETING ATTENDANCE

The Trust held 26 formal meetings during the year. The following table records each Trustee's attendance at these formal meetings:

Trustee	Meeting Attendance	Remuneration \$
Anderson, Josie	10	6,465
Astle, Dennis	23	11,960
Baddeley, Clint	20	9,825
Cave, Christine (to May 2008)	2	1,247
Doube, Bernadette	21	11,540
Hosking, Bruce (<i>Investment Committee Chair</i>)	23	23,765
Karalus, Peta	14	10,210
Kilbride, John (<i>Chair</i>)	22	39,320
Law, Michael	24	13,360
McConnell, Angus	18	9,510
Moxon, Tureiti (<i>Deputy Chair</i>)	9	12,731
Muru, Judith	22	11,505
Purnell, Max	14	11,260
Tan, Fee-Ching	23	12,485
Yates, Dianne (<i>from June 2008</i>)	18	13,968
Additional separate payment for previous Trustees		8,120
Total Remuneration		<u>207,271</u>

In addition during the year, Trustees took part in six Trust Waikato subcommittees, various training and development forums and community sector forums.

Trustees and Trust staff were invited to 217 separate formal and informal meetings and functions. The Trust was able to achieve representation at approximately 191 of these meetings and functions.

10. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The following commitments exist for donations that have been approved in the current or previous years subject to the fulfilment of certain conditions in future years.

	2009 NZ\$'000	2008 NZ\$'000
Total Commitments	<u>2,911</u>	<u>2,865</u>

Subject to fulfilment of the conditions, the commitments are payable as follows:

	2009 NZ\$'000	2008 NZ\$'000
Not later than 1 year	2,533	2,715
Later than 1 year and not later than 5 years	378	150
	<u>2,911</u>	<u>2,865</u>

There are no other capital commitments or contingent liabilities at balance date (2008 - nil).

11. RELATED PARTY TRANSACTIONS

Key Management Personnel

The compensation of the Trustees and executives, being the key management personnel of the Trust, is set out below:

	2009 NZ\$'000	2008 NZ\$'000
Short term Trustee and employee benefits	352	357
	<u>352</u>	<u>357</u>

Transactions with Key Management Personnel

Key management were related to organisations that received donations totalling \$69,000 (2008-\$70,000) during the year. Interests were declared when these donations were considered and key management took no part in deliberations relating to organisations they had an interest in.

There are no outstanding balances at balance date.

Transactions with Trustees

Trustees were related to organisations that received donations totalling \$625,000 (2008-\$242,700) during the year. Interests were declared when these donations were considered and Trustees took no part in deliberations relating to organisations they had an interest in.

There are no outstanding balances at balance date.

Deloitte.

AUDIT REPORT TO THE TRUSTEES OF THE WAIKATO COMMUNITY TRUST INCORPORATED

We have audited the summary financial statements of The Waikato Community Trust Incorporated for the year ended 31 March 2009 attached to this report.

Trustees' Responsibilities

The Trustees are responsible for the preparation of summary financial statements, in accordance with New Zealand law and generally accepted accounting practice.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the summary financial statements.

Basis of Opinion

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed procedures to ensure the summary financial statements are consistent with the full financial statements on which the summary report is based. We also evaluated the overall adequacy of the presentation of information in the summary financial statements against the requirements of FRS-43: Summary Financial Statements.

Other than in our capacity as auditor we have no relationship with or interests in The Waikato Community Trust Incorporated.

Unqualified Opinion

In our opinion, the information reported in the summary financial statements complies with FRS-43: Summary Financial Statements and is consistent with the full financial statements from which it is derived and upon which we expressed an unqualified audit opinion in our report to the Trustees dated 15 June 2009.

For a better understanding of the scope of our audit of The Waikato Community Trust Incorporated's financial statements and of The Waikato Community Trust Incorporated's financial position, financial performance and cash flows for the year ended 31 March 2009, this report should be read in conjunction with The Waikato Community Trust Incorporated's audited financial statements for that period.

Our examination of the summary financial statements was completed on 15 June 2009 and our unqualified opinion is expressed as at that date.

Chartered Accountants
HAMILTON, NEW ZEALAND

This audit report relates to the summary financial statements of The Waikato Community Trust Incorporated for the year ended 31 March 2009 printed in the Waikato Times and included on Trust Waikato's website. The Trustees of The Waikato Community Trust Incorporated are responsible for the maintenance and integrity of Trust Waikato's website. We have not been engaged to report on the integrity of Trust Waikato's website. We accept no responsibility for any changes that may have occurred to the summary financial statements since they were initially presented in the Waikato Times or on the website. The audit report refers only to the summary financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these summary financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited summary financial statements and related audit report dated 15 June 2009 to confirm the information included in the audited summary financial statements presented in this publication or on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements and summary financial statements may differ from legislation in other jurisdictions.



TRUST WAIKATO
TE PUNA O WAIKATO