

**Statement of Intent  
&  
Budget Estimates**

**Eastland Community Trust**

**For the Year Ending 31 March 2008**





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## **1 BACKGROUND**

The Eastland Energy Community Trust (the Trust) was created on the 7<sup>th</sup> day of May 1993 and has as its governing document a deed of trust effective from this date. The Trust subsequently changed its name to Eastland Community Trust on the 6<sup>th</sup> of December 2004.

Clause 16.7 of the Trust deed requires the Trust to prepare and deliver to the Gisborne District Council a statement of intent no later than one month prior to the end of each financial year ending on the 31<sup>st</sup> of March. The information that follows in this statement of intent has been prepared to satisfy the requirements of clause 16.7 in respect of the income year ending 31 March 2008.

## **2 PURPOSE OF TRUST**

The Trust was established for the following purposes:

- 2.1 To preserve the value of the capital of the Trust fund having regard to the effect of inflation and profits and losses from time to time earned or sustained by the Trustees in the exercise of their powers and duties of this deed, or any other losses sustained by the Trustees.
- 2.2 To provide for the beneficiaries in such manner as the Trustees shall from time to time decide including, without limiting the generality of the foregoing:
  - 2.2.1 Paying for or subsidising the installation or maintenance of electricity reticulation or the supply of electricity in areas of the district where the Trustees, after taking such advice as they think fit and having regard to the cost of supplying power to those areas, are of the opinion that the provision of those services by the company will not provide an acceptable commercial return to the company except at a cost to the consumer of that electricity that is excessive having regard to the cost to the majority of consumers who are connected to the company's electricity distribution system and who have similar load profiles.
  - 2.2.2 Supporting business, community and other initiatives, which in the opinion of the Trustees are likely to encourage or sustain economic growth within the district that is or may be directly or indirectly for the benefit of the beneficiaries.

No Trust purpose shall be deemed to have greater significance than any other such purpose.

[The term "company" means Eastland Network Limited (previously Eastland Energy Limited)]

### **3 BENEFICIARIES**

The term “beneficiary” is defined as follows:

Any natural person domiciled in the Gisborne district and any other person (whether corporate or unincorporate) conducting an activity or carrying on business in the district:

- Whose name appears on the residential electoral role of the Council; or
- Whose name appears on the ratepayer electoral roll of the Council; or
- Whose nominee’s name appears on the ratepayer electoral role of the Council pursuant to section 7BG of the Local Elections and Polls Act 1976; or
- Who at any time is listed on a role of voters entitled to vote at an election of councillors of the Council; or
- Who, on a date which is 30 days prior to the date of distribution to or for the benefit of that person of any payment pursuant to this deed, is listed in the records of the company as a person connected to the company’s electricity distribution system.

The term “beneficiaries” has a corresponding meaning.

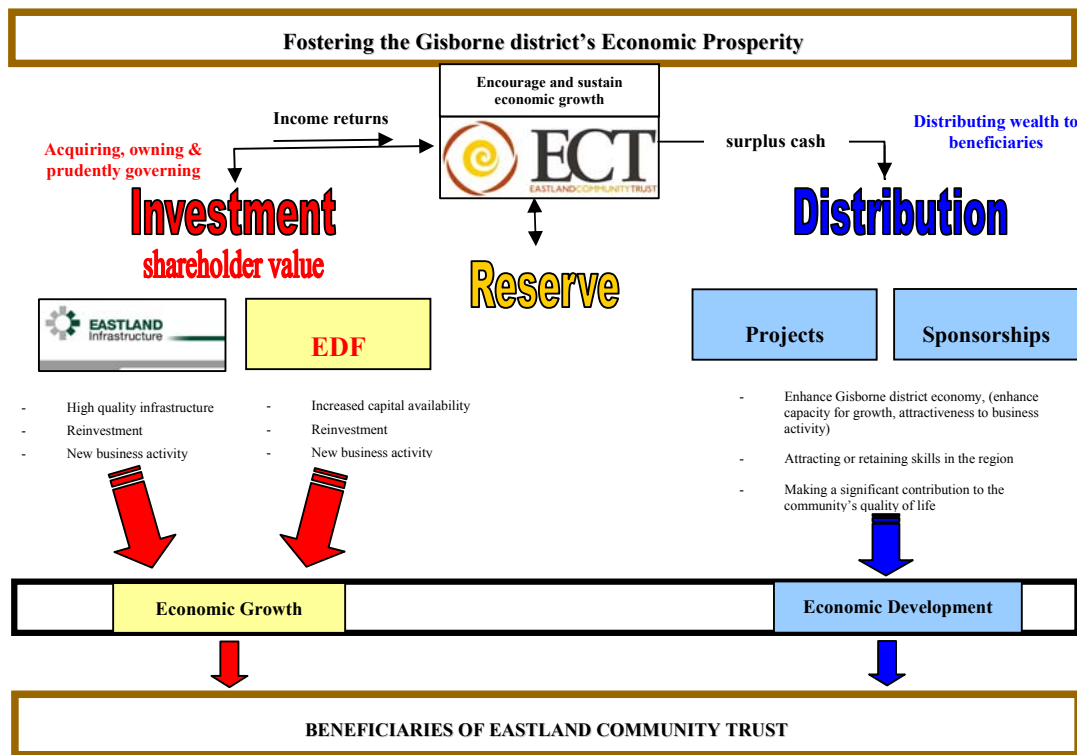
[The term “company” means Eastland Network Limited (previously Eastland Energy Limited)]

**4 MISSION STATEMENT**

*“to foster the Gisborne district’s economic prosperity, through acquiring, owning and prudently governing investments, and utilising resources to support and encourage selected commercial and community enterprises”*

The execution of the Trust’s mission statement will be through investment and distribution activity. The Trust’s activities are structured into three portfolios:

- *Investment Portfolio,*
- *Reserve Portfolio,*
- *Project Portfolio.*



## 5 INVESTMENT PORTFOLIO

### *Nature and scope of activities*

While ownership and the resulting stewardship of the shares in Eastland Network Limited was the founding function for the Trust, investments have since been made in further infrastructure-based activities under the direction of Eastland Infrastructure Limited. The Trust will continue to play an important role as an investor within the community using the provisions contained within the Trust deed to initiate investment aimed at encouraging and sustaining economic growth in the Gisborne region. This commitment as an investor and the aim of diversifying Trust business activity will see the expansion of Eastland Development Fund Limited as an operating arm of the Trust.

In general, the nature and scope of activities to be undertaken are:

- a) To ensure that the boards of each subsidiary compile an appropriate Statement of Corporate Intent and to review and monitor the achievement of the objectives contained therein,
- b) To regularly review the appropriateness of the continued ownership of the equity securities in each subsidiary taking into account developments that may have an impact on their long-term value,
- c) To appoint appropriate representatives to the boards of each subsidiary company,
- d) To continually review the investment strategies of the Trust to take account of any changed circumstances within the Trust's environment.

### **Eastland Infrastructure Group (Eastland Network, Eastland Port, Eastland Infrastructure)**

As the name suggests the Eastland Infrastructure group of activities comprises strategic asset-intensive businesses crucial to the Gisborne district's economy. The Trust is committed to supporting new investment initiatives within this group where the projects are commercially attractive. There is a potential investment in the order of \$10 million in 2008.

### **Eastland Development Fund (EDF)**

The nature of activities conducted by EDF is anticipated to involve expanding the original concept of a venture capital and development fund for which EDF was created. The increased activity of EDF will commence in a staged manner, using a small independent directorate charged with identifying sound commercial opportunities that complement the private sector and also provide impetus to the region's economic growth. There is a potential investment in the order of \$3 million in 2008.

*Objectives*

- a) To fulfill the purpose of the Trust as set out in the Trust deed,
- b) Monitor investments in subsidiaries to ensure that shareholder value is added,
- c) Diversify the Trust's investments where possible to ensure that concentrations of risk are minimised,
- d) Ensure the Trust has appropriate management resources to execute strategy.

*Performance targets*

- a) Individual investments are expected to at least meet their cost of capital over the respective planning periods,
- b) Consult and agree with the boards of each subsidiary the content of their Statement of Corporate Intent no later than 31 March 2008,
- c) Monitor the performance of each subsidiary by receiving and considering financial information on at least a quarterly basis and requesting regular updates from the chairman of each board.

## 6 RESERVE PORTFOLIO

### *Nature and scope of activities*

The reserve portfolio holds funds that are required for normal Trust working capital requirements as well as a cash reserve available for deployment through the investment and project portfolios. The reserve portfolio also provides a fund that can be drawn on in urgent circumstances to assist in restorative work required following a catastrophic event affecting the infrastructure of subsidiary companies. The size of this portfolio is governed by the Trust's cash needs in the immediate and mid-term futures. Cash requirements are determined through analysis of the Trust's strategies for the Investment and Project portfolios.

### *Objectives*

- a) To hold a minimum of \$15 million in liquid cash reserves to cover uninsurable losses that may be sustained by subsidiary companies of the Trust,
- b) To hold any further cash reserves to be available for planned activities within the investment and project portfolios,
- c) The return targeted for all reserve portfolio funds is that appropriate to risk-return rates from liquid investments available in the marketplace.

### *Performance targets*

The expected return from these funds will be the average rate available in liquid markets, on an ex-post basis, for each financial year.

**7 PROJECT PORTFOLIO**

*Nature and scope of activities*

The project portfolio comprises investments in community infrastructure and projects that will enhance the district’s economic prosperity and/or contribute to local community life. The Trust is committed to continued collaboration with like-minded community agencies where a partnership approach to economic development initiatives is pursued. As well as obtaining community input, Trust Management and Trustees will proactively facilitate, and where appropriate initiate, economically-based community projects and activities of a community infrastructure nature within the district. The Trust’s Management will play an active role in the governance of any allocation of Trust funds by the Trustees.

The sponsorship of activities that encourage economic growth in the Gisborne district will be actively pursued by Trust Management.

*Objectives*

- a) Enhance the Gisborne district economy by aiding the capacity for growth, including the attractiveness to business activity,
- b) Make a significant contribution to the community’s quality of life,
- c) An allocation of Trust funds to a project may involve a semi-commercial return, with all projects required to have sustainable returns to the region over the life of the project.

Projected distributions to project portfolio activities over the next five years:

2007 (\$000)	2008 (\$000)	2009 (\$000)	2010 (\$000)	2011 (\$000)
575	575	575	575	575

*Performance targets*

The Trust will operate this portfolio with the target of achieving economic outcomes that produce a benefit for the community. Achievement of this target may be measured through achieving specific project business plan objectives.

## **8 INFORMATION TO BE PROVIDED TO BENEFICIARIES**

- 8.1 In terms of the Trust deed, all meetings of the Trustees are to be advertised in the local newspaper and are open for the public to attend as observers. The Trustees do however retain the right to discuss matters of a private or commercially sensitive nature with the public excluded.
- 8.2 Each year's Statement of Intent and budget estimates are to be provided to the Gisborne District Council no later than one month prior to the end of the previous financial year.
- 8.3 The Trust's annual report, Statement of Intent and budget estimates will be made available for inspection by the public no later than four months after the end of the financial year. These documents will be made available on the Eastland Community Trust web site ([www.ect.org.nz](http://www.ect.org.nz)) and at the H B Williams Memorial Library and the Gisborne District Council offices at Fitzherbert Street in Gisborne and at the service centre in Te Puia.
- 8.4 Copies of the Trust deed will also be made available at the locations specified above.
- 8.5 The Trust will hold an annual public meeting within five months of the Trust's balance date of 31 March.
- 8.6 The Trustees will meet with the Gisborne District Council from time to time to discuss issues as the Trustees deem appropriate.
- 8.7 The Trust will distribute regular newsletters during the year to keep beneficiaries informed of Trust activities.

**9 INVESTMENTS OR DIVESTMENTS OF A SIGNIFICANT NATURE**

- 9.1 The Trust will continue to monitor its investments and will make changes as the Trustees consider appropriate. No specific investments or divestments are planned at the time of writing this statement.

Signed for and on behalf of the  
Eastland Community Trust by:



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G L Alexander  
**CHAIRMAN**



## Eastland Community Trust

### Budgeted Statement of Financial Performance

For the year ending 31 March 2008

<b>Revenue:</b>	
Interest income	3,223,978
Dividend income	3,250,000
Sundry income	37,500
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<b>Total revenue</b>	<b>6,511,478</b>
<b>Less expenditure:</b>	
Accounting & secretarial	78,000
Advertising	27,000
Audit fees	4,500
Consulting fees	60,000
Depreciation	2,768
General expenses	6,000
Insurance	15,500
Legal fees	36,000
Management expenses	20,000
Office expenses	41,300
Contracted Services	50,000
Printing & stationery	6,000
Public relations/branding	80,000
Salaries	175,000
Seminar expenses	18,000
Special project costs	60,000
Sponsorship	75,000
Subscriptions	6,000
Training & travel expenses	25,000
Trustees' fees	60,000
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<b>Total expenditure</b>	<b>846,068</b>
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<b>Net operating surplus before taxation</b>	<b>5,665,410</b>
Taxation expense	797,167
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<b>Net operating surplus after taxation</b>	<b>\$4,868,243</b>
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