

SUPPLEMENT TO

2013



# New Zealand Gazette

OF THURSDAY, 21 JUNE 2012

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## EASTERN AND CENTRAL COMMUNITY TRUST INCORPORATED

### FINANCIAL STATEMENTS

PURSUANT TO SECTION 13 OF THE  
COMMUNITY TRUSTS ACT 1999

## EASTERN AND CENTRAL COMMUNITY TRUST INC

**DIRECTORY****TRUSTEES**

CLAIRE MATTHEWS	Pahiatua	Chair
BEVERLEY FULLERTON-SMITH	Hastings	Retired May 2011
BEV EDLIN	Levin	
RON GARROD	Masterton	
JOHN GORDON	Carterton	Retired May 2011
STEPHEN KERR	Masterton	Appointed June 2011
MARK KILMISTER	Napier	Appointed June 2011
KAYE MCAULAY	Martinborough	
MARGARET MILLARD	Palmerston North	
BRUCE MILLS	Feilding	Deputy Chair
GEOFF MILNER	Gisborne	Appointed June 2011
KEITH MORETTA	Napier	Retired May 2011
JANE POA	Flaxmere	Resigned August 2011
CAREN RANGI	Napier	
ROBYN RAUNA	Gisborne	

**TRUST MANAGER**

JOHN MCKENZIE

**BANKERS**

WESTPAC

**AUDITORS**

STAPLES RODWAY

**FINANCIAL ADVISORS**

MCA NZ LIMITED

**REGISTERED OFFICE**

1<sup>st</sup> FLOOR, WESTERMAN'S BUILDING,  
102-104 RUSSELL STREET SOUTH,  
PO BOX 1058,  
HASTINGS 4122

**TRUSTEES' REPORT**

On behalf of the Trustees I am pleased to present the Annual Report of the Trust for the year ending 31 March 2012.

Unfortunately the volatility in the financial markets continued during the last financial year. The ongoing uncertainty related to Europe and the Euro was a particular contributor to the volatility of international markets, and this has continued into the current financial year. Despite this, the Trust has continued to serve our communities in a social environment where demands for assistance are increasing.

**DONATIONS**

During the year the Trust approved 716 donations, totalling a net \$4.7 million. The number of applications received during the year increased to 921, a rise of 3% over the previous year. The Trust approved 78% of those applications, while 188 applications (20%) were declined and 17 applications (2%) were withdrawn by the applicant. All applications received, except those withdrawn by the applicant, were presented to the Board for consideration.

The average request of \$12,886 was slightly lower than the previous year, and the average donation amount approved also decreased, from \$5,594 to \$5,366. The ratio of the average request to the average donation increased slightly for 2011/12 to 2.40.

The Trust's unique relationship with the four Regional Sports Trusts operating within our region continues to be important, and the funding we provide to them generates strong benefits for their communities. We were pleased to be able to maintain our support for the Regional Sports Trusts at the same level as the previous year. The Trust's Summer Reading Programme, has now completed its 15<sup>th</sup> successful year of operation. Since it was first established the Summer Reading Programme has extended to cover a wider age range, and it also now offers a condensed mid-winter programme. The Trustees wish to place on record our thanks to the staff at the participating libraries, particularly those on the organising committee, for their continued support of the programme – we are well aware that the success of the programme would not be possible without this support. The Trust also supported a further series of 'Maths is Fun' programmes during the school holidays in several locations throughout the region.

**FINANCIAL**

As at 31<sup>st</sup> March 2012, the Trust's net assets were \$137.2 million, which was a reduction of \$7.5 million from the previous year. The net loss from investments for the year was \$1.4 million, and with the addition of administration expenses and donations led to the Trust's overall net loss of \$7.5 million. The loss includes \$10.5 million of unrealised losses on our investments, due to changes in currency values as well as market movements.

The Trust continued its policy of being 50% hedged on average during the last financial year, and hedging gains partly offset the unrealised losses due to changing currency values. Further rebalancing of the equity portfolios has been undertaken. This rebalancing partly reflects changes to relative asset values as financial markets recover at different rates; however, it also reflects changes to the Trust's investment strategy to place slightly greater emphasis on growth rather than income.

The Trust's net assets were \$4.0 million above the adjusted capital base of the Trust of \$133.1 million. The Trust continues to be managed efficiently, with operating expenses for the year 8% below budget, at \$1.3 million. Towards the end of the financial year, the Trust moved to electronic delivery of documentation to trustees, which is expected to generate both financial and operational efficiencies for the Trust.

**TRUSTEES**

During the year the term of four trustees expired. Ron Garrod was reappointed for a further term of four years. Beverley Fullerton-Smith and Keith Moretta retired after one term on the Trust, while John Gordon retired having completed two terms. The Trust wishes to record its thanks to Beverley, Keith

and John for their valuable contributions as trustees. The Trust welcomed Stephen Kerr (Masterton), Mark Kilmister (Napier) and Geoff Milner (Gisborne), who were appointed to fill the vacancies.

I would like to thank all the Trustees involved with the Trust over the past twelve months for their assistance and support, both to me and to the Trust.

## STAFF

The Trust is fortunate to have a relatively stable staff, and there were no changes over the last twelve months. Bev Watkins, Raewynne Jacobs, Jill Wolland and Patricia Devlin have continued to deal with the applications for donations and the administration of the Trust with professionalism and skill. The Trustees appreciate the contribution the staff have made to the efficient operation and continued success of the Trust, under the outstanding leadership of the trust manager, John McKenzie. We wish to place on record our sincere thanks to Bev, Raewynne, Jill, Patricia and John for their continued passion, professionalism and commitment to the Trust.

## LOOKING AHEAD

The new donations database and financial management system, Te Kete Putea, has now been operational for more than twelve months and its advantages are being realised as staff become more familiar with its operations. During 2012 the next stage of the system allowing the introduction of web-based applications will be implemented offering advantages to applicants as well as the Trust; however, paper-based applications will continue to be accepted.

While the Trust continues to hope for a more settled financial environment, it is unlikely this will be realised in the coming year, and the 2012/13 financial year will continue to offer challenges for the management of the Trust's investments. Trustees look forward to continuing to support our communities, albeit with a lower donations budget due to the lower level of income expected in the coming year. The Trust continues to operate with policies designed to protect the Trust's assets for the benefit of our communities today, as well as in the future.



Claire Matthews

Chair

25 May 2012

## EASTERN AND CENTRAL COMMUNITY TRUST INC

**GOVERNANCE**

The Board of Trustees has been appointed by the Minister of Finance to govern the Trust. The Board establishes the Trust's objectives, major strategies and the overall investment and donation policy framework. The Trust Manager has delegated authority within approved guidelines for the day to day management of the Trust. To assist in the process of Board governance, the Trustees have established three sub-committees. Each sub-committee has defined duties as listed. Their recommendations are reported to the Board for consideration. As required, the Board refers additional matters to the sub-committees for consideration.

**Executive** – monitor investment performance, review fund managers' performance, consider investment policy and strategy, monitor compliance and appraise the Trust Manager.

**Audit & Risk** – liaise with the external auditor, review the annual audit plan, review audit findings, monitor compliance to relevant statutory requirements, monitor, review and report performance and recommendations of the auditor.

**Special Programmes** – monitor, review and report on the performance of the Regional Sports Trusts, the Summer Reading Programme, the Maths is Fun Programme and any other special programmes.

Conflicts of interest, whether actual or potential, must be disclosed to the Board and minuted. In such circumstances a trustee is not entitled to enter discussion or vote. The Annual Report is published in the Dominion Post and a public meeting is held in August each year.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2012**

	2012 \$	2011 \$
<b>REVENUE</b>		
<b>Realised Income</b>		
Dividend income on held for trading financial assets	2,135,869	3,130,124
Interest income on held for trading financial assets	3,478,360	4,167,833
Gain on derivatives	1,296,926	1,687,914
Gain on disposal on held for trading financial assets	2,134,788	340,512
Sundry income	-	5,251
	<u>9,045,943</u>	<u>9,331,634</u>
<b>Unrealised Income (losses)</b>		
Foreign exchange losses	(6,976,846)	(4,393,953)
Change in fair value of derivatives	1,665,789	(2,402,163)
Change in fair value of financial assets held for trading	<u>(5,143,165)</u>	<u>8,360,125</u>
	<u>(10,454,222)</u>	<u>1,564,009</u>
<b>TOTAL INCOME FROM INVESTMENTS</b>	<b><u>(1,408,279)</u></b>	<b><u>10,895,643</u></b>
<b>LESS EXPENSES</b>		
Administrative Expenses <i>(note 5)</i>	676,466	646,632
Personnel Expenses <i>(note 5)</i>	667,519	629,191
Net Community Donations <i>(note 10)</i>	<u>4,703,796</u>	<u>4,798,337</u>
<b>TOTAL EXPENSES</b>	<b><u>6,047,781</u></b>	<b><u>6,074,160</u></b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b><u>(7,456,060)</u></b>	<b><u>4,821,483</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY</b>	<b><u>(7,456,060)</u></b>	<b><u>4,821,483</u></b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2012**

	<b>2012</b> \$	<b>2011</b> \$
<b>EQUITY AT START OF PERIOD</b>	<b>144,618,079</b>	<b>139,796,596</b>
Comprehensive income for the year	(7,456,060)	4,821,483
<b>Total Recognised Revenue and Expenses</b>	<b>(7,456,060)</b>	<b>4,821,483</b>
<b>EQUITY AT THE END OF PERIOD</b> <i>(note 6)</i>	<b><u>137,162,019</u></b>	<b><u>144,618,079</u></b>

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

		2012	2011
		\$	\$
<b>NON-CURRENT ASSETS</b>			
Financial Assets Held for Trading <i>(note 7)</i>		130,678,052	140,700,077
Plant & Equipment <i>(note 8)</i>		51,621	43,326
<b>TOTAL NON-CURRENT ASSETS</b>		<b>130,729,673</b>	<b>140,743,403</b>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents <i>(note 9)</i>		7,997,145	6,962,577
Short Term Advance <i>(note 4)</i>		108,630	84,148
Derivatives		72,888	-
<b>TOTAL CURRENT ASSETS</b>		<b>8,178,663</b>	<b>7,046,725</b>
<b>TOTAL ASSETS</b>		<b>138,908,336</b>	<b>147,790,128</b>
<b>EQUITY</b>			
Trust Capital <i>(note 6)</i>		133,134,669	129,534,669
Donation Reserve <i>(note 6)</i>		4,027,350	15,083,410
<b>TOTAL EQUITY</b>		<b>137,162,019</b>	<b>144,618,079</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables		219,813	214,014
Derivatives		-	1,592,901
Employee Entitlements		49,314	47,004
Donations Payable <i>(note 10)</i>		1,477,190	1,318,130
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,746,317</b>	<b>3,172,049</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>138,908,336</b>	<b>147,790,128</b>

These Financial Statements have been authorised for issue by the Trustees on 25th May 2012



Claire Matthews  
Chair



Kaye McAulay  
Audit & Risk Committee Chair

EASTERN AND CENTRAL COMMUNITY TRUST INC

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	<b>2012</b> \$	<b>2011</b> \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash was provided from:		
Interest and Dividends	1,651,031	1,358,445
Other	-	5,251
Investment Withdrawals	14,000,000	3,000,000
Derivatives	4,890,333	3,338,691
	<hr/> 20,541,364	<hr/> 7,702,386
Cash was applied to:		
Trustees and Employees	(624,894)	(548,060)
Suppliers of Other Goods & Services	(695,660)	(641,226)
Community Donations	(4,544,736)	(5,385,137)
Investment Deposits	(10,000,000)	(1,650,776)
Derivatives	(3,593,407)	
	<hr/> (19,458,696)	<hr/> (8,225,199)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<i>(note 11)</i>	<b>1,082,668</b>
		<b>(522,813)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash was applied to:		
Short Term Advance	(24,482)	(37,664)
Purchase of Plant & Equipment	(23,618)	(23,161)
	<hr/> (48,100)	<hr/> (60,825)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(48,100)</b>	<b>(60,825)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>1,034,568</b>	<b>(583,638)</b>
Add Cash at 1 April	6,962,577	7,546,215
<b>CASH &amp; CASH EQUIVALENTS AT 31 MARCH</b>	<i>(note 9)</i>	<b>7,997,145</b>
		<b>6,962,577</b>

## EASTERN AND CENTRAL COMMUNITY TRUST INC

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012****1. REPORTING ENTITY**

The Eastern and Central Community Trust Inc. is a Charitable Trust domiciled in New Zealand and incorporated in accordance with the provisions of the Community Trusts Act 1999.

The financial statements, for the year ended 31<sup>st</sup> March 2012, have been prepared in accordance with the Financial Reporting Act 1993. In accordance with Section 13 of the Community Trusts Act 1999 the Eastern and Central Community Trust Inc. is deemed to be an issuer for the purposes of the Financial Reporting Act 1993. The Eastern and Central Community Trust Inc. is primarily involved in the management of the investment of assets and the distribution of donations to the community within a designated lower North Island region of New Zealand.

**2. BASIS OF PREPARATION****a) Statement of Compliance**

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

The financial statements were approved by the Board of Trustees on 25<sup>th</sup> May 2012.

**b) Basis of Measurement**

The financial statements have been prepared on the historical cost basis except as detailed in the specific accounting policies below.

**c) Functional and Presentation Currency**

These financial statements are presented in New Zealand dollars (NZD), which is the Trust's functional currency. All financial information has been rounded to the nearest dollar.

**d) Use of Key Estimates and Judgements**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of the income and expenses during the period. Actual results could differ from these estimates.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument.

Judgements are made by management in the application of NZIFRS that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year are discussed in note 14, Financial Instruments.

**e) Standards, Amendments and Interpretations to Existing Standards that are not yet effective**

There are new or revised Accounting Standards and Interpretations on issue that are not yet effective. These include the following Standards and Interpretations that are applicable to the Trust and may have an impact on future financial statements.

**NZ IFRS 9**

NZ IFRS 9 Financial Instruments will be adopted by the Trust for the first time for its financial period ending 31 March 2015. The impact of NZ IFRS 9 has not yet been assessed.

**FRS 44**

FRS 44 New Zealand Additional Disclosures and Harmonisation Amendments (effective for periods beginning on or after 1 July 2011 with initial application for the Trust being in the year

## EASTERN AND CENTRAL COMMUNITY TRUST INC

ended 31 March 2013) sets out specific disclosures for entities that apply NZ IFRSs. These disclosures are relocated from NZ IFRSs to clarify that these disclosures are additional to those required by IFRSs. Adoption of the new rules will not affect any of the amounts recognised in the financial statements, but may simplify some of the Trust's current disclosures. Adoption of this standard is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 13 Fair Value Measurement (effective for periods beginning on or after 1 January 2015 with initial application for the Trust being in the year ended 31 March 2016) consolidates fair value measurement guidance from across various IFRSs into a single standard, however does not change when fair value can or should be used. The impact on the financial performance as well as financial position, as a result of adoption of NZ IFRS 13, is still to be assessed. It is expected that the adoption of the standard will require additional disclosures related to fair value.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The following are the particular accounting policies, which have a material affect on the measurement of results and financial position. They have been applied consistently to all periods presented in these financial statements except for changes to the Statement of Cash Flows as detailed in note 18.

#### **a) Foreign Currency Transactions**

Foreign currency balances are converted to NZD at the year end rate of exchange. Transactions completed during the year are converted at the rate applying at the date of the transaction. Any foreign exchange gain or loss on monetary items is included within the statement of comprehensive income as revenue.

#### **b) Financial Instruments**

The Trust classifies its financial instruments in the following categories: financial assets at fair value through profit or loss; loans and receivables; held to maturity financial assets; available for sale financial assets; financial liabilities at amortised cost. The classification depends on the nature of the instrument and the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

A financial instrument is recognised only when the Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Trust's contractual right to the cash flows from the financial assets expire or if the Trust transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

Purchases and sales of investments are recognised on trade date, the date on which the Trust commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss. Subsequent to initial recognition these instruments are measured as set out below.

##### *Financial assets at fair value through profit or loss*

Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss in the period in which they arise. Financial assets held for trading and derivatives are classified as financial assets at fair value through profit or loss.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are stated at amortised cost using the effective interest rate method less accumulated impairment losses. Cash and cash equivalents and short term advances are classified as loans and receivables.

## EASTERN AND CENTRAL COMMUNITY TRUST INC

*Held to maturity financial assets*

These investments have fixed maturities and the Trust has the intention and ability to hold these investments to maturity. Any held to maturity investments held by the Trust are stated at amortised cost using the effective interest rate method less accumulated impairment losses. The Trust has no held to maturity financial assets in the reported period.

*Available for sale financial assets*

Available for sale financial assets include any financial assets not included in the above categories. Available for sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The Trust has no available for sale assets in the reported periods.

*Financial liabilities at amortised cost*

Trade and other payables and donations payable are recognised at amortised cost.

**c) Donations**

Donations are recognised as a liability of the Trust when they are approved by Trustees and notified to applicants notwithstanding that the applicants may still have to fulfil some conditions. Donations no longer required, or not fully utilised by donation recipients, are shown separately as donations written back.

**d) Revenue**

Dividends are recognised as income on the date that the Trust's right to secure payment is established and recorded net of any imputation tax credits. Interest income is recognised on a time proportion basis using the effective interest method.

**e) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, cash in banks, short term deposits and other highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value. The Trustees consider all bank deposits to be cash and cash equivalents, as they are available as cash for liquidity purposes. Deposits are sometimes longer than three months to obtain higher returns but are still considered cash and cash equivalents.

Cash and cash equivalents also include accrued interest at balance date but does not include cash or deposits held by the fund managers. Therefore, the Statement of Cash Flows does not reflect the cash flows within the fund managers' portfolios.

**f) Plant and Equipment**

Items of plant and equipment are recorded at cost less accumulated depreciation and impairment losses. The Trust has one class of plant and equipment being office furniture and fittings.

**g) Depreciation**

Depreciation is recognised in the statement of comprehensive income on a straight line basis on all tangible fixed assets at rates calculated to allocate the assets' cost less estimated residual value, over their estimated useful lives. Depreciation methods, useful lives and residual values are reassessed at the reporting date. The estimated life of assets is between 3 and 10 years.

**h) Impairment on items of Plant and Equipment**

The Trust's plant and equipment assets are reviewed at each balance date to determine whether there is any objective evidence 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) Employee Benefits**

Provision is made for salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions in respect of employee entitlements expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

## EASTERN AND CENTRAL COMMUNITY TRUST INC

**j) GST**

GST inclusive accounting has been adopted, as the Trust is not registered for GST.

**k) Income Tax**

The Trust is exempt from income tax under section CW52 of the Income Tax Act 2007.

**l) Leases**

Operating lease payments are recognised in the statement of comprehensive income on a straight line basis.

**m) Cash Flows**

The cash flow statement is prepared inclusive of GST, which is consistent with the method used in the statement of comprehensive income. The following are the definitions of the terms used in the cash flow statement:

- Operating activities include all transactions and other events that are not investing or financing activities
- Investing activities include transactions relating to the acquisition, holding or disposal of investments
- Financing activities are those activities that change the equity of the Trust

**4. SHORT TERM ADVANCE**

The Trust is a member of an unincorporated joint venture consortium with 10 other participating community trusts in New Zealand, which was formed to develop a combined community trusts donations management database.

The ASB Community Trust on behalf of the consortium engaged Deloitte and Enabling Technologies to develop the DMS Database, with the agreement that the DMS Database and all related benefits would vest in, and be managed and operated by a limited partnership established under the Limited Partnerships Act 2008.

The Trust has made an interest-free loan to the ASB Community Trust of \$108,630 (2011: \$84,148) to meet the Trust's agreed portion of the cost to design, build and implement the DMS Database.

The Trust, in collaboration with the other participating community trusts, is in the process of:

- forming and registering a limited partnership under the name "Te Kete Putea Limited Partnership" to own, manage and operate the DMS Database.
- Incorporating a company under the name "Te Kete Putea General Partner Limited" to act as the general partner of the Limited partnership.

On registration of the limited partnership, the interest-free loan to the ASB Community Trust will be repaid and the Trust will contemporaneously make its capital contribution to the limited partnership and receive 456 of the 10,000 shares in the limited partnership.

The Trust intends to enter into a hosting agreement with the limited partnership to provide it with data hosting, database and communication services utilising the DMS Database; the Trust has agreed to pay fees to the limited partnership of 7.93% of the operating costs.

## EASTERN AND CENTRAL COMMUNITY TRUST INC

**5. EXPENSES**

	<b>2012</b> \$	<b>2011</b> \$
<b>Administrative Expenses</b>		
Office administration	91,460	51,839
Advertising and promotion	140,049	170,613
Fees paid to the auditors for - audit of the financial statements	17,339	15,936
- accounts assistance	791	-
Depreciation	15,323	12,335
Rent and services	93,609	87,988
Professional expenses	71,049	103,370
Fund managers' fees	221,582	188,787
Donation expenses	10,762	1,530
Other expenses	14,502	14,234
	<b>676,466</b>	<b>646,632</b>
<b>Personnel Expenses</b>		
Trustees' remuneration	154,216	147,474
Trustees' meeting expenses & training	71,299	54,629
Trustees' liability insurance	8,246	8,188
Staff remuneration	394,382	374,495
Increase/(Decrease) in staff leave owing	(990)	6,865
Staff training and travel	22,539	20,756
KiwiSaver contributions	16,305	14,889
ACC levies	1,522	1,895
	<b>667,519</b>	<b>629,191</b>

**6. EQUITY****a) Trust Capital**

The initial Trust capital was set at \$90 million in 1997. The Trust capital has been increased over time as a surrogate for inflation and population growth within the region administered by the Trust. The Trustees periodically review the capital maintenance transfer. This year the Trustees determined to increase the capital by a further \$3.6 million (2011:\$3.6 million) to ensure the "real" capital of the Trust is maintained.

	<b>2012</b> \$	<b>2011</b> \$
Balance at the beginning of the year	129,534,669	125,934,669
Transfer from donations reserve	<u>3,600,000</u>	<u>3,600,000</u>
<b>Balance at the end of the year</b>	<b>133,134,669</b>	<b>129,534,669</b>

**b) Donations Reserve**

The Trustees retain all undistributed income in the donation reserve. The optimum level of the donation reserve is 25% of the capital base so that the annual donation distribution is able to be maintained when investment markets provide negative results.

Balance at the beginning of the year	15,083,410	13,861,927
Transfer (to) capital reserve	(3,600,000)	(3,600,000)
Gain/(Loss) for the year	<u>(7,456,059)</u>	<u>4,821,483</u>
<b>Balance at the end of the year</b>	<b>4,027,351</b>	<b>15,083,410</b>

<b>Donation Reserve as a % above Trust capital</b>	<b>3.0%</b>	<b>11.6%</b>
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**c) Total Equity**

Trust capital	133,134,669	129,534,669
Donations reserve	<u>4,027,350</u>	<u>15,083,410</u>
<b>Equity balance at the end of the year</b>	<b>137,162,019</b>	<b>144,618,079</b>

## EASTERN AND CENTRAL COMMUNITY TRUST INC

**7. FINANCIAL ASSETS HELD FOR TRADING**

All portfolio investments are classified as fair value through profit or loss.

	<b>2012</b>	<b>2011</b>
	\$	\$
Opening balance	140,700,077	133,488,732
Gain/(Loss) before fund manager fees	(4,705,285)	11,008,560
Withdrawals to fund donations (net)	<u>(5,316,740)</u>	<u>(3,797,215)</u>
<b>Closing Balance</b>	<b>130,678,052</b>	<b>140,700,077</b>
<i>Investments comprise (including cash held by the fund managers):</i>		
Bonds	53,648,374	64,942,000
Equities (including property)	<u>77,029,678</u>	<u>75,758,077</u>
<b>Total Managed Funds</b>	<b>130,678,052</b>	<b>140,700,077</b>
<i>Held in: New Zealand</i>		
Bonds	40,952,865	51,889,769
Equities (including property)	<u>12,768,917</u>	<u>9,761,428</u>
	<b><u>53,721,782</u></b>	<b><u>61,651,197</u></b>
<i>Off Shore</i>		
Bonds	12,695,509	13,052,231
Equities (including property)	<u>64,260,761</u>	<u>65,996,649</u>
	<b><u>76,956,270</u></b>	<b><u>79,048,880</u></b>
	<b>130,678,052</b>	<b>140,700,077</b>

**8. PLANT & EQUIPMENT**

	<b>2012</b>	<b>2011</b>
	\$	\$
<b>Cost</b>		
Opening balance at beginning of year	171,472	173,550
Additions	23,618	23,161
Disposals	<u>(28,703)</u>	<u>(25,239)</u>
Closing balance at end of year	<b>166,387</b>	<b>171,472</b>
<b>Depreciation &amp; Impairment Losses</b>		
Opening balance at beginning of year	128,146	138,237
Depreciation for the year	15,323	12,335
Impairment	-	-
Disposals	<u>(28,703)</u>	<u>(22,426)</u>
Closing balance at end of year	<b>114,766</b>	<b>128,146</b>
<b>Carrying Amounts</b>		
At beginning of year	43,326	35,313
At end of year	<b>51,621</b>	<b>43,326</b>

**9. CASH AND CASH EQUIVALENTS**

	<b>2012</b>	<b>2011</b>
	\$	\$
Current accounts	8,746	10,454
Call account	1,435,153	860,148
Petty cash	8	164
Short term deposits	<u>6,553,238</u>	<u>6,091,811</u>
<b>Total cash and cash equivalents</b>	<b>7,997,145</b>	<b>6,962,577</b>

## EASTERN AND CENTRAL COMMUNITY TRUST INC

**10. NET COMMUNITY DONATIONS**

	2012 \$	2011 \$
Standard donations	1,741,980	1,625,330
Special donations	<u>3,108,700</u>	3,291,585
<b>Total community donations</b>	<b><u>4,850,680</u></b>	<b>4,916,915</b>
Less donations written back	<u>146,884</u>	<u>118,578</u>
<b>Net community donations</b>	<b>4,703,796</b>	<b>4,798,337</b>

Total of donations payable at year end was \$1,477,190 (2011:\$1,318,130). Included in donations payable was \$1,328,290 (2011:\$1,169,490) of donations which are subject to the applicants fulfilling certain conditions.

**11. RECONCILIATION OF OPERATING CASH FLOWS WITH NET SURPLUS**

	2012 \$	2011 \$
Comprehensive income for the year	(7,456,060)	4,821,483
<i>Adjust for non-cash items:</i>		
Unrealised (gains)/losses on financial assets held for trading	12,120,011	(3,966,172)
Unrealised (gains)/losses on derivatives	<u>(1,665,789)</u>	<u>2,402,163</u>
<b>Total unrealised (gains)/losses</b>	<b>10,454,222</b>	<b>(1,564,009)</b>
Realised (gains)/losses on financial assets held for trading not paid in cash	(6,140,261)	(6,278,067)
Depreciation	15,323	12,335
Loss on disposal	-	2,813
Management fees not paid in cash	42,275	32,894
<i>Movement in working capital items:</i>		
Incr/(Decr) in trade & other payables & employee entitlements	8,109	36,538
Incr/(Decr) in donations payable	159,060	(586,800)
Net principal movement in financial assets held for trading	<u>4,000,000</u>	<u>3,000,000</u>
<b>Net operating cash flows</b>	<b>1,082,668</b>	<b>(522,813)</b>

**12. CONTINGENCIES & COMMITMENTS****Capital Commitments**

Other than as detailed in note 4, there are no capital commitments (2011:\$110,000).

**Operating commitments**

	2012 \$	2011 \$
Less than 1 year	61,590	61,590
1 – 5 years	200,167	246,359
Over 5 years	<u>nil</u>	<u>15,397</u>
	<b><u>261,757</u></b>	<b><u>323,346</u></b>

The lease on the present Westerman's premises expires on 30<sup>th</sup> June 2016.

In July 2010 the rent was market assessed but was limited to a 20% increase over the rent set in 2008. During the year ended 31 March 2012, \$61,589 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2011:\$58,410).

## EASTERN AND CENTRAL COMMUNITY TRUST INC

**Contingencies**

There are no contingent liabilities or contingent assets at balance date (2011: nil).

**13. RELATED PARTY TRANSACTIONS**

There have been no related party transactions during the year.

Trustees update their personal register of interests at each Trust Meeting. A folder containing each Trustee's register of interests is readily available to members of the public.

In addition, a record of all declarations of interests with any donation application is maintained and is also included in the Trustees' register of interest folder. Trustees abstain from discussion and decisions regarding donations to entities in which they have an interest.

Key management personnel include the Trustees and Trust Manager. Short term benefits paid to key management personnel were \$301,101 (2011: \$289,810).

**14. FINANCIAL INSTRUMENTS**

The Trust has the following financial assets and liabilities which are shown at their fair value:

	2012	2011
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	7,997,144	6,962,577
Short Term Advance	108,630	84,148
Derivatives financial assets/(liabilities)	72,888	(1,592,901)
Financial Assets held for trading consisting of:		
NZ Equities	12,768,917	9,761,428
NZ Bonds	40,952,865	51,889,769
Off Shore Equities	64,260,762	65,996,649
Off Shore Bonds	<u>12,695,509</u>	<u>13,052,231</u>
	<b><u>138,856,715</u></b>	<b><u>146,153,901</u></b>
<b>Financial Liabilities</b>		
Accounts Payable	59,273	54,029
Donations Payable	<u>1,477,190</u>	<u>1,318,130</u>
	<b><u>1,536,463</u></b>	<b><u>1,372,159</u></b>

Risks arising for the Trust's financial assets and liabilities are inherent in the nature of the Trust's activities, and are managed through an ongoing process of identification, measurement and monitoring. The Trust is exposed to credit risk, liquidity risk and market risk (including currency, interest rate and pricing risks).

The Trust's income is generated from its financial assets. Liabilities which arise from its operations are met from cash flows provided by these assets.

Information regarding the fair value of assets and liabilities exposed to risk is regularly reported to the Trust's management, the Trust's Executive sub-Committee and ultimately the Board of Trustees. The Investment Portfolio is rebalanced, as necessary, to ensure that the asset classes remain within the strategic asset allocation ranges as set out in the Trust's Statement of Investment Policies and Objectives (SIPo). The Trustees regularly review the Trust's SIPo.

The SIPo sets out the Trust's primary investment objectives. These can be summarised as to:

- ensure that the investment fund is invested prudently;
- provide inter-generational equity with regard to distribution levels over time;
- ensure money is available for distribution, as required, to meet the needs and distribution policies of the Trust;
- maintain the value of the investment fund's capital base in real terms (CPI);
- maximise the funds available for distribution.

## EASTERN AND CENTRAL COMMUNITY TRUST INC

**The Investment Portfolio**

The Trust manages its Investment Portfolio in terms of its SIPO. The SIPO is monitored on a regular basis by the Board of Trustees and amended as necessary. The Portfolio's strategic asset allocation is reviewed annually. The strategic asset allocation was last reviewed in November 2011. MCA NZ Limited assists both management and the Trustees with investment advice and the portfolio management.

**Portfolio Characteristics**

The Trust has its investments in seven different portfolios and the performance of each asset is measured against an appropriate index:

***NZ & Australia Equities***

The NZ & Australia Equity portfolio is managed by Forsyth Barr. The Investment mandate allows the Fund Manager to invest between 2.5% and 7.5% of the portfolio in companies listed on the NZ and Australia Stock Exchanges. The actual exposure at year end was 7.8% (2011:6.1%). This portfolio is measured against the NZSX40 (net Dividend) Index.

***NZ Listed Property***

The NZ Listed Property portfolio is managed by Forsyth Barr. The Investment mandate allows the Fund Manager to invest between 1.25% and 3.75% of the portfolio in property companies listed on the NZ Stock Exchange. The actual exposure at year end was 1.4% (2011:0.5%). This portfolio is measured against the NZX Property Sector (net Dividend) Index.

***NZ Bonds***

The NZ Bond portfolio is managed by Forsyth Barr Esam Cushing Limited. The Investment mandate allows the Fund Manager to invest between 20% and 35% of the portfolio in bonds. The mandate places limits on the underlying investment categories, along with credit and duration restrictions. The actual exposure at year end was 29.5% (2011:35.5%). This portfolio is measured against the NZX Corporate A Grade Index.

***Off Shore Equities***

The Off Shore portfolio is managed by State Street Global Advisors. The investment is in a pooled fund. The investment mandate allows the Fund Manager to invest between 40% and 60% of the portfolio in off shore equities. The actual exposure at year end was 45.1% (2011:44.7%). This portfolio is measured against the MSCI Gross (\$NZ) Index and the strategic policy is to be 50% hedged back to NZ dollars.

***Australian Listed Property***

The Australian Listed Property portfolio is managed by State Street Global Advisors. The investment is in a pooled index trust. The investment mandate allows the Fund Manager to invest between 1.25% and 3.75% of the portfolio in Australian listed property equities. The actual exposure at year end was 1.2% (2011:0.5%). This portfolio is measured against the S&P/ASX200 Property Accumulation index and the strategic policy is to be 50% hedged back to NZ dollars.

***Off Shore Bond Securities***

The Off Shore Bond Securities portfolio is managed by Vanguard. The investment is in a pooled hedged index fund. The investment mandate allows the Fund Manager to invest between 5% and 10% of the portfolio in bonds. The actual exposure at year end was 9.1% (2011:8.9%). This portfolio is measured against the Citigroup WGBI Index and is fully hedged to Australian dollars. The strategic policy is to be 100% hedged back to NZ dollars.

***Cash***

The Cash Portfolio is managed by the Trust Manager. The mandate places limits on the underlying investment categories, along with credit and duration restrictions. The investment mandate allows the Trust Manager to invest between 2% and 10% of the portfolio in cash. The actual exposure at year end was 5.9% (2011:3.7%). The portfolio is measured against the NZX 90 day bank bill index.

***Performance against Policy***

The following table shows the actual performance, the benchmark performance and value added for all asset classes held by the Trust for the year ended 31<sup>st</sup> March 2012:

## EASTERN AND CENTRAL COMMUNITY TRUST INC

Asset	Actual Return (%)	Benchmark Return (%)	Value Added (%)
NZ & Aus Equities	2.9	1.5	+ 1.4
NZ Property	15.2	15.6	- 0.4
NZ Bonds	7.1	6.8	+ 0.3
Offshore Equities	-8.2	-2.4	- 5.8
Aus Property	-6.8	-11.1	+ 4.3
Offshore Bonds	7.0	9.6	-2.6
Cash	4.0	2.5	+ 1.5
<b>TOTAL</b>	<b>-0.4</b>	<b>-1.6</b>	<b>+1.2</b>

The following table shows the actual performance, the benchmark performance and value added for all asset classes held by the Trust for the year ended 31<sup>st</sup> March 2011:

Asset	Actual Return (%)	Benchmark Return (%)	Value Added (%)
NZ & Aus Equities	11.9	4.5	+7.4
NZ Property	6.0	6.7	-0.7
NZ Bonds	9.2	8.8	+0.4
Offshore Equities	5.7	7.2	-1.5
Aus Property	6.5	1.6	+4.9
Offshore Bonds	14.4	4.4	+10.0
Cash	4.2	2.9	+1.3
<b>TOTAL</b>	<b>8.0</b>	<b>8.0</b>	<b>0.0</b>

**Fair Value and Impairment**

As all of the financial instruments are revalued at year end to published prices there is no subjectivity as to whether the assets are impaired. The fair value equals the carrying value for all financial instruments.

**Credit Risk**

Credit risk represents the risk that a counterparty to a financial asset fails to discharge an obligation which will cause the Trust to incur a financial loss.

With regard to the credit risk arising for financial assets, the Trust's credit risk arises from any default by a counterparty. There is no security held over these assets.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities, geographic regions, or similar economic features that would influence their ability to meet their contractual obligations by reason of changes in economic, political or other conditions.

The Trust manages credit concentration risks through;

- a diversified and non-correlated basket of investments
- ensuring compliance with the individual mandate requirements of each investment.

The Trust Manager, Trust's investment advisor and the Trust's Board review the portfolios for compliance against each investment mandate on a regular basis. The Fund Managers ensure that the funds they manage comply with their mandates as defined in the SIPO.

As at 31<sup>st</sup> March 2012 the maximum exposure to credit risk for New Zealand corporate bonds is detailed in the table below. The credit quality of the Trust's NZ Bond portfolio is managed by the Trust using Standard and Poor's rating categories.

	AAA to AA-	A+ to A-	BBB+ to BB	Unrated	2012 \$	2011 \$
Corporate Bonds	7.1%	31.0%	52.1%	9.8%	37,660,368	43,002,219
Cash	100%				3,292,497	8,887,550
<b>Total</b>					<b>40,952,865</b>	<b>51,889,769</b>

## EASTERN AND CENTRAL COMMUNITY TRUST INC

**Liquidity Risk**

Liquidity risk is the risk that the Trust will encounter difficulties in meeting the obligations associated with its financial liabilities. This risk is managed through the Trust's investment in a diversified portfolio of financial assets.

The Trust's investment portfolio during the year under review consisted of only listed securities which under normal market conditions are readily convertible to cash. In addition the Trust maintains sufficient cash and cash equivalents to meet normal operating requirements, as well as the timing of the commitments below.

At balance date all trade and other payables were current, and are normally settled on the 20<sup>th</sup> of the month following invoice date.

Committed but unpaid donations are held as current liabilities pending the satisfaction of conditions under which the donations were made. At balance date committed but unpaid donations totalled \$1,477,190 (2011:\$1,318,130).

These committed and unpaid donations at 31<sup>st</sup> March 2012 had the following profile:

Financial Year Approved	Number of Grants Outstanding	Value \$
2011	16	193,490
2012	97	1,283,700
<b>Total</b>	<b>113</b>	<b>1,477,190</b>

Committed but unpaid donations at 31<sup>st</sup> March 2011 had the following profile:

Financial Year Approved	Number of Grants Outstanding	Value \$
2010	6	415,500
2011	107	902,630
<b>Total</b>	<b>113</b>	<b>1,318,130</b>

**Market Risk**

Market risk embodies the potential for both loss and gains and includes currency risk, interest risk and price risk.

The Trust's investment strategy and the management of the investment risk are detailed in the SIPO. The Trust's investments are diversified across a range of assets including New Zealand and Overseas equities, New Zealand bonds, New Zealand and Australian property and cash. Within each asset class there are defined policies and mandates to ensure diversification, to minimise investment risk and to limit exposure to any one investment. Each asset class has a defined target allocation and is managed within a defined allocation range.

In addition, the Trust has a Risk Management Policy which includes a Tactical Asset Allocation Policy. This policy is to identify times when the Trustees should instigate a process to review the short term investment strategy of the Trust.

**a) Currency Risk**

Currency risk is the risk that the fair value of, or future cash flows from, financial assets will fluctuate due to changes in foreign exchange rates. The Trust has exposure to currency risk through its investments in offshore equities. The strategic investment policy requires full hedging of currency risk for overseas bonds, when held, and 50% hedging, on average, of currency risk for overseas equities. When exchange rates are at extreme levels (e.g. plus or minus more than 2 standard deviations from the long term average) the percentage of hedging is varied as determined by the Trust's currency policy (e.g. raised up to 100% or decreased down to 0%). Currency hedging on overseas equities has been reduced marginally through the year. Hedging decisions have been constantly reviewed. Currency risk is self managed with the Bank of New Zealand with a range of tolerance.

## EASTERN AND CENTRAL COMMUNITY TRUST INC

The Trust manages its foreign exchange risk by using forward exchange contracts to cover varying amounts of its foreign currency exposure. Such forward exchange contracts have the economic effect of converting foreign currency denominated balances into NZ dollars. These forward exchange contracts are not treated as hedges for accounting purposes. All contracts are with the Bank of New Zealand which has a Standard and Poor's Rating of AA.

At balance date the Trust's exposure to currency risk was as follows:

	2012	2011
	\$	\$
Foreign currency denominated assets	80,032,172	79,048,880
Less forward foreign exchange contracts	<u>42,680,000</u>	<u>47,000,000</u>
Unhedged currency exposure at 31 March	<b>37,352,172</b>	<b>32,048,880</b>
Geographic location of Overseas Investments:		
USA/Canada	12,068,754	14,455,037
UK/Europe	10,601,529	13,930,347
Japan/Asia	17,250,737	18,246,934
Emerging Markets	7,324,290	-
Australia	<u>32,786,862</u>	<u>32,416,563</u>
	<b>80,032,172</b>	<b>79,048,881</b>

The following table details the three-month forward foreign exchange contracts outstanding as at 31<sup>st</sup> March 2012:

Currencies	Buy Amount NZD	Deal Rate 8 Feb 2012	Valuation Rate 31 Mar 2012	Gain/(Loss) NZD
Australian Dollars	22,600,000	0.7764	0.7889	358,166
Euros	3,180,000	0.6275	0.6120	(80,522)
British Pounds	1,800,000	0.5235	0.5116	(41,773)
Japanese Yen	1,500,000	63.788	67.054	72,847
US Dollars	13,600,000	0.8314	0.8171	(235,830)
<b>TOTAL</b>	<b>42,680,000</b>			<b>72,888</b>

The following table details the three-month forward foreign currency contracts outstanding as at 31<sup>st</sup> March 2011:

Currencies	Buy Amount NZD	Deal Rate 9 Feb 2011	Valuation Rate 31 Mar 2011	Gain/(Loss) NZD
Australian Dollars	25,030,000	0.7676	0.7368	(1,044,490)
Euros	4,500,000	0.5665	0.5362	(253,461)
British Pounds	2,210,000	0.4803	0.4708	(44,451)
Japanese Yen	3,220,000	63.389	62.690	(35,810)
US Dollars	12,040,000	0.7707	0.7571	(214,689)
<b>TOTAL</b>	<b>47,000,000</b>			<b>(1,592,901)</b>

The Australian Listed Property Index Trust, the Off Shore Bond Securities Index Fund and the Australian shares held within the NZ & Australia Equity portfolio are reported in AUD by the fund managers. The remaining offshore equity investments are:

- Managed by State Street Global Advisors (Boston, USA).
- Invested in 43 individual country common trust funds.
- Reported by the fund manager in the fund's base currency of USD.

Exposure to currency risk:

Currencies	AUD at 31 Mar 2012 NZD	USD at 31 Mar 2012 NZD	AUD at 31 Mar 2011 NZD	USD at 31 Mar 2011 NZD
Equities/Bonds	17,376,537	62,655,634	13,724,811	65,324,066

## EASTERN AND CENTRAL COMMUNITY TRUST INC

The following NZD exchange rates applied during the year:

Currencies	Average monthly Mid-Rate for 2011/12	Average monthly Mid-Rate for 2010/11
Australian Dollar	0.7720	0.7772
US Dollar	0.8068	0.7332

***Sensitivity Analysis for Currency:***

A 10 per cent movement of the NZD against the following currencies at 31 March would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2011.

Effect in NZD:

Effect of Movements in NZD	Profit or (Loss) 31 March 2012 \$	Profit or (Loss) 31 March 2011 \$
10% fall in NZD/AUD	1,930,726	1,524,979
10% rise in NZD/AUD	(1,579,685)	(1,247,710)
10% fall in NZD/USD	6,961,737	7,258,230
10% rise in NZD/USD	(5,695,967)	(5,938,551)

**b) Interest Rate Risk**

The Trust's investments in fixed rate securities are subject to interest rate risk. The Trust's SIPO requires a fixed rate security to have a minimum of a BBB- rating or equivalent grade. The maximum exposure to each fixed security is controlled by the credit rating so that the higher the credit rating, the higher the allowable exposure. Short term deposits are invested for periods up to 365 days taking into account current interest rates.

The Trust's cheque and call accounts are interest bearing. Any movement in interest rates on these accounts is minimal and not considered to be material.

At the reporting date the interest rate profile of the Trust's interest bearing financial instruments was:

	Carrying Amount 2012 \$	Carrying Amount 2011 \$
Fixed Rate Instruments	56,909,115	62,146,262
Variable Rate Instruments	4,736,397	9,758,151
<b>Total</b>	<b>61,645,512</b>	<b>71,904,413</b>

***Sensitivity Analysis for Fixed Rate Instruments:***

A change of 100 basis points (1%) in interest rates for the entire period reported would have increased or (decreased) profit or loss by the amounts shown. The analysis is performed on the same basis for 2011.

Fixed Rate Instruments	Cash Flow Sensitivity 31 March 2012 \$	Cash Flow Sensitivity 31 March 2011 \$
100 basis points increase	583,257	641,524
100 basis points decrease	(583,257)	(641,524)

***Sensitivity Analysis for Variable Rate Instruments:***

A change of 100 basis points (1%) in interest rates for the entire period reported would have increased (decreased) profit or loss by the amounts shown below. The analysis is performed on the same basis for 2011.

## EASTERN AND CENTRAL COMMUNITY TRUST INC

<b>Variable Rate Instruments</b>	<b>Cash Flow Sensitivity</b>	
	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>\$</b>	<b>\$</b>
100 basis points increase	61,563	66,393
100 basis points decrease	(61,563)	(66,393)

**c) Pricing Risk**

Pricing risk is the risk that the value of the instrument will fluctuate as a result of changes in market price (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuers or all factors affecting all instruments traded in the market. As the majority of the funds' financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect investment income.

Price risk is managed by the Trust by constructing a diversified portfolio of instruments traded on various markets. The SIPO sets down the guidelines for this diversification.

The Trust's financial assets are priced at fair value. The effect on the Trust's statement of comprehensive income and balance sheet as at 31<sup>st</sup> March 2012, due to a possible change in market factors is represented in the following table:

<b>Financial Asset</b>	<b>Sensitivity Range (-1 to +1 Standard Deviations)</b>	<b>Sensitivity Impact \$,000</b>
NZ/Australian Equities	-10.1% to 26.6%	-2,650 to 7,067
NZ Bonds	3.0% to 12.5%	1,231 to 5,117
NZ Cash	4.6% to 6.9%	370 to 562
Overseas Equities	-9.3% to 26.3%	-4,367 to 12,350
Overseas Bonds	3.5% to 12.5%	443 to 1,611
Property	-9.4% to 25.4%	-336 to 905
<b>Total Portfolio</b>	<b>-3.8% to 19.9%</b>	<b>-1,353 to 6,681</b>

There is a 68% probability that the return in any one year will be within the range -3.8% to 19.9%.

The effect on the Trust's statement of comprehensive income and balance sheet as at 31<sup>st</sup> March 2011, due to a possible change in market factors is represented in the following table:

<b>Financial Asset</b>	<b>Sensitivity Range (-1 to +1 Standard Deviations)</b>	<b>Sensitivity Impact \$,000</b>
NZ/Australian Equities	-11.0% to 27.5%	-3,007 to 7,616
NZ Bonds	2.7% to 12.8%	1,385 to 6,658
NZ Cash	4.4% to 7.1%	313 to 498
Overseas Equities	-8.9% to 25.9%	-4,034 to 11,773
Overseas Bonds	3.4% to 12.6%	422 to 1,588
Property	-8.5% to 24.5%	-126 to 364
<b>Total Portfolio</b>	<b>-3.5% to 19.5%</b>	<b>1,032 to 7,007</b>

There is a 68% probability that the return in any one year will be within the range -3.5% to 19.5%.

These sensitivity analyses are based on the volatility of each asset class and the investment portfolio as a whole, as measured by plus or minus one standard deviation.

The overall effect of the Trust's diversified portfolio of uncorrelated financial assets is to reduce volatility and stabilise investment returns over time.

**Fair Value Hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. All assets are categorised as level 1, which are financial instruments with quoted prices (unadjusted) in active markets.

## EASTERN AND CENTRAL COMMUNITY TRUST INC

Financial Asset	at 31 March 2012	at 31 March 2011
	\$	\$
Financial assets held for trading	130,678,052	140,700,077
Derivative financial assets/(liabilities)	72,888	(1,592,901)
<b>Total Assets</b>	<b>130,750,940</b>	<b>139,107,176</b>

**Fair value of financial instruments not carried at fair value**

Loans and receivables and financial liabilities carrying amounts are a reasonable approximation of fair value.

The fair value estimates were determined by the following methodologies and assumptions:

*Cash and cash equivalents, term deposits and short-term advances*

The reported amount approximates fair value because they are receivable in the short term.

*Trade and other payables and donations payable*

The reported amount approximates fair value because they are payable in the short term.

There were no transfers between levels during the year.

**15. TRUSTEES' ATTENDANCE AND REMUNERATION**

Trustees' remuneration for meeting attendance and annual honorarium is set by the Minister of Finance. Trustees are also reimbursed for travel costs. Details of the Trustees' attendance and remuneration are:

Trustee	Two Day Trust Meetings attended	Sub-Committee Meetings attended	Fees \$
Bev Edlin	6 of 6	18 of 18	14,680
Beverley Fullerton-Smith	1 of 1	2 of 2	2,852
Ron Garrod	6 of 6	15 of 16	14,050
John Gordon	1 of 1	2 of 2	2,203
Stephen Kerr	5 of 5	4 of 4	8,653
Mark Kilmister	5 of 5	3 of 3	9,793
Claire Matthews	6 of 6	20 of 22	28,976
Kaye McAulay	5 of 6	16 of 20	13,868
Margaret Millard	6 of 6	3 of 3	9,850
Bruce Mills	6 of 6	14 of 14	15,710
Geoff Milner	4 of 5	3 of 3	8,384
Keith Moretta	1 of 1	0 of 0	1,483
Jane Poa	2 of 2	0 of 0	3,234
Caren Rangi	5 of 6	3 of 4	9,640
Robyn Rauna	6 of 6	4 of 4	10,840
<b>Total Fees</b>			<b>154,216</b>

**16. TRUSTEES' INDEMNITY LIABILITY INSURANCE**

Trustees' indemnity liability insurance of \$8,246 (2011:\$8,188) has been paid by the Trust as approved by the Trustees under the Community Trusts Act 1999.

**17. SUBSEQUENT EVENTS**

No events have occurred subsequent to balance date that requires disclosing in the financial statements (nil -2011).

## EASTERN AND CENTRAL COMMUNITY TRUST INC

**18. CHANGES TO THE STATEMENT OF CASH FLOWS**

There have been changes made to the definition of cash and cash equivalents and the classification of certain items in the Statement of Cash Flows. The 2011 comparative figures have been re-stated for the changes below.

Cash and cash equivalents includes all term deposits (including those greater than 3 months original maturity) and accrued interest on deposits on the basis that the Trustees consider all bank deposits to be cash and cash equivalents, as they are available as cash for liquidity purposes. Deposits are sometimes longer than 3 months to obtain higher returns but are still considered cash and cash equivalents.

Cash inflows from interest and dividends are only considered to include cash received by the Trust from fund managers. It does not include interest and dividend cash received by the fund managers but not paid out to the Trust.

All cash flows relating to investments and derivatives are considered operating cash flows because investing and hedging those investments is a key part of the operations of the Trust.

The impact of the above changes on the 2011 comparative figures is to decrease operating cash flows by \$2,810,037, increase investing cash flows by \$4,901,848 and increase cash and cash equivalents as at 31 March 2011 by \$2,091,811.



## INDEPENDENT AUDITOR'S REPORT

## To the Trustees of Eastern &amp; Central Community Trust

## Report on the Financial Statements

We have audited the financial statements of Eastern & Central Community Trust (the trust) on pages 5 to 24, which comprise the statement of financial position as at 31 March 2012, and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Trustees' Responsibility for the Financial Statements*

The trustees are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We provided assistance with one month's management report during the year. Other than that assistance and in our capacity as auditor we have no relationship with, or interests in Eastern & Central Community Trust.

*Opinion*

In our opinion, the financial statements on pages 5 to 24

- comply with generally accepted accounting practice in New Zealand
- comply with New Zealand Equivalents to International Financial Reporting Standards
- give a true and fair view of the financial position of Eastern & Central Community Trust as at 31 March 2012 and of its financial performance and its cash flows for the year then ended.

*Other Matter*

The financial statements of Eastern & Central Community Trust for the year ended 31 March 2011 were audited by another auditor who expressed an unmodified opinion on those statements on 27 May 2011.

## Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations we have required.
- in our opinion, proper accounting records have been kept by Eastern & Central Community Trust as far as appears from our examination of those records.

Staples Rodway Hawkes Bay Partnership  
25 May 2012  
Hastings, New Zealand

EASTERN AND CENTRAL COMMUNITY TRUST INC

**SCHEDULE OF COMMUNITY PAYMENTS  
FOR THE YEAR ENDED 31 MARCH 2012**

**DONATIONS BY REGION**

	<b>2012</b> \$	<b>2011</b> \$
Poverty Bay	586,940	813,065
Hawke's Bay	1,522,820	1,725,960
Tararua	190,340	343,300
Wairarapa	777,535	478,420
Manawatu	1,116,295	964,210
Horowhenua	247,500	206,060
Regional	409,250	385,900
<b>TOTAL DONATIONS</b>	<b>4,850,680</b>	<b>4,916,915</b>

An itemised list of all donations is available at [www.ecct.org.nz](http://www.ecct.org.nz) or free of charge, from the Trust Manager, Eastern & Central Community Trust Inc, PO Box 1058, Hastings 4156.

**Donations by Sector**

