

# ANNUAL REPORT

31 March 2011



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 2011.

Despite the continued volatility in the financial markets during the last year, the results for the full year were good. However, the Eastern and Central Community Trust still has some way to go to make it back to the highs of late 2007. Over the last year, the Trust was able to continue its donations programme to the benefit of its communities, making donations for a range of philanthropic purposes across our entire region.

### DONATIONS

During the year the Trust approved 730 donations, totalling a net \$4.9 million. The number of applications received during the year was 894, a 9% decrease on the previous year, and the Trust approved 82% of those applications with 149 applications (17%) being declined and 15 applications (2%) withdrawn by the applicant. All applications received, except those withdrawn by the applicant, were presented to the Board for consideration.

There was a slight increase in the average request to \$13,335, and at the same time the average donation also increased, from \$5,258 to \$5,594. As the increase in the average donation was almost the same as the increase in the average request, the ratio of the average donation to the average request reduced again to 2.38 in 2010/11.

The Trust maintained its support for the four Regional Sports Trusts at the same level as the previous year. The Trust recognises the importance of the unique relationship it has with the Regional Sports Trusts, and continues to see strong benefits from the funding we provide to the Regional Sports Trusts. The Trust's Summer Reading programme has now completed its 14th successful year. The Trustees recognise that the ongoing success of this programme is due to the dedicated staff at the participating libraries throughout our region, and we wish to record our thanks to the staff and their libraries for their continued support of the programme. The Trust supported another series of 'Maths is Fun' programmes during the school holidays in several locations throughout the region, with one new location added in 2010.

## Trustees' report continued

### FINANCIAL

By 31 March 2011, the Trust's net assets had increased to \$144.6 million, having earned \$10.9 million income from our investments during the year. The net surplus, after administrative expenses and donations, was \$4.8 million, a reduction from the extraordinary level of the previous year. Approximately 86% of the investment income was realised income, with the unrealised gains from the increasing value of our investments being largely offset by currency and hedging losses.

The Trust continues to hedge its exposure to exchange rate movements, with a policy of being 50% hedged on average. Some rebalancing of the equity portfolios is now being undertaken, partly because financial markets have recovered at different rates. However, the rebalancing also represents an adjustment to the Trust's investment strategy to place slightly greater emphasis on growth rather than income.

The Trust's net assets were \$15.1 million above the adjusted capital base of the Trust of \$129.5 million. Operating expenses for the year totalled \$1.3 million, which was 12% below budget. The Trust continues to be managed efficiently.

### TRUSTEES

During the year the term of one Trustee expired, and Mere Pohatu retired after three terms on the Trust. The Trust wishes to record its thanks to Mere for her valuable contributions during her time on the Trust. Caren Rangi from Napier was appointed to fill the vacancy. We were delighted to welcome Caren to the Trust, and she is already making a useful contribution.

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



## Trustees' report continued

### STAFF

In September 2010 the Trust was saddened by the sudden and unexpected death of Trish Nicol. Trish had worked for the Trust as Administration Officer for 14 years. Patricia Devlin was appointed to fill this vacancy. Bev Watkins, Raewynne Jacobs and Jill Wolland continued in their roles. The Trustees wish to place on record their sincere thanks to the staff for their passion, their professionalism, and their commitment, particularly over the difficulties during the past twelve months. The efficient operation and continued success of the Trust can be attributed to the efforts of the staff under the leadership of Trust Manager, John McKenzie.

### LOOKING AHEAD

In February 2011 the Trust implemented a new donations database and financial management system, Te Kete Putea. Te Kete Putea was several years in the planning, and has been designed to meet the needs of 11 of the community trusts. The new system provides a forward looking donations management system, and will allow the introduction of web-based applications in due course.

The Trust continues to hope for a more settled financial environment after the volatility of recent years. Trustees look forward to continuing to support our communities, with a similar donations budget for the 2011/2012 year. The Trust continues to be well placed to operate in a variety of economic conditions, with policies in place that are designed to protect the Trust's assets for the benefit of our communities today and in the future.



Claire Matthews  
Chair  
27 May 2011

## 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 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.

- |                         |  |
|-------------------------|--|
| <b>EXECUTIVE</b>        | monitor investment performance, review fund managers' performance, consider investment policy and strategy, monitor compliance and appraise the Trust Manager.   |
| <b>AUDIT &amp; RISK</b> | liaise with the external auditor, review the annual audit plan, review audit findings, monitor compliance to relevant statutory requirements, and monitor, review and report performance and recommendations of the auditor. |
| <b>EDUCATION</b>        | monitor, review and report on all matters related to education.  |
| <b>SPORT</b>            | 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.



## Statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2011

		2011	2010
		\$	\$
<b>REVENUE</b>	(note 4)	<b>10,895,643</b>	<b>30,340,245</b>
<b>LESS EXPENSES</b>			
Administrative Expenses	(note 5)	646,632	508,925
Personnel Expenses	(note 5)	629,191	577,205
Net Community Donations	(note 10)	4,798,337	5,249,840
<b>TOTAL EXPENSES</b>		<b>6,074,160</b>	<b>6,335,971</b>
<b>PROFIT FOR THE YEAR</b>		<b>4,821,483</b>	<b>24,004,274</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY</b>		<b>4,821,483</b>	<b>24,004,274</b>

## Statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2011

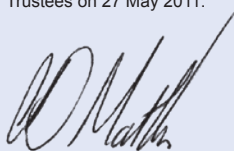
		2011	2010
		\$	\$
<b>EQUITY AT THE START OF THE PERIOD</b>		<b>139,796,596</b>	<b>115,792,322</b>
Comprehensive Income for the Year		4,821,483	24,004,274
<b>Total Recognised Revenue and Expenses</b>		<b>4,821,483</b>	<b>24,004,274</b>
<b>EQUITY AT THE END OF THE PERIOD</b>	(note 6)	<b>144,618,079</b>	<b>139,796,596</b>

## Statement of financial position

AS AT 31 MARCH 2011

		2011	2010
		\$	\$
<b>NON-CURRENT ASSETS</b>			
Financial Assets Held for Trading	(note 7)	140,700,077	133,488,732
Plant and Equipment	(note 8)	43,326	35,131
<b>TOTAL NON-CURRENT ASSETS</b>		<b>140,743,403</b>	<b>133,524,045</b>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	(note 9)	4,870,766	7,378,847
Term Deposit		2,000,000	-
Accrued Income		91,811	167,368
Short-term Advance		84,148	46,484
Derivatives		-	809,262
<b>TOTAL CURRENT ASSETS</b>		<b>7,046,725</b>	<b>8,401,961</b>
<b>TOTAL ASSETS</b>		<b>147,790,128</b>	<b>141,926,006</b>
<b>EQUITY</b>			
Trust Capital	(note 6)	129,534,669	125,934,669
Donation Reserve	(note 6)	15,083,410	13,861,927
<b>TOTAL EQUITY</b>		<b>144,618,079</b>	<b>139,796,596</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
		-	-
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables		214,014	186,601
Derivatives		1,592,901	-
Employee Entitlements		47,004	37,879
Donations Payable	(note 10)	1,318,130	1,904,930
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,172,049</b>	<b>2,129,410</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>147,790,128</b>	<b>141,926,006</b>

These Financial Statements have been authorised for issue by the Trustees on 27 May 2011.



Claire Matthews  
Chair



Beverley Fullerton-Smith  
Deputy Chair

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

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## Statement of cash flows

FOR THE YEAR ENDED 31 MARCH 2011

	2011	2010
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash was provided from:		
Interest and Dividends	9,061,428	9,501,665
Other	5,251	46
	<u>9,066,679</u>	<u>9,501,711</u>
Cash was applied to:		
Trustees and Employees	(548,060)	(483,264)
Suppliers of Other Goods and Services	(678,890)	(669,605)
Community Donations	(5,385,137)	(4,965,660)
	<u>(6,612,087)</u>	<u>(6,118,529)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b> (note 11)	<b>2,454,592</b>	<b>3,383,182</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash was provided from:		
Disposal Gains	343,325	876,868
Cash was applied to:		
Term Deposits	(2,000,000)	-
Net Investment in Managed Funds	(3,282,837)	(2,236,332)
Purchase of Fixed Assets	(23,161)	(7,257)
	<u>(5,305,998)</u>	<u>(2,243,589)</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(4,962,673)</b>	<b>(1,366,721)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(2,508,081)</b>	<b>2,016,461</b>
Add Cash at 1 April	7,378,847	5,362,386
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b> (note 9)	<b>4,870,766</b>	<b>7,378,847</b>

## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

### 1. REPORTING ENTITY

The 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 31 March 2011, 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 27 May 2011.

#### b) Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for financial instruments at fair value through the Statement of Comprehensive Income, which 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 (NZD), which is the Trust's functional currency. All financial information has been rounded to the nearest dollar.

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

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

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

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 2011

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

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

#### NZ IFRS 9

NZ IFRS 9 Financial Instruments will be adopted by the Trust for the first time for its financial period ending 31 March 2015.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The following are the particular accounting policies, that 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

Financial instruments comprise financial assets held for trading, cash and cash equivalents, accrued income, short-term advance, term deposits, derivatives and trade and other payables. Financial assets held for trading are initially recognised at fair value, being the fair value of the consideration paid. Subsequent to initial recognition they are measured to fair value through the Statement of Comprehensive Income as revenue. For investments that are actively traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the balance sheet day. 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 operating activities includes withdrawal of income from managed funds.

A financial instrument is recognised 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.

The Trust uses derivative financial instruments to reduce exposure to fluctuations in foreign currency denominated assets. Forward exchange contracts are entered into to hedge foreign currency denominated assets. These are converted to the New Zealand dollar rate at balance date with all realised and unrealised gains and losses being recognised in the Statement of Comprehensive Income as revenue.

## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

### 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 in note 10 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 an accruals basis.

### e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and short-term deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### 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 asset 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) Trade and Other Payables

Trade payables and other accounts payable are recognised at amortised cost when the Trust becomes obliged to make future payments resulting from the purchase of goods and services.

### j) 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.



## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

### k) Goods and Services Tax (GST)

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

### l) Income Tax

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

### m) Leases

Operating lease payments are recognised in the Statement of Comprehensive Income on a straight-line basis.

### n) Cash Flows

The Statement of Cash Flows 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 Statement of Cash Flows:

- 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
- cash means cash on deposit with banks.

	2011	2010
	\$	\$
<b>4. REVENUE</b>		
<b>Realised Income</b>		
Dividend income on held for trading financial assets	3,130,124	1,899,374
Interest income on held for trading financial assets	4,167,833	4,293,093
Gain/(Loss) on forward currency hedging contracts	1,687,914	3,395,344
Gain on disposal on held for trading financial assets	340,512	876,868
Sundry income	5,251	33,546
	<b>9,331,634</b>	<b>10,498,225</b>
<b>Unrealised Income (Losses)</b>		
Foreign exchange losses	(6,796,116)	(11,249,665)
Change in fair value of financial assets held for trading	8,360,125	31,091,685
	<b>1,564,009</b>	<b>19,824,020</b>
<b>Total Income from Investments</b>	<b>10,895,643</b>	<b>30,340,245</b>

## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

### 5. EXPENSES

#### Administrative Expenses

	2011	2010
	\$	\$
Office administration	51,839	43,239
Advertising and promotion	170,613	131,457
Fees paid to the auditors for audit services	15,936	12,933
Depreciation	12,335	10,607
Rent and services	87,988	77,516
Professional expenses	103,370	44,752
Fund managers' fees	188,787	167,442
Donation expenses	1,530	5,827
Other expenses	14,234	15,152
	<b>646,632</b>	<b>508,925</b>

#### Personnel Expenses

Trustees' remuneration	147,474	140,227
Trustees' meeting expenses and training	54,629	47,074
Trustees' liability insurance	8,188	6,885
Staff remuneration	374,495	357,688
Increase/(Decrease) in staff leave owing	6,865	(9,722)
Staff training and travel	20,756	19,287
KiwiSaver contributions	14,889	14,236
ACC levies	1,895	1,530
	<b>629,191</b>	<b>577,205</b>

#### Donation Expenses

(note 10) **4,798,337** **5,249,840**

### 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 (2010: \$10.142 million) to ensure the real capital of the Trust is maintained.

	2011	2010
	\$	\$
Balance at the beginning of the year	125,934,669	115,792,322
Transfer from/(to) donations reserve	3,600,000	10,142,347
<b>Balance at the end of the year</b>	<b>129,534,669</b>	<b>125,934,669</b>



## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

### 6. EQUITY continued

#### 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.

	2011	2010
	\$	\$
Balance at the beginning of the year	13,861,927	-
Transfer (to) capital reserve	(3,600,000)	(10,142,347)
Gain for the year	4,821,483	24,004,274
<b>Balance at the end of the year</b>	<b>15,083,410</b>	<b>13,861,927</b>

	2011	2010
	\$	\$
<b>c) Total Equity</b>		
Trust capital	129,534,669	125,934,669
Donations reserve	15,083,410	13,861,927
<b>Equity Balance at the end of the year</b>	<b>144,618,079</b>	<b>139,796,596</b>

### 7. FINANCIAL ASSETS HELD FOR TRADING

All investments are classified as fair value through the Statement of Comprehensive Income.

	2011	2010
	\$	\$
Opening balance	133,488,732	112,266,126
Gain before fund managers' fees	10,594,977	29,935,728
Withdrawals to fund donations (net)	(3,383,632)	(8,713,122)
<b>Closing Balance</b>	<b>140,700,077</b>	<b>133,488,732</b>
Investments comprise:		
Bonds	64,942,000	61,279,122
Equities	75,758,077	72,209,610
<b>Total Managed Funds</b>	<b>140,700,077</b>	<b>133,488,732</b>

## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

### 7. FINANCIAL ASSETS HELD FOR TRADING continued

		2011	2010
		\$	\$
<b>Held in: New Zealand</b>	Bonds	51,889,769	50,308,893
	Equities	9,761,428	9,138,233
		61,651,197	59,447,126
<b>Offshore</b>	Bonds	13,052,231	10,970,229
	Equities	65,996,649	63,071,377
		79,048,880	74,041,606
		<b>140,700,077</b>	<b>133,488,732</b>

### 8. PLANT AND EQUIPMENT

	2011	2010
	\$	\$
<b>Cost</b>		
Balance at the beginning of the year	173,550	166,293
Additions	23,161	7,257
Disposals	(25,239)	-
<b>Balance at the end of the year</b>	<b>171,472</b>	<b>173,550</b>

#### Depreciation and Impairment Losses

Balance at the beginning of the year	138,237	127,630
Depreciation for the year	12,335	10,607
Impairment	-	-
Disposals	(22,426)	-
<b>Balance at the end of the year</b>	<b>128,146</b>	<b>138,237</b>

#### Carrying Amounts

At the beginning of the year	35,313	38,663
At the end of the year	43,326	35,313

### 9. CASH AND CASH EQUIVALENTS

	2011	2010
	\$	\$
Current accounts	10,454	6,156
Call account	860,148	872,628
Petty cash	164	63
Short-term deposits	4,000,000	6,500,000
<b>Total Cash</b>	<b>4,870,766</b>	<b>7,378,847</b>

## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

### 10. DONATIONS

	2011	2010
	\$	\$
Standard donations	1,625,330	1,720,590
Special donations	3,291,585	3,901,000
<b>Total Community Donations</b>	<b>4,916,915</b>	<b>5,621,590</b>
Less donations written back	118,578	371,750
<b>Net Community Donations</b>	<b>4,798,337</b>	<b>5,249,840</b>

Total of donations payable at year end was \$1,318,130 (2010: \$1,904,930). Included in donations payable was \$1,169,490 (2010: \$1,348,400) of donations, which are subject to the applicants fulfilling certain conditions.

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

	2011	2010
	\$	\$
Net gain/(deficit) for the period	4,821,483	24,004,274
Adjust for non-cash items:		
Unrealised loss/(gain) on investments	(1,564,009)	(19,842,020)
Depreciation	12,335	10,607
Movements in net current assets:		
Accrued income	75,557	(119,645)
Current liabilities excluding donations	36,538	(77,347)
Donations payable	(586,800)	284,180
Recognition of realised gains in investing activities	(340,512)	(876,868)
<b>Net Operating Cash Flows</b>	<b>2,454,592</b>	<b>3,383,182</b>

### 12. CONTINGENT LIABILITIES AND COMMITMENTS

#### Commitments

The Trust has entered into an agreement with 10 other Community Trusts to contribute to the cost of new software. It is expected that the Trust will pay approximately \$110,000 during the next financial year towards this (2010: \$110,000).

## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

### Lease commitments

	2011	2010
	\$	\$
Less than one year	61,590	50,209
One to five years	246,359	200,836
Over five years	15,397	62,761
	<b>323,346</b>	<b>313,806</b>

The lease on the present Westerman's premises commenced on 1 July 2004 and expires on 30 June 2016. The rent payable has been reviewed at the conclusion of the second and fourth years and the rental was adjusted in accordance to any increase in the consumer price index. In July 2010 the rent was market assessed but was limited to a 20% increase over the rent set in 2008. During the year ended 31 March 2011, \$58,410 was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases (2010: \$50,209).

#### Contingencies

There are no contingent liabilities or contingent assets at balance date (2010: Nil).

### 13. RELATED PARTY TRANSACTIONS

There has been one related party transaction during the year. Two Trustees attended a three-day course held at Massey University entitled Governance for the 21st Century. Trustee Dr Bev Edlin was one of the paid presenters of the course.

Trustees update their personal register of interests at each Trust Meeting. A folder containing each Trustees' 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.

Key management personnel include the Trustees and Trust Manager. Short-term benefits paid to key management personnel were \$289,810 (2010: \$277,681).



## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

### 14. FINANCIAL INSTRUMENTS

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

	2011	2010
	\$	\$
<b>Financial Assets</b>		
Cash at Bank	6,870,766	7,378,847
Prepayment	84,148	46,484
Derivatives	-	809,262
Accrued Income	91,811	167,368
Financial Assets held for trading consisting of:		
NZ Equities	9,761,428	9,138,233
NZ Bonds	51,889,769	50,308,893
Offshore Equities	65,996,649	63,071,377
Offshore Bonds	13,052,231	10,970,229
	<b>147,746,802</b>	<b>141,890,693</b>
<b>Financial Liabilities</b>		
Accounts Payable and Employee Entitlements	261,018	224,480
Derivatives	1,592,901	-
Donations Payable	1,318,130	1,904,930
	<b>3,172,049</b>	<b>2,129,410</b>

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

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

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

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

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



## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

### The Investment Portfolio

The Trust manages its Investment Portfolio in terms of its SIPO. The SIPO is monitored and amended on a regular basis by the Board of Trustees. The Investment Portfolio's strategic asset allocation is reviewed annually. The strategic asset allocation was last reviewed in November 2010. MCA NZ Limited assists both management and the Trustees with investment advice and portfolio management.

### Portfolio Characteristics

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

#### NZ Equities

The NZ Equity portfolio is managed by Forsyth Barr. The investment mandate allows the Fund Manager to invest between 2.5% and 7.5% of the portfolio in companies listed on the NZ Stock Exchange. This portfolio is measured against the NZSX40 (net Dividend) Index.

#### NZ Listed Property

The NZ Listed Property portfolio is managed by Forsyth Barr. The investment mandate allows the Fund Manager to invest between 2.5% and 7.5% of the portfolio in property companies listed on the NZ Stock Exchange. This portfolio is measured against the NZX Property Sector (net Dividend) Index.

#### NZ Bonds

The NZ Bond portfolio is managed by Forsyth Barr Esam Cushing Limited. The investment mandate allows the Fund Manager to invest between 20% and 35% of the portfolio in bonds. The mandate places limits on the underlying investment categories, along with credit and duration restrictions. This portfolio is measured against the NZX Corporate A-Grade Index.

#### Offshore Equities

The Offshore portfolio is managed by State Street Global Advisors. The investment is in a pooled fund. The investment mandate allows the Fund Manager to invest between 40% and 60% of the portfolio in offshore equities. This portfolio is measured against the MSCI Gross (NZD) Index and the strategic policy is to be 50% hedged back to NZ dollars.

#### Australian Listed Property

The Australian Listed Property portfolio is managed by State Street Global Advisors. The investment is in a pooled index trust. The investment mandate allows the Fund Manager to invest between 2.5% and 7.5% of the portfolio in Australian listed property equities. This portfolio is measured against the Standard and Poor's/ASX200 Property Accumulation Index and the strategic policy is to be 50% hedged back to NZ dollars.

#### Offshore Bond Securities

The Offshore Bond Securities portfolio is managed by Vanguard. The investment is in a pooled hedged index fund. The investment mandate allows the Fund Manager to invest between 5% and 10% of the portfolio in bonds. This portfolio is measured



## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

against the Citigroup WGBI Index and is fully hedged to Australian dollars. The strategic policy is to be 100% hedged back to NZ dollars.

### Cash

The Cash portfolio is managed by the Trust Manager. The mandate places limits on the underlying investment categories, along with credit and duration restrictions. The investment mandate allows the Trust Manager to invest between 2% and 10% of the portfolio in cash. The portfolio is measured against the NZX 90-day Bank Bill Index.

### Performance Against Policy

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

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

The following table shows the actual performance, the benchmark performance and value added for all asset classes held by the Trust for the year ended 31 March 2010:

Asset	Actual Return (%)	Benchmark Return (%)	Value Added (%)
NZ Equities	40.0	25.3	+14.7
NZ Property	10.7	14.7	-4.0
NZ Bonds	14.3	10.0	+4.3
Offshore Equities	32.1	22.2	+9.9
Aus Property	48.0	45.1	+2.9
Offshore Bonds	5.9	4.8	+1.1
Cash	4.1	2.6	+1.5
<b>TOTAL</b>	<b>26.3</b>	<b>23.9</b>	<b>+2.4</b>

### Fair Value and Impairment

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

### Credit Risk

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

## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

With regard to the credit risk arising for financial assets, the Trust's credit risk arises from any default by a counterparty. The current exposure at balance date is the fair value of those assets as disclosed in the Statement of Financial Position. There is no security held over these assets.

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

The Trust manages credit concentration risks through:

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

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

As at 31 March 2011 the maximum exposure to credit risk for New Zealand Corporate Bonds is detailed in the table below. The credit quality of the Trust's NZ Bond portfolio is managed by the Trust using Standard and Poor's rating categories.

	AAA to AA	A+ to A-	BBB to BB	Unrated	2011	2010
Corporate Bonds	11.0%	27.1%	35.7%	8.7%	43,002,219	44,983,702
Cash	17.5%				8,887,550	7,599,675
<b>TOTAL</b>					<b>51,889,769</b>	<b>50,308,893</b>

### Forward Foreign Exchange Contracts

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.

The following table details the three-month forward foreign currency contracts outstanding as at 31 March 2011:

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



## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

The following table details the three-month forward foreign currency contracts outstanding as at 31 March 2010:

Currencies	Buy Amount NZ\$	Deal Rate 9 February 2010	Valuation Rate 31 March 2010	Gain/(Loss) NZ\$
Australian Dollars	23,200,000	0.7947	0.7767	(536,269)
Euros	8,300,000	0.4975	0.5285	486,312
British Pounds	2,000,000	0.4359	0.4701	144,807
Japanese Yen	3,100,000	60.515	66.080	260,309
US Dollars	10,800,000	0.6783	0.7082	454,103
<b>TOTAL</b>	<b>47,400,000</b>			<b>809,262</b>

### Liquidity Risk

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

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

The Trust's financial liabilities comprise trade and other payables, and committed but unpaid donations.

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 \$1,318,130 (2010: \$1,904,930).

These committed and unpaid donations at 31 March 2011 had the following profile:

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

Committed but unpaid donations at 31 March 2010 had the following profile:

Financial Year Approved	Number of Grants Outstanding	Value \$
2009	7	425,000
2010	115	1,479,930
<b>TOTAL</b>	<b>122</b>	<b>1,904,930</b>

## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

### Market Risk

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

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

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

#### a) Currency Risk

Currency risk is the risk that the fair value of, or future cash flows from, financial assets will fluctuate due to changes in foreign exchange rates. The Trust has exposure to currency risk through its investments in offshore equities. The Strategic Investment Policy requires full hedging of currency risk for offshore bonds, when held, and 50% hedging, on average, of currency risk for offshore equities. When exchange rates are at extreme levels the percentage of hedging is varied as determined by the Trust's currency policy. Currency hedging on offshore equities has been increased marginally throughout the year. Hedging decisions have been constantly reviewed. Currency risk is self-managed with the Bank of New Zealand with a range of tolerance.

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

	2011 \$	2010 \$
Foreign currency denominated assets	79,048,880	74,041,605
Less foreign currency contracts	47,000,000	47,400,000
Unhedged currency exposure at 31 March	<b>32,048,880</b>	<b>26,641,605</b>

Geographic location of investments:

USA/Canada	14,455,037	13,359,656
UK/Europe	13,930,347	13,298,964
Japan/Asia	18,246,934	17,614,771
Australia	32,416,563	29,768,214
	<b>79,048,881</b>	<b>74,041,605</b>



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## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

The Australian Listed Property Index Trust and the OffShore Bond Securities Index Fund are reported in AUD. The remaining offshore equity investments are as follows:

- 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.

Exposure to currency risk:

Asset	Australian Dollar at 31 March 2011 \$	US Dollar at 31 March 2011 \$	Australian Dollar at 31 March 2010 \$	US Dollar at 31 March 2010 \$
Equities & Bonds	13,724,811	65,324,066	11,585,597	62,456,008

The following NZD exchange rates applied during the year:

Currency	Average Monthly Mid-Rate for 2010/11	Average Monthly Mid-Rate for 2009/10
Australian Dollar	0.7772	0.7971
US Dollar	0.7332	0.6785

### Sensitivity Analysis for Currency:

A 10% 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 2010.

Effect in NZD:

Effect of Movements in NZD	Profit/Loss 31 March 2011 \$	Profit/Loss 31 March 2010 \$
10% fall in NZD/AUD	1,524,979	1,287,289
10% rise in NZD/AUD	(1,247,710)	(1,053,236)
10% fall in NZD/USD	7,258,230	6,939,556
10% rise in NZD/USD	(5,938,551)	(5,677,819)

### b) Interest Rate Risk

The Trust's investments in fixed-rate securities are subject to interest rate risk. The Trust's SIPO requires a fixed rate security to have a minimum of a BBB- rating or equivalent grade. The maximum exposure to each fixed security is controlled by the credit rating so that the higher the credit rating, the higher the allowable exposure. The fixed-rate securities mandate ensures that a 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.

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.



## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

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

	Carrying Amount 2011 \$	Carrying Amount 2010 \$
Fixed-rate Instruments	62,054,451	62,453,931
Variable-rate Instruments	9,758,151	6,203,976
<b>TOTAL</b>	<b>71,812,602</b>	<b>68,657,907</b>

### Sensitivity Analysis for Fixed-rate Instruments:

A change of 100 basis points (1%) in interest rates for the entire period reported would have increased/(decreased) profit or loss by the amounts shown. The analysis is performed on the same basis for 2010.

Fixed-rate Instruments	Cash Flow Sensitivity 31 March 2011 \$	Cash Flow Sensitivity 31 March 2010 \$
100 basis points increase	641,524	559,539
100 basis points decrease	(641,524)	(559,539)

### 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 2010.

Variable-rate Instruments	Cash Flow Sensitivity 31 March 2011 \$	Cash Flow Sensitivity 31 March 2010 \$
100 basis points increase	66,393	135,598
100 basis points decrease	(66,393)	(135,598)

### c) Pricing Risk

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

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

The Trust's financial assets are priced at fair value. The effect on the Trust's Statement of Comprehensive Income and Balance Sheet as at 31 March 2011, due to a possible change in market factors is represented in the table on the next page.



## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

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

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

The effect on the Trust's Statement of Comprehensive Income and Balance Sheet as at 31 March 2010, 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
NZ/Australian Equities	-10.6% to 27.6%	-2,820 to 7,325
NZ Bonds	2.7% to 12.8%	1,353 to 6,445
NZ Cash	4.4% to 7.1%	333 to 536
Offshore Equities	-9.0% to 27.0%	-4,076 to 12,237
Offshore Bonds	3.1% to 12.9%	335 to 1,382
Property	-7.9% to 23.9%	-113 to 340
<b>TOTAL PORTFOLIO</b>	<b>-3.5% to 19.9%</b>	<b>-1,081 to 7,112</b>

There is a 68% probability that the return in any one year will be within the range -3.5% to 19.9%.

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

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

### Fair-value Hierarchy

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

Financial Asset	at 31 March 2011 \$	at 31 March 2010 \$
Financial assets held for trading	140,700,077	133,488,732
Derivative financial assets	-	809,262
<b>TOTAL ASSETS</b>	<b>140,700,077</b>	<b>134,297,994</b>

There were no transfers between levels during the year.



## Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2011

### 15. 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 as set out below:

#### Attendance Record and Fees of Trustees

Trustee	Two-day Trust Meetings Attended	Subcommittee Meetings Attended	Fees \$
Bev Edlin	6 of 6	14 of 14	12,460
Beverley Fullerton-Smith	6 of 6	13 of 13	15,032
Ron Garrod	5 of 6	15 of 16	13,210
John Gordon	6 of 6	16 of 17	14,414
Claire Matthews	6 of 6	23 of 24	27,392
Kaye McAulay	6 of 6	13 of 15	12,188
Margaret Millard	5 of 6	5 of 7	8,290
Bruce Mills	6 of 6	6 of 6	9,880
Keith Moretta	5 of 6	6 of 6	9,932
Jane Poa	2 of 2	2 of 2	4,490
Mere Pohatu	1 of 1	1 of 2	1,742
Caren Rangi	5 of 5	3 of 4	8,354
Robyn Rauna	5 of 6	6 of 7	10,090
<b>TOTAL FEES</b>			<b>147,474</b>

### 16. TRUSTEES' INDEMNITY LIABILITY INSURANCE

Trustees' indemnity liability insurance of \$8,188 (2010: \$6,885) has been paid by the Trust as approved by the Trustees under the Community Trusts Act 1999.

### 17. SUBSEQUENT EVENTS

No events have occurred subsequent to balance date that require disclosing in the Financial Statements (2010: Nil).



## Schedule of community payments

FOR THE YEAR ENDED 31 MARCH 2011

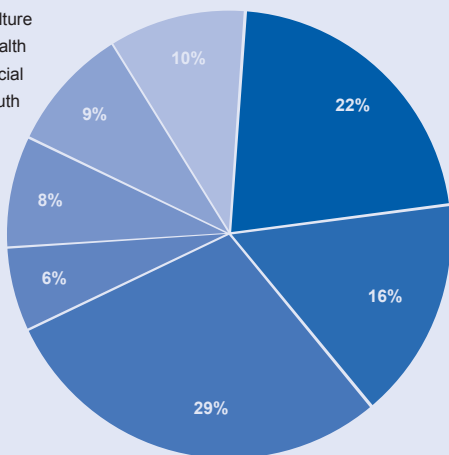
### DONATIONS BY REGION

	2011 \$	2010 \$
Poverty Bay	813,065	533,270
Hawke's Bay	1,725,960	2,132,960
Taranua	343,300	188,250
Wairarapa	478,420	647,725
Manawatu	964,210	1,409,285
Horowhenua	206,060	368,700
Regional	385,900	341,400
<b>TOTAL DONATIONS</b>	<b>4,916,915</b>	<b>5,621,590</b>

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

### DONATIONS BY SECTOR

- Community Facilities
- Education
- Sport & Recreation
- Culture
- Health
- Social
- Youth



## Auditors' report

TO THE TRUSTEES OF THE EASTERN & CENTRAL COMMUNITY TRUST INCORPORATED

We have audited the financial statements of Eastern & Central Community Trust, which comprise the statements of financial position as at 31 March 2011, and the statement of changes in equity, statement of comprehensive income (single statement approach), and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Trustees as a body, in accordance with the Trust Deed of Eastern and Central Community Trust. Our audit has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### The Trustees' Responsibilities

The Trustees are responsible for the preparation and fair presentation of financial statements in accordance with generally accepted accounting practice in New Zealand that give a true view of 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 misstatements, whether due to fraud or error.

### Auditors' 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether

**Continued over**

## Auditors' report continued

TO THE TRUSTEES OF THE EASTERN & CENTRAL COMMUNITY TRUST INCORPORATED

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate 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.

Other than in our capacity as auditor we have no relationship with, or interests in Eastern & Central Community Trust.

### Opinion

In our opinion, the financial statements:

- 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 2011, and the financial performance and cash flow of the Trust for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

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.



**BDO Hawkes Bay**  
Napier

**BDO** BDO Spicers  
Chartered Accountants & Advisers

## Notes

# Directory

## TRUSTEES

CLAIRE MATTHEWS	Pahiatua Chair
BEVERLEY FULLERTON-SMITH	Hastings Deputy Chair

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BEV EDLIN	Levin
RON GARROD	Masterton
JOHN GORDON	Carterton
KAYE MCAULAY	Martinborough
MARGARET MILLARD	Palmerston North
BRUCE MILLS	Feilding
KEITH MORETTA	Napier
JANE POA	Flaxmere
MERE POHATU	Gisborne - <i>retired May 2010</i>
CAREN RANGI	Napier - <i>appointed June 2010</i>
ROBYN RAUNA	Gisborne

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TRUST MANAGER	JOHN MCKENZIE
BANKERS	WESTPAC
AUDITORS	BDO HAWKE'S BAY
FINANCIAL ADVISORS	MCA NZ LIMITED
REGISTERED OFFICE	1st FLOOR, WESTERMAN'S BUILDING, 102-104 RUSSELL STREET SOUTH, PO BOX 1058, HASTINGS 4156



**Eastern & Central**  
**COMMUNITY**  
**TRUST**

Helping fund a better community

1st Floor, Westerman's Building  
102-104 Russell Street South, PO Box 1058, Hastings 4156  
Fax: 06 878 9550, Ph: 06 878 7200, FreePhone: 0800 878 720  
Email: [enquiry@ecct.org.nz](mailto:enquiry@ecct.org.nz) or visit [www.ecct.org.nz](http://www.ecct.org.nz)