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BAY OF PLENTY COMMUNITY TRUST INCORPORATED

FINANCIAL STATEMENTS

PURSUANT TO SECTION 13 OF THE
COMMUNITY TRUSTS ACT 1999

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Bay of Plenty Community Trust Incorporated**Directory****For the year ended 31 March 2013**

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:

Gregg Brown (Chair)
Tracy Rea (Deputy Chair)
Kenneth Brown
Michael Christensen, JP
Bill Cleghorn, QSM, JP
Karla Hammond
Kylie Hawker-Green
Pam Lewis
Jenny Mahoney, JP
Nigel McAdie
Roku Mihinui
Steve Morris

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

FIDUCIARY MANAGERS

Russell Investment Group Limited
Sydney

SOLICITORS:

Sharp Tudhope
Tauranga

Bay of Plenty Community Trust Incorporated

Chair and Trust Manager report For the year ended 31 March 2013

What a great time to be in the Bay of Plenty! We are delighted to be able to report on an exceptionally positive 12 months for your Community Trust.

In the 12 months to 31 March 2013 BayTrust approved a total of \$2.546m in grants (2012 \$2.285m) to 118 community organisations including \$95,595 in Dillon Scholarships (2012 \$143,000) to 53 tertiary students with disabilities.

BayTrust's Investments returned \$17.641m (12%) (2012 \$6.846m, 4.8%) over the year, one of the Trust's best-ever yields and this has enabled it to not only grant the \$2.5m referred to above but to maintain its reserving for the effects of inflation and also to add significantly to its Grants Maintenance Reserve (GMR) – the buffer which allows grants to continue even in negative income years. The Trust works to statistically-calculated reserving levels for this buffer and by year end the GMR had reached the lower level (the first time since 2010).

The short-medium term outlook for investments generally is much-reduced from previous years (remember when home mortgages were nearly 9% and term deposit rates not much less?) The Trust has therefore had to also reduce its expectations of future income but has committed to granting at least \$2m a year.

At year-end actual net Capital was \$160.1m, up from \$146.9m at 31 March 2012.

Other highlights of the BayTrust year include:

- A further 3-year renewal of the BayTrust/Sport BoP CoachForce programme from 1 July 2013; providing \$1.268m towards gaining, training and retaining sports coaches in the Bay.
- Also a further 3-year renewal of the Rotorua-based BayTrust Rescue Helicopter operated by the Philips Search & Rescue Trust, \$600,000.
- Funding of the Neighbourhoods of Healthy Homes project in Kawerau along with the Eastern Bay Energy Trust and the KDC. This is a high-engagement, community-led project focused on community enhancement and development through the vehicle of housing improvement. BayTrust has funded \$400,000 into this through its innovative Henry Duncan Fund.
- Continued support for Opotiki District Council's Harbour Development strategy as an impetus for major social and economic development in the Eastern BOP.
- In July 2012 the Trust entered a three-year Fiduciary Management Agreement with Seattle-based Russell Investment Group. This formalised a developing relationship with the firm which has been the Trust's investment advisor since 1997 and allows the Trust to benefit from more efficient investment implementation and adjustments to global market conditions. At the same time, the Trust entered into a monitoring arrangement with Auckland-based Actuaries Melville Jessup Weaver to provide formal, independent monitoring of the Russell performance.
- The Trust invited Steven Bowman (Conscious-Governance.com) to run one-day Master Classes in Strategic Leadership & Innovation for Community groups in Rotorua and Tauranga and very heavily subsidised the fees so that price would not be a barrier to attendances. In total 126 people from 64 organisations attended the sessions and feedback has indicated they were very well received with some groups implementing exciting changes in their governance practices.

Steve Bowman also facilitated the Trust's Strategic Planning workshop in February this year. Trustees have now adopted a vibrant new Plan for the next three years concentrating on closer community connections, a broader range of community support mechanisms and a tighter focus on where and how Trust support should be directed.

During the year under review Trustees Mary Dillon (Tauranga) and Peter Blanks (Taupo) retired and Michael Christensen (Tauranga) and Nigel McAdie (Taupo) were appointed to the Board. Both Mary and Peter had served 4 years and Mary had been Chair from September 2010.

Gregg Brown from Rotorua was elected Chair in September 2012 with Tracy Rea (Tauranga) as his Deputy.

We offer our sincere congratulations to all Bay of Plenty community groups and their supporters for their efforts and achievements over the past 12 months and we thank all Trustees and staff for their on-going enthusiasm, energy and commitment to the community through the work of BayTrust

Gregg Brown
Chair



Bruce W. Cronin
Trust Manager



27 June 2013

Bay of Plenty Community Trust Incorporated

Statement of comprehensive income

For the year ended 31 March 2013

in New Zealand Dollars (\$000's)

	Note	2013	2012
Revenue	4	17,720	6,917
Less Expenses			
Portfolio management and advisory fees		816	801
Other expenses	5	1,117	944
Grants Expenditure	6, 20	2,546	2,285
Surplus for the year		13,241	2,887
Total comprehensive income		13,241	2,887

Statement of changes in equity

For the year ended 31 March 2013

in New Zealand Dollars (\$000's)

	Trust capital	Retained earnings (deficit)	Grants maintenance reserve	Inflation & population growth reserve	Total
Balance at 1 April 2011	89,308	-	13,597	41,102	144,007
Surplus / Total comprehensive income	-	2,887	-	-	2,887
Reserves transfers	-	(2,887)	(4,025)	6,912	-
Balance at 31 March 2012	89,308	-	9,572	48,014	146,894
Balance at 1 April 2012	89,308	-	9,572	48,014	146,894
Surplus / Total comprehensive income	-	13,241	-	-	13,241
Reserves transfers	-	(13,241)	11,868	1,373	-
Balance at 31 March 2013	89,308	-	21,440	49,387	160,135

The notes on pages 6 to 21 are an integral part of these financial statements.

Bay of Plenty Community Trust Incorporated

Statement of financial position

As at 31 March 2013

in New Zealand Dollars (\$000's)

	Note	2013	2012
Assets			
Property, plant and equipment	9	47	54
Loans	11	825	1,162
Investment in Te Kete Putea Limited Partnership	10	90	-
Investments	14	159,607	145,107
Total non-current assets		160,569	146,323
Loans	11	88	182
Short term deposits	12	279	456
Cash and cash equivalents	12	275	255
Total current assets		642	893
Total assets		161,211	147,216
Trust equity			
Trust capital		89,308	89,308
Grants maintenance reserve	13	21,440	9,572
Retained earnings / (deficit)		-	-
Inflation and population growth reserve	13	49,387	48,014
Total equity		160,135	146,894
Liabilities			
Grants Payable	7	845	232
Trade and other payables		231	90
Total current liabilities		1,076	322
Total liabilities		1,076	322
Total equity and liabilities		161,211	147,216

The notes on pages 6 to 21 are an integral part of these financial statements.

Signed on behalf of the Board of Trustees;

Chair:.....

Trustee:.....

Date: 27 June 2013

Bay of Plenty Community Trust Incorporated**Statement of cashflows****For the year ended 31 March 2013***in New Zealand Dollars (\$000's)*

	Note	2013	2012
Cashflows from operating activities			
Investment income		738	3,537
Cash paid to suppliers, employees and trustees		(1,565)	(1,735)
Grants paid to the community		(1,932)	(2,119)
Net cash from operating activities	16	(2,759)	(317)
Cashflows from investing activities			
Acquisition of property, plant and equipment		(5)	(16)
Disposal of investments		2,550	4,192
Acquisition of investments		-	(2,768)
Loans Issued / Received		234	(1,107)
Net cash used in investing activities		2,779	301
Net (decrease)/increase in cash and cash equivalents		20	(16)
Cash and cash equivalents at 1 April		255	271
Cash and cash equivalents at 31 March	12	275	255

The notes on pages 6 to 21 are an integral part of these financial statements.

Bay of Plenty Community Trust Incorporated

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 2013.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

(c) Functional and presentation currency

These financial statements are presented in thousands of New Zealand dollars and rounded to the nearest thousand dollars (\$000's) which is the functional currency of the Trust, with the exception of note 20.

(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 the process of applying the Trust's accounting policies management have made judgements regarding whether or not discretionary grants are payable at year end or if discretionary grants are contingent liabilities at year end. This potentially has a significant effect on the amounts recognised in the financial statements. Grants payable are discretionary grants where there are no significant conditions attached to the grant at balance date or where the significant conditions attached to the grant have been met at balance date. Grants that are classified as contingent liabilities at year end are discretionary grant obligations at balance date that are reliant on additional funding or have other significant conditions attached to them to go ahead with a specified project. Refer to note 7 for the grants payable at 31 March 2013 and note 8 for contingent liabilities.

(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.

Bay of Plenty Community Trust Incorporated**Notes to the financial statements (continued)****3 Significant accounting policies**

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the previous year.

(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 and is recognised in profit or loss.

(b) Financial instruments**Financial Assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held to maturity' investments, 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

The Trust classifies its investments as financial assets at fair value through profit or loss. These financial assets are designed by management at fair value through profit or loss at inception.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Trust's Statement of Investment Policies and Objectives and information is provided internally to key management personnel on that basis.

Regular-way purchases and sales of investments are recognised on the trade date, being the date on which the Trust commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investment have expired or the Trust has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in profit or loss. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are presented in profit or loss in the period in which they arise. Interest income from financial assets at fair value through profit or loss is recognised in profit or loss within interest income using the effective interest method. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss within dividend income when the Trust's right to receive payment is established.

Available for Sale Financial Assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. The investment in Te Kete Putea Limited Partnership (TKPLP) is classed as an 'available for sale' financial asset. The investment represents the Trust's share of an integrated donations and financial management system, owned collectively by 11 Community Trusts. TKPLP is stated at fair value.

The fair value of TKPLP is determined using an appropriate valuation technique

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of 3 months or less (note 12).

Bay of Plenty Community Trust Incorporated**Notes to the financial statements (continued)****3 Significant accounting policies (continued)****Short term deposits**

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Trust's loans and receivables comprise 'loans'.

Loans and receivables are initially recognised at fair value plus transaction costs. The fair value of long term receivables or loans that are interest free or have interest rates below market values is estimated using the present value of all future cash flow receipts discounted using the prevailing market rate of interest for similar instruments with a similar credit rating. After initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset and of 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, or where appropriate, a shorter period, to the net carrying amount of the financial asset.

The Trust assesses at each balance sheet date whether there is objective evidence that a loan or receivable is impaired.

Trade and other payables

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

(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 8).

**(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.

Bay of Plenty Community Trust Incorporated**Notes to the financial statements (continued)****3 Significant accounting policies (continued)****(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 financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised costs, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of a provision. When a trade receivable is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against the provision. Changes in the carrying amount of the provision are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(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.

Bay of Plenty Community Trust Incorporated

Notes to the financial statements (continued)

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. Sick leave is recognised when the leave is taken and measured at the rates paid.

(g) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Trust's activities. Revenue is shown net of Goods and Services Tax, returns, rebates and discounts.

The Trust recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Trust and when specific criteria have been met for each of Trust's activities, as described below.

(i) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iii) Sale of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(h) New standards and interpretations not yet adopted

A number of new standards are not yet effective for the year ended 31 March 2013 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 2015 financial statements, is not expected to have any impact on the financial statements.
- The Trust has not early-adopted any NZ IFRSs.
- Standards and interpretations in issue not yet effective.

The Trust has reviewed all other standards and interpretations issued by the Financial Reporting Standards Board that are not yet adopted, and does not expect these standards to have any material impact on the financial statements of the company.

- The Minister of Commerce has approved a new Accounting Standards Framework developed by the External Reporting Board (XRB). This framework incorporates a tier strategy. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. As the Public Benefit Entity Accounting Standards have only recently been issued, the Trust is unable to assess the implications of the new Accounting Standards Framework at this time.

Bay of Plenty Community Trust Incorporated

Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

4 Revenue

	2013	2012
Interest received	86	328
PIE Income	586	-
Fair Value Investment gains and losses	16,969	6,518
Miscellaneous Income	60	-
Conference Income	19	-
Fair value movement on loans and receivables	-	71
Total revenue	17,720	6,917

5 Other expenses

	2013	2012
Accountancy fees	9	13
Depreciation	11	19
Office operating costs	58	77
Office lease expenses	59	67
Trust administration	241	212
Employer kiwisaver contribution	7	6
Wages and salaries	300	325
Trustees' Remuneration (note 17)	164	167
Reimbursement of trustee expenses	32	42
Vehicle expenses	7	7
Fair value movement on loans and receivables	217	-
	1,105	935
Auditor's remuneration to KPMG		
- audit of financial statements	12	9
Total auditor's remuneration	12	9
Total other expenses	1,117	944

6 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.

	2013	2012
Active	598	484
Community Economic Development	233	617
Culture and Heritage	88	85
Education	31	102
Health	1,518	957
Dillon Scholarship	96	116
Grants Refunded or Cancelled	(18)	(76)
Total Grants	2,546	2,285

A full list the grants expenditure can be found in note 20.

7 Grants payable

Grants recipient	2013	2012
Kawerau District Council	245	-
Sport Bay of Plenty	100	-
Dillon Recipients	-	7
Philips Search & Rescue Trust	500	100
Whakatane District Council	-	125
Total	845	232

Bay of Plenty Community Trust Incorporated

Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

8 Contingent liabilities

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

Grants recipient	2013	2012
Get Smart Tauranga Trust	5	-
Te Awanui Hauora Trust	20	-
Nga Watene Maori O Te Rohe Potae Regional Assn	5	-
Matata Community Resource Centre	11	-
Summerfest Charitable Trust	3	-
Te Roopu-A-Iwi-O Te Arawa	10	-
Dillon Recipients	7	-
Sport Bay of Plenty	1,268	500
Energy Options Charitable Company Limited	-	400
The Lake Taupo Arts Festival	-	10
Tauranga Jazz Society Incorporated	-	10
Total	1,329	920

9 Property, plant and equipment

	Furniture & fittings	Office equipment	Motor vehicle	Total
Cost				
Balance at 1 April 2011	60	55	32	147
Additions	7	8	-	15
Disposals	(1)	(10)	-	(11)
Balance as at 31 March 2012	66	53	32	151
Balance at 1 April 2012	66	53	32	151
Additions	2	3	-	5
Disposals	-	(16)	-	(16)
Balance as at 31 March 2013	68	40	32	140
Depreciation				
Balance at 1 April 2011	40	40	9	89
Depreciation for the year	4	8	7	19
Disposals	-	(10)	-	(10)
Balance as at 31 March 2012	44	38	16	98
Balance at 1 April 2012	44	38	16	98
Depreciation for the year	3	5	3	11
Disposals	-	(15)	-	(15)
Balance as at 31 March 2013	47	28	19	94
Carrying amounts				
At 1 April 2011	20	15	23	58
At 31 March 2012	23	15	16	54
At 1 April 2012	23	15	16	54
At 31 March 2013	22	12	13	47

Bay of Plenty Community Trust Incorporated

Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

10 Investment in Te Kete Putea Limited Partnership

The Trust and ten of the other eleven Community Trusts established under the 1988 Trustee Bank Restructuring Act have combined resources to own and operate an integrated donation management and financial management information system. The system has been implemented and final development was completed during the financial year. The system is owned and operated by a limited partnership named Te Kete Putea Limited Partnership (TKPLP) which was established in the current financial year. The total cost of the project was \$2,380,000.

In the previous year the Trust's contribution were recorded as 'Loans' in the Statement of Financial Position. This was an unsecured interest free loan to ASB Community Trust which agreed to undertake work on the project and incur project commitments. On formation of TKPLP, the loan from the Trust was extinguished by being retained and applied by ASB Community Trust towards the Trust's capital contribution to TKPLP.

The capital of the limited partnership consists of 10,000 units and each Trust holds units broadly in proportion to its audited capital at 31 March 2008.

The investment in TKPLP was initially valued at \$90k. Subsequent to initial recognition, the investment will be recorded at fair value. Fair value is determined using an appropriate valuation technique. The Trust classifies TKPLP as a Level 3 financial asset, as the valuation is not based on observable market data.

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		2013	2012
		%			
Rautahi Marae Trust	23/07/2015	0%	3	-	-
Habitat for Humanity	23/12/2015	0%	83	-	-
Tauhara Centre Trust	27/06/2016	3%	58	77	
West Rotorua Parish	1/04/2016	3%	60	113	
Paradise Point Development Trust	12/08/2017	3%	48	62	
Tauranga Boys' College	1/12/2015	3%	55	75	
Tauranga Squash Club	23/03/2017	3%	900	900	
Other			0	213	
Less fair value adjustment in initial recognition of low interest or interest free loans				(294)	(96)
Total				913	1,344
Classified as:					
Current				88	182
Non-current				825	1,162
Total				913	1,344

For the purposes of calculating amortised cost and interest, the rate applying to the Reserve Bank swap rate at inception date of each advance is used.

The loan to Tauranga Squash Club is secured by way of first mortgage, had an interest free period of one year, and then has had interest at 3%pa applied since 1 October 2012.

Bay of Plenty Community Trust Incorporated

Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

12 Cash and cash equivalents & short term deposits

	2013	2012
Bank balances	180	199
Call deposits	95	56
Cash and cash equivalents	275	255
Short term deposits	279	456
Short term deposits	279	456

13 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 2012 was 1.0%, requiring an addition of \$1.4m to the Reserve.

The Trust also has a policy of reserving, when conditions permit, for some population growth in its territory. This policy was discarded in February 2013.

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.

Bay of Plenty Community Trust Incorporated

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, which is achieved by investing in hedged funds.

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.

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

	2013	2012
Cash and cash equivalents	275	255
Short term deposits	279	456
Loans	912	1,344
	<u>1,466</u>	<u>2,055</u>
Investment in Te Kete Putea Limited Partnership	90	-
<i>Investments</i>		
NZ fixed interest debt securities	9,124	9,527
Australasian equities	9,365	7,409
Global bonds	76,758	69,610
Global equities	64,360	58,561
Global property	-	-
Total investments designated at fair value through profit or loss	<u>159,607</u>	<u>145,107</u>
Total financial assets	<u>161,163</u>	<u>147,162</u>

Management of the interest rate risk is performed by the fund managers by use of interest rate swaps.

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:

	Statement of Financial Position	Contractual cash flows	6 months or less	6-12 months	1 to 2 years	2 to 5 years	More than 5 years
Trust 2013							
Grants Payable	845	845	200	223	322	100	
Trade and other payables	208	208	208				
Total	1053	1053	408	223	322	100	0
Trust 2012							
Grants Payable	232	232			232		
Trade and other payables	58	58	58				
Total	290	290	58	0	232	0	0

Employee Entitlements have not been included as they are not a financial liability

Capital management

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

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.

Sensitivity analysis

Table 1 shows the Trust's portfolio as at 31 March 2013 as well as the long term expected return. 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 2013

	Asset allocation (31 March 2013)	Long term expected return p.a.	-1 Std deviation return p.a.	+1 Std deviation return p.a.
Investment Portfolio	100.00%	6.00%	-2.10%	14.10%

Bay of Plenty Community Trust Incorporated

Notes to the financial statements (continued)

in New Zealand Dollars (\$000's)

14 Financial instruments (continued)

From table 1, it can be seen that the long term expected return for the Trust's portfolio is currently 6.0% 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 14.1%.

As at 31 March 2013 the Trust's portfolio had NZ\$159.7m under management. Based on information provided by Russell, 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 -\$3.4m to \$22.5m, with expected revenue of \$9.6m for the year 1 April 2013 to 31 March 2014.

Table 1 shows the Trust's portfolio as at 31 March 2012 as well as the long term expected return. 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 2012

	Asset allocation (31 March 2012)	Long term expected return p.a.	-1 Std deviation return p.a.	+1 Std deviation return p.a.
Investment Portfolio	100.00%	6.50%	-2.10%	15.10%

From table 2, 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%.

As at 31 March 2012 the Trust's portfolio had NZ\$145.1 m under management. Based on information provided by Russells, 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.

Estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in note 3.

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.

Bay of Plenty Community Trust Incorporated

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 directly (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).

31 March 2013	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss				
Unlisted unit trust - NZ fixed interest debt securities	-	9,124	-	9,124
Unlisted unit trust - Australasian equities	-	9,365	-	9,365
Unlisted unit trust - Global bonds	-	76,758	-	76,758
Unlisted unit trust - Global equities	-	64,360	-	64,360
Te Kete Putea Limited Partnership	-	-	90	90
Total	-	159,607	90	159,697

There have been no transfers between levels in either direction during the year (2012: nil).

31 March 2012	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss				
Unlisted unit trust - NZ fixed interest debt securities	-	9,527	-	9,527
Unlisted unit trust - Australasian equities	-	7,409	-	7,409
Unlisted unit trust - Global bonds	-	69,610	-	69,610
Unlisted unit trust - Global equities	-	58,561	-	58,561
Total	-	145,107	-	145,107

In previous years financial statements 'unlisted unit trusts' were classified as level 1 in the fair value hierarchy. This year they have been classified as level 2 as we consider this better aligns with market practice. The comparatives have been updated to reflect this change.

All fair value gains and losses are shown in Note 4.

15 Operating leases

Leases as lessee

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

	2013	2012
Less than one year	68	34
Between one and five years	305	372
Total	373	406

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

Bay of Plenty Community Trust Incorporated

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

	2013	2012
Profit for the year	13,241	2,887
Adjustments for:		
Depreciation	11	18
Unrealised (gain)/loss on investments	(16,963)	(3,380)
Fair value movement on loans and receivables	199	-
Change in grants payables	614	167
Change in trade and other payables	139	(9)
Net cash from operating activities	<u>(2,759)</u>	<u>(317)</u>

17 Related parties

The Trust held 28 formal meetings during the year. The table below records each Trustees attendance at these formal meetings and the remuneration paid to each Trustee.

	Meeting Attendance	Remuneration \$
Blanks, Peter (Retired 31 August 2012)	9/9	6
Brown, Gregg (Chair from 1 October 2012)	25/25	18
Brown, Kenneth (Audit Committee Chair)	18/23	13
Christensen, Michael (Appointed 1 September 2012)	8/12	7
Cleghorn, Bill (Investment Committee Chair)	25/25	12
Dillon, Mary (Retired 31 August 2012)	11/11	10
Hammond, Karla	14/19	12
Hawker-Green, Kylie	17/21	13
Lewis, Pamela (Dillon Committee Chair)	24/25	13
Mahoney, Jenny	14/19	14
McAdie, Nigel (Appointed 1 September 2012)	13/13	8
Mihinui, Roku	13/19	12
Morris, Steve	20/20	12
Rea, Tracy (Deputy Chair)	24/27	14
		<u>164</u>

During the year Trustees and Trust staff attended 128 separate formal and informal meetings and functions.

There are no amounts payable to Trustees at balance date.

Trustees are considered to be the key management personnel of the Trust.

18 Subsequent events

There are no subsequent events at 31 March 2013 (2012: Nil).

19 Commitments

There were three loans approved in principle during the financial period totaling \$1,490,000 which remain unpaid as at 31 March 2013. The loans relate to the Tauranga Community Housing Trust, The Elms and Theatre Whakatane.

Bay of Plenty Community Trust Incorporated

Notes to the financial statements (continued)

in New Zealand Dollars

20 Grants expenditure for the year ended 31 March 2013

Active

Coastguard Eastern Region Assn Inc	20,000
Haka Fitness Charitable Trust	1,000
Lake Okareka Fire Force Inc	10,000
Lake Taupo District Girl Guiding NZ	5,000
Mt Maunganui Lifeguard Service Inc	15,000
Ngongotaha Scout Group	500
Opotiki Surf Lifesaving Club	9,000
Opotiki Tae Kwon Do Inc	3,000
Pukehina Surf Rescue Lifeguard Service	2,000
Special Olympics Tauranga	2,000
Sport Bay of Plenty Charitable Trust Board Inc	523,000
Tauranga Emergency Communications Group Inc	2,260
Tauranga Harbour Challenge	1,300
Tauranga Search and Rescue Inc	2,000
Waimarino Education Trust	2,000
Sub-Total	598,060

Community Economic Development

Kia Ora Eastern Bay	8,910
Inspiring Communities	25,000
Ko Te Tuara Totara o Fordlands Inc	12,500
Linton Park Community Trust	12,500
Mount Maunganui Community Patrols	1,500
Neighbourhood Support Rotorua Inc	8,000
NZ Federation of Family Budgeting Services Inc	5,000
Opotiki District Council	92,000
Taupo Budget Advisory Service Inc	12,000
Taupo Council of Social Services	12,000
Taupo Neighbourhood Support	10,000
Turangi Budget Service Inc	15,000
Welcome Bay Community Centre Inc	15,000
Western Bay Neighbourhood Support (2009) Inc	4,000
Sub-Total	233,410

Culture and Heritage

Detour Theatre Trust	10,000
Mural Town [Katikati] Twilight Concerts	3,000
New Zealand Aria Trust	10,000
New Zealand Special Air Service Assn Inc	2,500
Ngati Awa Community Development Trust	5,000
NZ Garden & Artfest Trust	10,000
Rotorua Lakeside Concert Charitable Trust	7,000
Tauranga Art Gallery Trust	10,000
Tauranga Jazz Society Inc	10,000
The Lake Taupo Arts Festival Trust	10,000
The National Woodskills Trust	4,000
The Stage Challenge Foundation	6,000
Sub-Total	87,500

Education

B.O.P. Children's Literature Association	1,610
Community Research	3,750
Funding Information Service	2,475
Hamurana Playcentre	656
Mamaku Playcentre	805
Priority One - Western BoP Inc	10,000
Storytime Foundation Trust	7,000
Summerhill A1 Academy Ltd	3,000
Young Workers Resource Centre	1,500
Sub-Total	30,796

Health

Age Concern Rotorua	10,000
Alzheimers Society Eastern Bay of Plenty Inc	5,000
Aratika Charitable Trust	7,500
ATE. A.M. Breakfast Club	1,000
Atua Awhi Community Charitable Trust	2,000
Auckland District Kidney Society Inc	10,000
Beachaven Community House	11,478
Big Brothers Big Sisters of Taupo Inc	12,000
BOP Multiple Sclerosis Society	15,000
Brain Injury Association Rotorua Inc	3,000
Café for Youth Health	1,815
Canteen Bay of Plenty	10,000
Catholic Diocese of Hamilton	3,200
Central Plateau Parkinsons Support Group	10,000
Child Matters	5,000
Energy Options Charitable Company Ltd	25,000
Families Achieving Balance Charitable Trust	15,000
Get Smart Tauranga Trust	15,000
Growing through Grief - Rotorua	2,500
Growing through Grief - Tauranga	5,000
Headway Brain Injury Association BOP Inc	5,000
Katikati Christian Helpline	2,000
Katikati Community Resource Centre	15,000
Kawerau Assembly of God KMA Foodbank	2,000
Kawerau Blue Light Ventures Inc	15,000
Kawerau District Council	400,000
Kidz Need Dadz	10,000
La Leche League, Katikati	1,000
Living Well Church Charitable Trust	1,000
Maketu Ongatoro Wetland Society Inc	9,640
Mangakino Family Services Inc	5,000
ME/CFS Support Group (BoP) Inc	10,000
NZ Council of Victim Support Groups Inc	8,000
Opotiki Blue Light Ventures Inc	20,000
Pacific Island Community (Tauranga) Trust	10,000
Papamoa Support Centre	13,000
Parents Inc	3,000
Parkinsonism Society Inc Tauranga	7,500
Philips Search & Rescue Trust	600,000
Pregnancy Counselling Services	4,000
Pregnancy Help Inc - Taupo	5,000
Prisoners' Aid & Rehabilitation Society of the Rotorua District Inc	3,500
Shakti Ethnic Women's Support Group (Central Region)	15,000
St Chads Communication Centre Trust	10,000
St Peters Care & Counselling Charitable Trust	15,000
St Vincent de Paul Society - Rotorua	2,000
St Vincent de Paul Society - Whakatane	1,000
Stroke Foundation Midland Region	8,000
Taupo Autistic Spectrum Disorder	1,000
Taupo La Leche League	800
Taupo Maori Wardens Assoc Inc	3,000
Taupo Violence Intervention Network	15,000
Tauranga (BoP) Hearing Association Inc	10,000
Tauranga Community Housing Trust	15,000
Tauranga La Leche League	3,000
Tauranga Moana Restorative Justice Trust	10,000
Tauranga South Community Patrol	3,000
Te Awhina Support Services Inc	1,000
Te Kaha Wellness & Education Charitable Trust	1,000

Bay of Plenty Community Trust Incorporated

Notes to the financial statements (continued)

in New Zealand Dollars

20 Grants expenditure for the year ended 31 March 2013 (continued)

Health (continued)

Te Puke Community Care Trust	15,000
Te Puke Community Hub Charitable Trust	2,500
Te Tuinga Whanau Family Support Services Trust	10,000
The Chrysalis Society Inc	10,000
The Kauri Centre	10,000
The Salvation Army Rotorua Community Ministries	2,000
The Salvation Army Whakatane Community Ministries	2,000
WBoP Disability Support Trust	4,000
Youth Development Trust WBoP	30,000
Sub-Total	1,518,433

Grants refunded or cancelled

Upper Central Rugby League	(4,540)
Tauranga Emergency Communications Group Inc	(363)
Omanu Beach Surf Lifesaving Club	(1,136)
Marotiri Hall Trust	(1,662)
NZ Garden & Artfest Trust	(10,000)
Sub-Total	(17,701)

Total Grants

2,450,498

Dillon Scholarships

Salvador Araya	1,000
Bevan Billington	1,500
Kyle Burling	2,000
Johanna Burns	2,500
Renee Callingham	2,000
Maria Chan	1,500
Jessica Conn	1,000
Oliver Cook	2,000
Alysha Cooke	1,500
Daniel Crawford	1,000
Dane Cutler	1,000
Ian Davis	2,000
Corey Dawber	2,000
Rentia de Vries	2,000
Candyce Eltringham	2,000
Hollee Fisher	3,000
Connor Flemming	2,000
Jane Hall	1,000
Amanda Hapeta	2,500
Samantha Harnett	2,000
Callum Hunter	1,500

Dillon Scholarships (continued)

Craig Irvine	1,000
Trish Jackson-Ormsby	1,500
Shannon Kahika - van der Heijden	3,000
Daniel Leonard	2,000
Angela Lindsay	2,500
Rebecca Mangan	2,000
Gina Matthews	1,000
Lance McColl	1,500
Aileen McKinstry	2,000
Jordyn McLean	1,000
Olivia Mexted	2,000
Kelly Nathan	2,000
Gillian Paterson	1,000
Sebastian Peden	3,000
Emmalee Powdrell	2,000
Axton Prior	2,000
Tania Purdon	1,000
Laurence Reeves	1,500
Hamish Reid	2,000
Stephanie Rorison	3,800
Jerusalem Singh	2,500
Michael Stewart	1,500
Hayden Sunnex	2,000
Buster Sutton	1,500
Haley Thomas	3,000
Margaret Tunbridge-Ross	1,000
Kim Turner	2,000
Babette Vosse	1,500
Kim Wilson	1,000
Mark Wilson	4,000
Katie Woodhead	1,500
Amy Woollams	3,000
Sub-Total	99,300

Dillon Scholarships received/cancelled/not uplifted

Bridgewater Associates	(1,205)
Jessica Conn	(1,000)
Danielle Neeson-Morgan	(1,500)
Sub-Total	(3,705)

Total Dillon Scholarships 95,595

Grand Total - Grants Expenditure 2,546,093



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 3 to 21. The financial statements comprise the statement of financial position as at 31 March 2013, 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 and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the trustees determines 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 3 to 21:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the trust as at 31 March 2013 and of its financial performance and cash flows for the year then ended.



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

28 June 2013
Tauranga