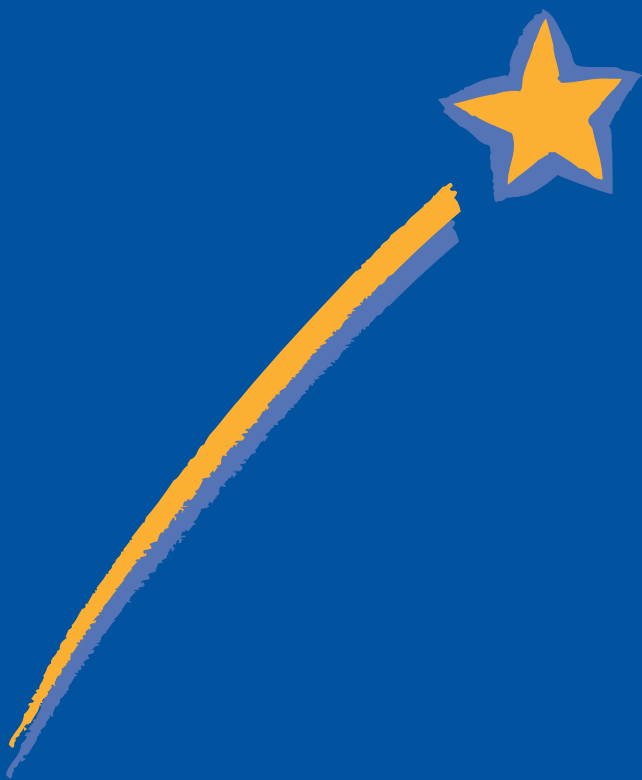


ANNUAL REPORT

31 March 2008



Eastern & Central
COMMUNITY
TRUST

Helping fund a better community

TRUSTEES' REPORT

On behalf of the Trustees I am pleased to present the Annual Report of the Trust for the year ending 31 March 2008.

The highlight of the year has been the \$1.3 million (28.8%) increase in the donations approved. The Trust is pleased that it has been able to increase its support to the numerous organisations and voluntary groups throughout our region which make a very significant contribution to our communities. However, from an investment viewpoint the past year ended most disappointingly. This can be largely attributed to the global credit crisis which has had a substantial impact on world share markets. An additional factor has been the resilience of the New Zealand dollar to maintain its high value. Despite the negative financial returns the Trust has been able to increase the amount given in donations and has increased the capital base of the Trust.

In this report I comment on the various activities of the Trust during the past year.

DONATIONS

Net donations approved during the year totalled \$5.8 million. This was consistent with the Trust's policy and remained within budget. Over the past ten years \$61.2 million has been donated to the community which has exceeded the Trust's long term objective to distribute 5% of the capital base to the community annually. The number of applications received increased to 938 (903 the previous year) whilst there was a reduction in the number of applications declined. The Trustees review the donations policy each year in an endeavour to keep up with changes in community needs and aspirations. All applications received, except those withdrawn by the applicant, have been presented to the Board for consideration. The Trust continues to receive strong demand for funding that has resulted in some applicants receiving less than they may have expected. However, the increase in the dollar amount applied to donations has helped reduce the variance between the requested amounts and the approved amounts.

The Trust's Summer Reading Programme completed its 11th year. The Trustees are indebted to the libraries within our region and their dedicated staff for the continued success of this programme.

TRUSTEES' REPORT cont.

The Trustees have continued to develop the “Education Initiatives” programme by widening the criteria. The Trustees have also continued to support the four Regional Sport’s Trusts and expand the successful “Math’s is Fun” programme.

FINANCIAL

The past year has been a disappointing one for the Trust’s investments with a loss of \$3.34 million. The realised income of \$9.85 million was offset by the \$13.01 million loss on unrealised income. The Trust has continued to maintain its non-hedged position on currency exposure.

Over the past ten years net investment income has totalled \$71.8 million.

Over the year the Trust’s reserves have decreased from \$29.95 million to \$15.06 million while the Trust’s capital has been increased by \$4.8 million to \$118.73 million. This increase has adequately covered inflation for the period and the 1.5% population growth of our region over five years as indicated by the 2006 census.

At the 31st March 2008 Trust funds stood at \$133.79 million.

TRUSTEES

During the year the terms of Kevin Atkinson, Brian Bourke, John Gordon and Reremoana Houkamau expired. John Gordon was reappointed for a further four year term. New appointments were Beverley Fullerton-Smith (Hastings), Ron Garrod (Masterton), and Keith Moretta (Napier) for four year terms and Shona Jones (Hastings) for a two year term to fill an existing vacancy. On behalf of the Trustees I thank and acknowledge the important and valued contributions Kevin, Brian, and Reremoana made to the Trust. I would also like to acknowledge the contribution of all Trustees to the smooth running of the Trust over the past year.

STAFF

The Trust has continued to be well served by a dedicated, professional, and enthusiastic staff, well led by Trust Manager John McKenzie. I wish to acknowledge with gratitude their efforts in making a significant contribution to the smooth running and continued success of the Trust.

TRUSTEES' REPORT cont.

GENERAL

During the year the Trustees and staff have continued to take the initiative in communicating with applicants, other funders, community groups, and local authorities on issues of common interest. In addition the staff and Trustees have attended many events and visited numerous applicants through out the Trust's region. Donation staff have travelled 13,185 kilometres, visited 167 organisations and addressed 12 funding seminars during the year. This aspect of the Trust's work has become increasingly important in building community relations.

A handwritten signature in blue ink, reading "John Culling". The signature is written in a cursive style with a large, looped initial 'J' and a long, sweeping underline.

John Culling
Chairperson
23rd May 2008

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 four 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 – 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.

Education – monitor, review and report on all matters related to education.

Sport – monitor, review and report on the performance of the four Regional Sports Trusts and other matters related to sport and recreation.

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.

INCOME STATEMENT

	2008	2007
	\$	\$
INCOME		
Net gain/(loss) from Investments (note 4)	(3,343,364)	8,676,574
LESS EXPENSES		
Administrative Expenses (note 5)	351,701	371,348
Personnel Expenses (note 5)	588,923	525,644
TOTAL EXPENSES	<u>940,624</u>	<u>896,992</u>
NET SURPLUS/(DEFICIT)	<u>(4,283,988)</u>	<u>7,779,582</u>

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	2008	2007
	\$	\$
EQUITY AT START OF PERIOD	143,883,298	140,614,057
Net surplus/(deficit)	(4,283,988)	7,779,582
Total Recognised Revenues and Expenses	<u>(4,283,988)</u>	<u>7,779,582</u>
Net Community Donations (note 10)	(5,808,492)	(4,510,341)
EQUITY AT THE END OF PERIOD (note 6)	<u>133,790,818</u>	<u>143,883,298</u>

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

BALANCE SHEET

	2008	2007
	\$	\$
NON-CURRENT ASSETS		
Financial assets held for trading (note 7)	128,616,670	137,730,430
Property, Plant & Equipment (note 8)	43,179	62,184
TOTAL NON-CURRENT ASSETS	128,659,849	137,792,614
CURRENT ASSETS		
Accrued Income	145,217	133,087
Cash and Cash Equivalents (note 9)	7,278,079	7,462,596
TOTAL CURRENT ASSETS	7,423,296	7,595,683
TOTAL ASSETS	136,083,145	145,388,297
EQUITY		
Trust Capital (note 6)	118,734,668	113,934,668
Donation Reserve (note 6)	15,056,150	29,948,630
TOTAL EQUITY	133,790,818	143,883,298
LIABILITIES		
NON-CURRENT LIABILITIES		
	-	-
CURRENT LIABILITIES		
Sundry Payables	207,010	141,368
Employee Entitlements	39,817	18,181
Donations Payable (note 10)	2,045,500	1,345,450
TOTAL CURRENT LIABILITIES	2,292,327	1,504,999
TOTAL EQUITY AND LIABILITIES	133,790,818	143,883,298

These Financial Statements have been authorised for issue by the Trustees on 23rd May 2008.



John Culling
Chairperson



Claire Matthews
Trustee

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

STATEMENT OF CASH FLOWS

For the year ended 31 March 2008

	2008	2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Investment Income	9,835,603	8,243,881
	<u>9,835,603</u>	<u>8,243,881</u>
Cash was applied to:		
Trustees and Employees	(507,262)	(446,192)
Suppliers of Other Goods & Services	(507,523)	(635,126)
Community Donations	(5,108,442)	(4,607,041)
	<u>(5,623,227)</u>	<u>(5,688,359)</u>
NET OPERATING CASH FLOWS (note 11)	3,712,376	2,555,522
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was applied to:		
Net Investment in Managed Funds	(3,896,894)	(4,703,604)
Purchase of Fixed Assets	-	(1,611)
	<u>(3,896,894)</u>	<u>(4,705,215)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	(3,896,894)	(4,705,215)
NET INCREASE (DECREASE) IN CASH HELD	(184,518)	(2,149,693)
Add Cash at 1 April	7,462,597	9,612,290
CASH & CASH EQUIVALENTS AT 31 MARCH	7,278,079	7,462,597
	(note 9)	

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

1. REPORTING ENTITY

Eastern and Central Community Trust Inc. is a charitable Trust incorporated in accordance with the provisions of the Community Trusts Act 1999.

The financial statements, for the year ended 31st March 2008, have been prepared in accordance with 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.

The financial statements were approved by the Board of Trustees on 23rd May 2008.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through the income statement are measured at fair value and disclosed further in note 14.

c) Functional and Presentation Currency

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

d) Use of 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. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, can not be determined with precision. Changes in assumptions could significantly affect the estimates.

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.

a) Foreign Currency Transactions

Foreign currency balances are converted to NZD at the year end rate of exchange unless covered by a forward exchange contract. Where such contracts are in place the contracted rate is adopted. Transactions completed during the year are converted at the rate applying

NOTES TO THE FINANCIAL STATEMENTS cont.

For the year ended 31 March 2008

at the date of the transaction. Foreign exchange gain or loss on monetary items is included within the income statement.

b) Financial Instruments

Financial instruments comprise investments in equity and debt securities, cash and cash equivalents and trade and other payables. Investments in equity and debt securities are initially recognised at fair value. Subsequent to initial recognition they are measured to fair value through the income statement. Cash and cash equivalents comprise cash balances, call deposits and short term deposits but do not include cash held by fund managers. Cash flow from operations includes withdrawal of income from managed funds. Trade and other payables are stated at cost.

A financial instrument is recognised when the Trust becomes a party to the contractual provisions of the instruments. 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.

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.

d) Property, Plant and Equipment

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

e) Depreciation

Depreciation is recognised in the income statement 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.

f) Impairment

The Trust's 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 income statement.

g) Employee Benefits

Unused annual leave and long service leave entitlements are the only benefits outstanding to employees. These obligations are recognised as a staff remuneration expense.

h) GST

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

i) Income Tax

The Trust is exempt from income tax by legislation in the Income Tax Act 2004.

NOTES TO THE FINANCIAL STATEMENTS cont.

For the year ended 31 March 2008

j) Intangible Assets

Software, when acquired by the Trust, will be measured at cost less accumulated depreciation and impairment losses.

k) Leases

The Trust has no leased assets that are required to be classed as finance leases. Operating leases are not recognised on the balance sheet. Operating lease payments are recognised in the income statement on a straight line basis.

4. NET INCOME FROM INVESTMENTS

	2008	2007
	\$	\$
Realised Income		
Dividend income on held for trading financial assets	5,802,451	6,262,381
Interest income on held for trading financial assets	631,140	618,196
Gain on disposal on held for trading financial assets	3,414,142	1,249,618
	<u>9,847,733</u>	<u>8,130,195</u>
Unrealised Income		
Foreign exchange losses	(7,570,307)	(11,144,071)
Change in fair value of financial assets held for trading	(5,440,345)	11,862,170
	<u>(13,010,652)</u>	<u>718,099</u>
Total Income from Investments	<u>(3,162,919)</u>	<u>8,848,294</u>
Less fund managers' fees	180,445	171,720
Total Net Income from Investments	<u>(3,343,364)</u>	<u>8,676,574</u>

5. EXPENSES

	2008	2007
	\$	\$
Administrative Expenses		
Office administration	32,613	34,779
Advertising and promotion	160,041	162,456
Audit fees	9,264	11,250
Depreciation	19,005	21,190
Rent and services	76,074	74,075
Professional expenses	40,422	58,430
Donation expenses	2,807	(1,791)
Other expenses	11,475	10,959
	<u>351,701</u>	<u>371,348</u>

NOTES TO THE FINANCIAL STATEMENTS cont.

For the year ended 31 March 2008

	2008	2007
Personnel Expenses	\$	\$
Trustees' remuneration	152,229	137,818
Trustees' meeting expenses	50,804	44,899
Trustees' liability insurance	5,206	10,960
Staff remuneration	327,397	315,455
Increase/(decrease) in staff leave owing	20,239	(4,578)
Staff training and travel	24,036	19,196
KiwiSaver net contributions	7,613	-
ACC levies	1,399	1,515
	<u>588,923</u>	<u>525,664</u>
Total Expenses	<u>940,624</u>	<u>896,992</u>

6. EQUITY

The Net Surplus/(Deficit) has been allocated as follows:

	2008	2007
	\$	\$
Trust Capital maintenance	4,800,000	4,800,000
Donation Reserve transfer	(9,083,988)	2,979,582
	<u>(4,283,988)</u>	<u>7,779,582</u>

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 and this year the Trustees have determined to increase the capital by \$4.8 million. Previous transfers have exceeded inflation and population increases.

Balance at the beginning of the year	113,934,668	109,134,668
Allocation of surplus to capital maintenance	4,800,000	4,800,000
Balance at the end of the year	<u>118,734,668</u>	<u>113,934,668</u>

b) Donation 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	29,948,630	31,479,389
Transfer from Income	(9,083,988)	2,979,582
	<u>20,864,642</u>	<u>34,458,971</u>
Less net donations	5,808,492	4,510,341
Balance at the end of the year	<u>15,056,150</u>	<u>29,948,630</u>

NOTES TO THE FINANCIAL STATEMENTS cont.

For the year ended 31 March 2008

	2008	2007
c) Total Equity	\$	\$
Equity balance at the beginning of the year	143,883,298	140,614,057
Allocation to Trust capital	4,800,000	4,800,000
Transfer from income	(9,083,988)	2,979,582
	<u>139,599,310</u>	<u>148,393,639</u>
Less net donations	5,808,492	4,510,341
Equity balance at the end of the year	<u>133,790,818</u>	<u>143,883,298</u>

7. FINANCIAL ASSETS HELD FOR TRADING

All investments in managed funds are classified as fair value through the income statement.

	2008	2007
	\$	\$
Opening balance	137,730,430	132,308,727
Income/(loss) before fund manager fees	(3,771,608)	8,238,936
Withdrawals to fund donations (net)	(5,342,152)	(2,817,233)
Closing Balance	<u>128,616,670</u>	<u>137,730,430</u>
Investments comprise:		
Bonds	55,803,015	55,597,631
Equities	72,813,655	82,132,799
Total Managed Funds	<u>128,616,670</u>	<u>137,730,430</u>
Held in: New Zealand		
Bonds	55,803,015	55,597,631
Equities	9,479,262	10,440,957
	<u>65,282,277</u>	<u>66,038,588</u>
Off Shore		
Equities	63,334,393	71,691,842
	<u>63,334,393</u>	<u>71,691,842</u>
	<u>128,616,670</u>	<u>137,730,430</u>

The fair value of financial assets at fair value through the income statement is determined by reference to the quoted price at the reporting date.

8. PROPERTY, PLANT & EQUIPMENT

	2008	2007
Cost	\$	\$
Balance at beginning of year	157,108	155,496
Additions	-	1,612
Disposals	<u>-</u>	<u>-</u>
Balance at end of year	157,108	157,108
Depreciation & Impairment Losses		
Balance at beginning of year	94,924	73,734
Depreciation for the year	19,005	21,190

NOTES TO THE FINANCIAL STATEMENTS cont.

For the year ended 31 March 2008

	2008	2007
	\$	\$
Impairment	-	-
Disposals	-	-
Balance at end of year	113,929	94,924
Carrying Amounts		
At beginning of year	62,184	81,762
At end of year	43,179	62,184

9. CASH AND CASH EQUIVALENTS

	2008	2007
	\$	\$
Current accounts	8,796	7,705
Call account	269,268	954,733
Petty cash	15	158
Short term deposits	7,000,000	6,500,000
Total cash	7,278,079	7,462,596

10. DONATIONS

	2008	2007
	\$	\$
Standard donations	1,802,870	1,235,640
Special donations	4,114,300	3,586,050
Total community donations	5,917,170	4,821,690
Less donations written back	108,678	311,349
Net community donations	5,808,492	4,510,341

Total of donations payable at year end was \$2,045,500 (\$1,345,450 – 2007). Included in donations payable was \$1,572,000 (\$890,250 – 2007) of donations, which are subject to the applicants fulfilling certain conditions.

11. RECONCILIATION OF NET SURPLUS WITH OPERATING CASH FLOWS

	2008	2007
	\$	\$
Net surplus/(deficit) for the period	(4,283,988)	7,779,582
Adjust for non-cash items		
Income on investments	13,010,653	(718,099)
Depreciation	19,005	21,190
Movements in net current assets		
Accrued income	(12,130)	113,686
Sundry payables	87,278	(33,795)
Community Donations Paid	(5,108,442)	(4,607,041)
Net operating cash flows	3,712,376	2,555,522

NOTES TO THE FINANCIAL STATEMENTS cont.

For the year ended 31 March 2008

12. CONTINGENT LIABILITIES & COMMITMENTS

Commitments

The Trust has no capital commitments (nil – 2007).

Lease commitments

	2008	2007
	\$	\$
Less than 1 year	47,592	47,592
1 – 5 years	190,368	190,368
Over 5 years	154,674	202,266
	392,634	440,226

The lease on the present Westerman's premises commenced on 1st July 2004 and expires on 30th June 2016. The rent payable is to be reviewed at the conclusion of the second and fourth years and the rental will be adjusted, if necessary, in accordance to any increase in the consumer price index. In July 2010 the rent is market assessed but is limited to a 20% increase over the rent set in 2008. During the year ended 31 March 2008, \$47,592 was recognised as an expense in the income statement in respect of operating leases (\$46,918 – 2007).

Contingencies

There are no contingent liabilities or contingent assets at balance date (nil –2007).

13. RELATED PARTY TRANSACTIONS

Related party transactions were as follows:

a) The Trust's premises are leased from a company in which Mr K Atkinson, former Trustee, has a financial interest (refer note 12). The rent paid for the period was \$47,592 (\$46,918 – 2007). As at balance date there was no outstanding balance owed on the lease.

b) The Trust uses the payroll software and database consultancy of IMS Limited, a company in which Mr K Atkinson, former Trustee, has a financial interest. The costs were prearranged on normal market rates for such services and were approved by the full Board. \$501 was paid for this service during the year (\$4,030 – 2007). As at balance date there was no outstanding balance owed.

c) Mr K Atkinson retired from his role as a Trustee at the end of May 2007. Mr K Atkinson had served on the Trust for 8 years (two terms).

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 decisions regarding donations to entities in which they have an interest in.

NOTES TO THE FINANCIAL STATEMENTS cont.

For the year ended 31 March 2008

14. FINANCIAL INSTRUMENTS

The Trustees regularly review their Statement of Investment Policies and Objectives.

a) 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 Statement of Investment Policies and Objectives. The Trust's investments are diversified across a range of assets including New Zealand and Overseas equities, New Zealand bonds, New Zealand and Overseas 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.

b) Currency Risk

The Trust has exposure to currency risk through its investments in offshore equities. The investment policy requires full hedging of currency risk for overseas bonds, when held, and 50% hedging of currency risk for overseas equities. There has been no currency hedging on overseas equities as a resolution to this effect was passed by the Board in October 2004. This decision has been constantly reviewed. Currency risk is managed by Fund Managers with a range of tolerance.

Offshore investments are denominated into the following foreign currency groupings:

	2008	2007
	\$	\$
USA/Canada	13,385,523	16,298,653
UK/Europe	21,838,583	25,010,255
Japan/Asia	16,225,079	19,451,622
Australia	11,885,208	10,931,312
	63,334,393	71,691,842

The Australian Listed Property Index Trust is reported in AUD. The remaining offshore equity investments are:

- Managed by State Street Global Advisors (Boston, USA).
- Invested in 24 individual country common trust funds.
- Reported in the fund's base currency of USD.

NOTES TO THE FINANCIAL STATEMENTS cont.

For the year ended 31 March 2008

Exposure to currency risk:

	AUD		USD	
	31 March 2008		31 March 2007	
	\$	\$	\$	\$
Equities	929,633	62,404,760	nil	71,691,842

The following NZD exchange rates applied during the year:

Average of Monthly Mid-Rates

	2007 - 08	2006 - 07
AUD	0.8750	0.8589
USD	0.7598	0.6570

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 2007.

Effect in NZD:

	Profit or Loss	
	31 March 2008	31 March 2007
	\$	\$
10% fall in NZD/AUD	103,293	nil
10% rise in NZD/AUD	(84,512)	nil
10% fall in NZD/USD	6,933,862	7,965,760
10% rise in NZD/USD	(5,673,160)	(6,517,440)

c) Interest Rate Risk

The Trust's investments in fixed rate securities are subject to interest rate risk. The Trust's Statement of Investment Policies and Objectives 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. The fixed rate securities mandate ensures that a high percentage of the securities are rated A or higher. Short term deposits are invested for periods up to 365 days taking into account current interest rates.

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

	Carrying Amount	
	2008	2007
	\$	\$
Fixed Rate Instruments	55,803,015	55,597,631
Variable Rate Instruments	7,278,079	7,462,596
	<u>63,083,094</u>	<u>63,060,227</u>

NOTES TO THE FINANCIAL STATEMENTS cont.

For the year ended 31 March 2008

Sensitivity Analysis for Fixed Rate Instruments:

A change of 100 basis points (1%) in interest rates would have increased or decreased profit or loss by the amounts shown. The analysis is performed on the same basis for 2007.

Fixed Rate Instruments	Cash Flow Sensitivity	
	31 March 2008	31 March 2007
	\$	\$
100 basis points increase	558,030	555,976
100 basis points decrease	(558,030)	(555,976)

Sensitivity Analysis for Variable Rate Instruments:

A change of 100 basis points (1%) in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. The analysis is performed on the same basis for 2007.

Variable Rate Instruments	Cash Flow Sensitivity	
	31 March 2008	31 March 2007
	\$	\$
100 basis points increase	72,781	74,626
100 basis points decrease	(72,781)	(74,626)

d) Other Price Risk

Other price 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 income statement, 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 Statement of Investment Policies and Objectives sets down the guidelines for this diversification.

15. EXPLANATION OF TRANSITION TO NZ IFRS

These are the Trust's first financial statements prepared in accordance with NZ IFRS. The accounting policies set out in the notes to the financial statements have been applied in preparing the statements for the year ended 31 March 2008, the comparative information presented for the year ended 31 March 2007 and in the preparation of an opening NZ IFRS balance sheet at 1 April 2006 (the Trust's date of transition).

NOTES TO THE FINANCIAL STATEMENTS cont.

For the year ended 31 March 2008

In preparing the opening NZ IFRS balance sheet and restating the 2007 financial statements the Trust has considered the amounts previously reported in financial statements prepared in accordance with its old basis of accounting (previous GAAP). It was found that there was no dollar value changes required and that the main effect of the transition was in format and disclosure.

As no changes have been required reconciliation and explanations of the transition to NZ IFRS have not been included with these accounts.

16. TRUSTEES' ATTENDANCE AND REMUNERATION

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

Attendance Record & Fees of Trustees

Trustee	Two Day Trust Meetings		Sub-Committee Meetings		Fees
	Attended	Maximum	Attended	Maximum	
Kevin Atkinson	1	1	3	3	\$2,552
Brian Bourke	1	1	3	3	\$2,540
Barbara Cameron	6	6	12	13	\$12,940
John Culling	6	6	20	20	\$31,856
Beverley Fullerton-Smith	5	5	4	4	\$9,163
Ron Garrod	5	5	4	4	\$7,903
Pamela Good	5	6	4	4	\$9,818
John Gordon	5	6	11	14	\$10,780
Reremoana Houkamau	1	1	0	0	\$1,317
Shona Jones	4	5	3	4	\$8,313
Claire Matthews	5	6	4	5	\$9,066
Margaret May	6	6	14	15	\$18,378
Keith Moretta	4	5	4	4	\$8,173
James Palmer	4	6	2	2	\$6,520
Mere Pohatu	6	6	12	13	\$12,910
TOTAL FEES					\$152,229

17. EMPLOYEES' REMUNERATION

During the year one employee received remuneration in the range of \$120,000 - \$130,000.

18. TRUSTEES' INDEMNITY LIABILITY INSURANCE

Trustees' indemnity liability insurance of \$5,206 (\$10,960 - 2007) has been paid by the Trust as approved by the Trustees under the Community Trusts Act 1999. The reduced cost is due to a collective approach from several of the Community Trusts with a common insurer.

SCHEDULE OF COMMUNITY PAYMENTS

For the year ended 31 March 2008

DONATIONS BY REGION	2008	2007
	\$	\$
Poverty Bay	603,600	664,100
Hawke's Bay	2,377,600	1,676,400
Tararua	436,300	171,750
Wairarapa	480,550	448,000
Manawatu	1,358,660	1,224,140
Horowhenua	275,260	365,800
Regional	385,200	271,500
TOTAL DONATIONS	5,917,170	4,821,690

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

To the Trustees of the Eastern & Central Community Trust Incorporated

We have audited the financial statements. The financial statements provide information about the past financial performance of the Eastern & Central Community Trust (Inc) and its financial position as at 31 March 2008. This information is stated in accordance with the accounting policies set out in notes 1, 2 and 3.

The Trustees Responsibilities

The Trustees are responsible for the preparation of financial statements that give a true and fair view of financial position of Trust and the results of its operations and cash flows for the year ended 31 March 2008.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Trustees and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:-

- The significant estimates and judgments made by the Trustees in the preparation of the financial statements;
- Whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the Trust.

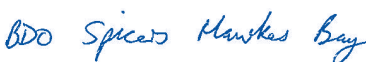
Unqualified Opinion

We have obtained all the information and experience we have required.

In our opinion:-

- proper accounting records have been kept by the Trust as far as appears from our examination of those records;
- the financial statements:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the Trust as at 31 March 2008 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 23 May 2008 and our unqualified opinion is expressed as at that date.



BDO Spicers Hawkes Bay

NOTES

NOTES

DIRECTORY

TRUSTEES

JOHN CULLING	Ashhurst	(Chairperson)
MARGARET MAY	Palmerston North	(Deputy Chairperson)
KEVIN ATKINSON	Hastings	Retired May 2007
BRIAN BOURKE	Masterton	Retired May 2007
BARBARA CAMERON	Feilding	
BEVERLEY FULLERTON-SMITH	Hastings	Appointed May 2007
RON GARROD	Masterton	Appointed May 2007
PAMELA GOOD	Levin	
JOHN GORDON	Carterton	
REREMOANA HOUKAMAU	Wairoa	Retired May 2007
SHONA JONES	Hastings	Appointed May 2007
CLAIRE MATTHEWS	Pahiatua	
KEITH MORETTA	Napier	Appointed May 2007
JAMES PALMER	Clive	
MERE POHATU	Gisborne	

TRUST MANAGER

JOHN MCKENZIE

BANKERS

WESTPAC

AUDITORS

BDO SPICERS HAWKE'S BAY

FINANCIAL ADVISORS

MCA NZ LIMITED

REGISTERED OFFICE

1ST FLOOR, WESTERMAN'S BUILDING,
102-104 RUSSELL STREET SOUTH
PO BOX 1058, HASTINGS



Helping fund a better community

1st Floor • Westerman's Building 102-104 Russell Street South
PO Box 1058 • Hastings • Fax: 06 878 9550
Ph: 06 878 7200 • FreePhone: 0800 878 720
Email: enquiry@ecct.org.nz

Website: www.ecct.org.nz