



TRUST WAIKATO
TE PUNA O WAIKATO

Trust Waikato

CHAIRPERSON'S REPORT 1 APRIL 2009 – 31 MARCH 2010

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 2010.

The Trust has two main areas of work: investing and donating. Its investment work focuses on investing the capital of the Trust in such a way that the value of that capital is protected for future generations and the returns on the investments enable the Trust to donate to projects and work which benefit current generations. In the financial year ended 31 March 2010, the Trust was able to significantly rebuild the capital value of the fund following the fall in value during the previous year, so that the total assets of the Trust were valued at over \$245million at year end. The return on investment over the year was over 21.7%.

During the year, the Trust formally reviewed its investment advisors and from 1 October 2009, appointed JANA in the role. Since that time, the Trust, with the assistance of its advisors, has been reviewing its allocation to various financial assets, taking in to account the lessons learned through the global financial crisis, the need to continue to rebuild the Trust capital and level of reserves and the intention to continue to donate at consistent levels to current communities while simultaneously maintaining the capital fund for future generations.

The Trust is a signatory to the United Nations Principles for Responsible Investment, a set of voluntary and aspirational principles which provide a guide for incorporating environmental, social and governance issues into mainstream investment and ownership practices. There is increasing evidence that responsible investment is likely to improve both financial returns and the alignment between the objectives of institutional investors such as Trust Waikato and the communities we serve. For Trust Waikato, it makes sense that its investments should contribute to community well-being. This approach will increasingly be taken in to account as the Trust reviews its investments.

During the financial year, the Trust committed over \$7.27million in donations to more than 700 groups around the region. The Trust continues to make many small donations to groups to encourage community activity and volunteering, and also donates significantly to projects and services which support children and families and strengthen communities, particularly those communities with the highest needs. The Trust continues to contribute to building the capacity of the community and voluntary sector, especially through significantly funding the work of Sport Waikato, Community Waikato and Arts Waikato. Through strategic partnerships, the Trust contributes to marae development, research and advocacy on poverty in the region, and the strengthening of environmental groups. The Trust owns a significant collection of art and taonga special to the region which is cared for by the Waikato Museum for current and future generations.

The Trust is ably governed by 14 trustees appointed by the Minister of Finance, all of whom bring significant skills and commitment to their role. During the year, trustees Tureiti Moxon and Michael Law ended their terms after 8 years of service on the Trust. New trustees John Gillespie and Pamela Roa were appointed.

The Trust acknowledges the work of the Trust staff members, who competently and thoughtfully implement Trust policies and priorities.

Trust Waikato acknowledges the many community and voluntary groups who contribute to the vibrancy and resilience of this wonderful 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, as at 31 March 2010

THE WAIKATO COMMUNITY TRUST INCORPORATED DIRECTORY

For the year ended 31 March 2010

PRINCIPAL ACTIVITY: Investment

TRUSTEES:

Anderson, Josie
Astle, Dennis
Baddeley, Clint
Doube, Bernadette
Gillespie, John (from 1 October 2009)
Hosking, Bruce (Investment Committee Chair)
Karalus, Peta (Trustee full year, Deputy Chair from October 2009)
Kilbride, John (Chair)
Law, Michael (to 30 September 2009)
McConnell, Angus
Moxon, Tureiti (Trustee and Deputy Chair to 30 September 2009)
Muru, Judith
Purnell, Max
Roa, Pam (from 1 October 2009)
Tan, Fee-Ching
Yates, Dianne

CHIEF EXECUTIVE: Bev Gatenby

SECRETARY: Geoff Balme

ACCOUNTANTS: PricewaterhouseCoopers, Hamilton

AUDITORS: Deloitte, Hamilton

BANKERS: Westpac Limited, Hamilton

THE WAIKATO COMMUNITY TRUST INCORPORATED SUMMARISED COMPREHENSIVE INCOME STATEMENT

For the year ended 31 March 2010

	Notes	2010 NZ\$'000	2009 NZ\$'000
Revenue	2	9,281	13,663
Realised & Unrealised Gains/(Losses)	3	36,300	(36,102)
Total Operating Expenses		(9,166)	(10,304)
SURPLUS (DEFICIT) FROM OPERATIONS		36,415	(32,743)

Being Total Comprehensive Income for the year applied to Trust Funds

SUMMARISED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Notes	2010 NZ\$'000	2009 NZ\$'000
TRUST FUNDS AS AT 1 APRIL		207,327	240,070
Surplus (Deficit) for the year		36,415	(32,743)
TRUST FUNDS AS AT 31 MARCH		243,742	207,327

SUMMARISED CASH FLOW STATEMENT

For the year ended 31 March 2010

	Notes	2010 NZ\$'000	2009 NZ\$'000
Net Cash Flow from Operating Activities	4	(8,491)	(10,244)
Net Cash Flow from Investing Activities		8,408	10,116
NET DECREASE IN CASH & CASH EQUIVALENTS		(83)	(128)
Cash and cash equivalents at beginning of the financial year		185	313
CASH & CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		102	185

The Cash Flow Statement comparative figures have been restated to exclude dividends (\$4,015,000) interest (\$9,541,000), and other investment income received (-\$22,054,000) which were reinvested into investments rather than being paid in cash to the Trust. Payments to suppliers and employees has also been restated (-\$534,000) to exclude management fees which were deducted directly from the fund rather than being paid in cash by the Trust. Sale of investments has been restated (\$9,023,000) as a result of the adjustments noted above. The restated figures show the cash flow movements within The Waikato Community Trust Incorporated's bank account. The Cash Flow Statement does not include cash flows through the fund managers accounts. The overall effect of the restatement is to reduce the net cash provided by operating and investing activities by \$9,023,000. Note 4 has also been restated to take into consideration these changes.

SUMMARISED BALANCE SHEET

As at 31 March 2010

	Notes	2010 NZ\$'000	2009 NZ\$'000
EQUITY			
Trust Funds		243,742	207,327
TOTAL EQUITY		243,742	207,327
CURRENT LIABILITIES			
Trade & Other Payables		174	130
Donations Payable		1,480	1,423
Employee Entitlements		23	16
		1,677	1,569
TOTAL EQUITY AND LIABILITIES		245,419	208,896
CURRENT ASSETS			
Cash & Cash Equivalents		102	185
Trade & Other Receivables		10	17
Derivative Financial Instruments		590	2,975
		702	3,177
NON CURRENT ASSETS			
Financial Assets at Fair Value through Profit or Loss	5	240,795	201,902
Property, Plant & Equipment		2,701	2,760
Sport Waikato Loan	6	1,121	1,028
Database Loan	7	100	29
		244,717	205,719
TOTAL ASSETS		245,419	208,896

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

Trustee:

Date: 21 June 2010

Trustee:

Date: 21 June 2010

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

For the year ended 31 March 2010

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 2010 which were authorised for issue on 21 June 2010. 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 21 June 2010. The audit concluded that the full financial statements "fairly reflect the financial position of The Waikato Community Trust Incorporated as at 31 March 2010 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 21 June 2010 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.

	2010 NZ\$'000	2009 NZ\$'000
2. REVENUE		
Comprises:		
Dividends	4,530	4,015
Interest	4,707	9,623
Rent	25	25
Other Income	19	-
	9,281	13,663

	2010 NZ\$'000	2009 NZ\$'000
3. REALISED & UNREALISED GAINS/(LOSSES)		

Realised Gains/(Losses) on Financial Assets at Fair Value Through Profit and Loss	7,655	(3,922)
Unrealised Gains/(Losses) on Financial Assets at Fair Value Through Profit and Loss	19,278	(17,615)
Realised Gain/(Loss) on Derivative Financial Instrument	11,752	(18,160)
Unrealised Gain/(Loss) on Derivative Financial Instrument	(2,385)	3,595
	36,300	(36,102)

	2010 NZ\$'000	2009 NZ\$'000
4. CASH FLOW RECONCILIATION		

SURPLUS (DEFICIT) FOR THE YEAR	36,415	(32,743)
Adjust for non-cash items	(45,021)	23,603
Impact of changes in net assets and liabilities:	115	(1,104)
Net cash inflow from operating activities	(8,491)	(10,244)

THE WAIKATO COMMUNITY TRUST – FOR THE YEAR ENDED 31 MARCH 2010

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. The Trust selects fund managers according to their style and specialist skills including the ability to protect capital in negative or down markets. In the year to 31 March 2010 the Trust has pursued the following interim asset allocation as it responded to the downturn in financial markets and changed some fund managers and asset allocations:

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

In 2010 the Trust adopted and is now implementing the following strategic asset allocation:

New Zealand Equities	15.0%
New Zealand Fixed Interest	10.0%
New Zealand Cash	5.0%
Global Equities (Fully Hedged)	25.0%
Global Fixed Interest (Fully Hedged)	25.0%
Property	10.0%
Alternatives	10.0%
	<u>100.0%</u>

	2010 NZ\$'000	2009 NZ\$'000
Global Equities	74,412	37,295
NZ Fixed Interest and Cash	39,254	81,061
NZ Equities	25,294	13,168
Global Fixed Interest	101,835	70,378
	<u>240,795</u>	<u>201,902</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:

	2010 NZ\$'000	2009 NZ\$'000
Loan Principal	1,500	1,500
Fair Value Adjustment on Initial Recognition of Interest Free Loan	(525)	(525)
Accumulative Notional Interest	146	53
	<u>1,121</u>	<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 \$1,170,758.

7. DATABASE LOAN

The Trust and ten of the other eleven Community Trusts established under the 1988 Trustee Bank Restructuring Act are combining resources to own and operate an integrated donation management and financial management information system. The system is currently being developed and once completed will be owned and operated by a limited partnership named Te Kete Putea Limited Partnership (TKPLP). The total cost of the project is expected to be in the order of \$1.5m. The Trust's estimated contribution to these costs is 9.4%.

It is envisaged that the capital of the limited partnership will consist of 10,000 units and each Trust will hold units in proportion to its audited capital at 31 March 2008. The value of each unit will be determined once project costs are finalised. Until such time as TKPLP has been established, ASB Community Trust (ASBCT) is entering into project contracts with vendors on behalf of the Trusts and meeting the funding requirements for the project in terms of a letter of indemnity from each of the participating Trusts. The contracts with the vendors provide for the contracts to be novated to TKPLP once it becomes established.

The Trust has met its funding proportion for the project by way of a loan to ASBCT, who has agreed to undertake the work on the project and incur the project commitments. The Trust has granted an indemnity in favour of ASBCT in respect of such commitments. This loan, shown in the Trust's balance sheet, is unsecured and interest free. On the formation of TKPLP, the loan from the Trust will be extinguished by being retained and applied by ASBCT towards the Trust's capital contribution to TKPLP.

8. DONATIONS

On 21 April 2010 the Waikato Times published a list totalling \$7,268,700 which showed the donations approved by the Trust during the year ended 31 March 2010.

	\$
Total donations published in the Waikato Times	7,268,700
Less: Future conditional commitments included in above:	
Hamilton Roller Skating Club	(10,000)
Hauraki Plains Netball Association Incorporated	(42,000)
Morrinsville Historical Society Incorporated	(75,000)
Ngati Koroki Kahukura Trust	(15,000)
Ngati Maniapoto Marae Pact Trust Incorporated	(170,000)
Pouakani Marae Trustees	(200,000)
Raglan Cultural and Events Trust	(15,000)
Rukumoana Marae	(120,000)
South Waikato Sports and Leisure Board	(250,000)
Stanley Avenue School	(70,000)
Taringamotu Maori Committee	(60,000)
Te Papatapu Marae	(75,000)
Te Rongoroa Marae	(10,000)
Te Whare Kura a Manaia	(65,000)
Tomotuki Marae	(17,000)
Totara Springs Christian Centre	(100,000)
Waikato Community Hospice Trust	(20,000)
	<u>(1,314,000)</u>

Add: Past conditional commitments paid during year:

Alcohol and Drug Community Support Trust	48,000
Cambridge High School	100,000
IHC - Regional	10,000
Maungatautari Ecological Island Trust	50,000
Order of St John - Otorohanga	50,000
Otorohanga Netball Centre	5,000
Te Ohaki Marae, Matamata	12,500
Turangawaewae Kohanga Reo	8,000
Volunteer Fire Brigade - Athenree	15,000
Waahi Marae Committee	45,000
Waikato Community Hospice Trust	100,000
Waikato Technology Support and Resource Centre	25,000
Waipa District Council	250,000
Weraroa Marae Trust	80,000
Whitianga Community Services Trust	116,000
	<u>914,500</u>

Less: Payment of donations payable at beginning of year:

Music & Arts Waikato Trust	(343,000)
Social Services Waikato Trust	(500,000)
Sport Waikato - Sports Force	(580,000)
	<u>(1,423,000)</u>

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

Music & Arts Waikato Trust	300,000
Social Services Waikato Trust	500,000
Sport Waikato - Sports Force	680,000
	<u>1,480,000</u>

Less: Donations refunded during year:

Philips Search and Rescue Trust	(2,500)
Te Aroha Primary School	(600)
Te Kopua Marae	(313)
Waingarua Marae	(3,000)
	<u>(6,413)</u>

Total donations for the year shown in the Statement of Comprehensive Income

6,919,787

A full list of donations is available on request.

9. MEETING ATTENDANCE

The Trust held 23 formal meetings during the year. The following table records each Trustee's attendance at these formal meetings:

Trustee	Meeting Attendance	Honorarium \$	Meeting Fee \$	Total \$
Anderson, Josie	16	3,070	5,740	8,810
Astle, Dennis	22	3,070	7,000	10,070
Baddeley, Clint	23	3,070	10,570	13,640
Doube, Bernadette	15	3,070	4,655	7,725
Gillespie, John (from 1 October 2009)	9	1,535	3,535	5,070
Hosking, Bruce (Investment Committee Chair)	19	4,070	14,200	18,270
Karalus, Peta (Trustee full year, Deputy Chair from October 2009)	17	4,458	6,055	10,513
Kilbride, John (Chair)	22	11,400	27,680	39,080
Law, Michael (to 30 September 2009)	5	1,535	4,060	5,595
McConnell, Angus	17	3,070	7,385	10,455
Moxon, Tureiti (Trustee and Deputy Chair to 30 September 2009)	3	2,923	2,590	5,513
Muru, Judith	22	3,070	9,590	12,660
Purnell, Max	21	3,070	10,780	13,850
Roa, Pam (from 1 October 2009)	8	1,535	5,215	6,750
Tan, Fee-Ching	19	3,070	8,680	11,750
Yates, Dianne	23	3,070	11,585	14,655
Total Remuneration			194,406	

During the year the Trustees and Trust staff were invited to 236 separate formal and informal meetings and functions. The Trust was able to achieve representation at approximately 171 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.

	2010 NZ\$'000	2009 NZ\$'000
Total Commitments	5,937	2,911
Subject to fulfilment of the conditions, the commitments are payable as follows:		
Not later than 1 year	2,668	2,533
Later than 1 year and not later than 5 years	3,269	378
	<u>5,937</u>	<u>2,911</u>

There are no other capital commitments or contingent liabilities at balance date (2009 - 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:

	2010 NZ\$'000	2009 NZ\$'000
Short term Trustee and employee benefits	352	352
	<u>352</u>	<u>352</u>

Transactions with Executives

Key management were related to organisations that received donations totalling \$42,000 (2009-\$69,000) 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 \$486,500 (2009-\$625,000) 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.

12. SUBSEQUENT EVENTS

There are no matters or events that have arisen, or been discovered, subsequent to balance date that would require adjustment to, or disclosure in, these financial statements.

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 2010.

Board of Trustees' Responsibilities

The Board of Trustees is 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 financial statements are 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 21 June 2010.

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 2010, 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 21 June 2010 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 2010 printed in the Waikato Times and included on The Waikato Community Trust Incorporated website. The Waikato Community Trust Incorporated's Trustees are responsible for the maintenance and integrity of The Waikato Community Trust Incorporated's website. We have not been engaged to report on the integrity of The Waikato Community Trust Incorporated'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 21 June 2010 to confirm the information included in the audited summary financial statements presented on this website and in the Waikato Times. Legislation in New Zealand governing the preparation and dissemination of summary financial statements may differ from legislation in other jurisdictions.



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