THE WAIKATO COMMUNITY TRUST INCORPORATED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2013

THE WAIKATO COMMUNITY TRUST INCORPORATED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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THE WAIKATO COMMUNITY TRUST INCORPORATED

DIRECTORY
FOR THE YEAR ENDED 31 MARCH 2013

PRINCIPAL ACTIVITIES: Investment and Donations

TRUSTEES:

Van der Heyden, Ali (Deputy Chair to 31 Aug 2012; Chair from 1 Sept 2012)
Baddeley, Clint (Chair, retired 31 Aug 2012)
Barriball, Peggy
Chew, Alan (Appointed 1 Sept 2012)
Christian, Carolyn (Appointed 1 Sept 2012)
Flowers, Lynnette
Gillespie, John
Hosking, Bruce (Retired 31 Aug 2012)
Muru, Judith (Acting Deputy Chair 1 Sept 2012- 14 Feb 2013)
Noble, Bill (Appointed 1 Sept 2012)
Nuri, Niwa
Paenga, John
Roa, Pamela
Sporle, Raewyn
Tan, Fee-Ching (Retired 31 Aug 2012)
Viggers, Maxine
Wilson, Edgar (Appointed 1 Sept 2012; Deputy Chair from 14 Feb 2013)
Yates, Dianne (Retired 31 Aug 2012)

CHIEF EXECUTIVE: Gatenby, Beverly

ACCOUNTANTS: PricewaterhouseCoopers
Hamilton

AUDITORS: KPMG
Hamilton

BANKERS: Westpac Limited
Hamilton

PHYSICAL ADDRESS: 2 London Street
Hamilton 3240

POSTAL ADDRESS: PO Box 391
Hamilton 3240

WEBSITE: www.trustwaikato.co.nz

THE WAIKATO COMMUNITY TRUST INCORPORATED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 NZ$'000	2012 NZ$'000
Income			
Investment Income	4	**34,460**	16,404
Rental Income		**22**	22
Sundry Income		**-**	2
Total Income		**34,482**	16,428
Operating Expenses			
Employee Remuneration		**(646)**	(584)
Investment Expenses		**(2,174)**	(1,424)
Trustee Honorarium	20	**(194)**	(227)
Audit Fees		**(19)**	(19)
Other Expenses		**(586)**	(559)
Impairment of Property Plant and Equipment	16	**(111)**	-
Depreciation	16	**(64)**	(75)
Total Operating Expenses		**(3,794)**	(2,888)
OPERATING SURPLUS BEFORE DISTRIBUTIONS		**30,688**	13,540
Distributions			
Donations	5	**(6,526)**	(6,542)
Non Cash Donations		**-**	(1)
Sponsorships		**(199)**	(189)
Total Distributions		**(6,725)**	(6,732)
OPERATING SURPLUS		**23,963**	6,808
Other Comprehensive Income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**23,963**	6,808

These financial statements must be read in conjunction with the notes on pages 8 to 33.

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THE WAIKATO COMMUNITY TRUST INCORPORATED

STATEMENT OF CHANGES IN TRUST FUNDS
FOR THE YEAR ENDED 31 MARCH 2013

	2013			
	Base Capital Value (Note 6)	**Investment Fluctuation Reserve (Note 6)**	**Comprehensive Income**	**Total Trust Funds**
	NZ$'000	**NZ$'000**	**NZ$'000**	**NZ$'000**
Trust Funds as at 1 April 2012	**267,743**	**(6,198)**	**-**	**261,545**
Total Comprehensive Income for the Year	**-**	**-**	**23,963**	**23,963**
Transfer to Reserves	**3,928**	**20,035**	**(23,963)**	**-**
Trust Funds as at 31 March 2013	**271,671**	**13,837**	**-**	**285,508**

	2012			
	Base Capital Value (Note 6)	Investment Fluctuation Reserve (Note 6)	Comprehensive Income	Total Trust Funds
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Trust Funds as at 1 April 2011	261,944	(7,207)	-	254,737
Total Comprehensive Income for the Year	-	-	6,808	6,808
Transfer to Reserves	5,799	1,009	(6,808)	-
Trust Funds as at 31 March 2012	267,743	(6,198)	-	261,545

These financial statements must be read in conjunction with the notes on pages 8 to 33.

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THE WAIKATO COMMUNITY TRUST INCORPORATED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Notes	2013 NZ$'000	2012 NZ$'000
TRUST FUNDS			
Base Capital Value	6	**271,671**	267,743
Investment Fluctuation Reserve	6	**13,837**	(6,198)
TOTAL TRUST FUNDS		**285,508**	261,545
CURRENT LIABILITIES			
Accounts Payable and Accruals	7	**308**	400
Donations Payable	8	**1,600**	1,255
Derivative Financial Instruments		**461**	-
		2,369	1,655
TOTAL TRUST FUNDS AND LIABILITIES		**287,877**	263,200
CURRENT ASSETS			
Cash and Cash Equivalents	10	**869**	877
Accounts Receivable	11	**28**	37
Derivative Financial Instruments		**-**	539
Sport Waikato Loan	12	**1,451**	-
		2,348	1,453
NON CURRENT ASSETS			
Investments	13	**282,685**	257,485
Property, Plant and Equipment	16	**2,649**	2,735
Te Kete Putea Limited Partnership	17	**195**	-
Database Loan	17	**-**	195
Sport Waikato Loan	12	**-**	1,332
		285,529	261,747
TOTAL ASSETS		**287,877**	263,200

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

Trustee: A Vandervegden

Date: 11 JULY 2013

Trustee:

Date: 11 JULY 2013

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THE WAIKATO COMMUNITY TRUST INCORPORATED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 NZ$'000	2012 NZ$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash was provided from:			
Realisation of Investments		**8,203**	9,390
Interest		**43**	27
Other Income		**51**	3
		8,297	9,420
Cash was applied to:			
Donations		**(6,181)**	(6,767)
Sponsorships		**(199)**	(189)
Payments to Suppliers, Trustees and Employees		**(1,836)**	(1,880)
		(8,216)	(8,836)
Net Cash provided by Operating Activities	18	**81**	584
CASH FLOW FROM INVESTING ACTIVITIES			
Cash was applied to:			
Purchase of Property, Plant and Equipment		**(89)**	(67)
Database Loan		**-**	(37)
		(89)	(104)
Net Cash (used in)/provided by Investing Activities		**(89)**	(104)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(8)**	480
Cash and Cash Equivalents at the Beginning of the Year		**877**	397
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	**869**	877

These financial statements must be read in conjunction with the notes on pages 8 to 33.

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1 REPORTING ENTITY

The Waikato Community Trust Incorporated is a not for profit charitable trust incorporated and domiciled in New Zealand. Its principal activities are the investment and maintenance of the Trust capital and the provision of donations to community groups in the greater Waikato area. Accordingly, The Waikato Community Trust Incorporated is designated as a Public Benefit Entity for purposes of New Zealand Equivalents to International Financial Reporting Standards.

The Trust Bank Waikato Community Trust was established under the Trustee Banks Restructuring Act 1988 and subsequently the Community Trusts Act 1999. The Trust Bank Waikato Community Trust Deed was executed on 30 May 1988 and the Trust was incorporated on 5 August 1988, with Trust capital of $21,316,622. The name of the Trust was changed to The Waikato Community Trust Incorporated in December 1997. The Trust operates as Trust Waikato.

The financial statements were authorised for issue by the Trustees on 11 July 2013.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

- Financial assets at fair value through profit or loss
- Derivative financial instruments
- Available for sale financial assets

The methods used to measure fair values are discussed further in Note 3.9.

2.3 Functional and Presentation Currency

The financial statements are presented in New Zealand dollars, which is the Trust's functional and presentation currency, rounded to the nearest thousand dollars.

2.4 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with NZ IFRS requires management to make certain critical accounting estimates, judgements and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. The estimates and 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 the judgements. Actual results may differ from these estimates.

The estimates and judgements are reviewed by management each year. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about judgements made by management in applying accounting policies that have a significant effect on the amount recognised in the financial statements relate to Donations Payable (Note 3.6.2) and Contingent Liabilities: Donations and Sponsorships (Note 9).

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2.5 Changes in Accounting Policy and Disclosures

There have been no changes to accounting policies.

2.6 New Zealand Equivalents to International Financial Reporting Standards Issued But Not Yet Effective

NZ IFRS issued not yet effective will not affect the Trust because the Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Trust is classified as a Tier 1 or Tier 2 reporting entity and may be required to apply full Public Benefit Entity (PBE) Accounting Standards. These standards are being developed by the XRB based on current International Public Sector Accounting Standards.

The effective date for the new standards for PBEs is expected to be for reporting periods beginning on or after 1 July 2014. This means the Trust expects to transition to the new standards in preparing its 31 March 2016 financial statements. As the PBE Accounting Standards have just been released, the Trust is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for PBEs, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to PBEs. Therefore, the XRB has effectively frozen the financial reporting requirements for PBEs until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS issued after June 2011 that exclude PBEs from their scope.

3 SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies which materially affect the measurement of comprehensive income and the financial position have been applied.

3.1 Revenue Recognition

3.1.1 Investment Income

Investment income is presented in the Statement of Comprehensive Income and comprises interest and dividend income on funds invested, gains and losses on the disposal of investments, changes in the fair value of investments, foreign currency gains and losses, and gains and losses on hedging instruments. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Trust's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

3.1.2 Rental Income

Rental income (net of any incentives) is recognised on a straight line basis over the lease term.

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3.2 Investment Expenses

Investment expenses are presented in the Statement of Comprehensive Income and comprise transaction costs, fund management fees and investment advisory services.

3.3 Lease Expenses

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Payments under operating leases are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

3.4 Donations

Donations are included in the Statement of Comprehensive Income when the donation has been approved by the Trustees, the recipient has been notified and when all significant conditions attached to the donation have been met.

3.5 Trust Funds and Reserves

3.5.1 Base Capital Value

Following the sale of the Trust shares in Trust Bank New Zealand Limited in April 1996, the Trustees agreed that the value of the Trust at that time should be maintained for the benefit of current and future generations living in the Waikato region. For this purpose, the Trustees agreed that $169,800,000 would be considered as the initial capital of the Trust and increased each year to reflect growth due to inflation and regional population growth.

The Base Capital Value is the initial capital adjusted for inflation and regional population growth on an annual basis. See Note 6 for the current value of the Trust's Base Capital Value.

3.5.2 Investment Fluctuation Reserve

The Trustees have adopted an investment strategy with a targeted long term annual rate of return of 7.1% (2012: 7.5%) of the Trust portfolio value. Recognising that actual returns are likely to fluctuate from year to year, the Trust retains the variation from the target in an Investment Fluctuation Reserve, so that in years when investment returns are less than the target, sufficient funds are available to meet expenditure and make donations. If the Trust fund falls below the value that needs to be maintained for the benefit of current and future generations the levels of expenditure and donations are reviewed by the Trust.

3.5.3 Level of Donations

The current donation policy is to distribute annually as donations 4% (2012: 4%) of Base Capital Value, which is the value of the Trust fund that should be maintained for the benefit of current and future generations. The Trustees recognise that for a number of reasons this might not always be achievable and that there will be inevitable fluctuations between the donations distributed and the actual target.

3.6 Financial Liabilities

3.6.1 Accounts Payable and Accruals

Accounts payable and accruals are recorded at cost. They are non interest bearing and are normally settled on 30-day terms. Therefore the carrying value of accounts payable and accruals approximates their fair value.

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3.6.2 Donations Payable

In the process of applying the Trust's accounting policies, management have made judgements regarding whether or not discretionary donations are payable at year end or if discretionary donations are contingent liabilities at year end. Donations payable are discretionary donations where there are no significant conditions attached or where the significant conditions attached to the donations have been met at balance date. Donations payable are recorded at notional value.

3.6.3 Employee Entitlements

Provision is made for wages, salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions in respect of employee entitlements expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Provisions made in respect of employee entitlements not expected to be settled within 12 months are measured at the present value of the estimated cash outflows to be made in respect of services provided up to the reporting date.

3.6.4 Derivative Financial Instruments

The base currency of the international investment portfolio is New Zealand dollars. Where possible, the Trust uses hedged pooled funds to hedge currency exposures back to the New Zealand dollar. Where no suitable hedged pool fund is available, the Trust uses forward exchange contracts managed by the BNZ to reduce currency exposure to foreign currency denominated investments. The Trust may choose on occasion to increase its currency exposure to a maximum of 50% to seek additional return. See Note 15.2.2.

Derivatives that do not qualify for hedge accounting and that are accounted for as fair value through profit or loss are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Changes in the fair value are recognised immediately in the Statement of Comprehensive Income within Net Increase in Derivative Financial Instruments.

Further details of the fair value of derivative financial instruments are disclosed in Note 3.9.3.

3.6.5 Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives only when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Trust Waikato does not apply hedge accounting.

3.7 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand. The carrying value of cash at banks and on hand approximates their fair value.

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3.8 Financial Assets

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

3.8.1 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 those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Trust loans and receivables comprise Accounts Receivable and the Sport Waikato Loan.

Loans and receivables are initially recognised at fair value plus transaction costs. 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.

When an account receivable is uncollectible, it is written off against an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. Thus the carrying value of accounts receivable approximates their fair values.

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

3.8.2 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 designated by management at fair value through profit or loss at inception. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value.

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 documented investment strategy and information is provided to management on that basis.

3.8.3 Derivative Financial Instruments at Fair Value Through Profit or Loss

See Note 3.6.4.

3.8.4 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.

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The investment in Te Kete Putea Limited Partnership (TKPLP) is classed as an available for sale financial asset. The investment represents the Trust share of an integrated donations and financial management system, owned collectively by 11 Community Trusts. TKPLP is stated at fair value.

3.9 Determination of Fair Values

Some of the Trust's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

3.9.1 Loans and Receivables

Loans and receivables are initially stated 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.

3.9.2 Financial Assets at Fair Value Through Profit or Loss

The fair value of financial assets is classified by reference to the fair value hierarchy within *NZ IFRS 7 Financial Instruments: Disclosures.*

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

The Trust financial assets are classified as follows:

Level 1: Australasian Equities, New Zealand Fixed Interest and Cash

The Trust financial assets classified as Level 1 include its investments in Australasian equities, New Zealand fixed interest and cash. These financial assets are traded in active markets and their fair value is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Trust is the current bid price at close of business on balance date.

Level 2: Global Equities and Global Fixed Interest

The Trust investments in global equities and global fixed interest are held through units or shares in pooled funds. The units or shares are not traded on an active market but their values are derived from the quoted market value of the underlying equity or fixed interest securities. Therefore these investments are classified as Level 2.

Level 3: Infrastructure, Private Equity and Unlisted Property

The Trust classifies its investments in infrastructure, private equity and unlisted property as Level 3 financial assets. These investments are not traded in an active market and their fair value is determined by using valuation techniques in which one or more of the significant inputs is not based on observable market data.

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The fair value of infrastructure investments is determined by an independent valuer using the discounted cash flow method, which involves projecting the future cash flows generated by an investment or business and discounting those cash flows at an appropriate rate of return.

The fair value of investments in private equity is determined internally by the fund manager and general partner, in accordance with NZGAAP, and using valuation techniques including the discounted cash flow method and earnings multiples. The valuation relies on financial data of investee companies and estimates by management.

The fair value of unlisted property is based on external independent market valuation for investment properties. This valuation is dependent on management estimates of capitalisation and discount rates, inflows from rental income and maintenance requirements. Independent external valuations of projects under construction or refurbishment are also undertaken.

3.9.3 Derivative Financial Instruments at Fair Value Through Profit or Loss

The Trust classifies forward foreign exchange contracts used to reduce exposure to fluctuations in foreign currency denominated assets as derivative financial instruments. As these are not traded in an active market, but the valuation technique is based on observable market data, the instruments are included in Level 2 of the fair value hierarchy within *NZIFRS 7 Financial Instruments: Disclosures*.

The fair value of forward foreign exchange contracts is determined by the mark to market value at each balance sheet date.

3.9.4 Available for Sale Financial Assets

The fair value of TKPLP is determined using an appropriate valuation technique. As the valuation is not based on observable market data, the Trust classifies TKPLP as Level 3 within the fair value hierarchy of *NZIFRS 7 Financial Instruments: Disclosures.*

3.10 Property, Plant and Equipment

Land is valued at cost. Buildings, office equipment, art and artefacts, and motor vehicles are stated at cost less accumulated depreciation and any impairment losses.

Rental property, leased under an operating lease, is included in property, plant and equipment in accordance with NZ IFRS as the rental property is held to provide a social service rather than for rental income or capital appreciation or both.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

The carrying amounts of Property, Plant and Equipment are reviewed at each balance date to determine whether there is any indication of impairment. An impairment loss is recognised whenever an asset's carrying amount exceeds its estimated recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Comprehensive Income. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

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Depreciation is provided on property, plant and equipment and art and artefacts, including freehold buildings but excluding land. Rental property is depreciated over the expected useful life on a basis consistent with similar owned property, plant and equipment.

Depreciation on buildings, office equipment and motor vehicles is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Art and artefacts are depreciated using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following depreciation rates have been used:

Office Equipment	7.5%-80.4%	Diminishing Value
Motor Vehicles	36%	Diminishing Value
Buildings	3.0%-39.6%	Diminishing Value
Art and Artefacts	1.0%	Straight Line

3.11 Cash Flows

Cash flows from operating activities are presented using the direct method.

Definition of terms used in the cash flow statement:

- Cash means cash on deposit with banks net of outstanding bank overdrafts, 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.
- Investing activities comprise the purchase and sale of property, plant and equipment. Cash flows from the realisation of investments are included in operating activities.
- Financing activities comprise the change in equity of the Trust.
- Operating activities include all transactions and events that are not investing or financing activities.

3.12 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from or payable to Inland Revenue is included as part of receivables or payables. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to Inland Revenue is classified as operating cash flows.

3.13 Taxation

Income derived by the Trust is exempt income under Section CW52 of the Income Tax Act 2007.

3.14 Translation of Foreign Currency Transactions and Balances

Foreign currency transactions are translated into the functional currency (New Zealand dollars) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

4. INVESTMENT INCOME	2013 NZ$'000	2012 NZ$'000
Net Increase in Investments	**27,332**	8,631
Net Increase in Derivative Financial Instruments	**1,991**	2,869
Dividends	**3,174**	2,925
Interest	**1,963**	1,979
	34,460	16,404

5. DONATIONS

On 30 April 2013 the *Waikato Times* published a list totalling $6,012,987 which showed the donations approved by the Trust during the year ended 31 March 2013.

A donation to Waipa District Council of $250,000 was committed but subsequently withdrawn during the financial year. A donation to Richfields Eventing Inc of $350 was paid but subsequently refunded during the financial year.

Total donations published in the *Waikato Times*	$ 6,012,987
Less: Future conditional commitments included in above:	
Hauraki District Council	100,000
Morrinsville Netball Centre	12,000
Ngati Haua Mahi Trust	15,000
Taupiri Marae	35,000
Te Papatapu Marae	20,000
Te Puna Whaiora	15,000
Waikino Liaison Society Inc	25,000
Zeal Education Trust	25,000
	$ 247,000
Add: Past conditional commitments paid during year:	
Coromandel Heritage Trust	55,000
Matahuru Papakainga Committee	50,000
Mesh Sculpture Hamilton	10,000
Order of St John, Te Kauwhata	64,000
Phillips Search and Rescue Trust	75,000
Tauwhare School Board of Trustees	10,000
Te Awa River Ride Charitable Trust	100,000
Te Papa-o-Rotu Marae	70,000
	$ 434,000

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Less: Payment of donations payable at beginning of year	
Community Waikato	500,000
Music and Arts Waikato Trust	75,000
Sport Waikato	680,000
	$ 1,255,000
Add: Donations approved during the year and payable at end of year	
Community Waikato	500,000
Creative Waikato	400,000
Sport Waikato	700,000
	$ 1,600,000
Less: Donations from prior years refunded during the year	
Burwood Academy of Independent Living	6,000
Cambridge Athletic and Harrier Club	1,000
Citizens Advice Bureau, Tokoroa	3,750
Coromandel Education Advancement Charitable Trust	500
Diabetes NZ South Waikato	350
Family Education Network	2,000
Waikato Rowing Association Inc	5,000
	$ 18,600
Total donations for the year shown in the Statement of Comprehensive Income	$ 6,526,387

The non-cash donation recorded in the Statement of Comprehensive Income in 2012 was a gifted artwork.

A full list of donations is available on request from the Trust office, or at www.trustwaikato.co.nz.

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6. TRUST FUNDS

Base Capital Value	2013 NZ$'000	2012 NZ$'000
Balance at the Beginning of the Year	**267,743**	261,944
Transfer from Comprehensive Income	**3,928**	5,799
Balance at the End of the Year	**271,671**	267,743

Base capital value is adjusted on a quarterly compounding basis for inflation and regional population growth.

Annual Adjustment to Base Capital Value	2013	2012
Inflation	**0.86%**	1.60%
Population Growth (Waikato Region)	**0.60%**	0.60%
(As per census, half actual growth 2001-2006)	**1.46%**	2.20%

Investment Fluctuation Reserve	2013 NZ$'000	2012 NZ$'000
Balance at the Beginning of the Year	**(6,198)**	(7,207)
Transfer from Comprehensive Income	**20,035**	1,009
Balance at the End of the Year	**13,837**	(6,198)

7. ACCOUNTS PAYABLE AND ACCRUALS	2013 NZ$'000	2012 NZ$'000
Accounts Payable	**101**	65
Accrued Expenses	**123**	290
Holiday Pay	**53**	45
Accrued Salaries	**31**	-
	308	400

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8. DONATIONS PAYABLE	2013 NZ$'000	2012 NZ$'000
Donations Payable	1,600	1,255
	1,600	1,255

9. CONTINGENT LIABILITIES: DONATIONS AND SPONSORSHIPS

Donations that are classified as contingent liabilities at balance date are discretionary donation obligations that are reliant on fulfilment of certain conditions in future years. Sponsorships that are classified as contingent liabilities at balance date are sponsorship contracts which are reliant on fulfilment of certain conditions in future years. The following contingent liabilities exist for donations and sponsorships that have been approved in the current or previous years.

	2013 NZ$'000	2012 NZ$'000
Donations	5,217	3,582
Sponsorships	295	45
	5,512	3,627
Subject to fulfilment of the conditions, the contingent liabilities are payable as follows:		
Not later than 1 year	3,315	881
Later than 1 year and not later than 5 years	2,197	2,746
	5,512	3,627

10. CASH AND CASH EQUIVALENTS	2013 NZ$'000	2012 NZ$'000
Cash at Bank and On Hand	869	877
	869	877

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11. ACCOUNTS RECEIVABLE

	2013 NZ$'000	2012 NZ$'000
Accounts Receivable	1	26
GST	27	11
	28	37

12. SPORT WAIKATO LOAN

The loan to Sport Waikato is secured by a first ranking General Security Agreement (GSA) in favour of the Trust over all of Sport Waikato's present and after-acquired property with a first priority amount of no less than $2,000,000 and by a first mortgage over Sport Waikato's leasehold estate and interest in their site at Wintec. The loan is interest free and repayable in one lump sum by 19 August 2013. The loan balance is made up as follows:

	2013 NZ$'000	2012 NZ$'000
Loan Principal	1,500	1,500
Fair Value Adjustment on Initial Recognition of Interest Free Loan	(525)	(525)
Cumulative Notional Interest	476	357
	1,451	1,332

The above loan carrying value is calculated using the market interest rate at the time of the loan drawdown. The fair value of the Sport Waikato loan at balance date is $1,468,836 (2012: $1,387,319). The cumulative notional interest is calculated at 9% which was the rate used when the fair value of the loan was calculated at inception. The fair value calculation is based on the 1 year (2012: 1.5 year) bank loan rate of 5.6% (2012: 5.8%).

13. INVESTMENTS

Movements in Managed Funds	2013 NZ$'000	2012 NZ$'000
Balance at the Beginning of the Year	257,485	253,518
Movement in Market Value and Investment Income Net of Fees	30,393	12,576
Net Redemptions	(5,193)	(8,609)
Balance at the End of the Year	282,685	257,485

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Investments Managed by Fund Managers

	2013 Strategic Asset Allocation %	2013 NZ$'000	2012 Strategic Asset Allocation %	2012 NZ$'000
Growth Assets				
Global Equities	**25**		25	
Vanguard Investments Australia Ltd		**47,246**		44,299
Generation Investment Management LLP		**26,217**		23,216
		73,463		67,515
Australasian Equities	**10**		15	
OnePath (NZ) Ltd		**31,243**		27,632
Milford Asset Management Ltd		**17,055**		12,919
		48,298		40,551
Private Equity	**5**		-	
Pencarrow Private Equity Ltd		**334**		-
		334		-
Unlisted Property	**10**		10	
QIC Ltd		**27,395**		26,242
		27,395		26,242
Infrastructure	**10**		10	
HRL Morrison & Co PIP Ltd		**2,198**		2,031
Hastings Funds Management Ltd		**20,173**		18,386
		22,371		20,417
Income Assets				
New Zealand Fixed Interest	**10**		10	
OnePath (NZ) Ltd		**26,972**		25,882
		26,972		25,882
Global Fixed Interest	**25**		25	
PIMCO Global Advisors (Ireland) Ltd		**36,458**		33,480
Wellington Management Company LLP (Dublin)		**-**		30,807
Wellington Management Company LLP (Luxembourg)		**32,047**		-
		68,505		64,287
New Zealand Cash	**5**		5	
OnePath (NZ) Ltd		**15,347**		12,591
		15,347		12,591
Investments at Fair Value	**100%**	**282,685**	100%	257,485

The Trustees have agreed to a strategic asset allocation of 5% to Global Credit, with a corresponding decrease in the allocation to Global Fixed Interest. At balance date this allocation had not yet been implemented.

Investments are valued at fair value through profit or loss. The basis of the fair value of financial assets has been disclosed in Note 3.9.2.

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14. COMMITMENTS: INVESTMENTS

The Trust has made commitments to invest in certain managed funds, which will call upon the committed funds as the fund managers identify suitable investment vehicles. These investments will be funded by realising other investments currently held by the Trust.

	2013			
	Commitment	Contribution to date	Commitment Balance	Contribution within 1 year
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
HRL Morrison & Co PIP Ltd	8,000	2,175	5,825	450
Pencarrow Private Equity Ltd	15,000	750	14,250	-
	23,000	2,925	20,075	450

	2012			
	Commitment	Contribution to date	Commitment Balance	Contribution within 1 year
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
HRL Morrison & Co PIP Ltd	8,000	1,822	6,178	-
	8,000	1,822	6,178	-

15. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The Trust objective when managing Trust capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for the community. The Trust Board regularly reviews the Trust funds and the risks associated with the Trust funds.

15.1 Financial Risk Management

The Trust activities expose it to a variety of financial risks which are managed through an ongoing process of identification, measurement and monitoring. The financial risks include market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and equity price risk), credit risk and liquidity risk.

The Trust has policies to manage the risks associated with financial instruments. The Trust is risk averse and seeks to minimise exposure from its treasury activities. The Trust has established investment policies. These policies do not allow the Trust to enter into any transactions that are speculative in nature.

The Trust uses the services of an investment advisor to pursue an investment policy considered appropriate for the Trust. The Trust selects fund managers according to their style and specialist skills.

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15.2 Market Risk

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

15.2.1 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 holds investments in domestic and global bonds. The Trust investments in global bonds are held in pooled funds. In determining the volatility factor for interest rate risk, the Trust has analysed the average annual absolute movement in the yields of 10 year New Zealand and US Government bonds. US Government bonds are used as a proxy for global bond markets. Based on this, the Trust has adopted a volatility factor for interest rate risk of 0.70% (2012: 0.80%) for Trust cash, domestic bond and global bond portfolios.

The sensitivity rates differ from the previous year because of the volatility in the international currency and financial markets experienced over the past year. The disclosures adopted provide a more accurate measurement for the movement in the future, due to current market volatility.

15.2.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust is exposed to currency risk both directly through investments denominated in a foreign currency and also indirectly where investment funds invest in foreign currency securities.

The Trust usual practice is to hedge close to 100% of its foreign exchange risk by using a separate currency overlay or investing in a hedged pool. The Trust may choose to vary its hedging position when there is strong evidence that the currency appears to be in an extreme position. At such a time the variation will not go below 50% hedging of all foreign exposure. Such forward exchange contracts have the economic effect of converting foreign currency denominated balances into New Zealand Dollars. These forward exchange contracts are not treated as hedges for accounting purposes.

In determining the volatility factor for currency risk the Trust has examined the average absolute divergence between the unhedged and hedged annual returns of the MSCI World Index ex Australia (in NZ Dollar terms) over the past 10 years. Based on this, Trust Waikato has adopted a volatility factor for currency risk of 12% (2012: 14%) for the unhedged portion of the Trust global investments.

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At balance date the Trust exposure to currency risk was as follows:	**2013 NZ$'000**	2012 NZ$'000
Financial assets with currency exposure	**198,525**	184,249
Hedged currency exposure at end of the year	**(180,073)**	(167,615)
Unhedged Currency Exposure at the End of the Year	**18,452**	16,634
Unhedged currency exposure:		
USA and Canada	**7,952**	6,849
United Kingdom and Europe	**3,490**	3,250
Australia	**5,842**	5,490
Japan	**1,168**	1,045
Unhedged Currency Exposure at the End of the Year	**18,452**	16,634

15.2.3 Price Risk

Price 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 assets or factors affecting all financial assets in the market. The Trust is exposed to price risk relating to investments held by the Trust and classified as financial assets at fair value through profit or loss, comprising Australasian equities, private equity, global equities, direct property and infrastructure investments.

In determining the volatility factor for price risk the Trust has examined the average market return over the past 10 years for each of the investment classifications. Based on this, Trust Waikato has adopted the following volatility factors for price risk for the Trust investments: Australasian equities 19% (2012: 18%), private equity 25% (2012: N/A), global equities 22% (2012: 23%), direct property 11% (2012: 12%) and infrastructure investments 10% (2012: 10%).

The following table summarises the sensitivity of the Trust financial assets and liabilities to interest rate risk, foreign exchange risk and other price risk.

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Summary of Sensitivity of Financial Assets and Liabilities to Market Risk

	Volatility Factor 2013	Volatility Impact 2013 NZ$'000	Volatility Factor 2012	Volatility Impact 2012 NZ$'000
Interest Rate Risk	0.7%	776	0.8%	822
Currency Risk (including DFI *)	12%	2,214	14%	2,329
Price Risk:				
Australasian Equities	19%	9,177	18%	6,211
Global Equities	22%	16,162	23%	16,919
Direct Property	11%	3,013	12%	3,149
Infrastructure	10%	2,237	10%	2,042
Private Equity	25%	84	-	-
Total Risk		33,663		31,472

* Derivative Financial Instruments

15.3 Credit Risk Management

Credit risk is the risk that a third party will default on its obligation to the Trust, causing the Trust to incur a loss.

The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash equivalents (Note 10), accounts receivable (Note 11), the Sport Waikato loan (Note 12), and investments (Note 13).

The Trust arrangements with fund managers limit the amount of credit exposure to any one institution. The Trust has processes in place to review the credit exposure and credit quality of funds prior to the funds being deposited with financial institutions.

Due to the timing of its cash inflows and outflows, the Trust invests surplus cash with registered banks. The Trust policy for term deposits requires that deposits are placed with financial institutions registered under the Reserve Bank of New Zealand Act 1989 that have an investment grade credit rating of AA- or higher from Standard and Poor's.

The Trust manages credit concentration risks through:

- a diversified and non-correlated basket of investments across traditional and alternative classes;
- selecting diverse fund managers;
- ensuring compliance with the individual mandate requirements of each fund manager, where applicable.

The Trust investment advisors and management review the portfolio for compliance against each investment mandate on a regular basis and report findings to the Board of Trustees.

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15.4 Liquidity Risk Management

Liquidity risk is the risk that the Trust will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the ability to close out market positions. In meeting its liquidity requirements, the Trust maintains a level of investments that can be converted into cash at short notice.

The Trust financial liabilities comprise accounts payable and accruals, unconditional unpaid donations and derivative financial instruments. At balance date, all accounts payable and donations payable were current and are normally settled within one month of balance date. Derivative Financial Instruments represent forward exchange contracts used to manage foreign currency exposure. Any liability regarding these will normally be settled within two months of balance date.

15.5 Fair Value of Financial Instruments

The following table analyses Financial Instruments carried at fair value by valuation method. The different levels have been defined in Note 3.9.2.

There were no transfers between level 1 and 2 in the period.

	2013	2012
	NZ$'000	NZ$'000
Level 1		
Australasian Equities	**48,298**	40,551
New Zealand Fixed Interest	**26,972**	25,882
New Zealand Cash	**15,347**	12,591
	90,617	79,024
Level 2		
Global Equities	**73,463**	67,515
Global Fixed Interest	**68,505**	64,287
Derivative Financial Instruments	**(461)**	539
	141,507	132,341
Level 3		
Te Kete Putea Limited Partnership	**195**	-
NZ Private Equity	**334**	-
Infrastructure	**22,371**	20,417
Unlisted Property	**27,395**	26,242
	50,295	46,659

In previous years, unlisted global unit trusts were classified as Level 1 within the fair value hierarchy. This year unlisted global unit trusts have been classified as Level 2 to more closely align with investment industry practice. The comparatives have been updated to reflect this change.

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Movements in Level 3 Financial Instruments	2013 NZ$'000	2012 NZ$'000
Balance at the Beginning of the Year	**46,659**	27,401
Plus Additional Investments	**992**	17,300
Realised/ Unrealised Gains/(Losses) Recognised in the Statement of Comprehensive Income	**3,563**	2,234
Interest Income	**15**	-
Management Fees Recognised in the Statement of Comprehensive Income	**(934)**	(276)
Balance at the End of the Year	**50,295**	46,659

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16. PROPERTY PLANT AND EQUIPMENT

	2013 NZ$'000					
	OPENING COST	ADDITIONS/ (DISPOSALS)	ACCUMULATED DEPRECIATION & IMPAIRMENT	DEPRECIATION & IMPAIRMENT EXPENSE	GAIN/(LOSS) ON DISPOSAL	BOOK VALUE
Office Equipment	217	10	184	11	-	43
Motor Vehicles	105	-	88	9	-	17
Art and Artefacts	1,103	77	169	122	-	1,011
Buildings	1,219	1	486	33	-	734
Land	844	-	-	-	-	844
	3,488	88	927	175	-	2,649

	2012 NZ$'000					
	OPENING COST	ADDITIONS/ (DISPOSALS)	ACCUMULATED DEPRECIATION & IMPAIRMENT	DEPRECIATION & IMPAIRMENT EXPENSE	GAIN/(LOSS) ON DISPOSAL	BOOK VALUE
Office Equipment	273	(56)	173	15	(3)	44
Motor Vehicles	105	-	79	15	-	26
Art and Artefacts	1,047	56	47	11	-	1,056
Buildings	1,216	2	453	34	-	765
Land	844	-	-	-	-	844
	3,485	2	752	75	(3)	2,735

There are no items of property, plant, and equipment which are not in current use.

Impairment losses of $110,683 (2012: nil) have been recognised in the current year in relation to the write down of an art work to net realisable value.

There are no restrictions in title relating to property, plant, and equipment or items pledged as security for liabilities.

The carrying value of rental properties which is included in buildings above has been disclosed in Note 19.

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17. TE KETE PUTEA LIMITED PARTNERSHIP (2012: DATABASE LOAN)

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 donations and financial management system. The system has been implemented and is owned and operated by a limited partnership TKPLP, which was registered on 18 December 2012. The total cost of the project was $2,380,000. The Trust contribution to these costs was 8.2%.

The capital of TKPLP consists of 10,000 units and each Trust holds units broadly in proportion to its audited capital at 31 March 2008. The Trust holds 820 units. The value of each unit has been determined at $238.22. Until such time as TKPLP was established, ASB Community Trust (ASBCT) entered into project contracts with vendors on behalf of the Trusts and met the funding requirements for the project in terms of a letter of indemnity from each of the participating Trusts. The contracts with the vendors provided for the contracts to be novated to TKPLP once it became established.

The Trust met its funding proportion for the project by way of a loan to ASBCT, which agreed to undertake the work on the project and incur the project commitments. The Trust granted an indemnity in favour of ASBCT in respect of such commitments. This loan, shown in the Statement of Financial Position as at 31 March 2012, was unsecured and interest free. On the formation of TKPLP, the loan from the Trust was extinguished by application by ASBCT towards the Trust capital contribution to TKPLP. TKPLP acquired the assets on 15 March 2013.

The investment in TKPLP was initially valued at $195k. Subsequent to intitial recognition, the investment will be recorded at fair value. Fair value is determined using an appropriate valuation technique.

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18. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES	2013 NZ$'000	2012 NZ$'000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**23,963**	6,808
Adjust for Non-Cash Items:		
(Profit) / Loss on Sale of Property, Plant and Equipment	**-**	3
Non Cash Donation	**-**	1
Depreciation	**64**	75
Impairment on Property, Plant and Equipment	**111**	-
Notional Interest on Sport Waikato Loan	**(119)**	(110)
	56	(31)
Impact of Changes in Net Assets and Liabilities:		
(Increase) / Decrease in Accounts Receivable	**9**	(11)
(Increase) / Decrease in Investments	**(25,200)**	(3,968)
(Increase) / Decrease in Derivative Financial Instruments	**1,000**	(2,089)
Increase / (Decrease) in Accounts Payable and Accruals	**(131)**	90
Increase / (Decrease) in Donations Payable	**345**	(225)
Increase / (Decrease) in Employee Entitlements	**39**	10
	(23,938)	(6,193)
Net Cash Inflow From Operating Activities	**81**	584

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19. OPERATING LEASE ARRANGEMENTS

The Trust as Lessee **Non - cancellable operating lease payable**	**2013** **NZ$'000**	2012 NZ$'000
Not longer than 1 year	**4**	4
Longer than 1 year and not longer than 5 years	**2**	6
Longer than 5 years	**-**	-
	6	10

The Trust leases a photocopier under a non cancellable lease arrangement. The lease term is for four years. The lease expense is charged to the Statement of Comprehensive Income.

The Trust as Lessor **Non - cancellable operating lease receivable**	**2013** **NZ$'000**	2012 NZ$'000
Not longer than 1 year	**22**	22
Longer than 1 year and not longer than 5 years	**10**	32
Longer than 5 years	**-**	-
	32	54

The operating lease receivable relates to the building owned by the Trust at 87 Boundary Road, which is included in property, plant and equipment in the Statement of Financial Position. The lease term for 87 Boundary Road is three years with no right of renewal. The final expiry date of the lease is 19 September 2014.

The carrying value of the leased asset is $317,088 (2012: $326,831) (Comprising Land: $87,000 (2012: $87,000), and Buildings: $230,088 (2012: $239,831)), the accumulated depreciation is $105,986 (2012: $96,243) and the depreciation charge for the year is $9,743 (2012: $10,192).

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20. TRUSTEE MEETINGS AND HONORARIUM

The Trust Board held 15 formal meetings during the year. The following table records Trustee attendance at those formal meetings:

Trustee	Meeting Attendance	Honorarium
		$
Van der Heyden, Ali (Deputy Chair to 31 Aug 2012; Chair from 1 Sept 2012)	13	21,371
Baddeley, Clint (Chair, retired 31 Aug 2012)	7	10,554
Barriball, Peggy	14	13,931
Chew, Alan (Appointed 1 Sept 2012)	7	7,388
Christian, Carolyn (Appointed 1 Sept 2012)	6	7,388
Flowers, Lynnette	13	12,665
Gillespie, John	14	12,665
Hosking, Bruce (Retired 31 Aug 2012)	7	5,277
Muru, Judith (Acting Deputy Chair 1 Sept 2012- 14 Feb 2013)	14	14,116
Noble, Bill (Appointed 1 Sept 2012)	8	7,388
Nuri, Niwa	11	12,665
Paenga, John	8	12,665
Roa, Pamela	14	12,665
Sporle, Raewyn	11	12,665
Tan, Fee-Ching (Retired 31 Aug 2012)	6	5,277
Viggers, Maxine	15	12,665
Wilson, Edgar (Appointed 1 Sept 2012; Deputy Chair from 14 Feb 2013)	8	7,783
Yates, Dianne (Retired 31 Aug 2012)	6	5,277
Total Remuneration		194,405

In addition, during the year Trustees participated in committee meetings, Trust meetings with community groups, and a range of professional development opportunities. Trustees were also invited to 87 events and meetings within the community and were able to achieve representation at approximately 55 of those meetings.

21. CONFLICTS OF INTEREST

During the year Trustees and staff were required to declare when they had either a direct or indirect conflict of interest in a matter being considered by the Trust. During the course of the year, 42 such interests were recorded (2012: 69). A register of those interests is available for inspection at the Trust.

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22. RELATED PARTY TRANSACTIONS

Compensation

The compensation of Key Management Personnel (Trustees and Management), is set out below:

	2013 NZ$'000	2012 NZ$'000
Short Term Trustee and Employee Benefits	375	397
	375	397

Donations

Trustees were related to organisations that received donations totalling $112,000 (2012: $234,500) during the year. Interests were declared when these donations were considered and Trustees took no part in deliberations relating to organisations in which they had an interest. There are no outstanding balances at balance date.

There were no related party transactions for Management during the year (2012: $38,500). In 2012 interests were declared when these donations were considered and key management took no part in deliberations relating to organisations in which they had an interest. There are no outstanding balances at balance date.

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Independent auditor's report

To the Trustees of The Waikato Community Trust Incorporated

Report on the financial statements

We have audited the accompanying financial statements of The Waikato Community Trust Incorporated ("the trust") on pages 4 to 33. 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 that give a true and fair view of the matters to which they relate, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

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

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

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

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

Opinion

In our opinion the financial statements on pages 4 to 33:

- comply with generally accepted accounting practice in New Zealand;
- 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 The Waikato Community Trust Incorporated as far as appears from our examination of those records.

11 July 2013
Hamilton