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ASB COMMUNITY TRUST

FINANCIAL STATEMENTS

PURSUANT TO SECTION 13 OF THE
COMMUNITY TRUSTS ACT 1999

ASB COMMUNITY TRUST**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2009**

	NOTE	2009 \$000	2008 \$000
REVENUE EARNED FROM:			
Investments	2	(201,314)	16,873
Other Income		2,862	2,412
Total Revenue for the year		<u>(198,452)</u>	<u>19,285</u>
LESS EXPENDITURE INCURRED			
Fund Management, Custodian and Advisory Fees		(1,792)	(2,426)
Other Expenditure	7	(4,240)	(3,661)
Grants committed during year	5.1	(33,643)	(60,603)
Grants written back during year		5,775	5,646
NET (DEFICIT) SURPLUS FOR THE YEAR		<u><u>(232,352)</u></u>	<u><u>(41,759)</u></u>

**STATEMENT OF MOVEMENT IN TRUST FUNDS
FOR THE YEAR ENDED 31 MARCH 2009**

		Opening Balance 1 April 2008 \$000	Transfers \$000	Additions \$000	Closing Balance 31 March 2009 \$000
Trust Capital:					
Original Capital		579,106	-	-	579,106
Capital Maintenance Reserve		214,581	23,811	-	238,392
Trust Capital	6.1	<u>793,687</u>			<u>817,498</u>
Reserves:					
General Reserve	6.2	225,000	(225,000)	-	-
Community Innovation Reserve	6.3	-	-	-	-
Asset Revaluation Reserve	6.4	-	-	892	892
Retained (Deficit) Surplus	6.5	2,308	(31,163)	-	(28,855)
Reserves		<u>227,308</u>			<u>(27,963)</u>
Trust Funds		<u><u>1,020,995</u></u>			<u><u>789,535</u></u>

The notes to these financial statements form part of and should be read in conjunction with this Statement of Financial Performance and Statement of Movement in Trust Funds.

ASB COMMUNITY TRUST**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2009**

	NOTE	2009 \$000	2008 \$000
ASSETS			
Cash at Bank		29,145	1,466
Sundry Accounts Receivable		670	380
Investments	4	823,094	1,098,679
Fixed Assets	3	2,915	1,991
TOTAL ASSETS		855,824	1,102,516
LIABILITIES:			
Sundry Accounts Payable		938	841
Outstanding Grants Payable	5.2	65,351	80,680
TOTAL LIABILITIES		66,289	81,521
NET ASSETS AT 31 MARCH		789,535	1,020,995

Represented by:

TRUST FUNDS

Original Capital	6.1	579,106	579,106
Capital Maintenance Reserve	6.1	238,392	214,581
General Reserve	6.2	-	225,000
Community Innovation Reserve	6.3	-	-
Asset Revaluation Reserve	6.4	892	-
Retained (Deficit) Surplus	6.5	(28,855)	2,308

TRUST FUNDS AT 31 MARCH**789,535****1,020,995**

Approved on behalf of the Board:



Chairman



Finance and Investment Committee Chair

Date 02 June 2009Date 02 June 2009

The notes to these financial statements form part of and should be read in conjunction with this Statement of Financial Position

	NOTE	2009 \$000	2008 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Revenue received from Interest		827	2,403
Revenue received from other activities		1,765	
Cash was disbursed on:			
Payment to suppliers, trustees and staff	(4,079)		(3,517)
Fund management and advisory fees	(1,797)		(2,664)
Grants to community organisations	<u>(43,197)</u>		<u>(42,911)</u>
		(49,073)	(49,092)
Net cash outflow from operating activities	10	<u>(46,481)</u>	<u>(46,689)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Receipts from fund managers		200,908	75,534
Proceeds of sale of Fixed Assets	3	2	
Cash was disbursed on:			
Transfers to fund managers		(126,637)	(43,000)
Purchase of fixed assets	3	<u>(113)</u>	<u>(96)</u>
Net cash inflow from investing activities		74,160	32,438
Net cash inflow (outflow) from activities		<u>27,679</u>	<u>(14,251)</u>
Add: Cash at bank at 1 April		1,466	15,717
Cash at Bank at 31 March		<u>29,145</u>	<u>1,466</u>
Cash at Bank at 31 March comprises:			
Cash at bank (overdrawn)		29,145	(67)
Call deposits		-	1,533
		<u>29,145</u>	<u>1,466</u>

The notes to these financial statements form part of and should be read in conjunction with this Statement of Cash Flows

ASB COMMUNITY TRUST**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009****1. STATEMENT OF ACCOUNTING POLICIES**

The ASB Community Trust ("the Trust") is the reporting entity. The Trust was formed on 30 May 1988 through the creation of a trust deed in compliance with the Trustee Banks Restructuring Act 1988. Under the terms of the trust deed the Trust was settled with 60 million \$1 fully paid ordinary shares in ASB Bank Limited representing 100% of the issued capital. As at 31 March 1988 the net tangible asset backing of those 60 million shares was \$147,655,000. In 1989 45 million shares were sold to the Commonwealth Bank of Australia for \$252,000,000 which was then donated to the ASB Charitable Trust. In October 2000, the remaining 15 million shares were sold to the Commonwealth Bank of Australia for \$545,000,000. On 27 February 2006 the Trustees of the ASB Charitable Trust resolved to distribute, on or before 31 March 2006, the capital of that Trust (including all accumulations of income and capital to that date less accrued liabilities) in specie to the ASB Bank Community Trust. Subsequent to this distribution the ASB Charitable Trust was wound up. The ASB Bank Community Trust formally changed its name to the ASB Community Trust by way a Deed dated 17 July 2006.

The Trust is a Public Benefit Entity which makes grants to qualifying not for profit entities in the Auckland and Northland region, and is domiciled in Auckland, New Zealand.

Basis of Preparation

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates Judgements and Uncertainties

The 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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements are made by management in the application of the New Zealand Equivalents of the International Financial Reporting Standards (NZ IFRS) that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 5: Grants and Note 9: Financial Assets and Liabilities.

The measurement basis adopted is that of historical cost except for financial assets and liabilities which are designated at fair value through profit or loss, and land and buildings which are revalued at five yearly intervals.

Reliance is placed on the fact that the Trust is a going concern. The Financial Statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and in accordance with, and compliance with the requirements of NZ IFRS, and other applicable financial reporting standards as appropriate for public benefit entities.

NZ IAS 1 Revised: Presentation of Financial Statements (revised) and NZ IFRS 7: Amendment Significance of Financial Instruments for Financial Position or Performance have been issued and are effective from accounting periods commencing on or after 1 January 2009. The Trust has assessed the effect of these statements and concluded that there will be no material impact.

The Trust's functional currency is New Zealand Dollars.

ACCOUNTING POLICIES:

Consolidated financial statements

Consolidated financial statements have not been prepared as the subsidiary companies have not traded since incorporation.

Statement of Cash Flows

Cash comprises cash at bank and call deposits but does not include cash or deposits held by the Fund Managers. Therefore the Statement of Cash Flows does not reflect the cash flows within the Fund Managers' portfolios.

Income from Dividends, Pooled Funds and Interest

Dividends are recognised as income on declaration date, and are recorded net of any imputation tax credits. Income from Pooled Funds comprises distributions, recognised on declaration date, and unrealised gains and losses. Interest is recognised on an accrual basis.

Grants

Grants are accounted for as they are committed to be distributed to eligible organisations approved by the Trustees. Committed grants are payable on the satisfaction of any conditions placed on the recipients. Grants no longer required or not fully utilised by grant recipients are shown separately in the Statement of Financial Performance as Grants written back.

Fixed and Intangible Assets

FIXED ASSETS:

Fixed Assets with exception of land and buildings are valued at cost, less accumulated depreciation and accumulated impairment losses. Commencing from 1 April 2008 land and buildings are revalued to market value five yearly. The gain on revaluation is recognised in a revaluation reserve in the Statement of Movements in Trust Funds.

In accordance with the provisions of New Zealand Institute of Chartered Accountants "Not for Profit Accounting Guide" buildings with a New Zealand Historic Places Trust classification are not depreciated as they are likely to increase in value. As from 1 April 2008 the Trust's building is no longer depreciated as it has a New Zealand Historic Places Trust classification and the useful life of the asset is considered indefinite.

INTANGIBLE ASSETS:

Intangible Assets are valued at the lower of cost or fair value, less accumulated depreciation and accumulated impairment losses.

Fixed Assets and Intangible Assets are reviewed annually to determine any impairment losses. Impairment losses are recognised in the Statement of Financial Performance

Depreciation, Amortisation and Impairment Losses

Depreciation is provided over the useful life of the assets on the diminishing value basis.

The rates used are those approved by Trustees as follows:.

	2009	2008
Land and Buildings	Nil	2% (Buildings)
Office Equipment & Furniture	9.5% - 60.0%	9.5% - 60%

Foreign Currency Transactions and Balances

Foreign Currency transactions are recorded in New Zealand dollars at the spot exchange rate applying at the date of the transaction.

All amounts denominated in foreign currencies at balance date are translated to New Zealand dollars at the balance date closing exchange rate.

All realised and unrealised gains and losses on foreign currency transactions are recognised in the Statement of Financial Performance.

Financial Assets

All assets that are financial instruments are recognised in the Statement of Financial Position.

All investments are initially recognised at fair value, being the fair value of consideration paid. After initial recognition, financial assets designated at fair value through profit or loss and are revalued to fair value at each reporting date.

For investments that are actively traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the Statement of Financial Position date.

All realised and unrealised gains or losses on investments are recognised in the Statement of Financial Performance.

Investments in pooled funds are valued at the unit exit price determined by the Fund Manager at the close of business on the Statement of Financial Position date.

Investment transactions are recorded by Fund Managers on a transaction date basis.

Financial assets are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Trust, as disclosed in Note 9.

The Trust uses financial instruments to reduce exposure to fluctuations in foreign currency denominated assets. Forward exchange contracts are entered into to hedge foreign currency denominated assets. These are converted to the New Zealand dollar rate at balance date with all realised and unrealised gains and losses being recognised in the Statement of Financial Performance.

The Trust derecognises a financial asset when and only when the contractual rights to cash flows from the financial asset expire.

Reserves

Transfers to the Capital Maintenance Reserve are based on the annual movement in the Consumer Price Index as described in Note 6.

Transfers to all other Reserves from the Retained Surplus are made at the discretion of the Trustees.

Taxation

The Income Tax Act 1994 provides exemption from income tax for Community Trusts established under the Trustee Banks Restructuring Act 1988. The amendment applied from the 2005 income year, and consequently no taxation has been provided for in these financial statements.

Changes in Accounting Estimates

The Trust's property known as Allendale House has a New Zealand Historic Places Trust classification. As from 1 April 2008 Allendale House is no longer depreciated as the Trustees consider the useful life indefinite. Previously Buildings were depreciated on a straight line basis at 2% of cost.

2. REVENUE

	2009 \$000	2008 \$000
Investments		
Net unrealised (losses) gains and distributions earned from Pooled Funds	(108,746)	(37,922)
Dividends	4,537	4,595
Interest	16,592	17,842
Realised (Losses) Gains from Segregated Accounts	(4,505)	13,202
Unrealised (Losses) Gains from Segregated Accounts	(10,479)	(28,943)
Realised Foreign Exchange (Losses) Gains	(132,423)	62,255
Unrealised Foreign Exchange (Losses) Gains	33,710	(14,156)
	<u>(201,314)</u>	<u>16,873</u>

This Revenue relates to Financial Assets at Fair Value through profit or loss.

3. FIXED ASSETS

	Cost \$000	Reval \$000	2009 Accumulated Depreciation \$000	Book Value \$000
Land and buildings	2,079	892	321	2,650
Office equipment and furniture	1,022	-	757	265
Total Fixed assets	<u>3,101</u>	<u>892</u>	<u>1,078</u>	<u>2,915</u>

	Cost \$000	Reval \$000	2008 Accumulated Depreciation \$000	Book Value \$000
Land and buildings	2,079	-	321	1,758
Office equipment and furniture	925	-	692	233
Total Fixed assets	<u>3,004</u>	<u>-</u>	<u>1,013</u>	<u>1,991</u>

Reconciliation of carrying value of Fixed Assets

	2009	2008
	\$000	\$000
Book value at 1 April	1,991	2,011
Plus Additions	113	96
Revaluation	892	-
Cost of assets sold	(17)	(8)
Depreciation	(79)	(116)
Depreciation on assets sold	15	8
Book value at 31 March	<u>2,915</u>	<u>1,991</u>

The first revaluation of the Trust's property at 50 Ponsonby Road Ponsonby Auckland (Allendale House) took place in August 2008. The valuation was undertaken by Colliers International NZ Limited, a qualified and independent, registered valuer. The valuation was based on the then current market value using an estimated market rental and capitalisation rates. The valuation took account of observable prices in an active market, and where estimates were used, on the basis of appropriate valuation techniques, one of the key assumptions being occupancy rates. Land and Buildings have been revalued to \$2.65 million, being the fair market value as determined by the valuation. The surplus on revaluation was \$892,000.

4. INVESTMENTS

	2009	2008
	\$000	\$000
Managed by External Managers		
Balance as at 1 April	1,098,679	1,114,340
Movement in market value and investment income	(201,314)	16,873
Net withdrawals	(74,271)	(32,534)
	<u>823,094</u>	<u>1,098,679</u>
Investments managed by external managers comprise	2009	2008
	\$000	\$000
Cash	43,281	59,550
Global Bond Funds	261,598	254,368
Global Equity Funds	268,635	366,867
Collateralised Commodity Futures Fund	23,763	71,720
Global Property Fund	10,563	23,474
New Zealand Equities	84,416	108,052
New Zealand Bonds	130,838	214,648

These are long term investments.

5. GRANTS**5.1 Committed during this year**

	2009	2008
	\$000	\$000
Committed and disbursed	13,707	16,571
Committed but unpaid	19,936	44,032
Total Grants approved and committed this year	<u>33,643</u>	<u>60,603</u>

5.2 Outstanding Grants Payable

	2009	2008
	\$000	\$000
Committed in previous years	45,415	36,648
Committed but unpaid this year	19,936	44,032
	<u>65,351</u>	<u>80,680</u>

Reconciliation of Outstanding Grants	2009	2008
	\$000	\$000
Opening Balance at 1 April	80,680	68,634
Plus Grants committed during year	33,643	60,603
Less; Grants paid during year	(43,197)	(42,911)
Grants Written Back	(5,775)	(5,646)
Closing Balance 31 March	<u>65,351</u>	<u>80,680</u>

Committed but unpaid grants are held as current liabilities pending the satisfaction of conditions under which the grant was made. At balance date Committed but unpaid Grants totalled \$65.3 million (2008: \$80.7 million). The timing of the payment of these Grants is uncertain.

Committed but unpaid grants at 31 March 2009 had the following profile:

Financial Year Approved	Number of Grants Outstanding	Value \$000
2005	1	56
2006	5	9,297
2007	25	12,177
2008	102	23,885
2009	245	19,936

Committed but unpaid grants at 31 March 2008 had the following profile:

Financial Year Approved	Number of Grants Outstanding	Value \$000
2002	1	12
2005	2	92
2006	15	16,004
2007	89	20,540
2008	455	44,032

6. TRUST FUNDS AND RESERVES

6.1 Original Capital and Capital Maintenance Reserve

Trust Capital

	2009 \$000	2008 \$000
Original Capital	579,106	579,106
Capital Maintenance Reserve		
Balance at 1 April	214,581	188,483
Transfer from Retained (Deficit) Surplus	23,811	26,098
Trust Real Capital	<u>817,498</u>	<u>793,687</u>

The Original Capital of the Trust arose from the sale of shares in the ASB Bank Limited. The Original Capital and the Capital Maintenance Reserve form the Trust Capital. Trustees are required to preserve the Trust Capital for the benefit of present and future generations. This is achieved by setting aside each year sufficient sums from Reserves to increase the Trust Capital by the annual rate of inflation as measured by the Consumer Price Index.

6.2 General Reserve

	2009 \$000	2008 \$000
Balance at 1 April	225,000	200,000
Transfer From Community Innovation Reserve	-	25,000
Transfer to Retained (Deficit) Surplus	(225,000)	-
Total General Reserve	<u>-</u>	<u>225,000</u>

The General Reserve formed part of the Trust Fund for the purpose of providing a stable flow of grants to the community during times of adverse investment earnings. As a result of the extraordinary global economic events of the 2008/09 financial year, which led to a significant decline in the value of the Trust's investment portfolio, Trustees resolved to transfer the balance of funds held in General Reserve to Retained Surplus, to partially offset the recorded deficit for the year.

6.3 Community Innovation Reserve

	2009	2008
	\$000	\$000
Balance at 1 April	-	51,679
Committed this year	-	-
Transfer to Retained (Surplus) Deficit	-	(26,679)
Transfer to General Reserve	-	(25,000)
Total Community Innovation Reserve	<u>-</u>	<u>-</u>

As a result of the exceptional investment returns achieved in the 2005/06 year, the Trustees resolved to establish a Community Innovation Reserve of \$65 million. This reserve was dis-established on 31 March 2008.

6.4 Asset Revaluation Reserve

	2009	2008
	\$000	\$000
Balance at 1 April	-	-
Revaluation this year	892	-
Balance at 31 March	<u>892</u>	<u>-</u>

Details of the Asset Revaluation Reserve are set out in Note 3: Fixed Assets

6.5 Retained (Deficit) Surplus

	2009	2008
	\$000	\$000
Net (Deficit) surplus for year	(232,352)	(41,759)
Total recognised Income and Expenditure for year	(232,352)	(41,759)
Opening Balance	2,308	43,486
Transfer from Community Innovation Reserve	-	26,679
Transfer from General Reserve	225,000	-
Transfer to Capital Maintenance Reserve	(23,811)	(26,098)
Total (Deficit) Surplus at 31 March	<u>(28,855)</u>	<u>2,308</u>

The Retained Deficit at 31 March 2009 represents the extent to which the Trust Fund is below the Trust's Real (inflation proofed) Capital. When in surplus the balance forms part of the Trust Fund which is used to provide a stable flow of grants to the community during times of adverse investment earnings.

The Trust Real (inflation proofed) Capital and Reserves form the Trust Fund and maintain the capital base of the Trust.

7. OTHER EXPENDITURE

	2009	2008
	\$000	\$000
OTHER EXPENDITURE		
Audit fees	42	53
Depreciation - Land and Buildings	-	21
Depreciation - Office Equipment and Furniture	79	95
Legal fees	62	40
Occupancy costs	106	72
Other operating costs	1,311	952
Public and statutory reporting	165	177
Staff expenses	2,062	1,871
Trustees' fees	277	256
Trustees' expenses	127	123
Tax Advice (paid to KPMG - Auditors)	9	1
	<u>4,240</u>	<u>3,661</u>

8. RELATED PARTY INFORMATION

The following companies have been established by the Trust:

Name	Interest Held	Balance Date	Principle Purpose
ASB Trusts Amateur Public Sports Promotion Limited	100%	31 March	Grants to amateur sport bodies
ASB Community Trust Charitable Purposes Limited	100%	31 March	Grants for specific charitable purposes

These subsidiaries were incorporated on 29 March 2001. They have not traded since incorporation.

ASB Community Trust Charitable Purposes Limited is a registered charity under the Charities Act 2005. Its registration number is CC38999. On 31 March 2008 the Trust committed, but has not paid, a grant of \$17 million to the ASB Community Trust Charitable Purposes Limited to further the objectives of the company. The balance of this grant outstanding at 31 March 2009 was \$12.1 million, the difference being grants written back in the current year.

The Trustees are the key management personnel of the Trust as defined by NZ IAS 24: Related Party Disclosures. As the Trustees are not employees of the Trust, they do not receive short term employee benefits, post employment benefits, other long term benefits, or termination benefits. Trustees are appointed by the New Zealand Government and remunerated at rates set by the Government. These rates were last set in June 2002. During the year Trustees received honoraria and meeting fees as follows:

	2009	2008
	\$	\$
C Craven	16,204	19,345
M Foy	24,301	18,000
A Green	15,546	14,150
P Greenbank	17,041	20,450
W Jensen	22,458	12,645
J Kirk	19,745	17,020
K Kohere-Soutar	26,629	16,939
Yoon Boo Lee	12,536	14,815
B Lythe	21,028	19,695
S Pamaka	14,181	13,800
W Petera	11,031	11,700
K Prime	30,200	29,100
P Rowe	13,114	14,150
P Snedden	1,662	16,255
L Wilson	17,576	17,530
A Hartley	14,005	-

There are no monies owing to or due from Trustee at 31 March 2009 (31 March 2008: Nil).

9. FINANCIAL ASSETS AND LIABILITIES

The Trust has the following financial assets and liabilities:

Financial Assets

	2009	2008
	\$000	\$000
Cash at Bank	29,145	1,466
Sundry Accounts Receivable	670	380
Managed Funds consisting of:		
Global Equity Funds	268,635	366,867
Global Bond Funds	261,598	254,368
Collateralised Commodities Futures Fund (CCF)	23,763	71,720
Global Property Fund	10,563	23,474
New Zealand Equities	84,416	108,052
New Zealand Bonds	130,838	214,648
Cash	43,281	59,550

Financial Liabilities

Sundry Accounts Payable	938	841
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Risks arising from the Trust's financial assets and liabilities are inherent in the nature of the Trust's activities, and are managed through an ongoing process of identification, measurement and monitoring. The Trust is exposed to credit risk, liquidity risk, and market risk (including currency, interest rate and pricing risks).

The Trust's income is generated from its financial assets. Liabilities which arise from its operations are met from cash flows provided by these assets.

Information regarding the fair value of assets and liabilities exposed to risk is regularly reported to the Trust's management, the Trust's Finance and Investment Committee and ultimately to the Board of Trustees. Under normal circumstances the Investment Portfolio is regularly rebalanced to ensure that asset classes remain within the Strategic Asset Allocation set out in the Trust's Statement of Investment Policy and Objectives (SIPO). The portfolio has not been rebalanced since September 2008 in order to de-risk the portfolio. Trustees will authorise the rebalancing of the portfolio once an appropriate level of stability has returned to the financial markets.

The SIPO sets out the Trust's investment objectives. These can be summarised as to:

- maintain the real value of the Trust's capital with regard to inflation
- maintain equity between present and future generations in terms of the amounts available for grants
- ensure a stable level of grants over time by maximising the total return that can be provided by the investments of the Trust, subject to a prudent level of portfolio risk.

As a responsible member of the world community, the Trust aims to demonstrate leadership by advancing universal principles and responsible corporate citizenship to make the global economy more sustainable and inclusive. The Trust supports the United Nations Global Compact and is a signatory to the United Nations Principles for Responsible Investment. The Investment Portfolio is screened against the principles set out in the United Nations Global Compact and the Trust contracts an external service provider to engage with companies where there have been allegations of practices contrary to the Global Compact principles. The Trust encourages dialogue and discussion in this process of engagement.

The Investment Portfolio

The Trust manages its Investment Portfolio in terms of its SIPO. The SIPO is monitored on a regular basis by the Board of Trustees and, as required, amended to reflect international best investment practice. The Portfolio's strategic asset allocation is reviewed at three yearly intervals. The strategic asset allocation was last reviewed in 2008. Russell Investment Group Limited assists both management and Trustees with international strategic and best practice investment advice and portfolio monitoring. The pricing of financial assets is undertaken by JP Morgan Chase Inc, the Trust's Custodian.

Portfolio Characteristics

The Trust is not directly involved with the analysis, sale or purchase of individual asset securities. Investments are made into either pooled funds or segregated accounts with Fund Managers. The performance of each asset class is measured against an appropriate internationally accepted standard benchmark or index for each asset class.

Global Equities:

The Global Equities portfolio is made up of three pooled funds with eight underlying product Fund Managers. This spread of Fund Managers enables the Trust to access a wide range of segments within the global equity markets. This portfolio is measured against the MSCI World Index, and is fully hedged back to New Zealand Dollars.

Global Bonds:

The Global Bond Portfolio is managed by one Fund of Fund Manager, with four underlying product managers. This spread of Fund Managers enables the Trust to access a wide range of segments within the global bond markets. The portfolio is measured against the Barclays Global Aggregate Index, and is fully hedged back to New Zealand Dollars.

Collateralised Commodity Futures (CCF):

The CCF portfolio is an index fund, managed by one Fund Manager. It invests in and is measured against the S&P GSCI Commodity Index, and is fully hedged back to the New Zealand Dollar.

Global Property:

The Global Property Portfolio is Managed by one Fund of Fund Manager, with four underlying product Fund Managers. This spread of Fund Managers enables the Trust to access a wide range of segments with the global property markets. The portfolio is measured against the FTSE EPRA/NAREIT index, and is fully hedged back to New Zealand Dollars.

New Zealand Equities:

The New Zealand Equity Portfolio is a segregated account with one Fund Manager. The Investment mandate allows the Fund Manager to invest up to twenty percent of the portfolio in companies listed on the Australian Stock Exchange. This portfolio is measured against the NZX 50 index.

New Zealand Bonds:

At balance date the New Zealand Bond Portfolio was managed by two Fund Managers. The Investment Guidelines provide strict limits on the underlying investment categories, along with credit and duration restrictions. The portfolio is measured against the NZX Government Stock Index. Subsequent to balance date the New Zealand Bond Portfolio was combined into one mandate with one Fund Manager.

Cash:

The Cash Portfolio is managed by one Fund Manager. The mandate places limits on the underlying investment categories, along with credit and duration restrictions. The portfolio is measured against the NZX 90 day bank bill index.

Credit Risk

Credit Risk represents the risk that a counterparty to a financial asset fails to discharge an obligation which will cause the Trust to incur a financial loss.

With regard to the credit risk arising from financial assets, the Trust's credit risk arises from any default by a counterparty. The current exposure at balance date is the fair value of these assets as disclosed in the Statement of Financial Position.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities, geographic regions, or similar economic features that would influence their ability to meet their contractual obligations by reason of changes in economic, political or other conditions.

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's Custodian reviews the portfolio for compliance against each investment mandate on a regular basis and reports findings to the Trust's Management and Board of Trustees. Fund of Fund Managers ensure that underlying product fund managers comply with Fund mandates.

The credit quality of the Trust's Bond portfolio is managed by the Trust using Standard & Poor's rating categories.

This Year					2009 \$000
	AAA to AA	A+ to A-	BBB+ to B	CCC, NR Other	
New Zealand Bonds	82.7%	12.8%	4.5%	-	130,838
Global Bonds	61.5%	16.3%	21.3%	0.9%	261,598
Cash	98.8%	1.2%	-	-	43,281
Last Year					2008 \$000
New Zealand Bonds	91.70%	6.20%	2.10%	-	214,648
Global Bonds	96.0%	4.0%	-	-	254,368
Cash	100.0%	-	-	-	59,550

Hedging:

Hedging is undertaken J P Morgan Chase Bank (S & P rating AA-)

Liquidity Risk

Liquidity Risk is the risk that the Trust will encounter difficulties in meeting the obligations associated with its financial liabilities. This risk is managed through the Trust's investment in a diversified portfolio of financial assets.

The Trust's investment portfolio during the year under review consisted of only listed securities which under normal market conditions are readily convertible to cash. In addition the Trust maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Trust's financial liabilities comprise trade and other payables. At balance date, all trade and other payables were current, and are normally settled on the 20th of the month following invoice date.

Market Risk

Market Risk is the risk that the fair value of future cash flows from financial assets will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and market prices. Market risk is managed and monitored using sensitivity analysis and minimised by ensuring that all investment activities are undertaken in accordance with established mandate limits and the investment strategies set out in the Trust's SIPO.

Interest Rate Risk

Interest Rate Risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial assets. The Trust's investment in global bonds is held in a pooled fund. As such movements in interest rates will be reflected in each pooled fund's fair value asset pricing. NZ Bonds are held in segregated accounts. The exposure to movement in the fair value of the Trust's bond portfolios is discussed in the commentary on Price Risk.

The Trust's cheque and call accounts are interest bearing. Any movement in interest rates on these accounts is minimal and is not considered to be material.

Currency Risk

Currency Risk is the risk that the fair value of, or future cash flows from financial assets will fluctuate due to changes in foreign currency exchange rates. All investments denominated in foreign currencies are fully hedged back to the New Zealand dollar on a monthly basis for 30 day periods. This effectively removes the exposure to currency risk.

The timing of the implementation of hedging contracts at month end may result in small parcels of securities being unhedged. These unhedged securities, when they occur, are not considered material, and will have minimal impact on the fair value of or future cash flows from the Trust's financial assets.

At balance date the Trust's exposure to currency risk was as follows:

	2009	2008
	\$000	\$000
Foreign currency denominated financial assets	564,559	716,429
Less foreign currency contracts	<u>(566,660)</u>	<u>707,842</u>
(Overhedged) Unhedged currency exposure at 31 March	<u><u>(2,101)</u></u>	<u><u>8,587</u></u>
USA and Canada	(1,141)	4,551
United Kingdom and Europe	(618)	2,883
Japan and Far East	<u>(342)</u>	<u>1,153</u>
(Overhedged) unhedged currency exposure at 31 March	<u><u>(2,101)</u></u>	<u><u>8,587</u></u>

Pricing Risk

Pricing Risk is the risk that the fair value of financial assets will increase or decrease as a result of changes in market prices, whether these changes are caused by factors specific to individual stocks or factors affecting all financial assets in the market. Pricing risks arise from the Trust's investment portfolio.

The Trust's financial assets are priced at fair value by the Trust's custodian. The effect on the Trust's Statement of Financial Performance and Statement of Financial Position at 31 March 2009, due to a reasonably possible change in market factors is represented in the following table:

	Sensitivity Range (-1 to +1 standard deviation from the expected annual return)	Sensitivity Impact (from the expected annual return) \$000
NZ Equities	-7.8% to +26.3%	-6,584 to +22,117
Global Equities	-6.6% to +23.8%	-17,730 to +63,935
NZ Bonds	+3.0% to +9.6%	+3,925 to +12,560
Global Bonds	+3.0% to +9.6%	+7,848 to +25,113
NZ Cash	+4.2% to +7.2%	+1,818 to +3,116
CCF's	-10.2% to +25.8%	-2,424 to +6,131
Global Property	-3.9% to +20.1%	-412 to +2,123
Total Portfolio	+0.8% to +14.1%	+6,585 to +116,056

There is a 68% probability that the return in any one year will be within the range of 0.87% to 14.1%.

The effect on the Trust's Statement of Financial Performance and Statement of Financial Position as at 31 March 2008, due to a possible change in market factors is represented in the following table:

	Sensitivity Range (-1 to +1 standard deviation from the expected annual return)	Sensitivity Impact (from the expected annual return) \$000
NZ Equities	-7.9% to +26.1%	-8,536 to +28,201
Global Equities	-6.3% to +23.4%	-23,113 to +85,486
NZ Bonds	+2.9% to +9.4%	+6,224 to +20,176
Global Bonds	+2.9% to +9.4%	+7,376 to +23,190
NZ Cash	+4.1% to +7.1%	+2,441 to +4,228
CCF's	-10.3% to +25.7%	-7,387 to +18,432
Global Property	-4.0% to +20.0%	-938 to +4,694
Total Portfolio	+1.1% to +13.6%	+12,085 to +149,421

There is a 68% probability that the return in any one year will be within the range of 1.1% to 13.6%.

These sensitivity analyses are based on the volatility of each asset class and the portfolio as a whole, as measured by plus or minus one standard deviation. The overall effect of the Trust's diversified portfolio of uncorrelated financial assets is to reduce volatility and stabilise investment returns over time.

10. RECONCILIATION OF REPORTED SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2009	2008
	\$000	\$000
Reported (deficit) surplus	(232,352)	(41,759)
Add: Non-cash items		
Depreciation	79	116
Movements in working capital items:		
Increase (decrease) in Accounts Payable	97	(194)
Decrease (increase) in Accounts Receivable	(290)	(25)
Increase (decrease) in Outstanding Grants Payable	(15,329)	12,046
	<u>(15,522)</u>	<u>11,827</u>
Investment income reinvested	201,314	(16,873)
Net cash outflow from operating activities	<u>(46,481)</u>	<u>(46,689)</u>

11. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Other than committed grants, the Trust has no other material capital commitments or contingent liabilities.

12. CONFLICTS OF INTEREST

During the year Trustees and staff were required to declare either a direct or indirect conflict of interest in a matter being considered by the Trust. A register of interests is maintained by the Trust.

At the commencement of a meeting, Trustees are asked to disclose any interest in the upcoming business. A Trustee who has an interest in any matter before the meeting must not be counted in the quorum present at the meeting, not vote in respect of the matter, and absent him/herself from discussion or consideration of the matter. If, because of the number of Trustees who have an interest in the matter the meeting would fail for want of a quorum and it is a meeting of a Committee of Trustees, the matter is referred to a meeting of the Board of Trustees. If a meeting of the Board of Trustees would fail for want of a quorum because of the number of Trustees with an interest in the matter under consideration, then those Trustees who have the interest must sign a certificate for entry in the minutes certifying that the matter is in the best interest of the Trust and cause details of the matter and the nature of the Trustee's interest to be included in the next financial statements of the Trust.

At their meeting on 15 December 2008 the Trustees resolved to effect Trustee Liability Insurance for the sum of \$2 million at a premium cost of \$10,600.00.

All of the Trustees signed the resolution approving the purchase of the Trustee Liability Insurance along with a certificate certifying that the transaction was in the best interests of the Trust as the terms of the insurance and the cost were recommended by the Trust's brokers as being appropriate and reasonable.

13. MATERIAL EVENTS AFTER BALANCE DATE

There were no material events after balance date which required adjustment to the Financial Statements for the year ended 31 March 2009.

A copy of the list of all distributions of income and capital approved by the ASB Community Trust is available on request from ASB Community Trust, PO Box 68048, Newton, Auckland.



Audit report

To the Trustees of ASB Community Trust

We have audited the financial statements on pages 1 to 21. The financial statements provide information about the past financial performance of the Trust and its financial position as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 4 to 7.

Trustees' Responsibilities

The Trustees are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Trust as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Trustees and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Trustees in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided tax advisory services to the Trust in respect of the year ended 31 March 2009. These services have not impaired our independence as auditors of the Trust. The firm has no other relationship with or interests in the Trust.

**Unqualified opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Trust as far as appears from our examination of those records;
- the financial statements on pages 1 to 21:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the Trust as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 2 June 2009 and our unqualified opinion is expressed as at that date.

KPMG

Auckland