



# New Zealand Gazette

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## BAY OF PLENTY COMMUNITY TRUST INCORPORATED

### FINANCIAL STATEMENTS

PURSUANT TO SECTION 13 OF THE  
COMMUNITY TRUSTS ACT 1999

## Contents

Directory

Chair and Trust Manager report

Statement of comprehensive income

Statement of changes in equity

Statement of financial position

Statement of cashflows

Notes to the financial statements

Audit report

## Directory

### For the year ended 31 March 2012

The Trust was initially incorporated on 5 August 1988 as the Trust Bank Bay of Plenty Community Trust in accordance with the provisions of the Trustee Banks Restructuring Act, 1988. It continues under the provisions of the Community Trusts Act, 1999. The purpose of the Trust is to provide charitable, cultural, philanthropic, recreational and other benefits to Bay of Plenty communities. In April 1998 the name was changed to the Bay of Plenty Community Trust. In March 2006 the Trust adopted the name **BayTrust** for operational purposes.

TRUSTEES:

Mary Dillon, QSM (Chair)  
Jenny Mahoney, JP (Deputy Chair)  
Peter Blanks  
Gregg Brown  
Kenneth Brown  
Bill Cleghorn, JP, QSM  
Karla Hammond  
Kylie Hawker  
Pam Lewis  
Roku Mihinui  
Steve Morris  
Tracy Rea

TRUST MANAGER:

Bruce W Cronin, JP

ADDRESS:

73 Spring Street  
P O Box 13322  
Tauranga 3141

ACCOUNTANTS:

Staples Rodway  
Tauranga

AUDITORS:

KPMG  
Tauranga

BANKERS:

BNZ  
Tauranga

INVESTMENT ADVISORS:

Russell Investment Group Limited  
Auckland

SOLICITORS:

Sharp Tudhope  
Tauranga

## Chair and Trust Manager report

### For the year ended 31 March 2012

In the Bay a “lost summer” weather-wise; the Rena; PSA Virus; and globally the *Worst Economic Recovery ever*\*

At times BayTrust’s vision of ***Strong, Vibrant, Healthy Communities*** has appeared to be under significant pressure; but Bay of Plenty communities and families and the Trustees who serve them through BayTrust, can reflect on another positive and inspiring year!

In the 12 months to 31 March 2012 the Trust approved a total of \$2.3m in grants (2011 \$3m) to 162 community organisations including \$116,162 in Dillon Scholarships (2011 \$117,900) to 64 students with disabilities. During that period the Trust’s investments returned \$6.9m (4.8%) (2011 \$11.4m, 8.4%).

At year-end actual net Capital was \$146.9m, up from \$144m at 31 March 2011.

Other highlights of the BayTrust year include:

- The Trust’s growing focus on a “Community Development” approach to all activities, utilising its resources to support communities in addressing their own needs.
- A grant of \$129,000 from the Trust’s “high engagement” ***Henry Duncan Fund*** to the Whanau Enterprise Development Trust of Te Whaiti to help develop a small farm school.
- Strengthening relationships with the Opotiki District Council through a five-year Memorandum of Understanding and the granting of a further \$125,000 to assist with Harbour Development research.
- Further extension of our social lending programme, including a bridging loan to Tauranga Squash Club of \$900,000 to enable it to complete the Dame Susan Devoy Squash and Fitness Centre.
- Funding of capacity building opportunities including a two-day workshop for 16 people from across the region to gain knowledge of evaluation, theory of change and programme logic principles.
- Continued support of our flagship ***CoachForce*** programme through Sport BoP, and the Rotorua-based ***BayTrust Rescue Helicopter*** operated by the Philips Search & Rescue Trust.

During the year under review Trustees Fred Cookson (Opotiki), Linda Hudson (EBoP/Taupo), Barry Kerr (Taupo) and Paula Thompson (WBoP) retired, and Kenneth Brown (WBoP), Bill Cleghorn (Rotorua), Kylie Hawker (Taupo) and Tracy Rea (WBoP) were appointed to the Board. Paula and Barry had served two terms (eight years) and Paula had chaired the Trust from 2007 until standing down from that role earlier in 2011.

BayTrust continues to explore ways to improve its own practices and ways of operating as we work at supporting the people, groups and communities in our region. BayTrust Trustees and staff are honoured to be active contributors to these organisations’ and communities’ many successes.

Our sincere thanks to all Trustees and staff for their enthusiasm, energy and commitment to BayTrust over the past 12 months.



Mary Dillon  
*Chair*



Bruce W. Cronin  
*Trust Manager*

27 June 2012

\*Former Bush Council of Economic Advisers Chairman Ed Lazear

## Statement of comprehensive income

**For the year ended 31 March 2012**

*in New Zealand Dollars (\$000's)*

	Note	2012	2011
Revenue	5	6,917	11,413
Portfolio management and advisory fees		801	799
Other expenses	6	944	849
Grants Expenditure	7	2,285	2,976
<b>Surplus for the year</b>		<b>2,887</b>	<b>6,789</b>
<b>Total comprehensive income</b>		<b>2,887</b>	<b>6,789</b>

## Statement of changes in equity

**For the year ended 31 March 2012**

*in New Zealand Dollars (\$000's)*

	Note	2012	2011
Trust equity at start of year		144,007	137,218
<b>Total comprehensive income</b>		<b>2,887</b>	<b>6,789</b>
<b>Movements in equity for the year</b>		<b>2,887</b>	<b>6,789</b>
<b>Trust equity at end of year</b>	13	<b>146,894</b>	<b>144,007</b>

The notes on pages 8 to 20 are an integral part of these financial statements.

## Statement of financial position

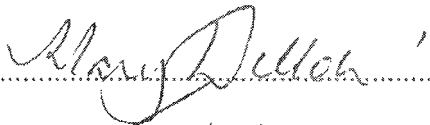
For the year ended 31 March 2012

in New Zealand Dollars (\$000's)

	Note	2012	2011
<b>Assets</b>			
Property, plant and equipment	10	54	58
Loans	11	1,162	128
Investments	13	145,107	143,085
<b>Total non-current assets</b>		<b>146,323</b>	<b>143,271</b>
Loans	11	182	109
Short term deposits		456	522
Cash and cash equivalents	12	255	271
<b>Total current assets</b>		<b>893</b>	<b>902</b>
<b>Total assets</b>		<b>147,216</b>	<b>144,173</b>
<b>Trust equity</b>			
Trust capital	13	89,308	89,308
Grants maintenance reserve	13	9,572	13,597
Retained earnings / (deficit)	13	-	-
Inflation and population growth reserve	13	48,014	41,102
<b>Total equity</b>		<b>146,894</b>	<b>144,007</b>
<b>Liabilities</b>			
Grants Payable	8	232	65
Trade and other payables		90	101
<b>Total current liabilities</b>		<b>322</b>	<b>166</b>
<b>Total liabilities</b>		<b>322</b>	<b>166</b>
<b>Total equity and liabilities</b>		<b>147,216</b>	<b>144,173</b>

The notes on pages 8 to 20 are an integral part of these financial statements.

Signed on behalf of the Board of Trustees;

Chair: Trustee: 

Date: 27 June 2012

## Statement of cashflows

For the year ended 31 March 2012

*in New Zealand Dollars (\$000's)*

	Note	2012	2011
<b>Cashflows from operating activities</b>			
Investment income		3,537	6,079
Cash paid to suppliers, employees and trustees		(1,735)	(1,651)
Grants paid to the community		(2,119)	(2,934)
<b>Net cash from operating activities</b>	16	<b>(317)</b>	<b>1,494</b>
<b>Cashflows from investing activities</b>			
Acquisition of property, plant and equipment		(16)	(46)
Disposal of investments		4,192	5,139
Acquisition of investments		(2,768)	(6,436)
Loans Issued		(1,107)	(97)
<b>Net cash used in investing activities</b>		<b>301</b>	<b>(1,440)</b>
Net (decrease)/increase in cash and cash equivalents		(16)	54
Cash and cash equivalents at 1 April		271	217
Cash and cash equivalents at 31 March		<b>255</b>	<b>271</b>

The notes on pages 8 to 20 are an integral part of these financial statements.

## Notes to the financial statements

### 1 Reporting entity

The Bay of Plenty Community Trust is a charitable trust, domiciled in New Zealand, incorporated in accordance with the provisions of The Community Trusts Act 1999. The Trust is a Public Benefit Entity whose principal activity is to distribute income from its investments activities to the Bay of Plenty communities.

### 2 Basis of preparation

#### (a) Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards, and its interpretations (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for Public Benefit Entities.

The Board of Trustees approved the financial statements on 27 June 2012.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value

The methods used to measure fair values are discussed further in note 4.

#### (c) Functional and presentation currency

These financial statements are presented in thousands of New Zealand dollars (\$000's) which is the functional currency of the Trust.

#### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements relating to the valuation of investments are discussed further in note 4.

#### (e) Taxation

Bay of Plenty Community Trust Inc. is exempt from income tax with effect 1 April 2008, under section CW 52 of the Income Tax Act 2007.

#### (f) Change in accounting policy

On 1 April 2011 the Trust changed the treatment of grants made being recognised as a distribution from equity to being recognised as an expense. The Trust chose to change the accounting policy for classifying grants made as recognition of grants made as an expense provides more relevant information about the effects of transactions on the Trust's financial performance.

This change in accounting policy was applied retrospectively. The following table summarises the adjustments made to the statement of financial performance and statement of changes in equity on implementation of the new accounting policy. There was no impact on the statement of financial position.



## Notes to the financial statements (continued)

**2 Basis of preparation (continued)**

The effect on the statement of comprehensive income was as follows.

*In thousands of New Zealand Dollars(\$000)*

	2012	2011
Change to recognition of grants as an expense	(2,285)	(2,976)
Effect on profit or loss	(2,285)	(2,976)
Change to total comprehensive income	(2,285)	(2,976)
Distributions in the form of grants	2,285	2,976
Change to Trust equity at end of year	-	-

**3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by group entities, except as explained in note 2(e), which addresses the change in accounting policy.

**(a) Foreign currency**

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

**(b) Financial instruments****Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, loans, cash and cash equivalents, short term deposits and trade and other payables.

**Investments**

An investment is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through the profit and loss if the Trust manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transactions costs are recognised in the profit and loss when incurred. Subsequent to initial recognition, investments are measured at fair value, and changes therein are recognised in profit or loss.

Purchases and sales of investments are recognised on the trade date or the date on which the Trust commits to purchase or sell the asset.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of 3 months or less (note 11).

**Short term deposits**

Short term deposits are short term investments with an original maturity of between 3-12 months (note 13).

**Loans**

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as loans and receivables and are carried at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the next carrying amount of the financial asset.

**Trade and other payables**

Trade and other payables are stated at cost and are classified as other liabilities.

## Notes to the financial statements (continued)

### 3 Significant accounting policies (continued)

#### (c) Grants expenditure and grants payable

The Trust makes discretionary grants. The grants are recognised as an expense at the point at which the payment of the grant has been approved by the Trustees and the recipient of the grant does not have any further obligations to meet in order to receive the grant.

Grants payable are those grants which have been approved, there are no further obligations to be met however the grant has not been paid by the reporting date.

Where grants have been approved in the current or previous years, but are subject to the fulfilment of certain conditions in future years, are treated as contingent liabilities (note 9).

#### (d) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

##### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Trust and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### (iii) Depreciation

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment.

The depreciation rates for the current and comparative periods are :

Furniture & fittings	11.4% to 33%
Office equipment	26.4% to 80.4%
Motor vehicle	30%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

#### (e) Impairment

The carrying amounts of the Trust's assets are reviewed at each reporting date to determine whether there is any indication of impairment

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

##### (i) Impairment of debt instruments and receivables

The recoverable amount of the Trust's receivables carried at amortised cost is calculated as the present value of estimated future cashflows, discounted at the original effective interest rate (ie. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

##### (ii) Non-financial assets

The carrying amounts of the Trust's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

## Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

### 3 Significant accounting policies (continued)

#### (f) Employee benefits

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in trade and other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non accumulating sick leave is recognised when the leave is taken and measured at the rates paid.

#### (g) Revenue

Investment income

Dividend income is recognised on the date that the Trust's right to receive payment is established. Interest income is recognised as it accrues

#### (h) New standards and interpretations not yet adopted

A number of new standards are not yet effective for the year ended 31 March 2012 and have not been applied in preparing these financial statements:

- *NZ IFRS 9 Financial Instruments*: NZ IFRS 9, which becomes mandatory for the Trust's 2013 financial statements, is not expected to have any impact on the financial statements.

### 4 Determination of fair values

A number of the Trust's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### (a) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, is determined by reference to their quoted bid price at the reporting date wherever this information is available. Certain investments in emerging markets are only traded on certain days. In this instance the trades that occurred on the date nearest to the reporting date have been used.

### 5 Revenue

	2012	2011
Dividends received	-	86
Interest received	328	676
Investment gains and losses	6,518	10,745
Other	71	(94)
<b>Total revenue</b>	<b>6,917</b>	<b>11,413</b>

# Notes to the financial statements (continued)

*in New Zealand Dollars (\$000's)*

## 6 Other expenses

	2012	2011
Accountancy fees	13	12
Depreciation	19	23
Office operating costs	77	78
Office lease expenses	67	67
Trust administration	212	175
Employer kiwisaver contribution	6	5
Wages and salaries	325	293
Trustee honorarium and meeting fees	167	142
Reimbursement of trustee expenses	42	41
Vehicle expenses	7	6
	935	842
Auditor's remuneration to KPMG (KPMG appointed 24/5/2011, prior year Ingham Mora)		
- audit of financial statements	9	7
<b>Total auditor's remuneration</b>	9	7
<b>Total other expenses</b>	<b>944</b>	<b>849</b>

## 7 Grants expenditure

The Trusts principal activity is to distribute income from its investments to the Community. The following table summarises the grants made to the Community by Sector.

	2012	2011
Active	484	666
Community Economic Development	617	492
Culture	85	220
Education	102	1,115
Health	957	460
Dillon Scholarship	116	118
Grants Refunded or Cancelled	(76)	(95)
<b>Total Grants</b>	<b>2,285</b>	<b>2,976</b>

## 8 Grants payable

	2012	2011
<b>Grants recipient</b>		
Tongariro School	-	15
Mountainbike Tauranga	-	24
Otamarakau School	-	5
Opotiki Tae Kwon Do	-	6
Dillon Recipients	7	15
Philips Search & Rescue Trust	100	-
Whakatane District Council	125	-
<b>Total</b>	<b>232</b>	<b>65</b>

## Notes to the financial statements (continued)

*in New Zealand Dollars (\$000's)***9 Contingent liabilities**

The following conditional future grants have been approved but are subject to the applicants satisfying specific criteria in each case:

	2012	2011
<b>Grants recipient</b>		
Sports Bay of Plenty	500	-
Energy Options Charitable Company Limited	400	-
The Lake Taupo Arts Festival	10	-
Tauranga Jazz Society Incorporated	10	-
<b>Total</b>	<b>920</b>	<b>-</b>

**10 Property, plant and equipment**

	Note	Furniture & fittings	Office equipment	Motor vehicle	Total
<b>Cost</b>					
Balance at 1 April 2010		60	55	-	115
Additions		-	15	32	47
Disposals		-	(15)	-	(15)
<b>Balance as at 31 March 2011</b>		<b>60</b>	<b>55</b>	<b>32</b>	<b>147</b>
Balance at 1 April 2011		60	55	32	147
Additions		7	8	-	15
Disposals		(1)	(10)	-	(11)
<b>Balance as at 31 March 2012</b>		<b>66</b>	<b>53</b>	<b>32</b>	<b>151</b>
<b>Depreciation</b>					
Balance at 1 April 2010		36	45	-	81
Depreciation for the year		4	9	9	22
Disposals		-	(14)	-	(14)
<b>Balance as at 31 March 2011</b>		<b>40</b>	<b>40</b>	<b>9</b>	<b>89</b>
Balance at 1 April 2011		40	40	9	89
Depreciation for the year		4	8	7	19
Disposals		-	(10)	-	(10)
<b>Balance as at 31 March 2012</b>		<b>44</b>	<b>38</b>	<b>16</b>	<b>98</b>
<b>Carrying amounts</b>					
At 1 April 2010		24	11	-	35
At 31 March 2011		<b>20</b>	<b>15</b>	<b>23</b>	<b>58</b>
At 1 April 2011		20	15	23	58
At 31 March 2012		<b>23</b>	<b>15</b>	<b>16</b>	<b>54</b>

## Notes to the financial statements (continued)

*in New Zealand Dollars (\$000's)*

### 11 Loans

From time to time the Trust advances funds to organisations at low interest rates or interest free. The loans are classified as loans and receivable and, after initial recognition, are measured at amortised cost using effective interest rate method less any impairment loss.

The loan balance is made up as follows:

Organisation	Maturity Date	Interest rate %	2012	2011
Tauhara Centre Trust	10/03/2016	3%	77	-
West Rotorua Parish	17/03/2016	3%	113	142
Paradise Point Development Trust	12/05/2016	3%	62	-
Tauranga Boys' College	17/06/2016	3%	75	95
Tauranga Squash Club	22/04/2015	0%	900	-
Other			213	94
Less fair value adjustment in initial recognition of low interest or interest free loans			(96)	(94)
<b>Total</b>			<b>1,344</b>	<b>237</b>
Classified as:				
Current			182	109
Non-current			1,162	128
<b>Total</b>			<b>1,344</b>	<b>237</b>

For the purposes of calculating amortised cost a term of 5 years and interest rate applying to the Reserve Bank swap rate at inception date of the advance are assumed.

The loan to Tauranga Squash Club is secured by way of first mortgage, has an interest free period of one year, with a review of interest and principal repayments after two years.

### 12 Cash and cash equivalents

	2012	2011
Bank balances	199	174
Call deposits	56	97
Cash and cash equivalents	255	271

## Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

**13 Trust equity**

	Trust capital	Retained earnings / (deficit)	Grants maintenance reserve	Inflation & population growth reserve	Total
Balance at 1 April 2010	89,308	-	9,113	38,797	137,218
Surplus for the year	-	6,789	-	-	6,789
Reserves transfers	-	(6,789)	4,484	2,305	-
<b>Balance at 31 March 2011</b>	<b>89,308</b>	<b>-</b>	<b>13,597</b>	<b>41,102</b>	<b>144,007</b>
Balance at 1 April 2011	89,308	-	13,597	41,102	144,007
Surplus for the year	-	2,887	-	-	2,887
Reserves transfers	-	(2,887)	(4,025)	6,912	-
<b>Balance at 31 March 2012</b>	<b>89,308</b>	<b>-</b>	<b>9,572</b>	<b>48,014</b>	<b>146,894</b>

**Grants maintenance reserve**

The grants maintenance reserve relates to a capital maintenance reserve established and maintained at the trustees' discretion.

**Inflation & population growth reserve**

As an "enduring" (everlasting) Trust, BayTrust has a responsibility to ensure it treats all classes of beneficiaries equitably and this includes future potential beneficiaries. For this reason the Trust maintains its "real" (inflation-adjusted) capital by reserving annually sufficient funds to cover inflation as measured by the Consumers' Price Index. These measurements have traditionally been taken for the 12 months to June of the preceding year and in this case the CPI increase to June 2011 was 5.3%, requiring an addition of \$6.912m to the Reserve.

The Trust also has a policy of reserving, when conditions permit, for some population growth in its territory. Trustees have determined that conditions have not permitted such reserving for the years March 2011 and 2012

**14 Financial instruments**

Exposure to credit, interest rate, foreign currency, equity price and liquidity risks arises in the normal course of the Trust's business. The Trust's risk management policies and procedures for financial instruments are formally documented and approved by the Trustees in the Trust's Statement of Investment Policies and Objectives ("SIPO")

**Credit risk**

The Trust's SIPO stipulates value ranges that may be held in New Zealand equities, overseas equities, overseas fixed interest, New Zealand cash, hedge funds, global property and collateralised commodity futures. Within each of these investment sub-trusts there are maximum limits that can be invested within one investment group and with one investment manager. This diversified investment strategy reduces the credit risk exposure of the Trust.

The Trust makes loans only to entities that are well established and have demonstrated a robust ability to make regular repayments.

The SIPO states minimum credit ratings of investment bonds.

The Trust manages credit concentration risks through:

- a diversified and non-correlated basket of investments across traditional and alternative classes
- through the use of a multi-fund manager approach to investments in its portfolio
- and by ensuring compliance with the individual mandate requirements of each investment.

The Trust reviews the portfolio for compliance against each investment mandate on a regular basis.

## Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

### 14 Financial instruments (continued)

#### Liquidity risk

Liquidity risk represents the Trust's ability to meet its contractual obligations. The Trust evaluates its liquidity measurements on an ongoing basis. In general, the Trust generates sufficient cash flows from its activities to meet its obligations arising from its financial liabilities.

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates or equity prices, will affect the Trust's profit or valuation of net assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The risk is mitigated by the policies and procedures outlined in the Trust's SIPO. These include diversification of the investment portfolio and prudent investment strategies.

#### Foreign currency risk

The Trust is exposed to foreign currency risk as a result of investment transactions entered into by fund managers in a currency other than the Trust's functional currency, New Zealand dollars. It is Trust policy to have at least 90% of its overseas investments hedged to NZ dollars.

#### Interest rate risk

The Trust has bank call deposit accounts, short term deposits, government and local authority securities and other investments held by the Trust's fund managers that are exposed to interest rate risk. Interest rate swaps have been entered into by the Trust's fund managers to achieve an appropriate mix of fixed and floating rate exposure within the Trust's policy.

#### Other market price risk

The entity is not exposed to substantial other market price risk arising from financial instruments.

#### Quantitative disclosure

##### Credit and interest rate risk

The carrying amount of financial assets represents the Trust's maximum credit exposure.

##### Carrying amount

	2012	2011
Cash and cash equivalents	255	271
Short term deposits	456	522
Loans	1,344	237
	<b>2,055</b>	<b>1,030</b>
<i>Investments</i>		
NZ fixed interest debt securities	9,527	15,167
Australasian equities	7,409	7,605
Global bonds	69,610	69,987
Global equities	58,561	45,072
Global property	-	5,254
Total investments designated at fair value through profit or loss	<b>145,107</b>	<b>143,085</b>
Total financial assets	<b>147,162</b>	<b>144,115</b>

Management of the interest rate risk is performed by the fund managers by use of interest rate swaps. The average interest rate is determined inclusive of interest rate swaps that are embedded with the funds.



## Bay of Plenty Community Trust Incorporated

## Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

**14 Financial instruments (continued)**

The Trust continuously monitors the credit quality of major financial institutions that are counter parties to its financial instruments and does not anticipate non performance by the counter parties. The Trust further minimises its credit exposure by limiting the amount of funds placed with any one financial institution at any one time.

The Trust makes a number of loans to eligible community groups and organisations over periods of up to five years. These are not grants and are fully expected to be repaid in full within the terms of the loan. The Trust requires evidence of the applicant's ability to repay the loan and also considers a number of other factors before advancing the loan and deciding on whether or not to waive a security interest. At the reporting date, the Trust had one loan secured by a First Mortgage (note 11).

**Liquidity risk**

The following table sets out the contractual cash flows for all financial liabilities:

Trust 2012	Statement of Financial Position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Grants Payable	232	232			232		
Trade and other payables	90	90	90				
Total non-derivative liabilities	322	322	90		232		
<b>Trust 2011</b>							
Grants Payable	65	65			65		
Trade and other payables	101	101	101				
Total non-derivative liabilities	166	166	101		65		

**Capital management**

The Trust's funds include trust capital, grants maintenance reserve and inflation & population growth reserve.

The Trust's policy is to maintain a strong capital base to sustain future development of the Trust.

The Trust is not subject to any externally imposed capital requirements.

The Trust's policies in respect of capital management and allocation are reviewed regularly by the Board of Trustees, and during the year a decision was taken not to rebalance the investment portfolio while implementation decisions were being considered.

**Sensitivity analysis**

Table 1 shows the asset allocation for the Trust's portfolio as at 31 March 2012 as well as the long term expected return for each asset class. The return one standard deviation above and below the expected return is also shown.

**Table 1: Sensitivity analysis for the Trust's portfolio 31 March 2012**

Asset class	Asset allocation (31 March 2012)	Long term expected return p.a.	-1 Std deviation return p.a.	+1 Std deviation return p.a.
NZ equities	5.1%	7.2%	-10.8%	25.2%
Global equities*	40.3%	8.1%	-10.4%	26.6%
Global bonds*	48.0%	5.4%	1.9%	8.9%
NZ fixed interest debt securities	6.6%	4.0%	2.0%	6.0%
<b>Total</b>	<b>100.00%</b>	<b>6.5%</b>	<b>-2.1%</b>	<b>15.1%</b>

\*Fully hedged to NZ dollars within the funds they are invested

## Notes to the financial statements (continued)

*in New Zealand Dollars (\$000's)*

From table 1, it can be seen that the long term expected return for the Trust's portfolio is currently 6.5% per annum and there is approximately a 68% probability that the return in any one year will be within the range of -2.1% and 15.1%.

### 14 Financial instruments (continued)

As at 31 March 2012 the Trust's portfolio had NZ\$145.1 m under management. Assuming the short term return distribution approximates the long term return distribution there is approximately a 68% probability that the Trust's revenue from investment activities will lie in the range of -\$3.0m to \$21.8m, with expected revenue of \$9.4m for the year 1 April 2012 to 31 March 2013.

Table 2 shows the asset allocation for the Trust's portfolio as at 31 March 2011 as well as the long term expected return for each asset class. The return one standard deviation above and below the expected return is also shown.

**Table 2: Sensitivity analysis for the Trust's portfolio 31 March 2011**

Asset Class	Asset allocation (31 March 2011)	Long term expected return p.a.	-1 Std deviation return p.a.	+1 Std deviation return p.a.
NZ equities	5.3%	8.5%	-9.0%	26.0%
Global equities	31.5%	9.1%	-6.4%	24.6%
Global bonds	48.9%	6.5%	3.5%	9.5%
NZ fixed interest debt securities	10.6%	5.1%	3.1%	7.1%
Global property	3.7%	8.6%	-12.4%	29.5%
<b>Total</b>	<b>100.00%</b>	<b>7.4%</b>	<b>0.6%</b>	<b>14.1%</b>

From table 2 the long term expected return for the Trust's portfolio is 7.4% per annum and there is approximately a 68% probability that the return in any one year will be within the range of 0.6% and 14.1%.

As at 31 March 2011 the Trust's portfolio had NZ\$143m under management. Assuming the short term return distribution approximates the long term return distribution there is approximately a 68% probability that the Trust's revenue from investment activities will lie in the range of \$0.9m to \$20.1m, with expected revenue of \$10.5m for the year 1 April 2011 to 31 March 2012.

#### Estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in note 4.

#### Fair value hierarchy

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the end of the reporting period. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Trust's investment managers use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used for non-standard financial instruments such as over the counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, options pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

The Trust is unlikely to invest in instruments where there is no active market.

## Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

**14 Financial instruments (continued)**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either direct (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
<b>31 March 2012</b>				
<i><b>Financial assets designated at fair value through profit or loss</b></i>				
New Zealand fixed interest debt securities	9,527	-	-	9,527
Australasian equities	7,409	-	-	7,409
Global bonds	69,610	-	-	69,610
Global equities	58,561	-	-	58,561
Global property	-	-	-	-
<b>Total</b>	<b>145,107</b>	<b>-</b>	<b>-</b>	<b>145,107</b>

There have been no transfers between levels in either direction during the year (2011: nil).

	Level 1	Level 2	Level 3	Total
<b>31 March 2011</b>				
<i><b>Financial assets designated at fair value through profit or loss</b></i>				
New Zealand fixed interest debt securities	15,167	-	-	15,167
Australasian equities	7,605	-	-	7,605
Global bonds	69,987	-	-	69,987
Global equities	45,072	-	-	45,072
Global property	5,254	-	-	5,254
<b>Total</b>	<b>143,085</b>	<b>-</b>	<b>-</b>	<b>143,085</b>

All Trusts assets are defined as level 1 assets.

**15 Operating leases****Leases as lessee**

Non-cancellable operating lease in relation to the Trust's administrative office rentals are payable as follows:

	2012	2011
Less than one year	34	39
Between one and five years	372	-
<b>Total</b>	<b>406</b>	<b>39</b>

Lease is for a 6 year term until 30 September 2017 with 1 right of renewal for 6yrs.

## Notes to the financial statements (continued)

*in New Zealand Dollars (\$000's)***16 Reconciliation of the profit for the year with the net cash from operating activities**

	2012	2011
Profit for the year	2,887	6,789
Adjustments for:		
Depreciation	18	23
Unrealised (gain)/loss on investments	(3,380)	(5,334)
Change in grants payables	167	42
Change in trade and other payables	(9)	(26)
Net cash from operating activities	(317)	1,494

**17 Related parties**

The Trust held 26 formal meetings during the year. The table below records each trustee's attendance at these formal meetings and the honorarium and meeting fees paid to each Trustee.

Meeting Attendance	Meeting Attendance	Honorarium	Meeting Fees	Total
		\$	\$	\$
Blanks, Peter (Dillon Committee Chair)	19/20	4	11	15
Brown, Gregg	17/18	2	11	13
Brown, Kenneth (Audit Committee Chair, Appointed 1 June 2011)	16/19	2	7	9
Cleghorn, Bill (Appointed 1 June 2011)	17/19	2	9	11
Cookson, Fred (Retired 30 May 2011)	2/3	1	1	2
Dillon, Mary (Chair)	23/23	8	18	26
Hammond, Karla	16/20	2	11	13
Hawker, Kylie (Appointed 1 June 2011)	13/18	2	6	8
Hudson, Linda (Retired 30 May 2011)	2/2	1	2	3
Kerr, Barry (Retired 30 May 2011)	4/4	1	2	3
Lewis, Pamela	26/26	3	11	14
Mahoney, Jenny (Deputy Chair)	18/21	6	12	18
Mihinui, Roku	14/17	2	8	10
Morris, Steve	16/18	2	7	9
Rea, Tracy (Appointed 1 June 2011)	19/20	2	9	11
Thompson, Paula (Chair, Retired 30 May 2011)	0/2	1	1	2
		41	126	167

During the year Trustees and Trust staff attended 173 separate formal and informal meetings and functions.

**18 Subsequent events**

There are no subsequent events at 31 March 2012 (2011: Nil).

**19 Commitments**

There was one loan approved during the financial period of \$1,000,000 which remains unpaid as at 31 March 2012 to the Tauranga Community Housing Trust.



## Independent auditor's report

### To the trustees of Bay of Plenty Community Trust Incorporated

#### Report on the financial statements

We have audited the accompanying financial statements of Bay of Plenty Community Trust Incorporated ("the trust") on pages 5 to 20. The financial statements comprise the statement of financial position as at 31 March 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Trustees' responsibility for the financial statements*

The trustees are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the trust's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, the trust.

#### *Opinion*

In our opinion the financial statements on pages 5 to 20:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the financial position of the trust as at 31 March 2012 and of its financial performance and cash flows for the year then ended.

***Other matter***

The financial statements of Bay of Plenty Community Trust Incorporated, for the year ended 31 March 2011, were audited by another auditor who expressed an unmodified opinion on those statements on 24 June 2011.

**Report on other legal and regulatory requirements**

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Bay of Plenty Community Trust Incorporated as far as appears from our examination of those records.

*KPMG*

27 June 2012  
Tauranga