



New Zealand Gazette

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EASTERN AND CENTRAL COMMUNITY TRUST INCORPORATED

FINANCIAL STATEMENTS

PURSUANT TO SECTION 13 OF THE
COMMUNITY TRUSTS ACT 1999

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EASTERN AND CENTRAL COMMUNITY TRUST INC

DIRECTORY

TRUSTEES			Retirement Date
GEOFF MILNER	Gisborne	Chair	May 2015
BRUCE MILLS	Feilding	Deputy Chair	May 2016
ROBYN RAUNA	Gisborne		May 2017
ANNA HANSEN	Hastings		May 2016
MARK KILMISTER	Napier		May 2015
CAREN RANGI	Napier		May 2018
DAVID LEA	Pahiatua	Appointed June 2013	May 2017
CLAIRE MATTHEWS	Pahiatua	Retired May 2013	
RON GARROD	Masterton		May 2015
STEPHEN KERR	Masterton		May 2015
KAYE MCAULAY	Martinborough		May 2016
DAME MARGARET MILLARD	Palmerston North		May 2017
SHELLY MITCHELL-JENKINS	Levin	Appointed June 2013	May 2017

GENERAL MANAGER

JONATHAN BELL

BANKERS

WESTPAC

AUDITORS

STAPLES RODWAY HAWKES BAY

FINANCIAL ADVISORS

MCA NZ LIMITED

REGISTERED OFFICE

1st 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 2014.

The past financial year provided an environment in which the Trust was able to consolidate its investment portfolio to realise potentially better financial performances from its investments for the future. This has allowed the Trust to continue to meet the needs of our communities for financial assistance.

DONATIONS

During the year the Trust approved 629 donations, totalling a net \$4.6 million. The number of applications received during the year decreased to 792, a fall of nearly 4.7% over the previous year. The Trust approved 82% of those applications, while 141 applications (18%) were declined and 22 applications (3%) were withdrawn by the applicant. All applications received, except those withdrawn by the applicant, were presented to the Board for consideration.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 \$10,518 was lower (prior year \$13,506) than the previous year, while the average donation amount approved increased, from \$5,366 to \$5,490. As a result the ratio of the average request to the average donation decreased slightly for 2013/14 to 1.92. This excludes ongoing donations such as the Regional Sports Trusts and Summer Reading Programme.

The Trust values its unique relationship with the four Regional Sports Trusts operating within our region, and the funding we provide to them continues to generate strong benefits for their communities. The support for the Regional Sports Trusts has remained the same from the previous year. The Trust's Summer Reading Programme, has now completed its 17th successful year of operation. The Summer Reading Programme now covers a wider age range than it did when it started, as well as now offering a condensed mid-winter programme. The Trustees appreciate the continued efforts of the staff at the participating libraries, particularly those on the organising committee, in offering this programme – we recognise that the success of the programme would not be possible without their on-going support. A further series of 'Maths is Fun' programmes was supported by the Trust, in several locations throughout the region during the school holidays.

FINANCIAL

As part of its strategy, the Trust reviews its investment portfolio on an annual basis. Following this review the Trust has begun adjusting its investment strategy to place greater emphasis on income rather than growth, to ensure its continued ability to meet community requests for funding, which can only be done from realised income. The Trust has also determined to move away from managed fund investments to direct holding of equity investments (shares). Part of this strategy is to invest in Private Equity partnerships with New Zealand Companies, in New Zealand Companies. This change in strategy was implemented in the early part of the 2013/2014 financial year.

As at 31st March 2014, the Trust's net assets were \$148.2 million, which was an increase of \$2.6 million from the previous year. The net gain from investments for the year was \$9.1 million, which after the payment of administration expenses and donations led to the Trust's overall net surplus of \$2.6 million. The surplus includes \$2.1 million of unrealised losses on our investments, related to changes in currency values as well as market movements.

The Trust's net assets were \$8.0 million above the adjusted capital base of the Trust of \$140.3 million. The Trust's, operating expenses for the year were 9% above budget, at \$1.9 million, slightly higher than the previous year. In part this increase in operating expenses was due to the higher than normal costs incurred in Brokerage Fees. These fees were the result of the change in the investment portfolio during the year

TRUSTEES

Claire Matthews retired in May 2013. The Trust wishes to record it's thanks to Claire for her valuable contribution as a trustee, in particular her time as Chair. The Trust welcomed David Lea (Pahiatua) and Shelly Mitchell-Jenkins (Levin) who were appointed in June 2013.

I would like to record my appreciation to all the Trustees involved with the Trust over the past twelve months for their assistance and support to the Trust, and also to me as Chair.

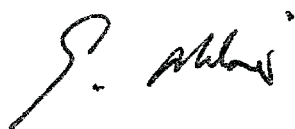
STAFF

The Trust has had a number of changes over the last twelve months. John McKenzie retired in February 2014 after fourteen years service to the Trust. On behalf of the Trustees I would like to thank John for his excellent stewardship during his time with the Trust and wish him well in his retirement. His replacement, Jonathan Bell, was appointed General Manager in January 2014. In October 2013, Raewynne Jacobs resigned from her position of Donations Assessor to take up a role as Funding Programme Manager with ASB Community Trust, based in Auckland. Rose Artemiev was appointed in November 2013 as the Donations Assessor. Bev Watkins, Jill Wolland and Patricia Devlin continued to process all applications for donations as well as manage the administration of the Trust with professionalism and skill. The Trustees recognise and appreciate the contribution the staff make to the efficient operation and continued success of the Trust. We wish to place on record our sincere thanks to Bev, Rose, Jill, Patricia and Jonathan for their continued passion, professionalism and commitment to the Trust.

LOOKING AHEAD

The introduction of on-line applications in early 2014 will provide advantages for both applicants and the Trust; however, paper-based applications will continue to be accepted. The Trustees reviewed the Strategic vision of the Trust in late 2013. Work has begun with the staff to identify new initiatives for investment opportunities, community engagement, and donations. Some of these initiatives include; an emphasis on community engagement, what are our communities needs and how can we better serve them; more collaboration between other funders, philanthropic organisations, local government and government departments; new investment opportunities focused on providing returns which enable sustainable donations for the future; a proactive focus for projects within our communities; a focus on results based funding.

While the Trust continues to hope for a more certain financial environment, the 2014/15 financial year will continue to offer challenges for the management of the Trust's investments. Changes in the focus of Government funding and increased pressure on community providers will impact on the Trust and other organisations. Aside from these challenges the Trustees look forward to continuing to support our communities.



Geoff Milner,
Chair
24 July 2014

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 committees. Each committee has defined duties as listed. Their recommendations are reported to the Board for consideration. As required, the Board refers additional matters to the 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 Gazette and the Trust's website and a public meeting is held in August each year.

HISTORY OF THE TRUST

The Hawke's Bay Savings Bank was established in 1962 and merged with the Manawatu-Wairarapa Savings Bank in 1972 to form the Eastern and Central Savings Bank. Over time the bank expanded to having more than 30 branches across the lower North Island.

When the government deregulated the banking industry in 1988 "Trust Bank Eastern & Central Community Trust Inc" was formed. The Trust was provided with shares in the Trust Bank Group to the value of \$11.8 million to hold for the benefit of the communities within the defined region. Although the region is specifically defined it broadly covers the Gisborne District, Hawke's Bay, Tararua, Wairarapa, Manawatu and Horowhenua, being the region of the original Eastern and Central Savings Bank.

In 1996 Westpac Bank purchased the Trust Bank Group and the Trust sold its shares for \$109 million. The starting capital of the Trust was set at \$90 million with \$19 million set aside in reserves. The proceeds from the sale were invested into a diversified range of asset classes (fixed interest, equities, property and cash), within New Zealand and overseas. Once Trust Bank Group was sold the Trust dispensed with the "Trust Bank" title and is now known as the "Eastern & Central Community Trust Inc".

The Trust has increased its capital by over 50% from \$90 million to \$140.3 million which more than covers inflation and population increases over this time, maintaining the real value of the Trust for future generations. It is the investment returns from these funds that has enabled the Trust to provide donations, and the Trust has provided nearly \$100 million in donations to its communities since 1988.

The Trust comprises a Board of up to 12 Trustees, representing the various regions within the Trust area, who are appointed by the Minister of Finance. Terms of appointment are usually for four years and trustees may serve more than one term.

EASTERN AND CENTRAL COMMUNITY TRUST INCORPORATED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014**

	Note	2014 \$	2013 \$
REVENUE			
Realised Income			
Dividend income on held for trading financial assets		2,020,227	967,983
Interest income on held for trading financial assets		3,516,213	3,212,512
Gain on derivatives		1,435,800	1,411,528
Gain on disposal on held for trading financial assets		4,306,204	1,055,638
Sundry Income		10,550	888
		<u>11,288,994</u>	<u>6,648,549</u>
Unrealised Income (losses)			
Foreign Exchange losses		(6,059,199)	(1,884,742)
Change in fair value of derivatives		1,578,350	(298,247)
Change in fair value of financial assets held for trading		<u>2,330,663</u>	<u>9,911,141</u>
		<u>(2,150,186)</u>	<u>7,728,152</u>
TOTAL INCOME FROM INVESTMENTS		<u>9,138,808</u>	<u>14,376,701</u>
LESS EXPENSES			
Investment Expenses	5	729,925	235,806
Administrative Expenses	5	491,439	388,337
Personnel Expenses	5	740,157	669,465
Net Community Donations	10	4,625,238	4,549,456
TOTAL EXPENSES		<u>6,586,759</u>	<u>5,843,064</u>
NET PROFIT FOR THE YEAR		<u>2,552,049</u>	<u>8,533,637</u>
TOTAL COMPREHENSIVE INCOME		<u>2,552,049</u>	<u>8,533,637</u>

The notes to the financial statements form part of and are to be read in conjunction with the above accounts

EASTERN AND CENTRAL COMMUNITY TRUST INCORPORATED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014**

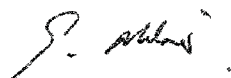
	Note	2014 \$	2013 \$
EQUITY AT START OF PERIOD		145,695,656	137,162,019
Comprehensive income for the year		2,552,049	8,533,637
Total Recognised Revenue and Expenses		<u>2,552,049</u>	<u>8,533,637</u>
EQUITY AT THE END OF PERIOD	6	<u>148,247,705</u>	<u>145,695,656</u>

The notes to the financial statements form part of and are to be read in conjunction with the above accounts

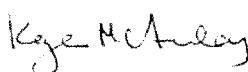
EASTERN AND CENTRAL COMMUNITY TRUST INCORPORATED**STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2014**

	Note	2014 \$	2013 \$
NON-CURRENT ASSETS			
Financial Assets Held for Trading	7	137,856,245	135,838,175
Plant & Equipment	8	35,018	37,585
Te Kete Putea Ltd Partnership	4	90,656	108,630
TOTAL NON-CURRENT ASSETS		137,981,919	135,984,390
CURRENT ASSETS			
Cash and Cash Equivalents	9	10,807,068	11,967,759
Derivatives	14	1,352,990	-
TOTAL CURRENT ASSETS		12,160,058	11,967,759
TOTAL ASSETS		150,141,977	147,952,149
EQUITY			
Trust Capital	6	140,334,669	136,734,669
Donation Reserve	6	7,913,036	8,960,987
TOTAL EQUITY	6	148,247,705	145,695,656
LIABILITIES			
NON-CURRENT LIABILITIES			
		-	-
CURRENT LIABILITIES			
Trade Payables		71,118	97,422
Other Payables		150,252	107,868
Derivatives	14	-	225,359
Employee Entitlements		14,852	35,894
Donations Payable	10	1,658,050	1,789,950
TOTAL CURRENT LIABILITIES		1,894,272	2,256,493
TOTAL EQUITY AND LIABILITIES		150,141,977	147,952,149

These Financial Statements have been authorised for issue by the Trustees on 24th July 2014



Geoff Milner
Chairman



Kaye McAulay
Audit & Risk Committee Chair

The notes to the financial statements form part of and are to be read in conjunction with the above accounts

EASTERN AND CENTRAL COMMUNITY TRUST INCORPORATED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014**

	Note	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Interest		473,206	430,480
Dividends		2,368,929	695,553
Investment Disposals		87,848,510	6,931,427
Derivatives		2,861,704	2,296,674
		<u>93,552,349</u>	<u>10,354,134</u>
Cash was applied to:			
Trustees and Employees		(720,249)	(647,412)
Suppliers of Other Goods & Services		(894,130)	(608,765)
Community Donations		(4,757,138)	(4,236,696)
Investment of Funds		(86,898,846)	-
Derivatives		(1,425,905)	(885,147)
		<u>(94,696,268)</u>	<u>(6,378,020)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	11	<u>(1,143,919)</u>	<u>3,976,113</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was applied to:			
Purchase of Fixed Assets		<u>(16,772)</u>	<u>(5,499)</u>
		(16,772)	(5,499)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(16,772)	(5,499)
NET INCREASE/(DECREASE) IN CASH HELD		(1,160,691)	3,970,614
Add Cash at 1 April		11,967,759	7,997,145
CASH & CASH EQUIVALENTS AT 31 MARCH	9	<u>10,807,068</u>	<u>11,967,759</u>

The notes to the Financial Statements form part of and are to be read in conjunction with the above accounts

EASTERN AND CENTRAL COMMUNITY TRUST INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014****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 31st March 2014, 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 a reporting entity 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 24th July 2014.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis modified 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 judgements, 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.

Judgements are made by management in the application of NZIFRS that have a significant effect on the financial statements. Fair value estimates with a significant risk of material adjustment in the next year relate to financial instruments.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. Further discussion regarding fair value estimation uncertainty can be found in Note 14.

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 2016. The impact of NZ IFRS 9 has not yet been assessed.

EASTERN AND CENTRAL COMMUNITY TRUST INC

3. SIGNIFICANT ACCOUNTING POLICIES

The following are the particular accounting policies, which have a material effect on the measurement of results and financial position. They have been applied consistently to all periods presented in these financial statements.

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.

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 investment in Te Kete Putea Ltd Partnership is classified as an available for sale financial asset.

Financial liabilities at amortised cost

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

EASTERN AND CENTRAL COMMUNITY TRUST INC

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 inclusive of accrued interest at balance date 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 do 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.

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:

EASTERN AND CENTRAL COMMUNITY TRUST INC

- 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

n) Changes in accounting policies

The trust has implemented NZ IAS 1 during the year. This had no impact on the financial statements.

The trust has changed its accounting treatment of fund managers' fees and brokerage fees to show them as gross expenses rather than netted off against revenue. Comparatives have been adjusted. All other policies have been applied on bases consistent with those used in previous periods.

o) Proposed Changes to the Financial Reporting Framework

New Zealand has adopted a two sector, multi-tier accounting framework for financial reporting which means that different financial reporting standards will apply to public benefit entities and for-profit entities. The new standards will become effective for the 2016 financial reporting year. The trust has not yet assessed the impact of the changes.

4. TE KETE PUTEA LIMITED PARTNERSHIP

The Trust, in collaboration with the other participating community trusts, has;

- formed and registered a limited partnership under the name "Te Kete Putea Limited Partnership" to own, manage and operate the DMS Database (a donation management system database).
- incorporated a company under the name "Te Kete Putea General Partner Limited" to act as the general partner of the Limited partnership.

The Trust has made a \$108,630 capital contribution to the limited partnership and received 456 of the 10,000 shares in the limited partnership.

The Trust's interest in the Limited Partnership is carried at fair value based upon the carrying value of the partnership assets (principally software carried at cost less accumulated amortisation and subject to impairment testing)

The Trust has entered 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.

	2014 \$	2013 \$
Opening balance at beginning of year	108,630	-
Capital contribution	-	108,630
Impairment	(17,974)	-
Closing balance at end of year	90,656	108,630

5. EXPENSES

	2014 \$	2013 \$
Administrative Expenses		
Office administration	101,906	81,996
Advertising and promotion	62,461	65,718
Fees paid to the auditors for	22,426	17,025
- audit of the financial statements	-	2,011
- accounts assistance	-	-
Depreciation	19,312	19,535

EASTERN AND CENTRAL COMMUNITY TRUST INC

Rent and services	103,442	91,061
Professional expenses	149,691	91,102
Donation expenses	1,104	998
Impairment of Limited Partnership	17,974	-
Loss on disposal	28	-
Other expenses	<u>13,095</u>	<u>18,891</u>
	491,439	388,337

Investment Expenses

Fund managers' fees	398,403	235,806
Brokerage fees	272,336	-
Custodian fees	<u>59,186</u>	<u>-</u>
	729,925	235,806

Personnel Expenses

Trustees' remuneration	169,015	163,177
Trustees' meeting expenses & training	96,251	61,221
Trustees' liability insurance	8,789	8,711
Staff remuneration	432,882	404,607
Staff training and travel	13,204	14,582
KiwiSaver contributions	18,055	16,058
ACC levies	<u>1,961</u>	<u>1,108</u>
	740,157	669,465

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 (2013:\$3.6 million) to ensure the "real" capital of the Trust is maintained.

	2014	2013
	\$	\$
Balance at the beginning of the year	136,734,669	133,134,669
Transfer from donations reserve	<u>3,600,000</u>	<u>3,600,000</u>
Balance at the end of the year	140,334,669	136,734,669

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	8,960,987	4,027,350
Transfer (to) capital reserve	(3,600,000)	(3,600,000)
Gain/(Loss) for the year	<u>2,552,049</u>	<u>8,533,637</u>
Balance at the end of the year	7,913,036	8,960,987

Donation Reserve as a % above Trust capital	5.6%	6.5%
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c) Total Equity

Trust capital	140,334,669	136,734,669
Donations reserve	<u>7,913,036</u>	<u>8,960,987</u>
Equity balance at the end of the year	148,247,705	145,695,656

EASTERN AND CENTRAL COMMUNITY TRUST INC

7. FINANCIAL ASSETS HELD FOR TRADING

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

	2014	2013
	\$	\$
<i>Investment portfolio movement</i>		
Opening balance	135,838,175	130,678,052
Gain/(Loss) before fund manager fees	5,640,902	12,832,053
Withdrawals to fund donations (net)	<u>(3,622,834)</u>	<u>(7,671,930)</u>
Closing Balance	137,856,245	135,838,175
<i>Investments comprise</i>		
Bonds	51,878,382	58,092,888
Equities	85,396,759	77,745,287
Private Equity	<u>581,104</u>	<u>-</u>
	137,856,245	135,838,175
<i>Investments held in:</i>		
New Zealand	57,250,271	59,420,477
Off Shore	<u>80,605,974</u>	<u>76,417,698</u>
	137,856,245	135,838,175

8. PLANT & EQUIPMENT

	2014	2013
	\$	\$
Cost		
Opening balance at beginning of year	171,616	166,387
Additions	17,337	5,499
Disposals	<u>(1,400)</u>	<u>(270)</u>
Closing balance at end of year	187,553	171,616
Depreciation & Impairment Losses		
Opening balance at beginning of year	134,031	114,766
Depreciation for the year	19,312	19,535
Impairment	-	-
Disposals	<u>(809)</u>	<u>(270)</u>
Closing balance at end of year	152,535	134,031
Carrying Amounts		
At beginning of year	37,585	51,621
At end of year	35,018	37,585

9. CASH AND CASH EQUIVALENTS

	2014	2013
	\$	\$
Current accounts	12,647	11,453
Call account	686,926	861,562
Petty cash	49	104
Short term deposits	<u>10,107,446</u>	<u>11,094,640</u>
Total cash and cash equivalents	10,807,068	11,967,759

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10. NET COMMUNITY DONATIONS

	2014	2013
	\$	\$
Standard donations	1,604,140	1,392,655
Special donations	<u>3,146,000</u>	<u>3,265,700</u>
Total community donations	4,750,140	4,658,355
Less donations written back	<u>124,902</u>	<u>108,899</u>
Net community donations	4,625,238	4,549,456

Total of donations payable at year end was \$1,658,050 (2013 -\$1,789,950). Included in donations payable was \$1,589,750 (2013 -\$1,707,650) of donations which are subject to the applicants fulfilling certain conditions.

11. RECONCILIATION OF OPERATING CASH FLOWS WITH NET SURPLUS

	2014	2013
	\$	\$
Comprehensive income for the year	2,552,049	8,533,637
<i>Adjust for non-cash items:</i>		
Foreign Exchange Losses	6,059,199	1,884,742
Change in fair value of financial assets held for trading	(2,330,663)	(9,911,141)
Unrealised (gains)/losses on derivatives	<u>(1,578,350)</u>	<u>298,247</u>
Total unrealised (gains)/losses	2,150,186	(7,728,152)
Realised (gains)/losses on financial assets held for trading not paid in cash	(6,701,050)	(4,110,985)
Depreciation	19,312	19,535
Fair value movement – investment in Te Kete Putea Limited Partnership	17,974	-
Management fees not paid in cash	48,918	45,838
Loss on Disposal	28	-
<i>Movement in working capital items:</i>		
Incr/(Decr) in trade & other payables & employee entitlements	(4,961)	(27,943)
Incr/(Decr) in donations payable	(131,900)	312,760
Net principal movement in financial assets held for trading	<u>905,525</u>	<u>6,931,424</u>
Net operating cash flows	(1,143,919)	3,976,113

12. CONTINGENCIES & COMMITMENTS**Capital Commitments**

The Trust has a commitment of \$1.4 mill being the balance of the private equity fund with Pioneer Capital Partners Limited (2013: nil).

Operating commitments

	2014	2013
	\$	\$
Less than 1 year	65,340	65,340
1 – 5 years	81,675	147,015
Over 5 years	-	-
	<u>147,015</u>	<u>212,355</u>

The lease on the present Westerman's premises expires on 30th June 2016.

During the year ended 31 March 2014, \$65,340 was recognised as an expense in the statement of comprehensive income in respect of rent and other operating costs (2013:\$65,340). The commitment for the coming year ending 31 March 2015 in respect of rent and other operating costs is \$65,340.

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The Trust is also committed to a proportion of operating expenses of Te Kete Putea Limited Partnership as detailed in note 4.

Contingencies

There are no contingent liabilities or contingent assets at balance date (2013: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's folder. Trustees abstain from discussion and decisions regarding donations to entities in which they have an interest.

Key management personnel include the Trustees and General Manager. Short term benefits paid to key management personnel year ended 31 March 2014 were \$351,699 (2013:\$320,036).

14. FINANCIAL INSTRUMENTS

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

	2014 \$	2013 \$
a) Financial Assets		
NZ & Australian equities	29,214,862	15,012,878
Offshore equities	<u>56,181,897</u>	<u>62,732,410</u>
	85,396,759	77,745,288
NZ bonds	39,897,850	44,407,599
Offshore bonds	<u>11,980,533</u>	<u>13,685,289</u>
	51,878,383	58,092,888
Private equity	<u>581,104</u>	-
Financial assets held for trading	137,856,245	135,838,176
Cash and cash equivalents	10,807,068	11,967,759
Te Kete Putea Limited Partnership	90,656	108,630
Derivatives	<u>1,352,990</u>	<u>(225,359)</u>
	150,106,959	147,689,206
b) Financial Liabilities		
Accounts Payable	71,118	97,422
Donations Payable	<u>1,658,050</u>	<u>1,789,950</u>
	1,729,168	1,887,372

c) Risk Management

Risks arising from 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.

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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 policies 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;
- to maintain the value of the investment fund's capital base in real terms and to grow such capital value at a level equal to the population base growth of the region. Real in this context relates to changes in the Consumer Price Index (CPI);
- maximise the funds available for donations.

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 2013. MCA NZ Limited assists both management and the Trustees with investment advice and the portfolio management.

d) Portfolio Characteristics and Changes

The Trust has its investments in five different portfolios and the performance of each asset class, with the exception of private equity, is measured against an appropriate index.

Following the November 2012 SIPO review, the Trustees implemented the agreed changes to the investment policies and how the capital was invested. The new policies place greater emphasis on having appropriate cash available for distribution and the generation of a growing stream of income. The current policies move from a portfolio percentage basis of allocation to a dollar amount allocation. This change allocates the Trust's capital to \$10m to cash assets for liquidity management, \$50m to bonds to provide a base level of income and maturity profile cash flow, private equity (up to \$20m) with the balance invested in listed shares to provide growth opportunities. Therefore during the year, the existing off shore bonds, shares and property portfolios were realised and allocated to the five portfolios detailed below.

2014

Portfolio	Investment Manager	Investments	Allocation	
			Target \$m	Actual \$m
Listed Shares	Forsyth Barr Elevation Capital	NZ and international shares & listed property	34.5	43.0
		NZ and international shares & listed property	34.5	42.4
		-offshore component 50% hedged to NZ dollars	69.0	85.4
Private Equity	Pioneer Capital Partners	NZ private equity funds	20.0	0.6
NZ Bonds	FBEC	NZ bonds	40.0	39.8
Offshore Bonds	PIMCO	Pooled investment fund (international bonds) -100% hedged to NZ dollars	10.0	12.1
		Held for Trading	139.0	137.9
Cash	Self managed	Bank deposits	10.0	10.8
		TOTAL	149.0	148.7

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2013

Portfolio	Investment Manager	Investments	Allocation		
			Target % portfolio	Actual % portfolio	Actual \$m
NZ & Australian Equities	Forsyth Barr	Australasian shares	2.5-7.5	8.7	12.8
NZ Listed Property	Forsyth Barr	Listed property	1.3-3.8	1.5	2.2
NZ Bonds	FBEC	NZ bonds	20-35	30.1	44.4
Offshore Equities	State Street GA	Pooled investment fund (international shares) -50% hedged to NZ dollars	40-60	41.1	60.6
Australian Listed Property	State Street GA	Pooled index trust (Australian property) -50% hedged to NZ dollars	1.3-3.8	1.4	2.1
Offshore Bonds	Vanguard	Pooled hedged index fund (international bonds) -100% hedged to NZ dollars	5-10	9.3	13.7
		Held for Trading			135.8
Cash	Self managed	Bank deposits	2-10	8.0	12.0
		TOTAL			147.8

e) 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 31st March 2014:

Asset	Actual Return (%)	Benchmark Return (%)	Value Added (%)
Listed Shares	9.3	16.9	- 7.6
NZ Bonds	3.3	2.6	+ 0.7
Offshore Bonds	2.4	2.5	- 0.1
Private Equity	0	0	0
Cash	3.8	2.6	+ 1.2
TOTAL	6.3	9.2	-2.9

Performance Measures

- The Listed Shares portfolio is measured against the MSCI World (net dividend) Index converted to NZ dollars.
- The NZ Bonds portfolio is measured against the NZX Corporate A Grade Index
- The Off Shore Bonds portfolio is measured against the Citigroup WGBI Index (100% Hedged).
- The Cash portfolio is measured against the NZX call rate.

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 31st March 2013:

Asset	Actual Return (%)	Benchmark Return (%)	Value Added (%)
NZ & Aus Equities	23.3	23.7	-0.4
NZ Property	21.9	16.9	+5.0
NZ Bonds	8.4	6.7	+1.7
Offshore Equities	10.7	9.0	+1.7
Australian Property	26.6	22.5	+4.1
Offshore Bonds	10.0	7.5	+2.5
Cash	4.0	2.5	+1.5
TOTAL	10.6	9.9	+0.7

f) Credit Risk

Credit risk represents the risk that a counter party 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 counter party. 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,

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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.

As at 31st March 2014 the maximum exposure to credit risk for New Zealand corporate bonds is detailed in the table below. The credit quality is classified using Standard and Poor's rating categories.

	AAA to AA-	A+ to A-	BBB+ to BB+	Unrated	2014 \$	2013 \$
NZ Bonds	0%	22.2%	67.9%	9.9%	33,825,504	33,794,075
Offshore Bonds	21.0%	31.0%	45.0%	3.0%	12,077,149	13,685,289
Cash with Manager	100%				5,975,728	10,613,524
Total					51,878,381	58,092,888

g) 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 providing regular income cashflows.

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 20th 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 \$1,658,050 (2013:\$1,789,950).

These committed and unpaid donations at 31st March 2014 had the following profile:

Financial Year Approved	Number of Grants Outstanding	Value \$
2013	11	278,550
2014	87	1,379,500
Total	98	1,658,050

Committed but unpaid donations at 31st March 2013 had the following profile:

Financial Year Approved	Number of Grants Outstanding	Value \$
2012	10	343,500
2013	81	1,446,450
Total	113	1,789,950

h) 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 market risk are detailed in the SIPO. The Trust's investments are diversified across a range of asset classes, entities, geographies, currencies and maturities. Within each asset class there are defined policies and mandates to ensure diversification, to minimise

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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.

1. 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 and bonds. 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%). Hedging decisions are constantly reviewed. Currency risk is self managed with the Bank of New Zealand with a range of tolerance.

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:	2014 \$	2013 \$
Foreign currency denominated assets	80,605,974	80,904,305
Less fully hedged Funds	12,077,149	13,685,289
Less forward foreign exchange contracts	<u>34,750,000</u>	<u>32,485,000</u>
Unhedged currency exposure at 31 March	33,778,825	34,734,016

Unhedged currency exposure:		
USA/Canada	14,937,834	15,726,175
UK/Europe	12,397,166	1,953,033
Japan/Asia	-	1,065,540
Emerging Markets	-	3,830,004
Australia	<u>6,443,545</u>	<u>12,158,264</u>
	33,778,825	34,734,016

The following table details the three-month forward foreign exchange contracts outstanding as at 31st March 2014:

Currencies	Buy Amount NZD	Deal Rate 8 Feb 2014	Valuation Rate 31 Mar 2014	Gain/(Loss) NZD
Australian Dollars	6,000,000	0.9236	.9375	88,525
Euros	7,900,000	0.6062	.6279	272,487
British Pounds	4,500,000	0.5020	.5193	149,267
US Dollars	16,350,000	0.8187	.8633	842,711
TOTAL	34,750,000			1,352,990

In 2014 the Fund Managers sold out of the Australian Listed Property Index Trust and reduced the investment in the Off Shore Bond Securities Index Fund. This reduced the exposure to Australian Dollars. Reinvestment within the portfolio included investment in Euro and British Pounds denominated Equities.

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The following table details the three-month forward foreign currency contracts outstanding as at 31st March 2013:

Currencies	Buy Amount NZD	Deal Rate 5 Feb & 1 Mar 2013	Valuation Rate 31 Mar 2013	Gain/(Loss) NZD
Australian Dollars	25,685,000	0.8093	0.8022	(226,496)
British Pounds	2,010,000	0.5324	0.5509	67,490
Japanese Yen	2,330,000	77.338	78.452	32,996
US Dollars	16,020,000	0.8389	0.8337	(99,350)
TOTAL	46,045,000			(225,359)

In 2013 the investments in Australian dollars included Australian Listed Property Index Trust, the Off Shore Bond Securities Index Fund and Australian shares held within the NZ & Australia Equity portfolio. They are reported in AUD by the fund managers. The remaining offshore equity investments were:

- Managed by State Street Global Advisors (Boston, USA).
- Invested in 27 individual country common trust funds.
- Reported by the fund manager in the fund's base currency of AUD.

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. The analysis includes the mitigating effects of hedging policies. This analysis assumes that all other variables, in particular interest rates, remain constant. The comparisons for 2013 have been modified to account for the effects of hedging policy.

Effect in NZD:

Effect of Movements in NZD	Profit or (Loss) 31 March 2014 \$	Profit or (Loss) 31 March 2013 \$
10% fall in NZD/AUD	634,693	363,908
10% rise in NZD/AUD	(576,993)	(297,746)
10% fall in NZD/USD	1,001,842	3,370,480
10% rise in NZD/USD	(910,766)	(2,757,665)
10% fall in UK Pound	534,069	561,398
10% rise in UK Pounds	(485,518)	(459,326)
10% fall in Euro	815,286	454,449
10% rise in Euro	(356,356)	(371,822)

2. Interest Rate Rise

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. Trustee approval is required for ratings lower than BBB-. 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 2014 \$	Carrying Amount 2013 \$
Fixed Rate Instruments	41,159,303	47,479,365
Variable Rate Instruments	25,863,862	22,580,178
Total	67,023,165	70,059,543

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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 2013.

Fixed Rate Instruments	Cash Flow Sensitivity 31 March 2014 \$	Cash Flow Sensitivity 31 March 2013 \$
100 basis points increase	443,193	489,176
100 basis points decrease	(443,193)	(489,176)

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 2013.

Variable Rate Instruments	Cash Flow Sensitivity 31 March 2014 \$	Cash Flow Sensitivity 31 March 2013 \$
100 basis points increase	242,225	169,087
100 basis points decrease	(242,225)	(169,087)

3. 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.

Sensitivity Analysis for Pricing Risk:

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 31st March 2014, due to a possible change in market factors is represented in the following table:

Financial Asset	Sensitivity Range (-1 to +1 Standard Deviations)	Sensitivity Impact \$,000
Listed Shares	-9.3% to 25.2%	-2,401 to 6,780
NZ Bonds	1.0% to 9.5%	343 to 3,208
Offshore Bonds	1.9% to 9.6%	226 to 1,163
Cash	2.7% to 5.3%	579 to 1,110
Private Equity	-	-
Total Portfolio	-4.0% to 17.2%	-1,853 to 6,859

There is a 68% probability that the return in any one year will be within the range -4.0% to 17.2%.

The effect on the Trust's statement of comprehensive income and balance sheet as at 31st March 2013, due to a possible change in market factors is represented in the following table:

Financial Asset	Sensitivity Range (-1 to +1 Standard Deviations)	Sensitivity Impact \$,000
Listed Shares	-9.8% to 25.4%	-2,357 to 6,054
NZ Bonds	1.1% to 9.9%	480 to 4,404
Offshore Bonds	1.7% to 10.3%	237 to 1,396
Cash	2.8% to 5.2%	332 to 626
Private Equity	-	-
Total Portfolio	-4.4% to 17.4%	-1,385 to 5,492

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There is a 68% probability that the return in any one year will be within the range -4.4% to 17.4%.

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.

i) Fair Value Information

The following fair value information provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 on the degree to which the fair value is observable.

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

Level	Financial Assets	at 31 March 2014 \$	at 31 March 2013 \$
1	Financial assets held for trading	137,275,141	135,838,175
2	Derivative financial assets/(liabilities)	1,352,990	(225,359)
3	Limited Partnerships	671,760	108,630

There were no transfers between levels during the year.

Fair Value and Impairment

As all of the financial instruments are re-valued 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.

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.

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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 \$
Ron Garrod	6	9	13,200
Anna Hansen	6	16	12,000
Stephen Kerr	6	11	13,200
Mark Kilmister	6	12	12,000
David Lea	3	6	10,915
Claire Matthews	1	2	4,569
Kaye McAulay	5	9	13,200
Margaret Millard	4	10	13,200
Bruce Mills	5	10	16,500
Geoff Milner	6	15	24,115
Shelly Mitchell-Jenkins	5	6	10,916
Caren Rangi	6	10	12,000
Robyn Rauna	5	6	13,200
Total Fees			169,015

16. TRUSTEES' INDEMNITY LIABILITY INSURANCE

Trustees' indemnity liability insurance of \$8,287 (2013:\$8,711) has been paid by the Trust as approved by the Trustees under the Community Trusts Act 1999.

17. SUBSEQUENT EVENTS

There are no subsequent events of a material nature. (2013: noted proposed changes to fund managers and investment mandates).



INDEPENDENT AUDITOR'S REPORT

To the Trustees of Eastern & 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 2014, 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.

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 2014 and of its financial performance and its cash flows for the year then ended.

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.

A handwritten signature in dark ink, appearing to read 'Staples Rodway', is written over a horizontal line.

Staples Rodway Hawkes Bay Partnership
24 July 2014
Hastings, New Zealand

EASTERN AND CENTRAL COMMUNITY TRUST INC

**SCHEDULE OF COMMUNITY PAYMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

DONATIONS BY REGION

	2014	2013
	\$	\$
Gisborne District	707,040	892,800
Hawke's Bay	1,491,330	1,395,400
Tararua	291,270	123,200
Wairarapa	544,630	415,700
Manawatu	938,370	978,580
Horowhenua	230,100	402,100
Regional	547,400	450,575
TOTAL DONATIONS	4,750,140	4,658,355

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

Donations by Sector