

The ASB Trusts 1990

Financial Statement for the Period Ended 31 March 1990

THE ASB TRUSTS Chairperson's Report

In the second year of operation, the Trusts have increased in experience and effectiveness. Policies developed in the first year have provided a firm foundation for future growth. Together, the two Trusts have made 575 donations totalling \$13.4 million for the benefit of the people of the Auckland and Northland regions. Last year the region hosted the Commonwealth Games and the 1990 commemoration ceremonies at Waitangi. The Trusts supported both these events. The ASB Bank Community Trust granted \$2 million to participating sporting groups for equipment to be used at the Games, donated the Commonwealth Quilt, and donated \$110,000 to the Kaupapa Waka to provide tents and other equipment for the paddlers of the canoes from this region which attended Waitangi. All of those things, and the venues that were upgraded with the Trusts' help, will be useful for many years.

The work of the Trusts is almost equally divided between concern for the investment and business side of the operations, and considering applications for donations.

In my first report I referred to the duty of prudence which is required of Trustees. A degree of judgement is required which is more than conservatism. The Trustees have kept that duty in mind, both in investment policy and while considering donations. I think that caution has remained uppermost, but our actions have not been devoid of imagination. Approximately two-thirds of the Trusts' income has been donated to projects which will make a difference to the whole region.

The ASB Trusts have been in operation for only two years but it has already been necessary to reflect upon their relationship with the community and the Government. Clearly, the Trusts should assist the disadvantaged and we have also supported education, health and social service initiatives. I do not think, however, that the Trusts should take over responsibilities which belong to central or local government, nor should they habitually rush in ahead of the community to support causes or initiatives which cannot demonstrate a credible level of support from elsewhere.

Dependence is another issue. Modest help with running costs may be provided, especially to voluntary organisations, but in general the Trusts do not make donations for purposes such as salaries. That would encourage a degree of dependence which could well fill every list with "regulars" and leave no room for new applicants. So far, the Trusts have preferred to support finite projects to which the applicants themselves have donated resources in terms of money and energy.

The extent of voluntary community effort in the region can be a matter of pride to us all. The Trustees are enormously encouraged by it and the ASB Trusts are usually ready, indeed eager, to respond to it.

TWO TRUSTS

Last year I referred to the formation of the ASB Charitable Trust in May 1989.

In order to comply with the requirements of the Inland Revenue Department, the ASB Bank Community Trust and the ASB Charitable Trust must be separate entities. Their separate identities are reflected in the structure of this report and in the accounts. The graphs illustrate their relative size (the Charitable Trust holds 75% of the aggregate capital) and their differing roles.

The Charitable Trust confines its donations to organisations which are certified as tax exempt for charitable purposes because they fall within the narrower legal definition of 'charity'. The ASB Bank Community Trust's Deed enables it to respond to organisations which are of benefit to the people of Auckland and Northland but which may not be recognised as charitable by the Inland Revenue Department. In practice this shows up in the profiles of donations — the Community Trust gives a larger proportion of its grants to recreational projects, especially those which may benefit young people.

PRESENT NEEDS AND FUTURE BENEFICIARIES

Trustees are required to balance the needs of present and future beneficiaries of each Trust. Provision has therefore been made to preserve the capital of each one, but after such provision, and meeting expenses, almost all the income has been distributed in the year in which it was earned.

EXPENSES have been held to 2.17% in the Charitable Trust and 5.37% in the other. That is equal to 2.83% for the combined Trusts.

STAFFING — the business of the Trusts is managed by six highly committed and well qualified staff. I wish to record my thanks to John Spicer, the Secretary Manager, for the professionalism and efficiency with which he administers the Trusts, and to all the staff for their support.

ALLENDALE — Hon. David Caygill, the Minister of Finance, opened the Trusts' headquarters at 50 Ponsonby Road in October 1989. The building is a practical answer to our accommodation needs. It is also beautiful. Those who need to visit it have enjoyed being there. Allendale has a 'B' classification from the Historic Places Trust.

PUBLIC INFORMATION

Each Trust continues to inform the public of its activities through appropriate news releases, publication of annual accounts and donations lists, and newsletters. Three newsletters were issued in the 1989-90 year. Lists of donations are released every six months.

DONATIONS POLICIES

The ASB Trusts distributed \$13.4 million to the Auckland/Northland region in their second year of operation. In addition \$100,000 was donated to the Cyclone Ofa appeal.

- Nevertheless, it was not possible to meet all requests. Declining a request does not imply a judgement on the organisation making it; usually it reflects the fact that our resources are not endless. When considering a request, Trustees bear in mind the following matters (in descending order of priority)
- The applicant's need measured against available resources
 - Applicants' ability and potential to help themselves
 - The potential community benefit

A donation is not always disbursed as soon as it is committed. It is usually paid when the project needs it. Proof of progress is sometimes required. These timing differences between commitment and disbursement reflect the Trusts' cautious approach, and enable extra income to be earned for the benefit of a wider group of beneficiaries.

CONCLUSION

On 31st May the terms of appointment of four Trustees: George Hawkins, Frank Knipe, Agnes Tuisamoa and Judith Bassett expired. All were reappointed. During the year, Dame Catherine Tizard's appointment as Governor General was announced and Waari Ward-Holmes, our deputy chairman, was appointed to a Fellowship of the NZ Society of Accountants. The Trustees congratulate Dame Catherine and Mr. Ward-Holmes on these honours.

I wish to add my personal thanks to all Trustees for the application of detail and the imagination which they have brought to their work. This has been a full, and I believe a positive year for the Trusts.

ASB BANK COMMUNITY TRUST

The sole asset of this Trust is its 25% shareholding in ASB Bank Limited.

Dividends of \$5.865 million and interest of \$246,000 represented a 9.19% return on average capital invested, before expenses. The relationship of the Trust, the minority shareholder, with the majority shareholder, the Commonwealth Bank of Australia, is excellent.

RESERVES

The dividend declared by ASB Bank Limited last year represented 40% of its profit. The remaining 60% was retained and provides an automatic reserve by adding value to the Trust's share of the asset. No further reserves have been created in the Trust's accounts.

DONATIONS

Every one of the 208 donations from this Trust was important to the organisation or community that received it, and also to the Trust. Media interest inevitably tends to focus on the larger donations, but the Trustees also take a lot of interest in the small ones.

The larger donations from the ASB Bank Community Trust went, in general, to museums, marae, recreational and cultural projects. All the organisations receiving them showed evidence of substantial community support for their project before the Trust was approached for assistance.

ASB CHARITABLE TRUST

INVESTMENT POLICIES

Diversification of investments has been achieved by a spread of funds management, asset type, and currencies. Five fund managers have been appointed, each of whom manages \$50 million on behalf of the Trust. A lesser amount is managed by the Trust's staff. Funds are invested in cash deposits, bonds and equities, in New Zealand and off-shore.

The Trust has instructed its fund managers to follow conservative investment policies, consistent with a reasonable income return.

Our investment objectives, in descending priority, are:-

- To preserve the capital, and increase it if possible
- Minimise risk
- Provide an adequate return
- Maintain appropriate liquidity

The return on capital during the ten months of this Trust's existence was 11.75% per annum, before expenses.

RESERVES

The market value of our investments is constantly changing. At balance date it was adverse to the extent of 3.4% of invested capital. Therefore, we have reserved a matching amount out of income as a provision for investment fluctuations. We expect this to vary each year, sometimes positive, sometimes negative. In addition, fifty per cent of the Trust's net income was transferred to capital reserve leaving \$8,438,000 available for distribution.

DONATIONS

The work of this Trust was primarily concerned with the support of education, health, voluntary associations who assist the disadvantaged and with projects which benefit young people in the region.

The list speaks for itself. The Trust made 367 donations and nearly three-quarters of the total amount granted went to regional projects. Some of them lay the foundation for important future development — e.g. the donation to the Royal New Zealand Foundation for the Blind to build a guide dog unit at Homai. This, we hope, will go a long way towards providing mobility for people in this region who presently do not have that freedom. So, in its way, will the donation to assist the work of the Phobic Trust. One of the largest donations in the list went to Odyssey House, an organisation with a long and credible track record in the treatment of drug and substance abuse. For years now Odyssey has been seeking a suitable home and it gave the Trust considerable satisfaction to be able to assist it to achieve that fundamental goal.

Judith Bassett

Judith Bassett, M. A. LL.B
Chairperson