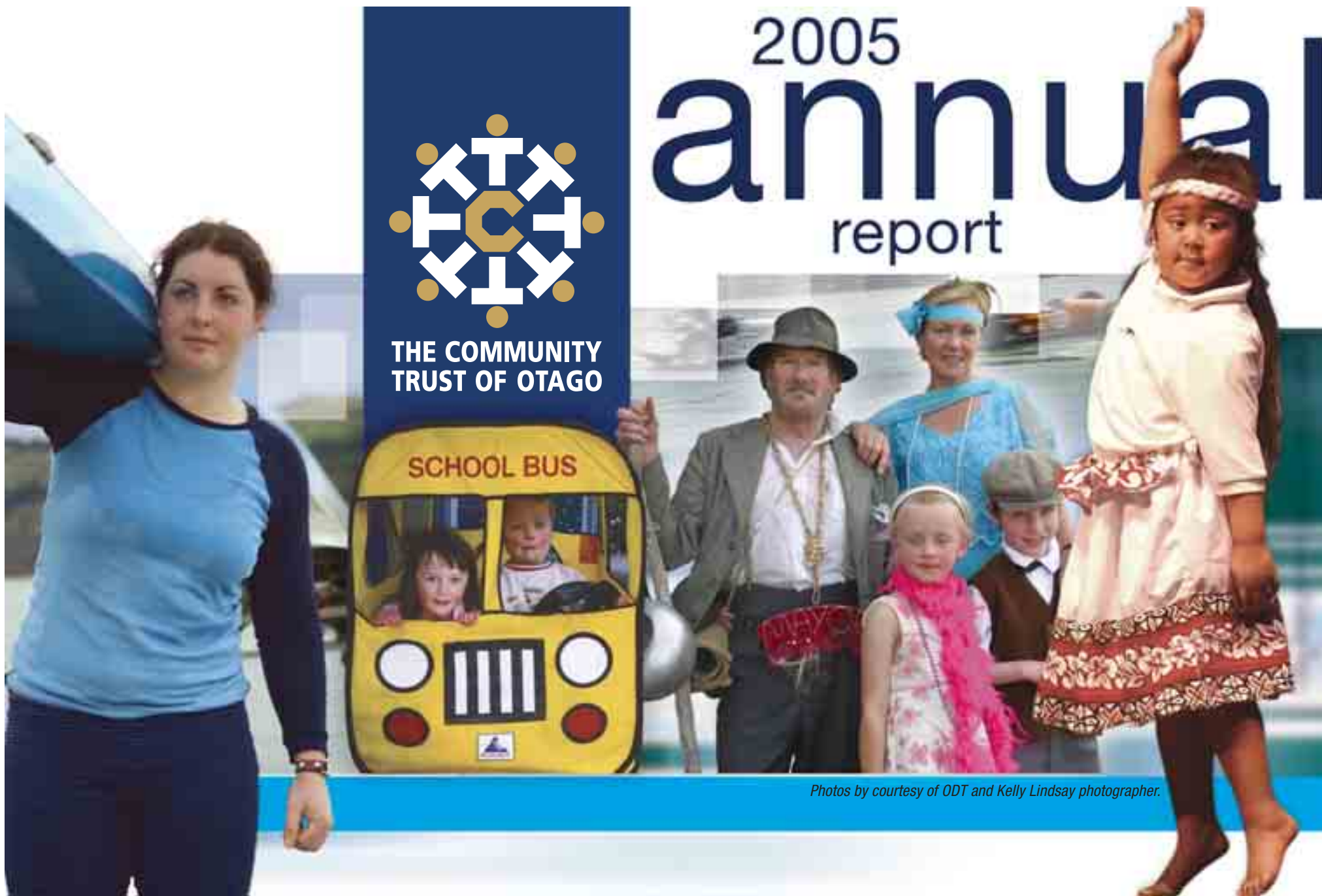


2005 annual report



THE COMMUNITY
TRUST OF OTAGO



Photos by courtesy of ODT and Kelly Lindsay photographer.



CHAIRPERSON John Farry

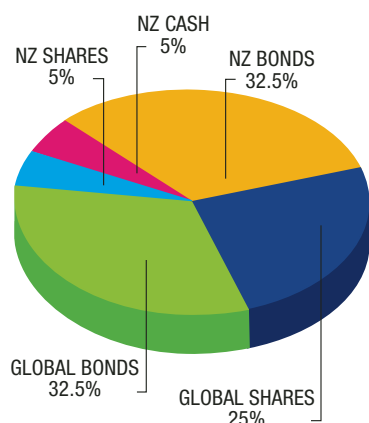
CHAIRPERSONS ANNUAL REPORT

It has been a satisfactory year for The Community Trust of Otago and the Trustees are pleased to present the Annual Report on the activities of the Trust for the year ended 31st March 2005.

The Trust Fund

The original value of the Trust when the shares in Trust Bank New Zealand were sold in 1996 was \$131 million. It is a primary objective of the Trustees to preserve the real value of the original capital for the benefit of subsequent generations. Allowing for inflation adjustment the real capital value at balance date stood at \$162 million while the actual value of the Trust amounted to \$170 million. The level of reserves has improved over the past two years but is not yet at a level with which the Trustees are completely comfortable. The donations budget for the current year has been set at \$5.5 million and if the financial returns are at a similar level to the year under review there will be a further increase in the level of reserves.

Current Asset Allocations



Total New Zealand 42.5%
Total Global 57.5%

Financial Performance

The Trust's investments returned 7.3% for the year which is in line with our expectations in the long term for the mix of assets in which the Trust invests. The investment income was \$11.9 million which compares with \$22 million in the year ended 31 March 2004. However, the return for the previous year was unusually high following two years of very disappointing returns. The contrasting returns of the last two years underline the volatile nature of the world markets and ever changing economic conditions.

Outlook

It is practically impossible to predict with accuracy the likely return for the year ahead. The investment mix, under the guidance of our investment advisors and the supervision of Trustees, is designed to minimise risk and maximise returns. Obviously year by year returns can be affected by all manner of events in the world at large but the Trustees take care to ensure that the best possible results are achieved in the long term.

Donations

Trustees approved donations totalling \$4.7 million during the year which was slightly less than the budgeted sum of \$5.5 million. Major donations included the Dunedin Chinese Gardens Trust for \$1 million, The Catlins Historical Society for a new museum and cultural centre in Owaka for \$350,000 and to the Otago Museum for the establishment of a Tropical habitat for \$200,000.

Other donations included SportsForce \$110,000, Otago Excursion Train Trust \$120,000, Presbyterian Support \$150,000 and a further \$100,000 for the University Oval upgrade. The Trust also contributed \$60,000 towards the cost of preparing plans for the redevelopment of Carisbrook so that its status as a major sporting venue can be retained.

In total 363 organisations received donations for projects in the educational, sporting, welfare, arts, heritage and environment sectors. During the year the Trustees reviewed the assistance provided by the Trust to sport and recreation. One of the outcomes of this review will be greater assistance to regional sporting organisations from 2005 to enable such organisations to further develop their sporting codes and encourage greater participation at all levels. The objective is to encourage fitness and good health.

Income Tax

As reported last year the Trust is now exempt from income tax which will reduce the significant compliance costs the Trust has previously incurred in order to minimise its liability for tax. The government decision to exempt Community Trusts from the provisions of the Income Tax Act was justified on the basis that the vast majority of the recipients of donations are tax exempt.

Charities Act

Last year it was reported that the government intended to establish a Charities Commission. The Commission will be established on 1 July 2005 and will have two principal functions. The first is to provide an education and support role to the charitable sector and the second is to register and monitor charitable entities that wish to keep or obtain income tax exemption. This legislation will affect all charitable organisations but will not generally affect sporting organisations or other organisations which enjoy income tax exemption on a basis which is other than charitable.

Trustee Appointments

Trustees are appointed for an initial term of four years by the Minister of Finance. During the year four of our Trustees completed their first four-year term and were nominated for reappointment. It is pleasing to report that Hilary Allison (Deputy Chair), Duncan Butcher, Barbara Payton and Mark Ryan were all re-appointed for a second term. All these Trustees have made valuable contributions to the activities of the Trust and will continue to do so during their second term of office.

Trustees

North Otago, South Otago, Central Otago and the City of Dunedin are all represented by dedicated Trustees who bring to the board table a thorough knowledge and understanding of the needs and aspirations of the respective areas which they represent. Each one makes an important contribution to the operation of The Community Trust of Otago. It is a privilege to act as chairperson of such a dedicated group of Trustees and it is appropriate to publicly thank each one of them for their dedication and commitment.

Staff

The Trust is fortunate indeed to have a staff of the highest calibre and the excellent service and support provided by Chief Executive Keith Ellwood, Donations Manager, Carol Melville and staff members Fay Jackson and Megan Jackson is gratefully acknowledged. The work of the Trustees is made manageable and enjoyable due to the high quality day to day management of Keith and his team. For and behalf of the Trustees of THE COMMUNITY TRUST OF OTAGO

JOHN FARRY
Chairperson

June 2005

Notice of Annual Public Meeting

The Seventeenth Annual Public Meeting of The Community Trust of Otago Inc is to be held on Monday 29 August 2005 at 4.30 pm. Members of the public are welcome and encouraged to attend.

VENUE: Conference Room, 2nd floor, Dunedin Public Art Gallery, The Octagon, Dunedin.

BUSINESS: To report on the Trust's activities and its financial performance for the year to 31 March 2005.

K G ELLWOOD
Chief Executive
P O Box 5751, Dunedin
(Phone) 03- 479-0994
0800-101-240 Toll Free



THE COMMUNITY TRUST OF OTAGO

PolsonHiggs
BUSINESS ADVISORS

AUDIT REPORT

To the Trustees of The Community Trust of Otago

We have audited the financial report on pages 2 to 3. The financial report provides information about the past financial performance and financial position of the Trust and group as at 31 March 2005. The information is stated in accordance with the accounting policies set out on page 3.

Trustees' Responsibilities

The Trustees are responsible for the preparation of a financial report which fairly reflects the financial position of the Trust and group as at 31 March 2005 and the results of operations and cash flows for the year ended on that date.

Auditor's Responsibilities

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

Basis of Opinion

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

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

We have 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 report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial report. Other than in our capacity as auditor we have no relationship with, or interest in the Trust or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations we have required. In our opinion the financial report on pages 2 to 3 fairly reflects the financial position of the Trust and group as at 31 March 2005 and the results of its operations and cash flows for the year ended on that date. Our audit was completed on 27 June 2005 and our unqualified opinion is expressed as at that date.

Chartered Accountants
Dunedin

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Performance

for the year ended 31 March 2005

	NOTE	2005 \$000	2004 \$000
Revenue	1	11,865	22,025
Expenditure	2	(1,271)	(1,268)
Surplus Before Tax		10,594	20,757
Taxation	7	-	-
Net Surplus		\$10,594	\$20,757

This Net Surplus has been allocated to Uncommitted Surplus

Consolidated Statement of Movement in Trust Funds

for the year ended 31 March 2005

	NOTE	2005 \$000	2004 \$000
Net Surplus for the Year		10,594	20,757
Total Recognised Revenues and Expenses		10,594	20,757
Less Donations Approved		(4,694)	(5,097)
Movements in Trust Funds for the Year		5,900	15,660
Trust Funds Opening Balance		166,016	150,356
Trust Funds Closing Balance		\$171,916	\$166,016

Consolidated Statement of Cashflows

for the year ended 31 March 2005

	NOTE	2005 \$000	2004 \$000
CASHFLOW FROM OPERATING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Interest		47	48
Other		115	222
		162	270
CASH WAS DISBURSED ON:			
Payment to Suppliers and Staff		863	794
Fund Managers Fees		409	376
		(1,272)	(1,170)
Net Cash (Outflow) from Operating Activities	8	(1,110)	(900)
CASHFLOW FROM INVESTING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Receipts from Fund Managers		7,487	6,376
CASH WAS DISBURSED ON:			
Purchase of Fixed Assets		(4)	(10)
Net Cash Inflow from Investing Activities		7,483	6,366
CASHFLOW FROM FUNDING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Long Term Loan Repayment		2	-
CASH WAS DISBURSED ON:			
Donations Paid		(7,098)	(4,407)
Net Cash (Outflow) from Funding Activities		(7,096)	(4,407)
NET CASH INFLOW/(OUTFLOW) FROM ACTIVITIES		(723)	1,059
Add Opening Cash Brought Forward		1264	205
Ending Cash Carried Forward		\$541	\$1,264
Cash Comprises:			
Cash at Bank		170	243
Term Deposits		371	1,021
		\$541	\$1,264

Consolidated Statement of Financial Position

as at 31 March 2005

	NOTE	2005 \$000	2004 \$000
SOURCE OF FUNDS			
TRUST FUNDS	3	171,916	166,016
CURRENT LIABILITIES			
Accounts Payable		70	130
Donations Payable		3,667	6,071
		\$175,653	\$172,217
EMPLOYMENT OF FUNDS			
CURRENT ASSETS			
Current Account		170	243
Short Term Bank Deposits		371	1,021
Debtors		2	7
Prepayments		0	9
		543	1,280
NON CURRENT ASSETS			
Managed Funds	6	173,726	169,505
Fixed Assets	5	1,136	1,182
Advance to Dunedin Community House Trust	10	248	250
		175,110	170,937
		\$175,653	\$172,217

Approved on behalf of The Board:

Chairperson
27 June 2005

Trustee
27 June 2005



Staff from left to right: Carol Melville (Donations Manager), Keith Ellwood (Chief Executive), Megan Jackson (Donations Administrator) and Fay Jackson (Administrator).

DIRECTORY

FOR THE YEAR ENDED 31 MARCH 2005

Trustees:

John Farry (Chairperson)	Dunedin
Hilary Allison (Deputy Chairperson)	Dunedin
Duncan Butcher	Cromwell
Sally Hope	Oamaru
Russell Hendry	Dunedin
Alan McLay	Oamaru
Barbara Payton	Dunedin
Raewynne Pedofski	Dunedin
Mark Ryan	Dunedin
David Shepherd	Dunedin
Bill Thomson	Balclutha

Chief Executive:

Keith Ellwood

Registered Office:

2nd Floor, Community Trust House Cnr Filleul Street & Moray Place, PO Box 5751, Dunedin, New Zealand

Auditor:

Polson Higgs, Dunedin, New Zealand

Solicitor:

Anderson Lloyd Caudwell, Dunedin, New Zealand

Investment Advisors:

Russell Investment Group, Auckland, New Zealand

Bankers:

Westpac Dunedin, New Zealand

