The Canterbury Community Trust
Consolidated Financial Statements for Year Ended 31 March 2011

Financial Statements

Balance sheet

As at 31 March 2011 ***in New Zealand Dollars ($000's)***

	Note	Group 2011	Group 2010
Assets			
Property, plant and equipment	10	456	1,430
Investment property	11	33,470	32,530
Financial assets	12	4,702	4,318
Total non-current assets		**38,628**	**38,278**
Trade and other receivables	14	553	438
Cash and cash equivalents	15	1,597	2,862
Financial assets	12	481,087	471,758
Total current assets		**483,237**	**475,058**
Total assets		**521,865**	**513,336**
Trust Funds			
Core real capital base reserve	16	371,422	371,422
Capital base reserve	16	142,788	128,175
Accumulated income reserve	16	(4,949)	4,915
Total trust funds		**509,261**	**504,512**
Liabilities			
Trade and other payables	17	10,659	6,273
Derivatives	18	1,945	2,547
Total current liabilities		**12,604**	**8,820**
Total liabilities		**12,604**	**8,820**
Total trust funds and liabilities		**521,865**	**513,332**

The notes on pages 5 to 21 are an integral part of these financial statements.

For and on behalf of the Board of Trustees:

Edu - Mohe

Chairperson of Trustees
4 July 2011

Trustee
4 July 2011

Financial Statements

Statement of Comprehensive Income

For the year ended 31 March 2011 ***in New Zealand Dollars ($000's)***

	Note	Group 2011	Group 2010
Revenue	5	29,096	61,988
Investment fees	7	(1,284)	(1,165)
Other income	6	1,754	875
Other expenses	8	(1,545)	(1,908)
Profit/(loss) before tax		**28,021**	**59,790**
Tax	13	-	-
Profit/(loss) for the year		**28,021**	**59,790**
Other comprehensive income		-	-
Total comprehensive income for the year		**28,021**	**59,790**

Statement of Changes in Equity

For the year ended 31 March 2011 ***in New Zealand Dollars ($000's)***

	Core Real Capital Base Reserve	Capital Base Reserve	Accumulated Income Reserve	Total
Balance at 1 April 2010	371,422	128,175	4,915	504,512
Total comprehensive income for the year	-	-	28,021	28,021
Distributions in the form of donations (Note 9)	(2,862)	-	(20,410)	(23,272)
Reserve transfers	2,862	14,613	(17,475)	-
Balance at 31 March 2011	**371,422**	**142,788**	**(4,949)**	**509,261**
Balance at 1 April 2009	371,422	118,325	(22,860)	466,887
Total comprehensive income for the year	-	-	59,790	59,790
Distributions in the form of donations (Note 9)	(2,132)	-	(20,033)	(22,165)
Reserves transfers	2,132	9,850	(11,982)	-
Balance at 31 March 2010	**371,422**	**128,175**	**4,915**	**504,512**

The notes on pages 5 to 21 are an integral part of these financial statements

Financial Statements

Statement of Cash Flows

For the year ended 31 March 2011 ***in New Zealand Dollars ($000's)***

	Note	Group 2011	Group 2010
Cashflows from operating activities			
Other income		2,615	3,360
Interest received		12,323	14,287
Dividends received		2,987	3,831
Cash paid to suppliers, employees and trustees		(1,785)	(3,267)
Net cash from operating activities	20	**16,140**	**18,211**
Cashflows from investment activities			
Managed funds investments		2,420	18,784
Proceeds from repayment of community loans		916	562
New Community loans provided		(1,300)	(1,400)
Purchase of investment property and property, plant and equipment		(331)	(8,956)
Net Cash from/used in investing activities		**1,705**	**8,990**
Cashflows from financing activities			
Donations		(19,110)	(25,285)
Net cash used in financing activities		**(19,110)**	**(25,285)**
Net (decrease)/increase in cash and cash equivalents		**(1,265)**	**1,916**
Cash and cash equivalents at 1 April		2,862	946
Cash and cash equivalents at 31 March	15	**1,597**	**2,862**

The notes on pages 5 to 21 are an integral part of these financial statements

Notes to the financial statements

For the year ended 31 March 2011

1 Reporting entity

The Canterbury Community Trust (the "Parent") is a charitable trust, domiciled in New Zealand, incorporated in accordance with the provisions of The Community Trust Act 1999 and has a registered office at 119 Armagh Street, Christchurch.

Consolidated financial statements are presented for The Canterbury Community Trust. The consolidated financial statements of the Group as at and for the year ended 31 March 2011 comprise the Parent and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Group is a charitable trust which distributes income from its investment activities to the communities of Canterbury, Nelson, Marlborough and the Chatham Islands.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards and its interpretations (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been approved by the Board of Trustees on 4 July 2011.

(b) Basis of measurement

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

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- investment property is measured at fair value.

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

(c) Functional and presentation currency

These financial statements are presented in thousands of New Zealand dollars ($000's), which is the Parent and Group's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

(d) Use of estimates and judgements

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

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

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

Notes to the financial statements (In New Zealand Dollars ($000's)

3 Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, and trade and other payables.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are accounted for at the trade date.

Non-derivative financial instruments are recognised initially at fair value. Derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Instruments at fair value through profit or loss

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

Investments in subsidiaries

Investments in equity securities of subsidiaries are measured at cost in the separate financial statements of the Parent.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

Trade and other payables

Trade and other payables are stated at amortised cost.

(ii) Derivative financial instruments

Notes to the financial statements (In New Zealand Dollars ($000's)

3 Significant accounting policies Cont'd

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Hedge accounting is not adopted and derivatives are recognised as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of Comprehensive Income.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the Statement of Comprehensive Income in a straight line and diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The depreciation rates for the current and comparative periods are as follows:

- Buildings 3% straight line
- Office equipment 6-60% diminishing value
- Furniture and fittings 14-40% diminishing value
- Computers 28-48% diminishing value

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

(e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in the Statement of Comprehensive Income. Investment property is revalued annually.

(f) Joint venture operations

When a member of the Group participates in a joint venture arrangement, that member recognises its proportion of the individual assets, liabilities, revenues and expenses of the joint venture. The liabilities recognised include its share of those for which it is jointly liable.

(g) Impairment

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

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

(i) Impairment of debt instruments and receivables

3 Significant accounting policies Cont'd

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

(ii) Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the Statement of Comprehensive Income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(i) Revenue

(i) Investment income

Investment income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in the Statement of Comprehensive Income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(ii) Rental income

Rental income from investment property is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(j) Lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(k) Finance expenses

Finance expenses comprise interest expense on foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets (except for trade receivables), losses on the disposal of available-for-sale financial assets, and losses on hedging instruments that are recognised in the Statement of Comprehensive Income.

Notes to the financial statements (In New Zealand Dollars ($000's)

3 Significant accounting policies Cont'd

(l) Distributions in the form of Donations

Distributions are accounted for as they are committed to be distributed to eligible organisations approved by the Trustees of the Trust. Committed donations are payable on the satisfaction of any conditions placed on the recipients.

(m) New standards adopted and interpretations not yet adopted

A number of new interpretations and amendments to current standards are not yet effective for the year ended 31 March 2011, and have not been applied in preparing these consolidated financial statements. The Group expects the following amendments to standards to have an impact on its financial statements in future periods:

NZ IFRS 9 "Financial Instruments" was approved for periods beginning on or after 1 January 2013. This standard replaces the multiple classification and measurement models in IAS 39 financial instruments: Recognition and measurement with a single model that has only two categories: amortised cost and fair value. The Group intends to adopt this standard in the 2013 financial year. The new standard is not expected to significantly impact the Group but will result in some amended presentation within the Financial Statements.

(n) Change in accounting policies

There have not been any changes in accounting policies during the year.

4 Determination of fair values

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

(a) Investment property

External, independent valuation companies, Colliers International Valuation (Chch) Limited and BBK Property (Christchurch properties) and Duke and Cooke (Nelson properties) having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

(b) Investments in equity and debt securities

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

For investments where there is no active market, investments have been valued using Australian Private Equity & Venture Capital Association Limited ("AVCAL") reporting guidelines. This broadly requires the investment to be valued at cost for the first 18 months and subsequently based on net asset value.

Financial Statements

Notes to the financial statements (In New Zealand Dollars ($000's)

4 Determination of fair values Cont'd

(c) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(d) Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

5 Revenue

	Group 2011	Group 2010
Rents received	861	1,000
Dividends received	2,987	3,831
Interest received	12,323	14,287
Change in fair value of investments	12,925	42,870
Total revenue	**29,096**	**61,988**

6 Other income

	Group 2011	Group 2010
Change in fair value of investment property	(889)	(1,530)
Rent received from investment property	2,643	2,405
Total other income	**1,754**	**875**

7 Investment fees

	Group 2011	Group 2010
Fund manager funds	852	702
Custodial fees	175	219
Advisory fees	257	244
Total investment fees	**1,284**	**1,165**

8 Other expenses

	Group 2011	Group 2010
Advertising public relations, distribution and other costs	449	267
Computer costs	160	67
Depreciation	147	133
Depreciation recovered (Refer to note 10)	(613)	-
Professional fees	126	187

Notes to the financial statements (In New Zealand Dollars ($000's)

8 Other expenses Cont'd

	Group	Group
Property costs	281	382
Salaries, trustee fees and staff-recruiting fees	950	836
Auditor's remuneration to PricewaterhouseCoopers		
- for audit of financial statements	37	36
- other assurance reviews	8	-
Total other expenses	**1,545**	**1,908**

9 Distributions in the form of Donations

The names of the organisations to whom distributions have been made by the Group under section 13 of The Community Trust Act 1999 during the financial year and the amounts distributed are shown in the Annual Report.

Funds carried forward as accumulated income are available for the payment of donations in future years. Budgeted donations unspent in the current year are to be distributed in the following year.

The Group has future commitments of donations where the donee must fulfil future obligations before the donation is payable. At 31 March 2011 these totalled $1,471,760 (2010: $1,849,000).

The Trustees recognise that there is a need to ensure a fairness and equity between the regions as far as payments of donations are concerned in relation to budgetary allocations. The allocation of donations between regions is based on population statistics for each region.

10 Property, Plant and Equipment

	Land and buildings	Office equipment	Fixtures and fittings	Computers	Leasehold Impr	Total
Cost						
Balance at 1 April 2010	1,830	39	139	135	17	2,160
Additions	0	55	40	111	184	390
Disposals	0	0	0	0	0	0
Transfer to Investment Property	(1,830)	0	0	0	0	(1,830)
Balance as at 31 March 2011	**0**	**94**	**179**	**246**	**201**	**720**
Balance at 1 April 2009	1,830	56	444	173	0	2,503
Additions	0	0	44	39	17	100
Disposals	0	(17)	(349)	(77)	0	(443)

Financial Statements

Notes to the financial statements (In New Zealand Dollars ($000's)

Balance as at 31 March 2010	**1,830**	**39**	**139**	**135**	**17**	**2,160**
Depreciation						
Balance at 1 April 2010	613	16	48	53	0	730
Depreciation for the year	0	10	31	95	11	147
Disposals	0	0	0	0	0	0
Depreciation recovered from Investment Property transfer	(613)	0	0	0	0	(613)
Balance as at 31 March 2011	**0**	**26**	**79**	**148**	**11**	**264**
Balance at 1 April 2009	613	27	92	87	0	819
Depreciation for the year	0	5	20	44	0	69
Disposals	0	(16)	(64)	(76)	0	(156)
Balance as at 31 March 2010	**613**	**16**	**48**	**55**	**0**	**732**
Carrying amounts						
At 1 April 2010	1,217	23	91	82	17	1,430
At 31 March 2011	**0**	**68**	**100**	**98**	**190**	**456**
At 1 April 2009	1,217	29	352	86	0	1,684
At 31 March 2010	**1,217**	**23**	**91**	**80**	**17**	**1,428**

Notes to the financial statements (In New Zealand Dollars ($000's)

11 Investment property

	Group 2011	Group 2010
Balance at 1 April	32,530	25,204
Acquisitions	-	8,856
Transfer from PPE to Investment Property	1,829	-
Change in fair value	(889)	(1,530)
Balance at 31 March	**33,470**	**32,530**

Investment property comprises eight properties. 262 Oxford Terrace, 95 Oxford Terrace, 141 Hereford Street, 242 Manchester Street,105-107 Blenheim Road (Christchurch) 16 Parumoana Street (Porirua), 188 Hardy Street and 50 Halifax Street (Nelson).

Christchurch investment properties were valued at 31 March 2011 by an independent valuer, GR Sellars of Colliers International Valuation (Chch) Limited, who is a Fellow of the New Zealand Institute of Valuers. Nelson investment properties were valued at 31 March 2011 by an independent valuer, R Muir of Duke and Cooke, who is a Fellow of the New Zealand Institute of Valuers.

The following properties are within the restricted Christchurch CBD area:
- 262 Oxford Terrace
- 95 Oxford Terrace
- 141 Hereford Street
- 242 Manchester Street

The valuations of these properties is based on the assumption the improvements and land forming the property are sound and not detrimentally affected by the earthquakes.

The Trust is fully covered for material damage and loss of rental in respect of all earthquake events. The Trust is unaware of any significant areas of dispute over the validity of our claims and no material uninsured risk. The Trustees are therefore satisfied that the cost to the Trust at 31 March 2011 is limited to our policy excess.

During the year ended 31 March 2011, rent of $2,650,754 was recognised as being other income in the Statement of Comprehensive Income (2010: $2,405,532). Repairs and maintenance expense, recognised in other expenses, was $65,812. (2010:$60,157).

Canterbury Trust House Limited has a 50% participating interest in an investment property in Porirua. Under the joint arrangement, rental revenue and all expenses are shared equally between each party. At balance date there were no revenue or expense items to be accounted for.

The Group's share of the management fee for the property expensed in the Statement of Comprehensive Income is $17,180; (2010:$15,767).

12 Financial assets

	Group 2011	Group 2010
Non-current investments		
Loans and receivables	4,702	4,318
	4,702	**4,318**
Current investments		
Financial assets at fair value through profit or loss	481,087	471,435
Derivatives	-	323
	481,087	**471,758**

Notes to the financial statements (In New Zealand Dollars ($000's)

13 Taxation

The Canterbury Community Trust is exempt from income tax with effect 1 April 2004. This means that the Canterbury Trust House Limited is now the only taxable entity in the Group.

The Group has an unrecognised deferred taxation asset in respect of taxation losses of $849,718 (2010: $1,455,072) and an unrecognised deferred tax liability in respect of its investment property of $ppp (2010: $430,370). The assets and liabilities are not expected to be realised in the foreseeable future.

14 Trade and other receivables

	Group 2011	Group 2010
Other trade receivables	553	438
	553	**438**

See note 18 with respect to impairment of trade receivables.

15 Cash and cash equivalents

	Group 2011	Group 2010
Call Deposits	1,447	2,722
Bank balances	150	140
	1,597	**2,862**

The effective interest rate on call deposits in 2011 was an average of 2.5-4.9 percent (2010: 2.5-3.4 percent). The deposits were on call deposit with the balance fluctuating on a daily basis.

16 Trust funds

Core Real Capital Base Reserve

The Core Real Capital Base Reserve arose when monies were received on the sale of the Trust Bank Canterbury to Westpac.

Capital Base Reserve

The Capital Base Reserve provides a fund to reflect the effects of annual inflation on the Core Real Capital Base Reserve, using the Consumer Price Index.

Accumulated Income Reserve

The Accumulated Income Reserve reflects the accumulated profits from earlier periods.

17 Trade and other payables

	Group 2011	Group 2010
Other trade payables	487	261
Unpaid donations	10,172	6,012
Cash and cash equivalents in the statement of cash flows	**10,659**	**6,273**

Notes to the financial statements (In New Zealand Dollars ($000's)

18 Financial instruments

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

Credit risk

The Group's SIPO stipulates value ranges that may be held in cash, New Zealand bonds, international bonds, emerging market bonds and property. Within each of these investment sub-groups there are maximum limits that can be invested within one financial institution. This diversified investment strategy reduces the credit risk exposure of the Group.

The Group only makes loans to entities that are well established and have the ability to demonstrate strong cashflows.

The SIPO states minimum credit ratings of the majority of investments that have to be achieved.

Liquidity risk

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

Market risk

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

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

Foreign currency risk

The Group is exposed to foreign currency risk as a result of investment transactions entered into by fund managers in a currency other than the Parent's functional currency, New Zealand dollars ($), which is the presentation currency of the Group. Fund managers typically hedge investments denominated in a foreign currency where appropriate with foreign exchange contracts.

Interest rate risk

The Group has bank call and deposit accounts, government and local authority securities and other investment held by the Group's fund managers that are exposed to interest rate risk. Interest rate risk is mitigated by the use of swaps where appropriate, to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

Other market price risk

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

Quantitative disclosure

Credit risk

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

The Group's maximum exposure to credit risk for investments by geographic regions and investment type is as follows, net of related derivative liabilities:

	Group	Group
Carrying amount	**2011**	**2010**
New Zealand Community Loans	4,702	4,318
New Zealand Cash	89,363	96,475
New Zealand Fixed interest	133,471	144,563
New Zealand Property	13,218	12,973
Australian Equities	75,644	69,779
Private Equity	13,853	11,994
Global Bonds	57,715	39,311
Global Equities	54,373	51,975

Financial Statements

Notes to the financial statements (In New Zealand Dollars ($000's)

18 Financial instruments (continued)

Emerging Market Debt	25,193	24,175
Emerging Market Equities	18,257	16,318
Alternative Assets	-	3,872
Total Financial Assets	**485,789**	**475,753**

Global Bonds, Global Equities, Australian Equities, Emerging Market Debt and Emerging Market Equities contain investments denominated in US Dollars and Australian Dollars.

The Group has outstanding commitments to private equity funds totalling $18,907,855 (2010: $9,765,361).

Liquidity risk

The following table sets out the contractual cash flows for all financial liabilities, financial assets and derivatives that are settled on a gross cash flow basis. Note that contractual cash flows from securities that are tradeable but not fixed interest are assumed to be 6 months or less.

Group 2011	Balance sheet	Contractual cash flows	6 months or less	6-12 months	1-2 Years	2-5 Years	More than 5 years
Financial liabilities and derivatives							
Derivatives	1,945	1,945	1,945	0	0	0	0
Trade and other payables	10,659	10,659	10,659	0	0	0	0
	12,604	**12,604**	**12,604**	**0**	**0**	**0**	**0**
Financial assets and derivatives							
New Zealand Community Loans	4,702	4,985	517	323	646	1,832	1,667
Derivatives	0	0	0	0	0	0	0
Trade and other receivables	553	553	553	0	0	0	0
Cash and cash equivalents	1,597	1,597	1,597	0	0	0	0
Investments	481,087	531,075	343,787	17,792	22,094	77,169	70,233
	487,939	**538,210**	**346,454**	**18,115**	**22,740**	**79,001**	**71,900**

Group 2010	Balance sheet	Contractual cash flows	6 months or less	6-12 months	1-2 Years	2-5 Years	More than 5 years
Financial liabilities and derivatives							
Derivatives	2,547	2,547	2,547	0	0	0	0
Trade and other payables	6,275	6,275	6,275	0	0	0	0
	8,822	**8,822**	**8,822**	**0**	**0**	**0**	**0**
Financial assets and derivatives							
New Zealand Community Loans	4,318	4,737	323	293	583	1,880	1,658
Derivatives	323	323	323	0	0	0	0
Trade and other payables	438	438	438	0	0	0	0

Notes to the financial statements (In New Zealand Dollars ($000's)

18 Financial instruments (continued)

Derivatives	2,862	2,862	2,862	0	0	0	0
Investments	471,435	537,630	311,519	8,495	39,092	74,283	104,325
	479,376	**545,990**	**315,465**	**8,788**	**39,675**	**76,163**	**105,983**

Foreign currency exchange risk

The Group's exposure to foreign currency risk can be summarised as follows:

	USD	AUD
2011		
Foreign currency risk		
Investments	51,487	96,489
Net balance sheet exposure before hedging activity	51,487	96,489
Forward exchange contracts		
Notional amounts	18,431	30,568
Net unhedged exposure	**33,056**	**65,921**
2010		
Foreign currency risk		
Investments	91,876	88,481
Net balance sheet exposure before hedging activity	91,876	88,481
Forward exchange contracts		
Notional amounts	16,643	62,352
Net unhedged exposure	**75,233**	**26,129**

The foreign currency risk of certain investments is managed within the fund. The Group is unable to quantify the extent that this risk is managed.

Interest rate risk - 2011

Interest rate risk at 31 March 2011 occurs in the following investments:

	Carrying amount $'000	Percentage covered by interest rate swaps
New Zealand Cash	89,363	-
New Zealand Fixed Interest	133,471	-
Global Bonds	57,715	-
Emerging Market Debt	25,193	-
	305,742	**-**

Interest rate risk - 2010

Notes to the financial statements (In New Zealand Dollars ($000's)

18 Financial instruments (continued)

Interest rate risk at 31 March 2010 occurs in the following investments:

	Carrying amount $'000	Percentage covered by interest rate swaps
New Zealand Cash	96,475	-
New Zealand Fixed Interest	144,563	-
Global Bonds	39,311	-
Emerging Market Debt	24,175	-
Alternative Assets	3,872	-
	308,396	**-**

At 31 March 2011 the Group had no interest rate swaps (2010: none).

Capital management

The Group's capital includes Core Real Capital Base Reserve, Accumulated Income Reserve and Capital Base Reserve.

The Group's policy is to maintain a strong capital base so as to maintain investor confidence and to sustain future development of the Canterbury Community Trust.

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

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Trustees.

There have been no material changes in the Group's management of capital during the period.

Sensitivity analysis

In managing interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit.

At 31 March 2011, it is estimated that a general increase/(decrease) of one percentage point in interest rates would increase/decrease the Group's profit and accumulated income by approximately $11,248,000 (2010: $11,420,000).

This calculation has been performed by determining which of the Group's financial assets are impacted by market interest rates, as opposed to those with fixed interest rates or variable interest rates where the interest rate risk is managed by way of interest rate swap derivatives. The fair value of the investments are then recalculated under a scenario where interest rates are one percentage point higher.

It is estimated that a general increase/(decrease) of 15 percentage points in the value of the New Zealand dollar against other foreign currencies would have decreased/(increased) the Group's profit and accumulated income by approximately $19,891,000 for the year ended 31 March 2011. For the year ending 31 March 2010 a 15 percentage point increase/(decrease) in the value of the New Zealand dollar would have decreased/(increased) the Group's profit before tax by $16,398,000. The forward exchange contracts have been included in this calculation.

This calculation is performed by firstly determining which financial assets are denominated in an overseas currency and where the exchange rate risk is not managed by way of foreign exchange contracts. A calculation is then performed to simulate the impact of a change in the value of the New Zealand dollar.

Estimation of fair value

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

Notes to the financial statements (In New Zealand Dollars ($000's)

18 Financial instruments (continued)

Fair value hierarchy

NZ IFRS 7 requires that the classification of financial instruments at fair value through profit and loss be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

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

The fair value of the financial instruments as well as methods used to estimate the fair values are summarised in the following table:

2011	**Level 1**	**Level 2**	**Level 3**
Financial Assets			
Investments	346,851	114,385	19,851
Derivatives	-	-	-
	346,851	**114,385**	**19,851**
Financial Liabilities			
Derivatives	-	1,945	-
	-	**1,945**	**-**

2010	**Level 1**	**Level 2**	**Level 3**
Financial Assets			
Investments	345,540	92,777	33,118
Derivatives	-	323	-
	345,540	**93,100**	**33,118**
Financial Liabilities			
Derivatives	-	2,547	-
	-	**2,547**	**-**

Reconciliation of Level 3 financial assets	**Group**	**Group**
	2011	**2010**
Opening balance	33,118	62,159
Purchases	3,623	1,706
Sales	(15,433)	(26,482)
Total gains and losses recognised in other comprehensive income	(1,457)	(4,265)
Closing balance	**19,851**	**33,118**
Total gains and losses for assets held at end of the year	**(1,457)**	**(4,265)**

There were no transfers between categories in the year.

Disclosures in respect of the valuation techniques used are made in note 4.

Notes to the financial statements (In New Zealand Dollars ($000's)

19 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group 2011	Group 2010
Less than one year	123	-
Between one and five years	521	36
More than five years	246	-
	890	**36**

Leases as lessor

The Group leases out its investment property held under operating leases (see note 11). The future minimum lease payments under non-cancellable leases are as follows:

	Group 2011	Group 2010
Less than one year	2,420	2,478
Between one and five years	2,411	3,769
More than five years	481	748
	5,312	**6,995**

The amounts in the table above have not been adjusted for the impact of the 2011 Christchurch earthquakes. Rental insurance is held by the Group.

20 Reconciliation of the profit for the period with the net cash from operating activities

	Note	Group 2011	Group 2010
Total comprehensive income for the year		28,021	59,790
Adjustments for:			
Depreciation	10	147	69
Depreciation recovered	10	(613)	-
Loss on disposal of property, plant and equipment	10	-	355
Change in fair value of investment property	11	889	1,530
Managed funds income (gains)/losses		(12,413)	(43,160)
Change in trade and other receivables		(115)	(306)
Change in trade and other payables		224	(67)
Net cash from operating activities		**16,140**	**18,211**

Financial Statements

Notes to the financial statements (In New Zealand Dollars ($000's)

21 Related parties

Transaction with key management personnel

Key management personnel compensation

Key management personnel compensation comprised:

	Group 2011	Group 2010
Salaries and trustee fees	413	345

22 Group entities

Significant subsidiaries

	Country of ownership incorporation	Interest (%) Group 2011	Interest (%) Group 2010
Canterbury Trust House Limited	New Zealand	100%	100%
Canterbury Trust Charities Limited	New Zealand	100%	100%
Canterbury Direct Investments Limited	New Zealand	100%	100%
Amateur Game or Sport Promoter Limited	New Zealand	-	100%
District Improvement Organisation	New Zealand	-	100%

23 Subsequent events

On 13 June 2011 a 6.3 magnitude aftershock hit the Canterbury region. The Trust has insurance cover in place for this incident and does not expect any further major material impact on the financial results of the Trust. There were no other material events subsequent to balance date requiring disclosure in the financial statements.