



2011

Statement of Intent and Budget
Eastland Community Trust
For the year ending 31 March 2011



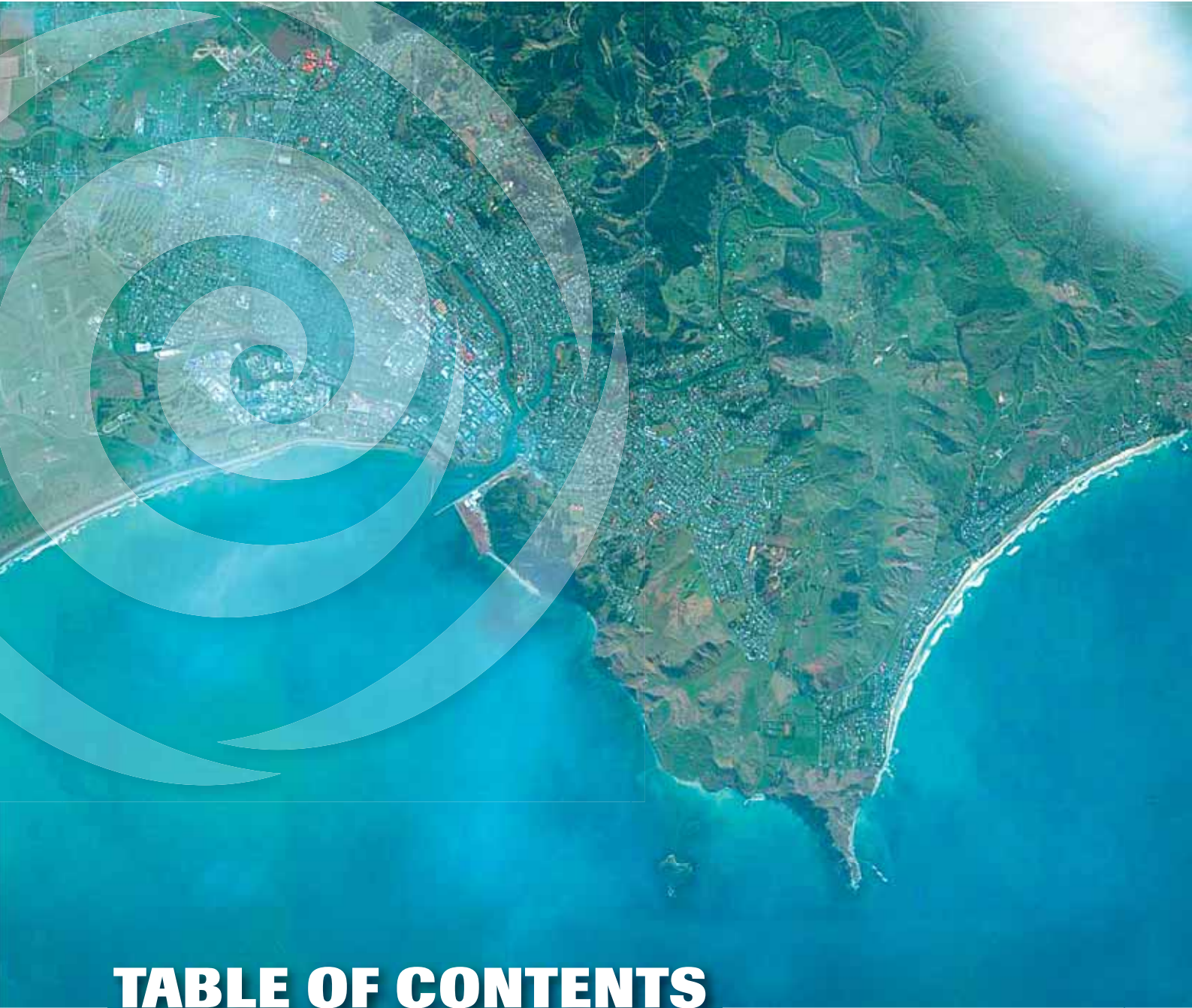


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INTRODUCTION

The Eastland Community Trust is pleased to present its Statement of Intent and Budget for the 2010–2011 year.

This is our guiding document for the year and sets out our intentions relating to our reserve portfolio, our investment strategy and our community investment strategy.

We continue to be in a position to offer significant funding to community projects that will enhance economic growth and transform our community. We look forward to working with you on these.

For further information please contact us or visit our website on www.ect.org.nz.

Gary Alexander - Chairman

Our 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 proactive management, focused investment and implementing a linked distribution activity.

Our Structure





Governance and management

Income growth and building proactive community networks.

ECT will work with various entities within the region, including the Gisborne District Council, to examine the feasibility of a structured entity to oversee and manage commercial and community projects. A management resource would be allocated to this purpose.

The Trustees will carry out a review and, if necessary, update the Trust Deed to ensure the purposes of the Trust are being best achieved. The role of Council in relation to the appointment of Trustees and as a capital beneficiary may be affected.

Focused investment

Investing for commercial and non commercial returns.

The Eastland Group is currently the main vehicle for providing dividend and capital note interest income to the Trust. In addition the Trust will maintain commercial returns to the reserve portfolio through prudent investment of funds while maintaining required liquidity in the portfolio.

Some community initiatives may attract Trust funding on a less than commercial return basis provided the project has significant impact within the community to justify such investment.

In all cases of investment by the Trust, either commercial or non-commercial, high standards of governance, management, transparency and accountability will be essential prerequisites for consideration of any investment.

Linked distributions

Linking beneficiary and community distributions to the growth in the liquid reserves of the Trust.

The community investment policy will be linked directly to the size of the reserve portfolio.

The Trust intends to increase the size of the reserve portfolio through prudent commercial investments – in turn this will grow net annual returns.

As the reserve portfolio grows so shall the proportion available for distribution to beneficiary and community projects. In no case shall the total community investment exceed the net income for the prior year.

Funds not allocated in 2010 will be available for distribution in addition to the linked distribution.

The Trust's assets and activities are structured into three distinct portfolios.





INVESTMENT PORTFOLIO

Objectives of the investment portfolio

1. To grow net income to the Trust by at least 5% per annum.
2. To fulfil the purposes of the Trust as set out in the Trust deed.
3. To continually monitor investments in subsidiaries to ensure that shareholder value is added.
4. To diversify the Trust's investments, where possible, to ensure that concentrations of risk are minimised.
5. To ensure the Trust has appropriate management and governance resources to execute the strategy.

Performance targets

- Individual investments are expected to at least meet their cost of capital over the respective planning periods,
- Consult and agree with the boards of each subsidiary the content of their Statement of Corporate Intent no later than 31 March 2010.
- Monitor the performance of each subsidiary or investment by receiving and considering financial information, on at least a quarterly basis, and receiving regular updates from the chairman of each board.

Investments or divestments of a significant nature

The Trust will continue to monitor its investments and will make changes as trustees consider appropriate.

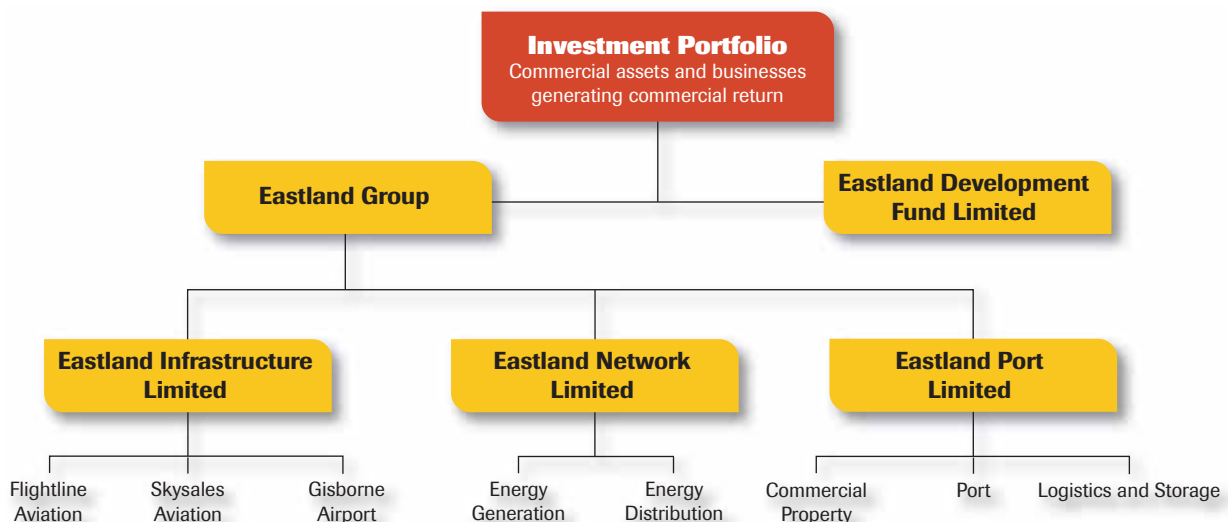
Investments have been made in infrastructure and service-based activities under the direction of the Eastland Group.

ECT will continue to play an important role as an investor within the community by using the Trust deed provisions to initiate, encourage and sustain economic growth in the Eastland region.

Eastland Group

Eastland Group remains ECT's largest investment. Eastland Group will continue to operate in energy, logistics, aviation and property sectors.

As part of the continued development the Group has plans for additional growth. This growth will likely to have an impact on the ECT as the sole shareholder.





The general nature and scope of activities:

1. To ensure the Eastland Group board compiles an appropriate statement of corporate intent and business plan. The Trust will review and monitor the board's progress towards fulfilling its objectives.
2. To review the Trust's shareholder expectation manual with the Eastland Group.
3. To review the remuneration of the Eastland Group directors.
4. To undertake a review of the directors' skills in line with the requirements of the business.
5. To ensure a succession plan is in place for various positions within the Eastland Group board.
6. To regularly review the appropriateness of continued ownership of the equity securities in each subsidiary, taking into account developments that may have an impact on their long-term value.
7. To appoint appropriate directors with appropriate skills to the boards of each subsidiary company,
8. To continually review the Trust's investment strategies to take account of any changed circumstances within the Trust's operating environment.
9. To invest in selected commercial equities and other investments, including private equity, after the reserve portfolio has been funded appropriately that may have less liquidity and a slightly higher risk profile.

The Eastland Group

Eastland Network Ltd, Eastland Port Ltd and Eastland Infrastructure Ltd

The Eastland Group activities primarily comprise strategic asset intensive businesses crucial to the Gisborne district economy. The group is focused on three sectors - energy, logistics and aviation.

The Trust is committed to supporting new investment initiatives within the group where the projects are commercially attractive to the Trust.

In February 2010 the Trust subscribed to \$10 million in capital notes with the group. This issue of capital notes is in addition to the two existing capital note issues currently held by the Trust - \$10 million with Eastland Network Ltd and \$10 million with Eastland Port Limited.

All capital notes issued by the group pay interest to the Trust at commercial rates.

Eastland Development Fund

The future direction of EDF remains under review with consideration of EDF being structured as a regional entity focused on commercial and community investment within the region.

RESERVE PORTFOLIO

Objectives

1. To have gross income grow at a minimum of 5% per annum.
2. To hold a minimum of \$18 million in highly liquid asset protection reserves to cover uninsurable losses that may be sustained by subsidiary companies of the Trust and grow this allocation by 5% per annum.
3. To hold liquid reserves to be available for planned activities within the investment and project portfolios.
4. To ensure the return targeted for all reserve portfolio funds is 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.

Nature and scope of activities

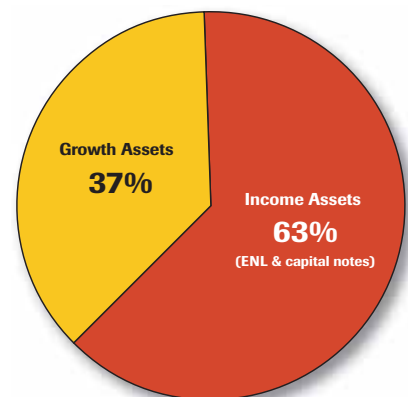
The reserve portfolio holds funds that are required for normal trust working capital requirements as well as maintaining liquid reserves available for deployment through the investment and project portfolios.

Liquid reserves are cash and, investments and securities that can readily be converted to cash in a relatively short period of time. Investments that do not meet the liquidity criteria are allocated to the investment portfolio.

The reserve portfolio must be kept above a set minimum level to provide an asset protection fund. This fund can be drawn on in urgent circumstances to assist in restorative work for uninsured assets in the case of a catastrophic event affecting our subsidiary companies' infrastructure.

The minimum level for asset protection has been determined by the trustees to be \$18 million and should increase over time.

Reserve Portfolio Asset Allocation, Long-term Benchmarks



Estimated Reserve fund growth and proportion in asset protection

\$ millions

Year	Opening Balance	Asset Protection	Asset Protection Proportion of Total
1 Apr 2011	\$23.8	\$18.0	76%

Income estimates

\$ millions

Year Ending	Dividends	Interest and other Income	Gross Income	Operating Expenditure	Pre Tax Net Income	Post Tax Net Income
31 Mar 2011	\$4.2	\$4.3	\$8.5	\$0.54	\$8.04	\$5.4



PROJECT PORTFOLIO

Objectives

1. To take a proactive approach in seeking out and/or brokering significant community investment
2. To have sufficient reserves and resources to fund projects of such size and scope to be considered “transformational” in their impact in the community.
3. To enhance the Gisborne district economy by aiding capacity for growth, including expansion of business activity.
4. To make a significant contribution to the community’s quality of life.
5. To allow for an allocation of Trust funds to projects. All projects will be required to have sustainable returns to the region over the life of the project.

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 and milestones.

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 community infrastructure initiatives within the district.

The Trust’s management will play an active role in the governance of any allocation of Trust funds by the trustees.

Sponsorship of activities that encourage economic growth in the Gisborne district will be actively pursued by Trust management.



COMMUNITY INVESTMENT STRATEGY

Objectives

The first objective of the community investment strategy is to have a maximum amount available for distribution in any one year. This figure is directly linked to the balance of liquid funds in the reserve portfolio. In essence the larger the opening balance the greater the distribution percentage.

The distribution estimates are the maximum that will be distributed and any amounts are always at the discretion of the trustees and subject to financial considerations. It is envisaged that funds may be carried over from year to year if appropriate projects are not available in any one year or the trustees wish to hold-over the distributions to fund a particular project.

Community Investments

Under this strategy, ECT invests for economic growth and / or community benefit.

Commercial investment assessment criteria will be applied, but not necessarily with the requirement of a commercial rate of return.

Community investments are in three (3) streams:

- Transformational investment
- Community initiative investment
- Sponsorship

Transformational Investment

ECT will invest in major initiatives and projects that will transform the region economically and socially. ECT will be proactive in identifying any suitable initiatives and brokering.

Investment can be as the sole investor or in conjunction with funding from other sources from government, community or business.

Objectives:

- To facilitate economic growth for the region.
- To provide capital for major initiatives.
- To fulfil the purposes of the Trust as set out in the Trust Deed.
- To be an active stakeholder in the initiative or project to ensure adequate management and governance of activities to protect ECT's investment.

ECT requires a comprehensive and sound business case that demonstrates the transformational nature of the initiative and that sound governance and management practices are in place, including the ability to report to ECT regarding its investment.



Community Initiative Funding

Projects or initiatives that have a significant community benefit in the region will be eligible for distributions if funds are available after transformational investment funding needs have been met. Applicants need to demonstrate that they have exhausted other funding sources prior to applying for this funding.

This investment category is not intended to fund essential services that are normally the responsibility of central and local governments to provide.

Criteria for this investment category are to be defined by the Trustees by March 2010.

Sponsorships

Sponsorships covering a wide range of areas and endeavours within the community will form a minor part of the Trust's distributions and will be limited to a sum of \$50,000 per annum in the first year - growing by 5% each year.

Individual sponsorships will be set at a maximum of \$5000 for each successful applicant.

Five year income and community investment strategy \$ millions

Reserve Opening Portfolio Balance	Post Tax Net Income	Maximum Investment	Investment Percentage	
	Per year	Per year	Of Cash Income	Of Opening Balance
1 Apr 2010 \$21.0	\$5.4	\$2.6	48%	12.1%
1 Apr 2011 \$23.8	\$5.6	\$3.1	55%	13.0%
1 Apr 2012 \$26.3	\$5.9	\$3.6	61%	13.7%
1 Apr 2013 \$28.6	\$6.2	\$4.1	66%	14.3%
1 Apr 2014 \$30.7	\$6.5	\$4.6	70%	15.0%
Totals	\$29.5	\$18	61%	



BUDGET

For the year 1 April 2010 to 31 March 2011

Ordinary Income / Expense

Income

Dividends Received

Eastland Group 4,200,000.00

Interest Received

Eastland Group Capital Notes 2,850,000.00

Fonterra Capital Notes 550.00

Term Deposits 400,000.00

Westpac Current Account 2,500.00

Investments

Equities 140,000.00

Property 120,000.00

Fixed Interest 870,000.00

ABN AMRO Craigs Cash Account 20,000.00

Exchange Rate Gain 1,000.00

Total Income 8,334,050.00

Expenses

Accounting & Secretarial 70,000.00

Audit Fees 30,000.00

Consulting Expenses 68,000.00

Communications 60,000.00

General Expenses 9,000.00

Insurance 15,000.00

Legal Fees 45,000.00

Management Expenses 132,500.00

Monitoring Fees 50,000.00

Seminar Expenses 10,000.00

Trustees' Fees 100,000.00

Total Expenses 589,500.00

Net Pre Tax Operating Profit 7,744,550.00



BACKGROUND AND PURPOSE OF THE TRUST

The Eastland Energy Community Trust (the Trust) was created on May 7, 1993 and has as its governing document a deed of trust effective from this date. The Trust changed its name to Eastland Community Trust (ECT) on December 6, 2004.

Clause 16.7 of the Trust deed requires the Trust to prepare and deliver to the Gisborne District Council a Statement of Intent and budget no later than one month before the end of each financial year ending on March 31.

This Statement of Intent has been prepared to satisfy the requirements of clause 16.7 of the Trust deed in respect of the income year ending 31 March 2011.

The Trust was established for the following purposes:

1. To preserve the value of the capital of the Trust fund having regard to the affect 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. 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:
 - Paying for or subsidising the installation or maintenance of electricity reticulation or the supply of electricity in areas of the district where the trustees are of the opinion that the provision of those services by the company will not provide an acceptable commercial return. And that the cost to the consumer of that electricity is excessive in comparison with the majority of consumers with similar load profiles, connected to the company's electricity distribution system.
 - Supporting business, community and other initiatives, which in the opinion of the trustees are likely to encourage or sustain economic growth within the district which may, directly or indirectly, benefit the beneficiaries.



BENEFICIARIES

A beneficiary is defined as:

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 Gisborne District Council
- Whose name appears on the ratepayer electoral roll of the Gisborne District Council
- Whose nominee's name appears on the ratepayer electoral role of the Gisborne District Council pursuant to section 7BG of the Local Elections and Polls Act 1976
- Who at any time is listed on a role of voters entitled to vote at an election of councillors of the Gisborne District Council
- 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.

Information to be provided to beneficiaries

The trustees are committed to continual communication with beneficiaries.

1. The Trust website is www.ect.org.nz
2. The website contains the Trust Deed, Annual Report, Statement of Intent and Budget, newsletters and other pertinent information which will be updated on a regular basis.
3. The 2011 Statement of Intent and Budget will be provided to the Gisborne District Council no later than the end of March 2010.
4. The Annual Report, Statement of Intent and Budget will be 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 website, at the H.B. Williams Memorial Library and the Gisborne District Council offices at Fitzherbert Street in Gisborne and the service centre in Te Puia.
5. All meetings of the trustees are advertised in the local newspaper and are open for the public to attend. The trustees do however retain the right to discuss matters of a private or commercially sensitive nature with the public excluded.
6. The Trust will hold an annual public meeting within five months of the Trust's balance date of March 31, 2010.
7. The trustees will endeavour to meet formally with the Gisborne District Council on at least a six monthly basis to discuss the Trust related activities and other community related matters.
8. The trustees and Trust management will develop a working relationship with the chief executive of the Gisborne District Council.
9. The Trust will develop a formal communication strategy and plan which may include distributing regular newsletters and other communications during the year to keep beneficiaries informed.