

**THE COMMUNITY TRUST OF SOUTHLAND**  
**FINANCIAL REPORT**  
**For the Year Ended 31 March 2013**

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## THE COMMUNITY TRUST OF SOUTHLAND TRUSTEE'S RESPONSIBILITY STATEMENT

The Trustees of The Community Trust of Southland ("the Trust") are pleased to present the financial statements for the year ended 31 March 2013.

The Trustees are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Trust and Group as at 31 March 2013 and the results of their operations and cash flows for the year ended on that date.

The Trustees consider the financial statements of the Trust have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Trustees believe that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Trust and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Trustees have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Trustees consider that they have taken adequate steps to safeguard the assets of the Trust, and to prevent and detect fraud and other irregularities.

The Financial Statements are signed on behalf of the Board by:

Trustee

15 August 2013



Trustee

15 August 2013



**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Year Ended 31 March 2013**

|  |              | <b>Group</b>          |                         | <b>Parent</b>         |                         |
|--|--------------|-----------------------|-------------------------|-----------------------|-------------------------|
|  | <b>Notes</b> | <b>2013<br/>\$000</b> | <b>2012<br/>\$000</b>   | <b>2013<br/>\$000</b> | <b>2012<br/>\$000</b>   |
| Sales (by subsidiary)  |              | 2,450                 | 2,330                   | -                     | -                       |
| Dividends  |              | 7,705                 | 5,423                   | 7,320                 | 5,208                   |
| Interest   | 3            | 3,127                 | 3,515                   | 3,050                 | 3,250                   |
| Unrealised Gains / (losses) from change in fair value of managed funds |              | 10,483                | (3,412)                 | 10,483                | (3,412)                 |
| Realised Gains from change in fair value of managed funds              |              | 1,229                 | 1,171                   | 1,229                 | 1,171                   |
| Other income   |              | 267                   | 281                     | 4                     | 4                       |
|  |              | <u>25,261</u>         | <u>9,308</u>            | <u>22,085</u>         | <u>6,221</u>            |
| Plus Share of Associates Earnings                                      |              | 143                   | 73                      | -                     | -                       |
| Less Investing Activity Expenses                                       | 4            | 3,237                 | 3,458                   | 729                   | 741                     |
| Net Surplus from Investing Activities                                  |              | <u>22,167</u>         | <u>5,923</u>            | <u>21,356</u>         | <u>5,480</u>            |
| Trust Expenses   | 4            | 1,255                 | 1,295                   | 1,255                 | 1,364                   |
| Operating surplus before grants  |              | <u>20,912</u>         | <u>4,628</u>            | <u>20,101</u>         | <u>4,116</u>            |
| Grants   | 5            | 6,482                 | 11,993                  | 2,549                 | 1,124                   |
| Discount on Interest Free Community Loans                              |              | 360                   | -                       | 350                   | -                       |
| Net surplus / (deficit) before taxation                                |              | <u>14,070</u>         | <u>(7,365)</u>          | <u>17,202</u>         | <u>2,992</u>            |
| Taxation expense   | 6            | 104                   | 74                      | -                     | -                       |
| Net surplus / (deficit) after taxation                                 |              | <u>13,966</u>         | <u>(7,439)</u>          | <u>17,202</u>         | <u>2,992</u>            |
| Other comprehensive income / (loss)                                    |              | 22                    | (58)                    | 22                    | (58)                    |
| <b>Total comprehensive income / (loss) for the year</b>                |              | <u><u>13,988</u></u>  | <u><u>(\$7,497)</u></u> | <u><u>17,224</u></u>  | <u><u>(\$2,934)</u></u> |
| <b>Surplus / (Deficit) is attributed to:</b>                           |              |                       |                         |                       |                         |
| Equity holders of the parent   |              | 13,859                | (7,544)                 | 17,202                | (2,992)                 |
| Minority interest  | 13           | 107                   | 105                     | -                     | -                       |
|  |              | <u>13,966</u>         | <u>(\$7,439)</u>        | <u>17,202</u>         | <u>(\$2,992)</u>        |
| <b>Total comprehensive income / (loss) is attributed to:</b>           |              |                       |                         |                       |                         |
| Equity holders of the parent   |              | 13,881                | (7,602)                 | 17,224                | (2,934)                 |
| Minority interest  | 13           | 107                   | 105                     | -                     | -                       |
|  |              | <u>13,988</u>         | <u>(\$7,497)</u>        | <u>17,224</u>         | <u>(\$2,934)</u>        |

The financial statements should be read with the accompanying notes.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENTS OF CHANGES IN EQUITY**  
For the Year Ended 31 March 2013

| Group                                | Trust<br>Capital | Unspent<br>Grants<br>Budget<br>Reserve | Capital<br>Maintenance<br>Reserve | Grants<br>Maintenance<br>Reserve | Minority<br>Interest | Other        | Total            |
|--------------------------------------|------------------|--|-----------------------------------|----------------------------------|----------------------|--------------|------------------|
|                                      | \$000            | \$000                                  | \$000                             | \$000                            | \$000                | \$000        | \$000            |
| Balance at 31 March 2011             | \$158,460        | \$570                                  | \$38,984                          | (\$24,295)                       | \$125                | \$Nil        | \$173,844        |
| Net surplus after taxation           | -                | -                                      | -                                 | -                                | 105                  | (7,544)      | (7,439)          |
| Revaluation of land/buildings        | -                | -                                      | (58)                              | -                                | -                    | -            | (58)             |
| Minority Interest Adjustment         | -                | -                                      | -                                 | -                                | 54                   | -            | 54               |
| Transfer to/(from) reserves          | -                | -                                      | 233                               | (7,801)                          | -                    | 7,544        | (24)             |
| Balance at 31 March 2012             | <u>\$158,460</u> | <u>\$570</u>                           | <u>\$39,159</u>                   | <u>(\$32,096)</u>                | <u>\$284</u>         | <u>\$Nil</u> | <u>\$166,377</u> |
| Net surplus/(deficit) after taxation | -                | -                                      | -                                 | -                                | 107                  | 13,859       | 13,966           |
| Revaluation of land/buildings        | -                | -                                      | -                                 | -                                | -                    | 22           | 22               |
| Minority Interest Adjustment         | -                | -                                      | -                                 | -                                | (103)                | -            | (103)            |
| Transfer to/(from) reserves          | -                | (570)                                  | 846                               | 13,605                           | -                    | (13,881)     | -                |
| Balance at 31 March 2013             | <u>\$158,460</u> | <u>\$Nil</u>                           | <u>\$40,005</u>                   | <u>(\$18,491)</u>                | <u>\$288</u>         | <u>\$Nil</u> | <u>\$180,262</u> |

**Parent**

|                               |                  |              |                 |                   |              |              |                  |
|-------------------------------|------------------|--------------|-----------------|-------------------|--------------|--------------|------------------|
| Balance at 31 March, 2011     | \$158,460        | \$570        | \$64,025        | (\$55,566)        | \$Nil        | \$Nil        | \$167,489        |
| Net surplus after taxation    | -                | -            | -               | -                 | -            | 2,992        | 2,992            |
| Revaluation of land/buildings | -                | -            | (59)            | -                 | -            | -            | (59)             |
| Transfer to/(from) reserves   | -                | -            | 1,240           | 1,752             | -            | (2,992)      | -                |
| Balance at 31 March, 2012     | <u>\$158,460</u> | <u>\$570</u> | <u>\$65,206</u> | <u>(\$53,814)</u> | <u>\$Nil</u> | <u>\$Nil</u> | <u>\$170,422</u> |
| Net (deficit) after taxation  | -                | -            | -               | -                 | -            | 17,203       | 17,203           |
| Revaluation of land/buildings | -                | -            | -               | -                 | -            | 22           | 22               |
| Transfer to/(from) reserves   | -                | (570)        | 846             | 16,949            | -            | (17,225)     | -                |
| Balance at 31 March, 2013     | <u>\$158,460</u> | <u>\$Nil</u> | <u>\$66,052</u> | <u>(\$36,865)</u> | <u>\$Nil</u> | <u>\$Nil</u> | <u>\$187,647</u> |

The financial statements should be read with the accompanying notes.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENTS OF FINANCIAL POSITION**  
**As at 31 March 2013**

|   |              | <b>Group</b>          |                       | <b>Parent</b>         |                       |
|---|--------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | <b>Notes</b> | <b>2013<br/>\$000</b> | <b>2012<br/>\$000</b> | <b>2013<br/>\$000</b> | <b>2012<br/>\$000</b> |
| <b>Current Assets</b>                           |              |                       |                       |                       |                       |
| Cash and cash equivalents                       |              | 1,601                 | 1,017                 | 886                   | 410                   |
| Accounts receivable                             | 11           | 513                   | 290                   | 10                    | 33                    |
| Inventories                                     | 12           | 394                   | 243                   | -                     | -                     |
| Prepayments                                     |              | 9                     | 9                     | 9                     | 9                     |
| GST refund due                                  |              | 30                    | 54                    | 15                    | 28                    |
| Loan Receivables                                | 15           | 738                   | 1,616                 | 75                    | 542                   |
| Taxation Refund Due                             | 6            | 81                    | -                     | -                     | -                     |
| Deposit paid on Asset                           |              | 597                   | -                     | -                     | -                     |
| Related Party Advances                          | 29           | -                     | -                     | 9,166                 | 1,476                 |
| <b>Total current assets</b>                     |              | <b>3,963</b>          | <b>3,229</b>          | <b>10,162</b>         | <b>2,498</b>          |
| <b>Non-Current Assets</b>                       |              |                       |                       |                       |                       |
| Investment in Managed Funds                     | 17           | 179,082               | 170,338               | 179,082               | 170,338               |
| Investment in Associates                        | 18           | 4,645                 | 2,186                 | -                     | -                     |
| Investment in Subsidiaries                      | 19           | -                     | -                     | -                     | -                     |
| Investment in Listed Equities                   | 16           | 496                   | 168                   | 496                   | 168                   |
| Investment in Unlisted Equities                 | 16           | 5,345                 | 4,295                 | 125                   | -                     |
| Loan Receivables                                | 15           | 3,049                 | 2,288                 | 760                   | 1,042                 |
| Goodwill  | 14           | 33                    | 33                    | -                     | -                     |
| Intangibles                                     |              | 2                     | 2                     | -                     | -                     |
| Property, plant and equipment                   | 20           | 1,304                 | 1,308                 | 900                   | 901                   |
| Database development                            | 10           | -                     | 186                   | -                     | 186                   |
| <b>Total non-current assets</b>                 |              | <b>193,956</b>        | <b>180,804</b>        | <b>181,363</b>        | <b>172,635</b>        |
| <b>Total assets</b>                             |              | <b>197,919</b>        | <b>184,033</b>        | <b>191,525</b>        | <b>175,133</b>        |
| <b>Current Liabilities</b>                      |              |                       |                       |                       |                       |
| Accounts payable                                |              | 740                   | 409                   | 36                    | 262                   |
| Current tax liabilities                         | 6            | -                     | 67                    | -                     | -                     |
| Other creditors                                 |              | -                     | 15                    | -                     | -                     |
| Accruals  |              | 193                   | 35                    | 103                   | -                     |
| Employee entitlements                           |              | 74                    | 112                   | 33                    | 40                    |
| Related Party Advances                          | 29           | -                     | -                     | -                     | -                     |
| Grant Obligations                               | 9            | 10,189                | 10,946                | 1,843                 | 2,075                 |
|   |              | <b>11,196</b>         | <b>11,584</b>         | <b>2,015</b>          | <b>2,376</b>          |
| <b>Non-current Liabilities</b>                  |              |                       |                       |                       |                       |
| Grant Obligations                               | 9            | 6,262                 | 6,073                 | 1,863                 | 2,335                 |
| Term Loans                                      |              | 200                   | -                     | -                     | -                     |
| <b>Total non-current liabilities</b>            |              | <b>6,462</b>          | <b>6,073</b>          | <b>1,863</b>          | <b>2,335</b>          |
| <b>Total liabilities</b>                        |              | <b>17,658</b>         | <b>17,657</b>         | <b>3,878</b>          | <b>4,711</b>          |
| <b>NET ASSETS</b>                               |              | <b>\$180,262</b>      | <b>166,376</b>        | <b>\$187,647</b>      | <b>\$170,422</b>      |
| <b>Funds Employed</b>                           |              |                       |                       |                       |                       |
| Trust capital                                   | 7            | 158,460               | 158,460               | 158,460               | 158,460               |
| Reserves  | 8            | 21,513                | 7,632                 | 29,187                | 11,962                |
| Equity attributable to equity holders of parent |              | 179,973               | 166,092               | 187,647               | 170,422               |
| Minority Interest                               | 13           | 289                   | 284                   | -                     | -                     |
| <b>TOTAL FUNDS EMPLOYED</b>                     |              | <b>\$180,262</b>      | <b>\$166,376</b>      | <b>\$187,647</b>      | <b>\$170,422</b>      |

The financial statements should be read with the accompanying notes.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENTS OF CASH FLOWS**  
For the Year Ended 31 March 2013

|  |       | Group          |                | Parent         |                |
|--|-------|----------------|----------------|----------------|----------------|
|  | Notes | 2013<br>\$000  | 2012<br>\$000  | 2013<br>\$000  | 2012<br>\$000  |
| <b>Cash Flows from Operating Activities</b>        |       |                |                |                |                |
| Cash was provided from (applied to):               |       |                |                |                |                |
| Receipts from customers                            |       | 2,717          | 2,743          | 4              | 4              |
| Interest and dividends                             |       | 10,608         | 8,938          | 10,405         | 8,389          |
| Payments to suppliers and employees                |       | (2,909)        | (3,294)        | (1,093)        | (966)          |
| Other expenses                                     |       | (1,256)        | (1,056)        | (921)          | (924)          |
| Grants paid  |       | (7,050)        | (9,341)        | (3,253)        | (3,896)        |
| <b>Net cash outflows from Operating Activities</b> | 22    | <u>2,110</u>   | <u>(2,011)</u> | <u>5,142</u>   | <u>2,608</u>   |
| <b>Cash Flows from Investment Activities</b>       |       |                |                |                |                |
| Cash was provided from (applied to):               |       |                |                |                |                |
| Managed Funds                                      |       | 2,559          | 3,685          | 2,968          | 3,792          |
| Investments in unlisted equities                   |       | (739)          | 292            | -              | -              |
| Investment in associates/subsidiaries              |       | (2,435)        | (2,112)        | (7,691)        | (6,414)        |
| Loan Receivables                                   |       | (412)          | 249            | 399            | -              |
| Intangibles  |       | -              | (3)            | -              | -              |
| Trust advances                                     |       | -              | -              | -              | 232            |
| Property, plant and equipment                      |       | (103)          | (107)          | (15)           | (27)           |
| Deposit paid on asset                              |       | (597)          | -              | -              | -              |
| Database development                               |       | -              | (15)           | -              | (15)           |
| <b>Net cash inflows from Investing Activities</b>  |       | <u>(1,727)</u> | <u>1,989</u>   | <u>(4,338)</u> | <u>(2,433)</u> |
| <b>Cash Flows to Financing</b>                     |       |                |                |                |                |
| Cash was (applied to):                             |       |                |                |                |                |
| Term Loans   |       | 200            | -              | -              | -              |
| <b>Net cash outflows from Financing Activities</b> |       | <u>200</u>     | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| <b>Net increase / (decrease) in Cash held</b>      |       | 584            | (22)           | 476            | 174            |
| Add cash at beginning of year                      |       | 1,017          | 1,039          | 410            | 236            |
| <b>Total Cash Balance at End of Year</b>           |       | <u>\$1,601</u> | <u>\$1,017</u> | <u>\$886</u>   | <u>\$410</u>   |
| Represented by:                                    |       |                |                |                |                |
| Cash and cash equivalents                          |       | <u>\$1,601</u> | <u>\$1,017</u> | <u>\$886</u>   | <u>\$410</u>   |

# THE COMMUNITY TRUST OF SOUTHLAND

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2013

### 1. GENERAL INFORMATION

#### Reporting Entity

The financial statements represented are those for the reporting entity The Community Trust of Southland (the "Parent") its subsidiaries and associates together (the "Group").

The Community Trust of Southland ("the Trust") was formed under the Trustee Banks Restructuring Act 1988 and is incorporated under the Charitable Trusts Act 1957.

The Community Trust of Southland ("the Trust") registered office is 62 Don Street, Invercargill

The financial statements comply with the Financial Reporting Act 1993 and the Community Trusts Act 1999.

These consolidated financial statements have been approved for issue by the Trustees on 15 August 2013.

The Group's owners do not have the power to amend these consolidated financial statements once issued.

### 2. STATEMENT OF ACCOUNTING POLICIES

#### Statement of Compliance

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

#### (a) Basis of Preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### *Historical cost convention*

The financial statements have been prepared on the basis of historical cost as modified by the revaluation of certain assets as identified in specific accounting policies below.

##### *Presentation and functional currency*

These financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency. All figures are rounded to the nearest thousand.

##### *Going Concern assumption*

These financial statements have been prepared on a going concern basis.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

##### *Critical Accounting Estimates & Judgements*

In the application of NZ IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ to these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2013**

**2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

**b) Principles of Consolidation**

The Group financial statements incorporate the financial statements of the Trust and all entities controlled by the Trust (its subsidiaries) that comprise the Group, being Community Trust of Southland (the parent entity) and its subsidiaries Invest South Holdings Limited, Invest South GP Limited, Southland Community Trust Charities Limited and Invest South Limited Partnership.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the statements of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

*(ii) Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*(iii) Associates*

Associates are all entities over which the Group has significant influence but not control, generally evidenced by a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss component of the statements of comprehensive income, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the profit and loss component of the statements of comprehensive income.



**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2013**

**2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

**c) Income Tax**

Income tax for the period is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

**d) Income Recognition**

Income is measured at the fair value of the consideration received or receivable. Income is reduced for estimated customer returns, rebates and other similar allowances.

*(i) Sales of goods*

Sales of goods are recognised when a Group entity has transferred the significant risks and rewards of ownership of the goods to the customer. Retail sales are usually made by cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in distribution costs.

*(ii) Sales of services*

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

*(iii) Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

*(iv) Dividend income*

Dividend income is recognised when the right to receive payment is established.

**e) Goods and Services Tax (GST)**

The statements of comprehensive income have been prepared so that all components are stated exclusive of GST. All items in the statements of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

**f) Impairment of non financial assets**

All non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs including an appropriate portion of fixed and variable overhead expenses are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2013**

**2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

**h) Property, Plant & Equipment**

Property, plant and equipment are those assets held by the Group for the purpose of carrying on its business activities on an ongoing basis.

All plant and equipment is stated at cost less depreciation and impairment. The cost of purchased assets includes the original purchase consideration given to acquire the assets, and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost of assets, other than freehold land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The following rates have been used:

|                      |              |                   |
|----------------------|--------------|-------------------|
| Plant & machinery    | 7.5% - 76.2% | Diminishing value |
| Office equipment     | 11.4 - 60%   | Diminishing value |
| Furniture & fittings | 14.4 - 18%   | Diminishing value |
| Motor vehicles       | 25 - 30%     | Diminishing value |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statements of comprehensive income.

Land and buildings are measured at fair value. Fair value is determined on the basis of an annual independent valuation prepared by external valuation experts, based on a discounted cash flows or capitalisation of net income approach. The fair values are recognised in the financial statements of the Trust, and are reviewed at the end of each reporting period to ensure the carrying value of land and buildings is not materially different from their fair values.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increased is credited to the statements of comprehensive income to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of the asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale of the revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

**i) Trade other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off as bad debts in the period in which they are identified. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statements of comprehensive income.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2013**

**2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

**j) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**k) Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction, net of tax, for the proceeds.

**l) Currency Translation**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statements of Comprehensive Income.

**m) Employee entitlements**

Liabilities for wages and salaries, including non-monetary benefits, annual leave, to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

**n) Investment in subsidiaries and associates**

Investment in subsidiaries and associates in the Parent financial statements are stated at cost less any impairment losses.

**o) Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**p) Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2013**

**2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

**q) Goodwill**

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and identifiable intangible assets, liabilities and contingent liabilities of the subsidiary recognised at the time of acquisition of a business or subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the groups cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**r) Statements of Cash Flows**

The Statements of Cash Flows are prepared exclusive of Goods and Services Tax (GST), which is consistent with the method used in the statements of comprehensive income. Cash and cash equivalents comprise cash on hand and demand deposits, and other short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and includes all call borrowing such as bank overdrafts used by the trust as part of their day-to-day cash management.

'Operating activities' represents all transactions and other events that are not investing or financing activities, and includes receipts and repayments of occupancy advances.

'Investing activities' are those activities relating to the acquisition and disposal of property, plant & equipment.

'Financial activities' are those activities relating to changes in the debt capital structure of the Group.

**s) Financial Assets & Liabilities**

**Investments**

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are recognised at fair value through profit or loss.

**Financial Assets**

Financial assets are classified into the following specified categories financial assets "at fair value through profit or loss" (or "FVTPL"), "held to maturity" investments, "available for sale" financial assets, and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2013**

**2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

**s) Financial Assets & Liabilities (Cont'd)**

Financial Assets at Fair Value through Profit or Loss

The Trust classifies its Managed Funds and Investments in listed and unlisted equities as financial assets at fair value through profit or loss. These financial assets are designated by management at fair value through profit or loss at inception.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Trust's documented investment strategy and for which information is provided internally to key management personnel on that basis.

Regular-way purchases and sales of Managed Funds are recognised on the trade date - the date on which the Trust commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the Managed Funds have expired or the Trust has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Financial Performance. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are presented in the Statement of Financial Performance in the period in which they arise. Interest income from financial assets at fair value through profit or loss is recognised in the Income Statement as part of the Gains and losses arising from changes in the fair value. Dividend income from financial assets at fair value through profit or loss is recognised in the Income Statement as part of the Gains and losses arising from changes in the fair value when the Trust's right to receive payments is established.

Loans & Receivables

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Accounts receivable, Advances to third parties, Short Term Deposits and Trust Advances are carried at amortised cost using the effective interest method less impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period, to the net carrying amount of the financial asset.

Other Financial Liabilities

Other liabilities include Accounts Payable and Grants committed not paid.

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount of the financial liability.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2013**

**2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

**s) Financial Assets & Liabilities (Cont'd)**

**Impairment of Financial Assets**

Financial assets, other than those at fair value through profit or loss, **are assessed** for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of **one** or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of Accounts Receivable where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment **loss** is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**t) New accounting standards and interpretations not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

**NZ IFRS 9 *Financial Instruments*** (effective for annual reporting periods beginning on or after 1 January 2015)

The new standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities. When the standard is adopted, there is not expected to result in a change in measurement for financial assets as the current categorisation of loans and receivables is expected to remain the same. The Group would not have any transactions to disclose under the new IAS 1 and IFRS 7 disclosure requirements relating to gain or loss arising on de-recognition of financial assets measured at amortised cost. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from NZ IAS 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt NZ IFRS 9.

**NZ IFRS 13 *Fair Value Measurement*** (effective for annual reporting periods beginning on or after 1 January 2013)

NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 March 2014.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2013**

**2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

**t) New accounting standards and interpretations not yet effective (Cont'd)**

**NZ IAS 1 Amendments Presentation of Items of Other Comprehensive Income** (effective for annual reporting periods beginning 1 July 2012)

The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 April 2013.

Other standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2013 or later, but the Group has not early adopted them as they are not applicable to the Group, or the interpretation of the standards as clarified by amendments was the same as already applied by the Group.

Application of these standards, amendments and interpretations is not expected to have a material impact on the Group's financial position and results in the period of initial application.

**3. INTEREST**

|                           | <b>Group</b>   |                | <b>Parent</b>  |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | <b>2013</b>    | <b>2012</b>    | <b>2013</b>    | <b>2012</b>    |
|                           | <b>\$000</b>   | <b>\$000</b>   | <b>\$000</b>   | <b>\$000</b>   |
| Cash and cash equivalents | 40             | 23             | 11             | 5              |
| Interest on Advances      | 3,087          | 3,492          | 3,039          | 3,245          |
|                           | <u>\$3,127</u> | <u>\$3,515</u> | <u>\$3,050</u> | <u>\$3,250</u> |

**4. INVESTING ACTIVITY AND TRUST EXPENSES**

The presentation of the Statement of Comprehensive Income has been changed this year to separate the expenditure of running the Trust from the expenditure incurred by the Trust's subsidiaries that form part of the Trust's investing activities

The breakdown of expenses into Investing activity costs and Trust operating costs for the Group for the year ended 31 March 2013 is as follows:

| <b>Group</b>                          | <b>Note</b> | <b>Investing activity costs</b> | <b>Trust operating costs</b> | <b>Total Group 2013</b> |
|---------------------------------------|-------------|---------------------------------|------------------------------|-------------------------|
| Opening inventory of subsidiary       |             | 243                             | -                            | 243                     |
| Purchase of materials and consumables |             | 1,142                           | -                            | 1,142                   |
| Closing inventory of subsidiary       |             | (394)                           | -                            | (394)                   |
| Trustees' fees                        | 24          | -                               | 192                          | 192                     |
| Directors' fees                       |             | 83                              | -                            | 83                      |
| Employee entitlements                 |             | 713                             | 579                          | 1,292                   |
| Fund managers' fees                   |             | 729                             | -                            | 729                     |
| Depreciation/Amortisation             |             | 73                              | 99                           | 172                     |
| Impairment provision on investments   |             | 99                              | -                            | 99                      |
| Loss on sale of investments           |             | -                               | -                            | -                       |
| Audit of the financial statements     |             | 32                              | 30                           | 62                      |
| Administration expenses               |             | 517                             | 355                          | 872                     |
|                                       |             | <u>3,237</u>                    | <u>1,255</u>                 | <u>4,492</u>            |

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2013**

**4. ADMINISTRATION EXPENSES (Cont'd)**

The breakdown of expenses into Investing activity costs and Trust operating costs for the Group for the year ended 31 March 2012 is as follows:

| <b>Group</b>                          | <b>Note</b> | <b>Investing<br/>activity<br/>costs</b> | <b>Trust<br/>operating<br/>costs</b> | <b>Total<br/>Group<br/>2012</b> |
|---------------------------------------|-------------|---|--------------------------------------|---------------------------------|
| Opening inventory of subsidiary       |             | 220                                     | -                                    | 220                             |
| Purchase of materials and consumables |             | 986                                     | -                                    | 986                             |
| Closing inventory of subsidiary       |             | (243)                                   | -                                    | (243)                           |
| Trustees' fees                        | 24          | -                                       | 183                                  | 183                             |
| Directors' fees                       |             | 71                                      | -                                    | 71                              |
| Employee entitlements                 |             | 655                                     | 549                                  | 1,204                           |
| Fund managers' fees                   |             | 741                                     | -                                    | 741                             |
| Depreciation/Amortisation             |             | 75                                      | 55                                   | 130                             |
| Bad debts                             |             | 2                                       | -                                    | 2                               |
| Impairment provision on investments   |             | 236                                     | -                                    | 236                             |
| Loss on sale of investments           |             | 107                                     | -                                    | 107                             |
| Audit of the financial statements     |             | 12                                      | 28                                   | 40                              |
| Other services - Deloitte             |             | 31                                      | -                                    | 31                              |
| Administration expenses               |             | 565                                     | 480                                  | 1,045                           |
|                                       |             | <b>3,458</b>                            | <b>1,295</b>                         | <b>4,753</b>                    |

The breakdown of expenses into Investing activity costs and Trust operating costs for the Parent for the year ended 31 March 2013 is as follows:

| <b>Parent</b>                         | <b>Note</b> | <b>Investing<br/>activity<br/>costs</b> | <b>Trust<br/>operating<br/>costs</b> | <b>Total<br/>Parent<br/>2013</b> |
|---------------------------------------|-------------|---|--------------------------------------|----------------------------------|
| Opening inventory of subsidiary       |             | -                                       | -                                    | -                                |
| Purchase of materials and consumables |             | -                                       | -                                    | -                                |
| Closing inventory of subsidiary       |             | -                                       | -                                    | -                                |
| Trustees' fees                        | 24          | -                                       | 192                                  | 192                              |
| Directors' fees                       |             | -                                       | -                                    | -                                |
| Employee entitlements                 |             | -                                       | 579                                  | 579                              |
| Fund managers' fees                   |             | 729                                     | -                                    | 729                              |
| Depreciation/Amortisation             |             | -                                       | 99                                   | 99                               |
| Impairment provision on investments   |             | -                                       | -                                    | -                                |
| Loss on sale of investments           |             | -                                       | -                                    | -                                |
| Audit of the financial statements     |             | -                                       | 30                                   | 30                               |
| Administration expenses               |             | -                                       | 355                                  | 355                              |
|                                       |             | <b>729</b>                              | <b>1,255</b>                         | <b>1,984</b>                     |



**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2013**

**4. ADMINISTRATION EXPENSES (Cont'd)**

The breakdown of expenses into Investing activity costs and Trust operating costs for the Parent for the year ended 31 March 2012 is as follows:

| Parent                                | Note | Investing<br>activity<br>costs | Trust<br>operating<br>costs | Total<br>Parent<br>2012 |
|---------------------------------------|------|--------------------------------|-----------------------------|-------------------------|
| Opening inventory of subsidiary       |      | -                              | -                           | -                       |
| Purchase of materials and consumables |      | -                              | -                           | -                       |
| Closing inventory of subsidiary       |      | -                              | -                           | -                       |
| Trustees' fees                        | 24   | -                              | 183                         | 183                     |
| Directors' fees                       |      | -                              | -                           | -                       |
| Employee entitlements                 |      | -                              | 549                         | 549                     |
| Fund managers' fees                   |      | 741                            | -                           | 741                     |
| Depreciation/Amortisation             |      | -                              | 55                          | 55                      |
| Bad debts                             |      | -                              | -                           | -                       |
| Impairment provision on investments   |      | -                              | -                           | -                       |
| Loss on sale of investments           |      | -                              | -                           | -                       |
| Audit of the financial statements     |      | -                              | 28                          | 28                      |
| Other services - Deloitte             |      | -                              | -                           | -                       |
| Administration expenses               |      | -                              | 480                         | 480                     |
| Other expenses                        |      | -                              | 69                          | 69                      |
|                                       |      | <u>741</u>                     | <u>1,364</u>                | <u>2,105</u>            |

**5. GRANTS**

|  | Group          |                 | Parent         |                |
|--|----------------|-----------------|----------------|----------------|
|  | 2013<br>\$000  | 2012<br>\$000   | 2013<br>\$000  | 2012<br>\$000  |
| Committed and payable in the current year    | 5,544          | 9,549           | 2,410          | 3,608          |
| Committed and not payable until future years | 938            | 2,444           | 139            | 1,386          |
| Transfer to Charities                        | -              | -               | -              | (3,870)        |
|  | <u>\$6,482</u> | <u>\$11,993</u> | <u>\$2,549</u> | <u>\$1,124</u> |

The Trustees have resolved that any unspent portion of the approved Grants budget for a year that remained unspent at year end would be carried forward in an "Unspent Grants Reserve", available to be spent in future years.

**6. TAXATION**

Taxation expense of \$104,305 (2012: \$74,000). In 2013, a taxation refund is due of \$80,511, in 2012, taxation payable due was \$67,000. Taxation relates to the subsidiary entities.

The Community Trust of Southland is exempt from Income Tax.

**7. TRUST CAPITAL**

|                             |                  |                  |                  |                  |
|-----------------------------|------------------|------------------|------------------|------------------|
| Opening and closing balance | \$158,460        | \$158,460        | \$158,460        | 158,460          |
|                             | <u>\$158,460</u> | <u>\$158,460</u> | <u>\$158,460</u> | <u>\$158,460</u> |

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2013

|                               | Group           |                | Parent          |                 |
|-------------------------------|-----------------|----------------|-----------------|-----------------|
|                               | 2013<br>\$000   | 2012<br>\$000  | 2013<br>\$000   | 2012<br>\$000   |
| <b>8. RESERVES</b>            |                 |                |                 |                 |
| Capital Maintenance Reserve   | 40,005          | 39,159         | 66,052          | 65,206          |
| Grants Maintenance Reserve    | (18,492)        | (32,097)       | (36,866)        | (53,814)        |
| Unspent Grants Budget Reserve | -               | 570            | -               | 570             |
|                               | <u>\$21,513</u> | <u>\$7,632</u> | <u>\$29,187</u> | <u>\$11,962</u> |

**9. GRANT OBLIGATIONS**

Commitments of \$3,705,300 (2012:\$4,408,890) exist for grants of the parent and \$16,450,358 (2012:\$17,018,701) for the group which will be distributed from either capital or income sources in future years.

|  |                 |                 |                |                |
|--|-----------------|-----------------|----------------|----------------|
| Balance at 1 April                       | 17,019          | 14,400          | 4,409          | 7,163          |
| Grants approved in current year          | 5,564           | 9,462           | 2,418          | 3,616          |
| Grants paid in current year              | (7,075)         | (9,232)         | (3,265)        | (3,867)        |
| Grants approved relating to future years | 1,309           | 3,059           | 501            | 1,616          |
| Grants withdrawn for current year        | (20)            | (61)            | (8)            | (25)           |
| Grants withdrawn for prior years         | (487)           | (671)           | (362)          | (231)          |
| Grant Refunds                            | 25              | -               | 12             | -              |
| Change in present value                  | 115             | 62              | -              | 7              |
| Transfer to Charities                    | -               | -               | -              | (3,870)        |
|  | <u>\$16,450</u> | <u>\$17,019</u> | <u>\$3,705</u> | <u>\$4,409</u> |

The years in which these commitments fall due are as follows:

|                           |                 |                 |                |                |
|---------------------------|-----------------|-----------------|----------------|----------------|
| Year ending 31 March 2012 | -               | 10,946          | -              | 2,075          |
| Year ending 31 March 2013 | 10,189          | 4,267           | 1,842          | 1,706          |
| Year ending 31 March 2014 | 3,410           | 1,806           | 238            | 628            |
| Year ending 31 March 2015 | 2,079           | -               | 853            | -              |
| Year ending 31 March 2016 | 411             | -               | 411            | -              |
| Year ending 31 March 2017 | 361             | -               | 361            | -              |
|                           | <u>\$16,450</u> | <u>\$17,019</u> | <u>\$3,705</u> | <u>\$4,409</u> |

All grants committed but not paid at balance date are initially recognised at committed value, but are then adjusted to reflect their fair value in present day dollar terms. This adjustment is achieved by discounting the future grants payable at a rate of 3.00% per annum, for each of the years from balance date until the date the grant is due to be paid.

**10. DATABASE DEVELOPMENT**

In 2012, the combined Community Trusts throughout New Zealand were jointly developing a shared database, to be used across 11 of the 12 Community Trusts. The Database Development costs of \$186,000 were the Group's share of the costs incurred on this joint project until 31 March 2012. In 2013, this cost (\$186,000) was converted into a 6% share in the new joint entity created called Te Kete Putea Ltd Pship. The investment "Te Kete Putea Ltd Pship" is then amortised at 20% of cost annually.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2013

|                                | Group         |               | Parent        |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | 2013<br>\$000 | 2012<br>\$000 | 2013<br>\$000 | 2012<br>\$000 |
| <b>11. ACCOUNTS RECEIVABLE</b> |               |               |               |               |
| Trade receivables              | 513           | 370           | 10            | 33            |
| Allowance for doubtful debts   | -             | (80)          | -             | -             |
|                                | <u>\$513</u>  | <u>\$290</u>  | <u>\$10</u>   | <u>\$33</u>   |

The allowance for doubtful debts in relation to trade receivables is provided for based on estimated irrecoverable amounts determined by reference to current customer circumstances and past default experience. In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date.

**12. INVENTORIES**

|                           |              |              |              |              |
|---------------------------|--------------|--------------|--------------|--------------|
| Raw materials and packing | 363          | 224          | -            | -            |
| Finished goods            | 31           | 19           | -            | -            |
|                           | <u>\$394</u> | <u>\$243</u> | <u>\$Nil</u> | <u>\$Nil</u> |

**13. MINORITY INTEREST**

|  |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
| Opening balance at the beginning of the year | 284          | 125          | -            | -            |
| Share of profits for the year                | 107          | 105          | -            | -            |
| Minority Interest Adjustment                 | (102)        | 54           | -            | -            |
|  | <u>\$289</u> | <u>\$284</u> | <u>\$Nil</u> | <u>\$Nil</u> |

**14. GOODWILL**

**Gross carrying amount**

|  |             |             |              |              |
|--|-------------|-------------|--------------|--------------|
| Balance at beginning of financial year | 33          | 33          | -            | -            |
| Additions during the period            | -           | -           | -            | -            |
| Impairment charge                      | -           | -           | -            | -            |
|  | <u>\$33</u> | <u>\$33</u> | <u>\$Nil</u> | <u>\$Nil</u> |

**Allocation of goodwill to cash-generating units**

Goodwill has been allocated for impairment testing purposes to the following cash-generating units representing the lowest level at which management monitor goodwill – Back Country Foods.

During the year ended 31 March 2013, management have determined that there is no evidence of impairment of any of the cash generating units containing goodwill.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2013**

|   |                | Group          |              | Parent         |
|---|----------------|----------------|--------------|----------------|
|   | 2013           | 2012           | 2013         | 2012           |
|   | \$000          | \$000          | \$000        | \$000          |
| <b>15. LOAN RECEIVABLES</b>                                   |                |                |              |                |
| Loans   | 4,144          | 3,958          | 1,185        | 1,584          |
| Impairment provision  | (7)            | (54)           | -            | -              |
| Discount provision  | (350)          | -              | (350)        | -              |
|   | <u>\$3,787</u> | <u>\$3,904</u> | <u>\$835</u> | <u>\$1,584</u> |
| Loans to third Parties  | 1,031          | 2,199          | -            | -              |
| Loans to unlisted equity entities/associates and subsidiaries | 1,852          | 38             | -            | -              |
| Loans to Community Groups (i)                                 | 904            | 1,667          | 835          | 1,584          |
|   | <u>\$3,787</u> | <u>\$3,904</u> | <u>\$835</u> | <u>\$1,584</u> |
| Current Portion   | 738            | 1,616          | 75           | 542            |
| Non Current Portion   | 3,049          | 2,288          | 760          | 1,042          |
|   | <u>\$3,787</u> | <u>\$3,904</u> | <u>\$835</u> | <u>\$1,584</u> |

The loan receivables relate to lending activities carrying interest rates between 5% and 13%. A selection of the loans to entities where the Group is also a shareholder, do not earn interest.

**(i) Loans to Community Groups**

|  |              |                |              |                |
|--|--------------|----------------|--------------|----------------|
| Southland Outdoor Stadium Trust                        | 750          | 750            | 750          | 750            |
| Southland Rural Fire Authority                         | -            | 10             | -            | 10             |
| Northern Southland Medical Trust                       | 50           | 50             | -            | -              |
| Otautau Community Health Trust                         | 3            | 6              | -            | -              |
| Troopers Memorial Corner Charitable Trust - Yule House | 110          | 120            | 110          | 120            |
| Wyndham Rest Home                                      | 75           | 100            | 75           | 100            |
| Borland Lodge  | -            | 323            | -            | 323            |
| Arrowtown Trust  | 100          | 100            | 100          | 100            |
| South Catlins Environmental and Development Trust      | 150          | 150            | 150          | 150            |
| Waihopai Rowing Club                                   | -            | 31             | -            | 31             |
| Sport Southland  | 19           | 27             | -            | -              |
| Discount Provision                                     | (353)        | -              | (350)        | -              |
|  | <u>\$904</u> | <u>\$1,667</u> | <u>\$835</u> | <u>\$1,584</u> |

Loans are interest free, with the exception of the loan to Borland Lodge which incurs interest at a fixed rate of 6.5% which is capitalised to the loan. To comply with IFRS, all interest free loans have been discounted to present value at the market rate of 5.75%. This has resulted in \$352,548 being expensed in the current year (2012: Nil). This calculation will be re-calculated each year with the resulting gain/loss being returned through the statement of financial performance.

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|   | 2013<br>\$000  | Group<br>2012<br>\$000 | 2013<br>\$000 | Parent<br>2012<br>\$000 |
|---|----------------|------------------------|---------------|-------------------------|
| <b>16(a). INVESTMENT IN UNLISTED EQUITIES</b> |                |                        |               |                         |
| IZON Limited                                  | 250            | 250                    | -             | -                       |
| Impairment provision                          | (44)           | (58)                   | -             | -                       |
|   | <u>206</u>     | <u>192</u>             | <u>-</u>      | <u>-</u>                |
| Areograph Limited                             | 393            | 393                    | -             | -                       |
| Impairment provision                          | (393)          | (290)                  | -             | -                       |
|   | <u>-</u>       | <u>103</u>             | <u>-</u>      | <u>-</u>                |
| Fiordland Lobster Company Limited             | 2,000          | 2,000                  | -             | -                       |
| Rothbury Group Limited                        | 2,000          | 2,000                  | -             | -                       |
| Waikaia Gold Limited                          | 1,014          | -                      | -             | -                       |
| Te Kete Putua Limited Partnership             | 125            | -                      | 125           | -                       |
|   | <u>\$5,345</u> | <u>\$4,295</u>         | <u>\$125</u>  | <u>\$-</u>              |

Investments in unlisted equities are shown at cost, as it is not possible to get a reliable fair value estimate.

**16(b). INVESTMENTS IN LISTED EQUITIES**

|                                    |              |              |              |              |
|------------------------------------|--------------|--------------|--------------|--------------|
| Pacific Edge Biotechnology Limited | 496          | 168          | 496          | 168          |
|                                    | <u>\$496</u> | <u>\$168</u> | <u>\$496</u> | <u>\$168</u> |

**17. MANAGED FUNDS**

The Group has funds with seven investment managers (Fund Managers) as follows:

- AMP Capital Investors
- Capital International
- Direct Capital
- First New Zealand Capital
- Franklin Templeton
- Pacific Investment Management Company (PIMCO)
- Tyndall Investment Management

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**Note 17: continued.**

The fair value of the Managed Funds investments as at 31 March 2013 was as follows:

| <b>Group &amp; Parent</b>                       | <b>AMP<br/>Capital<br/>\$000</b> | <b>Capital<br/>Internatio<br/>nal<br/>\$000</b> | <b>Direct<br/>Capital<br/>\$000</b> | <b>First NZ<br/>Capital<br/>\$000</b> | <b>Franklin<br/>Templet<br/>on<br/>\$000</b> | <b>PIMCO<br/>\$000</b> | <b>Tyndall<br/>Investm<br/>ent \$000</b> | <b>Total<br/>\$000</b> |
|---|----------------------------------|---|-------------------------------------|---------------------------------------|--|------------------------|--|------------------------|
| Australasian<br>Equities                        | 36,777                           |   | 884                                 |                                       |  |                        |  | 37,661                 |
| Overseas<br>Equities                            |                                  | 14,925  |                                     |                                       | 16,669                                       |                        |  | 31,594                 |
| NZ Fixed Interest<br>Overseas Fixed<br>Interest |                                  |   |                                     |                                       |  | 54,895                 | 45,809                                   | 45,809                 |
| Property Equities                               | 7,068                            |   |                                     |                                       |  |                        |  | 7,068                  |
| Foreign<br>Exchange<br>contracts                |                                  |   |                                     |                                       |  |                        | 275                                      | 275                    |
| Unsettled Trades                                |                                  |   |                                     |                                       |  |                        | 76                                       | 76                     |
| Cash  | 1,087                            |   |                                     | 16                                    |  |                        | 601                                      | 1,704                  |
| <b>Total</b>                                    | <b>\$44,932</b>                  | <b>\$14,925</b>                                 | <b>\$884</b>                        | <b>\$16</b>                           | <b>\$16,669</b>                              | <b>\$54,895</b>        | <b>\$46,761</b>                          | <b>\$179,082</b>       |

The fair value of the Managed Funds investments as at 31 March 2012 was as follows:

| <b>Group &amp; Parent</b>                       | <b>AMP<br/>Capital<br/>\$000</b> | <b>Capital<br/>Internati<br/>onal<br/>\$000</b> | <b>Direct<br/>Capital<br/>\$000</b> | <b>First NZ<br/>Capital<br/>\$000</b> | <b>Franklin<br/>Templet<br/>on<br/>\$000</b> | <b>PIMCO<br/>\$000</b> | <b>Tyndall<br/>Invest<br/>ment<br/>\$000</b> | <b>Total<br/>\$000</b> |
|---|----------------------------------|---|-------------------------------------|---------------------------------------|--|------------------------|--|------------------------|
| Australasian<br>Equities                        | 15,944                           |   | 695                                 | 15,693                                |  |                        |  | 32,332                 |
| Overseas Equities                               |                                  | 13,391  |                                     |                                       | 15,137                                       |                        |  | 28,528                 |
| NZ Fixed Interest<br>Overseas Fixed<br>Interest |                                  |   |                                     |                                       |  | 53,882                 | 45,296                                       | 45,296                 |
| Property Equities                               |                                  |   |                                     | 6,479                                 |  |                        |  | 6,479                  |
| Foreign Exchange<br>contracts                   |                                  |   |                                     |                                       |  |                        | 701  | 701                    |
| Unsettled Trades                                |                                  |   |                                     |                                       |  |                        | 79   | 79                     |
| Cash  | 175                              |   |                                     | 102                                   |  |                        | 2,764  | 3,041                  |
| <b>Total</b>                                    | <b>16,119</b>                    | <b>13,391</b>                                   | <b>695</b>                          | <b>22,274</b>                         | <b>15,137</b>                                | <b>53,882</b>          | <b>48,840</b>                                | <b>170,338</b>         |

Exposure to currency, interest rate and credit risk arises in the normal course of the Fund Managers management of the Managed Funds. A range of hedging policies are in place whereby the Fund Managers use derivative financial instruments as a means of managing exposure to fluctuations in foreign exchange rates and interest rates. While these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects and the items being hedged.

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**18. INVESTMENT IN ASSOCIATES**

| Associates                | Percentage Held |      | Balance Date | Principal Activity                   | Consolidated Carrying Amount |            |
|---------------------------|-----------------|------|--------------|--------------------------------------|------------------------------|------------|
|                           | 2013            | 2012 |              |                                      | 2013<br>\$                   | 2012<br>\$ |
| Bush Road Limited         | 30%             | 30%  | 31 March     | Vegetable Processors and Wholesalers | 49                           | 113        |
| Taha Asia Pacific Limited | 32%             | 32%  | 31 March     | Dross Recycling                      | 2,281                        | 2,073      |
| Benmore Salmon Ltd        | 49.85%          | - %  | 31 March     | Salmon Farm                          | 2,315                        | -          |

All entities are incorporated in New Zealand.

**Interests in associates**

|   | Group         |               | Parent        |               |
|---|---------------|---------------|---------------|---------------|
|   | 2013<br>\$000 | 2012<br>\$000 | 2013<br>\$000 | 2012<br>\$000 |
| <i>Movements in carrying amounts</i>            |               |               |               |               |
| Shares at cost                                  | \$4,494       | \$2,000       | -             | -             |
| Opening Balance                                 | 2,186         | 2,000         | -             | -             |
| Acquisition of Associates                       | 2,380         | -             | -             | -             |
| Impairment                                      | (64)          | -             | -             | -             |
| Reversal of an Impairment                       | -             | 113           | -             | -             |
| Share of total recognised revenues and expenses | 143           | 73            | -             | -             |
| Balance at 31 March 2013                        | \$4,645       | \$2,186       | \$Nil         | \$Nil         |

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**19. INVESTMENT IN SUBSIDIARIES**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2(b):

The subsidiary is incorporated in New Zealand.

| Subsidiaries  | Percentage Held | Balance Date | Principal Activity                                 |
|---|-----------------|--------------|--|
| Southland Community Trust Charities Limited                   | 100%            | 31 March     | Distribution of grants to charitable organisations |
| Invest South Holdings Limited (formerly Invest South Limited) | 100%            | 31 March     | Debt funding and equity investments                |
| Invest South GP Limited                                       | 100%            | 31 March     | Management company                                 |
| Invest South Limited Partnership                              | 100%            | 31 March     | Asset Management                                   |
| Back Country Foods Limited                                    | 59.2%           | 31 March     | Freeze dried food producer                         |

**20. PROPERTY, PLANT & EQUIPMENT**

|   | Land  | Buildings | Equipment | Furniture & Fittings | Motor Vehicles | Total   |
|---|-------|-----------|-----------|----------------------|----------------|---------|
|   | \$000 | \$000     | \$000     | \$000                | \$000          | \$000   |
| <b>Group</b>                              |       |           |           |                      |                |         |
| Cost or Valuation at 31 March 2011        | 375   | 741       | 634       | 257                  | 156            | 2,163   |
| Additions/Revaluations                    | -     | -         | 59        | 13                   | 25             | 97      |
| Disposals/Revaluations                    | (15)  | (6)       | (41)      | -                    | (22)           | (84)    |
| Cost or Valuation at 31 March 2012        | 360   | 735       | 652       | 270                  | 159            | 2,176   |
| Additions/Revaluations                    | -     | 22        | 117       | 18                   | -              | 157     |
| Disposals/Revaluations                    | -     | -         | (238)     | -                    | (2)            | (240)   |
| Cost or Valuation at 31 March 2013        | 360   | 757       | 531       | 288                  | 157            | 2,093   |
| Accumulated depreciation at 31 March 2011 | -     | 266       | 278       | 195                  | 36             | 775     |
| Depreciation                              | -     | 20        | 73        | 5                    | 30             | 128     |
| Disposals                                 | -     | -         | (17)      | -                    | (18)           | (35)    |
| Accumulated depreciation at 31 March 2012 | -     | 286       | 334       | 201                  | 48             | 868     |
| Depreciation                              | -     | 22        | 94        | 8                    | 30             | 154     |
| Disposals                                 | -     | -         | (232)     | -                    | (1)            | (233)   |
| Accumulated depreciation at 31 March 2013 | -     | 308       | 196       | 208                  | 77             | 789     |
| Net book value 31 March 2012              | \$360 | \$449     | \$318     | \$70                 | \$111          | \$1,308 |
| Net book value 31 March 2013              | \$360 | \$450     | \$334     | \$80                 | \$80           | \$1,304 |



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**20. PROPERTY, PLANT & EQUIPMENT (Cont'd)**

|   | Land<br>\$000 | Buildings<br>\$000 | Equipment<br>\$000 | Furniture<br>& Fittings<br>\$000 | Motor<br>Vehicles<br>\$000 | Total<br>\$000 |
|---|---------------|--------------------|--------------------|----------------------------------|----------------------------|----------------|
| <b>Parent</b>                             |               |                    |                    |                                  |                            |                |
| Cost or Valuation at 31 March 2011        | 375           | 741                | 283                | 161                              | 77                         | 1,637          |
| Additions/Revaluations                    | -             | -                  | 4                  | 7                                | -                          | 11             |
| Disposals/Revaluations                    | (15)          | (6)                | (21)               | -                                | -                          | (42)           |
| Cost or Valuation at 31 March 2012        | <u>360</u>    | <u>735</u>         | <u>266</u>         | <u>168</u>                       | <u>77</u>                  | <u>1,606</u>   |
| Additions/Revaluations                    | -             | 22                 | 61                 | -                                | -                          | 83             |
| Disposals/Revaluations                    | -             | -                  | (169)              | -                                | (2)                        | (171)          |
| Cost or Valuation at 31 March 2013        | <u>360</u>    | <u>757</u>         | <u>158</u>         | <u>168</u>                       | <u>75</u>                  | <u>1,518</u>   |
| Accumulated depreciation at 31 March 2011 | -             | 266                | 225                | 152                              | 7                          | 650            |
| Depreciation                              | -             | 20                 | 17                 | 2                                | 16                         | 55             |
| Disposals                                 | -             | -                  | -                  | -                                | -                          | -              |
| Accumulated depreciation at 31 March 2012 | <u>-</u>      | <u>286</u>         | <u>242</u>         | <u>154</u>                       | <u>23</u>                  | <u>705</u>     |
| Depreciation                              | -             | 22                 | 41                 | 2                                | 16                         | 81             |
| Disposals                                 | -             | -                  | (166)              | -                                | (1)                        | (167)          |
| Accumulated depreciation at 31 March 2013 | <u>-</u>      | <u>308</u>         | <u>117</u>         | <u>156</u>                       | <u>38</u>                  | <u>619</u>     |
| Net book value 31 March 2012              | <u>\$360</u>  | <u>\$449</u>       | <u>\$24</u>        | <u>\$14</u>                      | <u>\$54</u>                | <u>\$901</u>   |
| Net book value 31 March 2013              | <u>\$360</u>  | <u>\$450</u>       | <u>\$41</u>        | <u>\$12</u>                      | <u>\$37</u>                | <u>\$900</u>   |

The March 2013 valuation of freehold land and buildings was completed by Chadderton Valuation, an independent valuer (the March 2012 valuation was also completed by Chadderton Valuation). Revaluations take place annually.

**21. KEY MANAGEMENT PERSONNEL**

The compensation of the Executives, being the key management personnel is set out below:

|                              | <b>Group</b>          |                       | <b>Parent</b>         |                       |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                              | <b>2013<br/>\$000</b> | <b>2012<br/>\$000</b> | <b>2013<br/>\$000</b> | <b>2012<br/>\$000</b> |
| Short term employee benefits | 336                   | 316                   | 194                   | 191                   |
|                              | <u>\$336</u>          | <u>\$316</u>          | <u>\$194</u>          | <u>\$191</u>          |

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**22. RECONCILIATION WITH OPERATING SURPLUS**

|   | <b>Group</b>    |                  | <b>Parent</b>   |                |
|---|-----------------|------------------|-----------------|----------------|
|   | <b>2013</b>     | <b>2012</b>      | <b>2013</b>     | <b>2012</b>    |
|   | <b>\$000</b>    | <b>\$000</b>     | <b>\$000</b>    | <b>\$000</b>   |
| Net surplus/(deficit) after taxation                  | 13,966          | (7,439)          | 17,202          | 2,992          |
| <b>Add (less) movement in working capital</b>         |                 |                  |                 |                |
| (Increase)/decrease in accounts receivable            | (223)           | 134              | 23              | (18)           |
| (Increase)/decrease in inventory                      | (151)           | (23)             | -               | -              |
| (Increase)/decrease in prepayments and tax refund due | (148)           | 13               | -               | 20             |
| Increase/(decrease) in accounts payable and GST       | 355             | (51)             | (213)           | 48             |
| Increase/(decrease) in other creditors and accruals   | 143             | 13               | 103             | -              |
| Increase/(decrease) in employee entitlements          | (38)            | 51               | (7)             | 23             |
| Increase/(decrease) in grants committed not paid      | (570)           | 2,648            | (704)           | (2,753)        |
|   | <u>(632)</u>    | <u>2,785</u>     | <u>(798)</u>    | <u>(2,680)</u> |
| <b>Add (less) movement in non-cash items</b>          |                 |                  |                 |                |
| Gains/(losses) from change in fair value investments  | (10,483)        | 3,412            | (10,483)        | 3,412          |
| Depreciation  | 172             | 130              | 99              | 55             |
| Gains/(losses) from investments at FVTPL              | (1,229)         | (1,171)          | (1,228)         | (1,171)        |
| Impairment on investments/advances                    | 99              | 238              | -               | -              |
| Share of associate's earnings                         | (143)           | (73)             | -               | -              |
| Loss on Sale of Investments                           | -               | 107              | -               | -              |
| Discounted Interest free loans                        | 360             | -                | 350             | -              |
|   | <u>(11,224)</u> | <u>2,643</u>     | <u>(11,262)</u> | <u>2,296</u>   |
| <b>Net cash outflows from operating activities</b>    | <u>\$2,110</u>  | <u>(\$2,011)</u> | <u>\$5,142</u>  | <u>\$2,608</u> |

**23. FINANCIAL INSTRUMENTS**

**Financial Risk Management**

The Trust's activities expose it to a variety of financial risks including market risk (including fair value interest rate risk, cash flow interest rate risk, currency risk, and equity price risk), credit risk and liquidity risk.

The Trust has policies to manage the risks associated with financial instruments. The Trust is risk averse and seeks to minimise exposure from its treasury activities. The Trust has established investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

**Market Risk**

The Trust's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

There has been no change to the Trust's exposure to market risks or in the manner it manages and measures the risk.

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**23. FINANCIAL INSTRUMENTS (Cont'd)**

The measures the Trustees have put in place to manage these risks are:

- to retain an investment advisor to advise the Trust as to appropriate investment objectives, policies, and strategies
- to use external Fund Managers to undertake the management of the investments
- to operate a widely diversified portfolio of investments

**Fair Value Interest Rate Risk**

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Trust's exposure to fair value interest rate risk is limited to its fixed rate cash at bank and fixed rate cash deposits with fund managers.

**Cash Flow Interest Rate Risk**

Cash flow interest rate risk is the risk that the cash flows from a variable rate financial instrument will fluctuate because of changes in market interest rates. Investments issued at variable interest rates expose the Trust to cash flow interest rate risk.

**Currency Risk**

Currency risk is the risk that the value of a foreign currency denominated financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign exchange risk arises from transactions and recognised assets that are denominated in a currency that is not the Trust's functional currency.

**Equity Price Risk**

The Trust is exposed to equity price risk. This arises from Managed Funds held by the Trust and classified as financial assets at fair value through profit and loss.

**Credit Risk Management**

Credit risk is the risk that a third party will default on its obligation to the Trust, causing the Trust to incur a loss.

The Group from time to time has significant funds in trading bank deposits. The Group limits risk by spreading the deposits over several trading banks. The Group has not required collateral or other security to support its financial instruments. The Group further limits risk through its policy of placing Managed Funds with eight separate fund managers, with each fund manager having an investment mandate which requires that they diversify their instruments on the Group's behalf. The Group has sought and obtained the advice of professional financial advisers prior to making its investment allocations and placement decisions.

**Liquidity Risk Management**

Liquidity risk is the risk that the Trust will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Trust aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Trust maintains a target level of investments that collectively provide liquidity equivalent to an average level of two years' grant distributions allowing for expected interest income.

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**23. FINANCIAL INSTRUMENTS (Cont'd)**

**Capital Risk Management**

The Group's objectives when managing Trust capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for the community. The capital structure of the Trust consists of Trust capital and reserves. The Trustees review the Trust funds and risks associated with the Trust funds, with advice and guidance from the Trust's investment advisor.

Following the sale of the Group's shares in Trust Bank New Zealand Limited in April 1996 for \$158,460,000, the Trustees agreed that the value of the Trust at that time should be maintained for the benefit of current and future generations living in the region. For this purpose the Trustees agreed that \$158,460,000 would be considered as the "Trust Capital" value of the Group. Trustees further agreed that over the long term the net assets of the Group would not be allowed to reduce to a level below the inflation-adjusted real value of this Trust Capital.

The Trustees have adopted an investment strategy with a targeted long term real annual rate of return of 5.5% of the Trust's capital value. Recognising that actual returns are likely to fluctuate from year to year, the Trust retains the variation from the target in trust funds so that in years when investment returns are less than the target sufficient funds are available to meet expenditure and make distributions. If the Trust fund falls below the value that needs to be maintained for the benefit of current and future generations the level of expenditure and distributions are reviewed by the Trust.

The Trust's present grants policy is to distribute annually as grants an amount equivalent to \$8.5 million in 2007 dollar terms, inflation-adjusted each year thereafter. This amount has been calculated based on the Trustees' long term investment expectations, together with the objective of maintaining the capital value of the fund for the benefit of current and future generations. The Trustees recognise that for a number of reasons this might not always be achievable and that there will inevitably be fluctuations between the grants distributed and the actual target.

The Trust uses the services of an investment advisor to pursue an investment policy considered appropriate for the Trust. The Policy aims to achieve a long term asset allocation of:

|                            |       |
|----------------------------|-------|
| Australasian Equities      | 20%   |
| Overseas Equities          | 20%   |
| New Zealand Fixed Interest | 20%   |
| Overseas Fixed Interest    | 25%   |
| Property                   | 5%    |
| Unlisted Equities          | 5%    |
| New Zealand Cash           | 5%    |
|                            | <hr/> |
|                            | 100%  |
|                            | <hr/> |

**Capital Maintenance Reserve**

The Capital Maintenance Reserve represents the additional amount necessary to preserve the real value of the Trust Capital allowing for inflation as measured by the Consumers Price Index (all groups), and payments of grants out of capital.

**Grants Maintenance Reserve**

While the Trustees have adopted a long-term investment strategy, they accept that annual returns from investments are likely to fluctuate from year to year. In recognition of this a Grants Maintenance Reserve is maintained. In years when net income from investments is higher than the grant levels, surplus income will be transferred to this reserve. In years when there is insufficient income to sustain the level of grants, an appropriate amount will be transferred from the Grants Maintenance Reserve to income.

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**23. FINANCIAL INSTRUMENTS (Cont'd)**

The following table details the Group's sensitivity to certain risks as follows:

- Interest rate risk +/- movement in interest rates of 100 basis points
- Foreign exchange +/- movement in foreign exchange rates of 10%
- Equity price risk +/- in equity prices of 10%

| 31 March 2013     | Interest Rate Risk |           | Foreign Exchange Risk |           | Equity Price Risk |           |
|-------------------|--------------------|-----------|-----------------------|-----------|-------------------|-----------|
|                   | -1%                | +1%       | -10%                  | +10%      | -10%              | +10%      |
|                   | \$'000             | \$'000    | \$'000                | \$'000    | \$'000            | \$'000    |
| Net               | \$4,353            | (\$4,353) | \$5,485               | (\$4,487) | \$8,683           | (\$8,683) |
| Surplus/(Deficit) |                    |           |                       |           |                   |           |
| Total Funds       | \$4,353            | (\$4,353) | \$5,485               | (\$4,487) | \$8,683           | \$8,683   |
| Employed          |                    |           |                       |           |                   |           |

| 31 March 2012     | Interest Rate Risk |           | Foreign Exchange Risk |           | Equity Price Risk |           |
|-------------------|--------------------|-----------|-----------------------|-----------|-------------------|-----------|
|                   | -1%                | +1%       | -10%                  | +10%      | -10%              | +10%      |
|                   | \$'000             | \$'000    | \$'000                | \$'000    | \$'000            | \$'000    |
| Net               | \$4,246            | (\$4,246) | \$4,982               | \$(4,076) | \$(7,422)         | \$(7,422) |
| Surplus/(Deficit) |                    |           |                       |           |                   |           |
| Total Funds       | \$4,246            | (\$4,246) | \$4,982               | \$(4,076) | \$(7,422)         | \$(7,422) |
| Employed          |                    |           |                       |           |                   |           |

The above sensitivity analysis has been prepared based on the following assumptions:

1. The assets and liabilities as at year end remain the same throughout the ensuing year.
2. Each of the sensitivities is performed in isolation.
3. For the purposes of assessing foreign exchange risk, it has been assumed that the offshore equity investments held by the Trust are domiciled in the following currencies:

|       |     |
|-------|-----|
| US\$  | 50% |
| Euros | 30% |
| Yen   | 20% |

The Trust's offshore fixed interest investments are fully hedged, and therefore no foreign exchange risk exists in respect of those investments.

**Liquidity & Interest Risk tables - Financial Liabilities**

The following tables detail the Group's remaining undiscounted contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Trust can be required to pay. The table includes both principal and interest cash flows.

|                           | Less than 1<br>year<br>\$'000 | 1-2 Years<br>\$'000 | 2-3 Years<br>\$'000 | More than 3<br>years<br>\$'000 | Total<br>\$'000 |
|---------------------------|-------------------------------|---------------------|---------------------|--------------------------------|-----------------|
| <b>2013</b>               |                               |                     |                     |                                |                 |
| Accounts payable          | 740                           | -                   | -                   | -                              | 740             |
| Grants committed not paid | 10,189                        | 3,410               | 2,079               | 773                            | 16,451          |
| Term Loan                 | -                             | 200                 | -                   | -                              | 200             |
|                           | <u>10,929</u>                 | <u>3,410</u>        | <u>2,079</u>        | <u>773</u>                     | <u>17,191</u>   |

|                           | Less than 1<br>year<br>\$'000 | 1-2 Years<br>\$'000 | 2-3 Years<br>\$'000 | More than 3<br>years<br>\$'000 | Total<br>\$'000 |
|---------------------------|-------------------------------|---------------------|---------------------|--------------------------------|-----------------|
| <b>2012</b>               |                               |                     |                     |                                |                 |
| Accounts payable          | 409                           | -                   | -                   | -                              | 409             |
| Grants committed not paid | 10,946                        | 4,267               | 1,806               | -                              | 17,019          |
|                           | <u>\$11,355</u>               | <u>\$4,267</u>      | <u>\$1,806</u>      | <u>\$-</u>                     | <u>\$17,428</u> |

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**23. FINANCIAL INSTRUMENTS (Cont'd)**

**Fair Value Hierarchy**

The following table details the basis for the valuation of financial assets measured at fair value. This includes those financial assets that are fair valued through the profit and loss. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair Value may be determined using different methods depending on the type of asset. The three levels of fair value used in the table are defined below

Level 1 Quoted Market Value

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange or broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. Instruments in Level 1 comprise primarily of shares listed on the New Zealand and Australian Stock Exchanges.

Level 2 Observable Markets

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Typically the types of equities in Level 2 are investments in unit trusts and fixed interest investments (bonds).

Level 3 Significant Non- Observable Inputs

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Currently the only investment in this category is that held by Direct Capital.

In arriving at the fair value for the Direct Capital Portfolio, the Trust has used the fair value assessed by Direct Capital IV Partnership (Direct Capital). Direct Capital have applied, the Australian Venture Capital and Private Equity Valuation Guidelines are applied to quarterly revaluations on each Direct Capital IV portfolio company. In addition Direct Capital note:

- With consideration towards current and future maintainable financial performance, the multiple of earnings approach is used. The earnings multiple is derived with consideration towards the multiple paid on investment, current industry and competitor multiples and listed equivalents. It is uncommon for the earnings multiple to be changed quarter on quarter.
- The resulting enterprise value is then discounted to recognise the private nature of the businesses, which takes into account the less liquid nature of the investment, possible minority interest position, etc. The discount rate used is typically between 10 and 30%.
- Finally the last quarterly closing net debt net of any ongoing working capital requirements to calculate Equity Value.

Each valuation is completed following receipt of portfolio company quarterly financial statements.

Each year the valuations are audited by KPMG in order to achieve audited special purpose financial statements as at 31 December.

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**23. FINANCIAL INSTRUMENTS (Cont'd)**

|  |                            | Level 1<br>Quoted<br>Market<br>Price<br>\$000 | Level 2<br>Observable<br>Markets<br>\$000 | Level 3<br>Significant<br>Non- observable<br>inputs<br>\$000 | Total<br>\$000 |
|--|----------------------------|---|---|--|----------------|
| <b><u>Financial Assets at fair value through profit &amp; loss</u></b> |                            |   |   |  |                |
| <b><u>2013</u></b>   |                            |   |   |  |                |
| <b><u>Investment in Managed Funds</u></b>                              |                            |   |   |  |                |
| AMP  | Australasian Equities      | 36,777  |   |  | 36,777         |
|  | Property Equities          | 7,068   |   |  | 7,068          |
| Capital International  | Overseas Equities          |   | 14,925                                    |  | 14,925         |
| Direct Capital   | Australasian Equities      |   |   | 884  | 884            |
| Franklin Templeton   | Overseas Equities          |   | 16,669                                    |  | 16,669         |
| PIMCO  | Overseas Fixed Interest    |   | 54,895                                    |  | 54,895         |
| Tyndall Investment   | NZ Fixed Interest          |   | 45,809                                    |  | 45,809         |
|  | Foreign Exchange Contracts |   | 275                                       |  | 275            |
|  | Unsettled Trades           |   | 76  |  | 76             |
|  |                            |   |   |  | -              |
| Total Managed Funds held at fair value                                 |                            | 43,845  | 132,649                                   | 884  | 177,378        |
| Cash held with Fund Managers   |                            |   |   |  | 1,704          |
| Total Managed Funds  |                            |   |   |  | 179,082        |
| <b><u>Investment in Listed Equities</u></b>                            |                            |   |   |  |                |
| Pacific Edge Bio-technology  |                            | 496   |   |  | 496            |
| Total Financial assets held at fair value                              |                            | 44,341  | 132,649                                   | 884  | 177,874        |

**2012**

**Investment in Managed Funds**

|   |                            |        |         |     |         |
|---|----------------------------|--------|---------|-----|---------|
| AMP   | Australasian Equities      | 15,944 |         |     | 15,944  |
| Capital International                       | Overseas Equities          |        | 13,391  |     | 13,391  |
| Direct Capital                              | Australasian Equities      |        |         | 695 | 695     |
| First NZ Capital                            | Australasian Equities      | 15,693 |         |     | 15,693  |
|   | Property Equities          | 6,479  |         |     | 6,479   |
| Franklin Templeton                          | Overseas Equities          |        | 15,137  |     | 15,137  |
| PIMCO                                       | Overseas Fixed Interest    |        | 53,882  |     | 53,882  |
| Tyndall Investment                          | NZ Fixed Interest          |        | 45,296  |     | 45,296  |
|   | Foreign Exchange Contracts |        | 701     |     | 701     |
|   | Unsettled Trades           |        | 79      |     | 79      |
| Total Managed Funds held at fair value      |                            | 38,116 | 128,486 | 695 | 167,297 |
| Cash held with Fund Managers                |                            |        |         |     | 2,955   |
| Total Managed Funds                         |                            |        |         |     | 170,252 |
| <b><u>Investment in Listed Equities</u></b> |                            |        |         |     |         |
| Pacific Edge Bio-technology                 |                            | 168    |         |     | 168     |
| Total Financial assets held at fair value   |                            | 38,284 | 128,486 | 695 | 167,465 |

**THE COMMUNITY TRUST OF SOUTHLAND**  
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**23. FINANCIAL INSTRUMENTS (Cont'd)**

Fair Value Movements

The following table details movements in the fair value of Level 3 financial instruments measured using significant non-observable inputs in relation to the investment in Direct Capital IV.

|  | <b>Group</b> |              | <b>Parent</b> |              |
|--|--------------|--------------|---------------|--------------|
|  | <b>2013</b>  | <b>2012</b>  | <b>2013</b>   | <b>2012</b>  |
|  | <b>\$000</b> | <b>\$000</b> | <b>\$000</b>  | <b>\$000</b> |
| Opening balance  | 695          | 389          | 695           | 389          |
| Net Income recognised in the statement of financial performance  | 10           | (14)         | 10            | (14)         |
| Total realised gains/(losses) recognised in the statement of financial performance   | (42)         | 35           | (42)          | 35           |
| Total un-realised gains/(losses) recognised in the statement of financial performance  | 182          | (25)         | 182           | (25)         |
| Capital Contribution   | 90           | 374          | 90            | 374          |
| Capital Distribution   | (51)         | (64)         | (51)          | (64)         |
| Closing Balance  | 884          | 695          | 884           | 695          |
| Total gains/(losses) included in the statement of financial performance in relation to those financial assets held as at 31 March. |              |              |               |              |
| Year ended 31 March  | 150          | (4)          | 150           | (4)          |

**24. TRUSTEE FEES**

Trustee fees are set by the Minister of Finance at a fixed annual amount. Fees paid to Trustees are as follows:

|                                   | <b>Fees</b>  | <b>Fees</b>  |
|-----------------------------------|--------------|--------------|
|                                   | <b>2013</b>  | <b>2012</b>  |
|                                   | <b>\$000</b> | <b>\$000</b> |
| Robin Campbell                    | 22           | 16           |
| Joan Kiernan                      | 20           | 17           |
| Tracy Hicks                       | 28           | 31           |
| Alison Broad (resigned Sept 12)   | 9            | 20           |
| Wayne Harpur (resigned Sept 12)   | 8            | 14           |
| Raewynne Evans                    | 17           | 15           |
| Trish Lindsay                     | 19           | 21           |
| Craig Robins                      | 18           | 17           |
| Linette Sinclair                  | 18           | 19           |
| Toni Green                        | 16           | 13           |
| Richard Wason (commenced Oct 12)  | 9            | -            |
| Penny Simmonds (commenced Oct 12) | 8            | -            |
|                                   | <b>\$192</b> | <b>\$183</b> |

**25. CONTINGENCIES**

There are no contingent liabilities or contingent assets relating to the Group at 31 March 2013 (2012: Nil).



**THE COMMUNITY TRUST OF SOUTHLAND**  
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**For the Year Ended 31 March 2013**

**26. CAPITAL COMMITMENTS**

Commitments of up to \$600,000 (2012: \$600,000) exist for Trust Advances which Trustees have approved, but which had not been drawn down as at balance date. The approved advances are as follows:

|   | <b>Group</b> |              | <b>Parent</b> |              |
|---|--------------|--------------|---------------|--------------|
|   | <b>2013</b>  | <b>2012</b>  | <b>2013</b>   | <b>2012</b>  |
|   | <b>\$000</b> | <b>\$000</b> | <b>\$000</b>  | <b>\$000</b> |
| South Catlins Environment and Development Trust | 600          | 600          | 600           | 600          |

Additionally, The Community Trust of Southland is committed to providing funds up to \$2 million to Direct Capital, for new capital acquired. To date \$862,636 of this amount has been drawn upon.

After balance date Invest South Limited partnership advanced a further \$205,832 to Back Country Foods for the purchase of a new asset. It is intended to be a short term advance.

**27. OPERATING LEASE COMMITMENTS**

The Group leases premises. Commitments for minimum lease payments in relation to non - cancellable operating leases are payable as follows:

|   | <b>Group</b>     |                  | <b>Parent</b> |              |
|---|------------------|------------------|---------------|--------------|
|   | <b>2013</b>      | <b>2012</b>      | <b>2013</b>   | <b>2012</b>  |
|   | <b>\$</b>        | <b>\$</b>        | <b>\$</b>     | <b>\$</b>    |
| Current within one year                           | 32,500           | 32,500           | -             | -            |
| Later than one year but not later than five years | 130,000          | 130,000          | -             | -            |
| Later than five years                             | -                | 32,500           | -             | -            |
|   | <u>\$162,500</u> | <u>\$195,000</u> | <u>\$Nil</u>  | <u>\$Nil</u> |

**28. EVENTS OCCURRING AFTER BALANCE DATE**

There have been no significant subsequent events that affect these financial statements (2012: \$Nil).

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2013**

**29. RELATED PARTY TRANSACTIONS**

**Transactions with Key Management Personnel**

Key management declared interests in relation to organisations that received grants totalling \$ 185,673 as detailed below (2012: \$424,776) during the year. Interests were declared when these grants were considered and key management took no part in deliberations relating to organisations they had an interest in.

There are no outstanding balances at balance date.

|                      |  | <b>2013</b>    | <b>2012</b>    |
|----------------------|--|----------------|----------------|
| <b>J Prendergast</b> | Philanthropy New Zealand                           | -              | 2,772          |
|                      | Sacred Heart School                                | -              | 688            |
|                      | St Josephs School                                  | -              | 592            |
|                      | St Marys Primary School                            | -              | 890            |
|                      | St Patricks School                                 | -              | 1,912          |
|                      | St Patricks School Nightcaps                       | -              | 180            |
|                      | St Peters College                                  | -              | 17,013         |
|                      | St Teresas School Bluff                            | -              | 256            |
|                      | St Theresas School                                 | -              | 1,229          |
|                      | St Thomas School                                   | -              | 329            |
|                      | Tertiary Scholarships                              | 124,200        | 348,500        |
|                      | Verdon College                                     | 3,696          | 3,390          |
|                      | YMCA of Invercargill Charitable Trust              | 47,777         | 47,025         |
|                      | Rotary Club of Invercargill North Charitable Trust | 10,000         | -              |
|                      | <b>TOTAL</b>                                       | <b>185,673</b> | <b>424,776</b> |

**Transactions with Trustees**

Trustees declared interests in relation to organisations that received grants totalling \$2,670,542 as detailed below (2012:\$2,429,313) during the year. Interests were declared when these grants were considered and Trustees took no part in deliberations relating to organisations they had an interest in.

There are no outstanding balances at balance date.

|                |   |        |        |
|----------------|---|--------|--------|
| <b>T Hicks</b> | Citizens Advice Bureau Gore                               | -      | 3,185  |
|                | Community Networking Trust (Eastern Southland) Inc        | 45,480 | 60,000 |
|                | East Gore Primary School                                  | -      | 792    |
|                | Eastern Southland Gallery                                 | -      | 51,254 |
|                | Eastern Southland Basketball Association                  |        | -      |
|                | Equestrian Sports New Zealand Inc (Southland Showjumping) | 2,500  | -      |
|                | Gore & Districts Community Counselling Centre             | 5,000  | -      |
|                | Gore & Districts Community Youth Worker Trust             | 5,000  | 5,000  |
|                | Gore & Districts Senior Citizens Club (Choir Section)     | 691    | 684    |
|                | Gore Branch of NZ Society of Genealogists                 | -      | 1,000  |
|                | Gore Cancer Support Group                                 | -      | 500    |
|                | Gore Contract Bridge Club Inc                             | 4,500  | -      |
|                | Gore Dancesport Supporters Group                          | 1,600  | -      |
|                | Gore District Council                                     | 6,000  | 8,750  |

|                      |  |         |         |
|----------------------|--|---------|---------|
|                      | Gore District Historical Society                               | -       | 1,752   |
|                      | Gore High School   | -       | 3,954   |
|                      | Gore Main School   | -       | 1,158   |
|                      | Gore Multi Sports Centre Charitable Trust                      | 2,103   | 16,021  |
|                      | Gore Operatic Society  | -       | 7,500   |
|                      | Gore Parents Centre  | 2,211   | 2,189   |
|                      | Gore Pipe Band   | -       | 500     |
|                      | Gore Santaland   | -       | 3,500   |
|                      | Gore Southern Shears Committee                                 | -       | 4,184   |
|                      | Gore Toy Library   | 1,600   | -       |
|                      | Gore Volunteer Fire Brigade                                    | 4,000   | -       |
|                      | Gore Womens Refuge   | 27,000  | 27,852  |
|                      | HETTANZ Southland  | -       | 640     |
|                      | Hokonui Moonshine Museum Charitable Trust                      | 3,000   | -       |
|                      | Hokonui Pioneer Park   | -       | 10,000  |
|                      | Kaiwera Pukerau Playgroup                                      | -       | 800     |
|                      | Mataura & Districts Marae                                      | -       | 7,500   |
|                      | Mataura & Districts Senior Citizens                            | 500     | -       |
|                      | Mataura Clay Target Club                                       | -       | 3,500   |
|                      | Mataura Kilties Pipe Band                                      | -       | 3,000   |
|                      | Mataura Primary School   | -       | 17,630  |
|                      | Mataura Youth Centre Trust                                     | -       | 5,000   |
|                      | National Wetland Trust of New Zealand                          | -       | 3,000   |
|                      | Norman Jones Foundation  | 20,000  | -       |
|                      | Pukerau School   | 6,531   | -       |
|                      | Royal NZ Plunket Society - Mataura                             | 1,645   | 1,750   |
|                      | Royal NZ Society for the Prevention of Cruelty to Animals Gore | -       | 10,460  |
|                      | Southern REAP  | -       | 25,000  |
|                      | Southland Regional Heritage Committee                          | 37,160  | 39,227  |
|                      | Sport Southland  | -       | 10,000  |
|                      | St Peters College  | -       | 17,013  |
|                      | Venture Southland  | 398,825 | 415,595 |
|                      | Venture Southland Creative Southland                           | -       | 63,659  |
|                      | Waikaka Public Hall Society                                    | -       | 8,000   |
|                      | Waikaka School   | 10,000  | -       |
|                      | Waimea Plains Railways Trust                                   | -       | 10,000  |
|                      | West Gore School   | -       | 1,386   |
|                      | TOTAL  | 585,346 | 852,935 |
|                      |  |         |         |
| A Broad              | Athletics Southland  | 3,075   | -       |
| (Retired<br>Sept 12) | Murihiku Young Parents Learning Centre Trust                   | -       | 300     |
|                      | Riverton Community Arts centre Charitable Trust                | 440     | -       |
|                      | Southland Art Foundation                                       | 37,160  | 36,575  |
|                      | Southland Mature Employment Charitable Trust                   | -       | 15,000  |
|                      | TOTAL  | 40,675  | 51,875  |
|                      |  |         |         |
| T Lindsay            | Chamber Music NZ Inc (Southland Branch)                        | 20,000  | 20,000  |
|                      | Invercargill Blues Rugby Club                                  | -       | 7,955   |

|                   |  |         |         |
|-------------------|--|---------|---------|
|                   | Murihiku Health Scholarship                        | 1,000   | -       |
|                   | Netball Southland                                  | -       | 10,000  |
|                   | Southland Womens Club Inc                          | -       | 18,500  |
|                   | Shakespeare in the Park Charitable Trust           | 8,117   | -       |
|                   | Stadium Southland                                  | 2,500   | -       |
|                   | The Kai Tech Charitable Trust                      | 40,000  | -       |
|                   | TOTAL  | 71,617  | 56,455  |
|                   |  |         |         |
| L Sinclair        | Gore Womens Refuge                                 | 27,000  | 27,852  |
|                   | Community Networking Trust (Eastern Southland) Inc | 45,480  | -       |
|                   | Rape and Abuse Support Centre Southland            | -       | 30,000  |
|                   | Riverton Heritage & Tourist Centre Trust           | 5,000   | -       |
|                   | Riverton Senior Citizens Association               | 1,596   | 1,580   |
|                   | St Josephs School                                  | -       | 592     |
|                   | St Patricks School Nightcaps                       | -       | 180     |
|                   | St Teresas School Bluff                            | -       | 256     |
|                   | YMCA of Invercargill Charitable Trust              | 47,777  | -       |
|                   | TOTAL  | 126,853 | 60,460  |
|                   |  |         |         |
| R Campbell        | Barnardos NZ - Southland Area                      | 52,645  | -       |
|                   | Epilepsy Association of New Zealand Incorporated   | -       | 11,167  |
|                   | Lochiel School                                     | -       | 962     |
|                   | New Zealand Council of Christian Social Services   | --      | 5,000   |
|                   | Presbyterian Support Services Otago                | 2,000   | -       |
|                   | Presbyterian Support Southland                     | 103,168 | 135,645 |
|                   | Southland Asthma Society                           | -       | 15,000  |
|                   | Southland Regional Heritage Committee              | 37,160  | -       |
|                   | Southpoint Counselling Service                     | -       | 3,000   |
|                   | Venture Southland                                  | 418,825 | 415,595 |
|                   | Venture Southland Creative Southland               | 56,500  | 63,659  |
|                   | TOTAL  | 670,298 | 650,028 |
|                   |  |         |         |
| W Harpur          | DisAbilities Rersource Centre Southland            | 15,000  | -       |
| (retired Sept 12) | Southland disability Enterprises Ltd               | -       | 50,000  |
|                   | Southland Multiple Sclerosis Society               | 20,000  | 24,480  |
|                   | Southland Musicians Club                           | -       | 5,000   |
|                   | Southland Womens Club Inc                          | -       | 18,500  |
|                   | Southland Workers Educational Association Inc      | -       | 45,693  |
|                   | Te Wharekura o Arowhenua                           | -       | 3,653   |
|                   | Venture Southland                                  | -       | 415,595 |
|                   | Venture Southland Creative Southland               | -       | 63,659  |
|                   | TOTAL  | 35,000  | 626,580 |
|                   |  |         |         |
| R Evans           | Oraka Aparima Runaka                               | 3,700   | -       |
|                   | Riverton Community Arts Centre Charitable Trust    | -       | 540     |
|                   | Southland Regional Heritage Committee              | 37,160  | 39,227  |
|                   | Southland Sports Car Club                          | -       | 15,000  |

|                   |  |                  |                  |
|-------------------|--|------------------|------------------|
|                   | <b>TOTAL</b>   | <b>40,860</b>    | <b>54,767</b>    |
|                   |  |                  |                  |
| <b>T Green</b>    | <b>Borland Lodge</b>   | <b>10,000</b>    | <b>-</b>         |
|                   | <b>Invercargill Musical Theatre</b>                            | <b>-</b>         | <b>37,607</b>    |
|                   | <b>Marist Rugby Football Club</b>                              | <b>-</b>         | <b>15,000</b>    |
|                   | <b>Otatara School</b>  | <b>-</b>         | <b>1,084</b>     |
|                   | <b>The Scout Association of New Zealand</b>                    | <b>5,000</b>     | <b>-</b>         |
|                   | <b>TOTAL</b>   | <b>15,000</b>    | <b>53,691</b>    |
|                   |  |                  |                  |
| <b>J Kiernan</b>  | <b>Rotary Club of Invercargill East Charitable Trust</b>       | <b>-</b>         | <b>10,000</b>    |
|                   | <b>Rotary Club of Invercargill North Charitable Trust</b>      | <b>10,000</b>    | <b>12,522</b>    |
|                   | <b>TOTAL</b>   | <b>10,000</b>    | <b>22,522</b>    |
|                   |  |                  |                  |
| <b>C Robins</b>   | <b>Netball Southland</b>                                       | <b>200,000</b>   | <b>-</b>         |
|                   |  |                  |                  |
| <b>P Simmonds</b> | <b>Invercargill Artificial Sports Surface Charitable Trust</b> | <b>5,000</b>     | <b>-</b>         |
|                   | <b>Venture Southland</b>                                       | <b>418,825</b>   | <b>-</b>         |
|                   | <b>Venture Southland Creative Southland</b>                    | <b>56,500</b>    | <b>-</b>         |
|                   | <b>Rugby Southland</b>   | <b>256,791</b>   | <b>-</b>         |
|                   | <b>Southland Basketball Association</b>                        | <b>70,000</b>    | <b>-</b>         |
|                   | <b>Water Safety NZ Inc</b>                                     | <b>20,000</b>    | <b>-</b>         |
|                   | <b>TOTAL</b>   | <b>827,116</b>   | <b>-</b>         |
|                   |  |                  |                  |
|                   | <b>TOTAL</b>   | <b>2,622,765</b> | <b>2,429,313</b> |

#### Transactions with subsidiaries

During the year, The Community Trust of Southland received \$6,414,195 through the intercompany account, 2012 (\$6,414,195). At 31 March 2013 the Southland Community Trust Charities Limited owed \$8,209,595 to the Community Trust of Southland (2012 \$514,195). At 31 March 2013 The Community Trust of Southland owed \$127,315 to Invest South Limited Partnership (2012: \$127,315). The Community Trust of Southland is also owed \$ 956,445 from Invest South Holdings Ltd (2012: \$961,263).

#### Transactions between subsidiaries

Invest South GP Limited is the general partner to Invest South Limited Partnership. During the year, Invest South Limited Partnership paid a management fee to Invest South GP Limited of \$329,503 (2012: \$307,728). At 31 March 2013 Invest South GP Limited was due \$ 43,890 (2012: \$11,500) from Invest South Limited Partnership. At 31 March 2013 Invest South GP Limited owed Invest South Limited Partnership \$74,625 (2012: \$24,532).

At 31 March 2013 Invest South Limited Partnership owed \$7,376,735 to Invest South Holdings Limited (2012: \$7,371,796).

During the year Invest South Limited Partnership made no advances to Bush Road Limited (2012: \$10,500). At 31 March 2013 Bush Road Limited owed \$43,500 to Invest South Limited Partnership (2012: \$52,500)

During the year Back Country Foods Limited paid Peak Consulting Limited \$8,231 (2012 \$8,150) for directors fees \$7,200 and accounting services \$1,031, Peter Carnahan is a Director/Shareholder of this Company. At March 2013 there were no amounts outstanding (2012: Nil). Invest South Limited partnership also advanced Back Country Foods Ltd \$205,832 during the year for the purchase of a fixed asset (2012: Nil).

During the year Southland Community Trust Charities Limited has provided funds of \$3,408,000 (2012 \$900,000) to Invest South Limited Partnership. At 31 March 2013 Invest South Limited Partnership owed \$5,137,435 to Southland Community Trust Charities Limited (2012: \$1,729,435).

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2013**

**29. RELATED PARTY TRANSACTIONS (Cont'd)**

Directors fees have been paid to Peak Consulting Ltd (P Carnahan) by Benmore Salmon Ltd \$18,000 (2012 \$Nil) and Waikaia Gold Ltd have accrued \$5,000 in directors fees to 31 March 2013, (2012: Nil), no payments have been made in the year (2012: Nil). Directors Fees have been paid to B Highsted (Director) from Back Country Foods Ltd \$4,800 (2012: \$4,800) and Benmore Salmon Ltd \$8,000 (2012: \$Nil). Directors fees have been paid to I Sutherland (Director) from Taha Asia pacific Ltd \$6,000 (2012: \$3,000).

Invest South Holdings Limited is owned 100% by The Community Trust of Southland. During the year Invest South Holdings Limited did not pay a management fee to Invest South GP Limited (2012: \$35,450). At 31 March 2013 Invest South GP Limited was due \$ 60,308 (2012: \$48,872) from Invest South Holdings Limited. At 31 March 2013 Invest South GP Limited owed Invest South Holdings Limited \$ Nil (2012: \$24,532).

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

**30. DISTRIBUTIONS OF INCOME AND CAPITAL**

A list of all distributions of income and capital approved by The Community Trust of Southland during the year ended 31 March 2013 is available, on request, from the trust's office at 62 Don Street (PO Box 1646), Invercargill, 9840.



## ***Independent Auditors' Report*** to the Trustees of The Community Trust of Southland

### ***Report on the Financial Statements***

We have audited the financial statements of The Community Trust of Southland ("the Trust") on pages 3 to 38, which comprise the statements of financial position as at 31 March 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Trust and the Group. The Group comprises the Trust and the entities it controlled at 31 March 2013 or from time to time during the financial year.

### ***Trustees Responsibility for the Financial Statements***

The Trustees are responsible for the preparation and fair presentation of financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal controls as the Trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, 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) and International Standards on Auditing. These standards require that we comply with relevant 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 due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Trust's and the Group's preparation of financial statements that present fairly 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 Trust's and the Group'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 auditors we have no relationship with, or interests in, The Community Trust of Southland or any of its subsidiaries and associates.



## ***Independent Auditors' Report***

The Community Trust of Southland

### ***Opinion***

In our opinion, the financial statements on pages 3 to 38 present fairly, in all material respects, the financial position of the Trust and Group as at 31 March 2013, and their financial performance and cash flows for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.

### ***Restriction of Distribution or Use***

This report is made solely to the Trustees, as a body. Our audit work has been undertaken so that we might state to the Trustees those matters which 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.

*PricewaterhouseCoopers*

Chartered Accountants  
21 August 2013

Dunedin