

THE COMMUNITY TRUST OF SOUTHLAND

Consolidated Financial Statements For The Year Ended 31 March 2008

(Published Pursuant To The Community Trusts Act 1999)

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 31 March 2008

	Note	2008 \$	2007 \$
Total Investment Income		(4,246,849)	7,995,712
Less Expenditure			
Audit fees		22,346	32,047
Communications		17,653	17,566
Depreciation		50,485	66,240
Loss/(Gain) on disposal of fixed assets		(3,363)	(4,500)
Fund manager fees		800,331	955,755
General expenses		98,967	72,150
Insurance		12,174	17,244
Occupancy costs		29,589	23,759
Office expenses		31,832	27,308
Professional fees	1	144,233	120,882
Promotion, reporting and compliance expenses		80,820	109,566
Salaries and staff costs		356,280	323,212
Trustees' fees	2	182,377	201,433
Vehicle expenses		26,955	27,285
Total Expenditure		1,850,679	1,989,947
Net operating surplus		(6,097,528)	6,005,765
Revaluation of property	6	40,000	135,773
Net surplus/(deficit) for the year before grants		(6,057,528)	6,141,538
Grants approved from current year's income	4	8,579,405	9,634,894
Grants approved from future years' income		866,667	1,974,000
Grants approved prior years from current year's income		(1,588,800)	(1,868,800)
International Financial Reporting Standards grants adjustments		319,357	(319,900)
Net Surplus/(Deficit) After Grants		(\$14,234,157)	(\$3,278,656)

CONSOLIDATED STATEMENT OF MOVEMENTS IN TRUST FUNDS

For the Year Ended 31 March 2008

	2008 \$	2007 \$
Trust Capital at beginning of year	191,301,342	194,579,998
Net surplus/(deficit) for the year	(14,234,157)	(3,278,656)
Trust Capital at end of year	\$177,067,185	\$191,301,342

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2008

	Note	2008 \$	2007 \$
FUNDS EMPLOYED:			
Trust Capital		158,460,000	158,460,000
Reserves		18,607,185	32,841,342
TOTAL CAPITAL AND RESERVES		177,067,185	191,301,342
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		219,404	215,148
Grants committed but not paid		14,564,424	13,373,294
Total Liabilities		14,783,828	13,588,442
Total Capital and Liabilities		\$191,851,013	\$204,889,784
ASSETS			
CURRENT ASSETS			
Westpac cheque account		1,218	2,796
Accounts receivable and interest accrued		733,218	157,781
Westpac Term Deposit		48,746	132,753
Database development		5,498	0
Total Current Assets		788,680	293,330
NON CURRENT ASSETS			
Property, Plant and Equipment	6	947,876	933,967
Investment assets			
Managed Funds –			
ING (NZ) Ltd	7	0	36,996,072
Tower Asset Management	7	54,892,349	50,233,161
AMP Asset Management	7	68,096,893	35,150,374
Capital International	7	13,874,549	35,338,274
Alliance Bernstein	7	18,571,666	37,273,175
First New Zealand Capital	7	25,367,085	0
Loans	8	1,668,868	2,095,141
Invest South Limited	3	7,643,047	6,576,290
Total Non Current Assets		191,062,333	204,596,454
Total Assets		\$191,851,013	\$204,889,784

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

For the Year Ended 31 March 2008

A. Basis of Preparation

The Community Trust of Southland was formed under the Trustee Banks Restructuring Act 1988 and is incorporated under the Charitable Trusts Act 1957. The financial statements presented are those for The Community Trust of Southland Group (the Group). The Group consists of The Community Trust of Southland (the Trust), and its wholly owned subsidiary companies, Southland Community Trust Charities Limited and Invest South Limited.

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

The financial statements are prepared on the basis of historical cost except that investment assets are stated at valuation, as is the Trust's property at 62 Don Street Invercargill.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 March 2008, the comparative information presented in these financial statements for the year ended 31 March 2007, and in the preparation of the opening NZ IFRS Balance Sheet at 1 April 2006, the Trust's date of transition.

B. Trust Capital

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.

C. Basis of Recognising Components of the Financial Statements

The following general accounting policies are adopted:

Assets

A transaction results in an asset being recognised in the Statement of Financial Position when it will probably give rise to ongoing benefits for the Group and those benefits can be measured with reliability.

Liabilities

A transaction results in a liability being recognised in the Statement of Financial Position when it will probably give rise to the need for the Group to sacrifice assets in the future, and those sacrifices can be measured with reliability.

Revenue

Revenue is recognised in the Statement of Financial Performance when a transaction gives rise to an increase in the value of the Group's net assets, and that increase can be measured with reliability.

Expenses

An expense is recognised in the Statement of Financial Performance when a transaction results in a decrease in the value of the Group's net assets, and that decrease can be measured with reliability.

Classification of assets and liabilities between current and non-current

An amount is classified as current when it is expected to be settled or extinguished within one year of the date of the financial statements. All other amounts are classified as non-current.

D. Property, Plant and Equipment

Fixed assets are initially stated at cost and then depreciated on a straight line basis. Land and Buildings are stated at valuation as determined by an independent registered valuer. The basis of valuation of the land and buildings is highest and best use. The estimated useful lives of fixed assets are as follows:

Land	indefinite
Buildings	30-40 years
Furniture and fittings	3-15 years
Office equipment	3-8 years
Motor vehicles	5-8 years

E. Investments

Investments are stated at market value and report realised and unrealised gains or losses on holding these investments in the Statement of Financial Performance. These gains or losses are shown in the Statement of Financial Performance as income from revaluation of investments.

F. Accounts Receivable

Accounts receivable are stated at expected realisable value.

G. Grants

Grants are recognised when they are approved by the Trustees. Unpaid grants are recorded as a liability.

H. Goods & Services Tax

The Group is not registered for Goods and Services Tax. The financial statements are prepared using GST inclusive accounting.

I. Changes in Accounting Policies

The Trust changed its accounting policies on 1 April 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 "First-Time Adoption of New Zealand Equivalents to International Reporting Standards", with 1 April 2006 as the date of transition.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2008

1. PROFESSIONAL FEES

	2008 \$	2007 \$
Financial/Taxation advisory	66,931	92,202
Legal	27,720	5,494
Rugby Southland independent review	19,921	0
Other	29,661	23,186
	\$144,233	\$120,882

2. TRUSTEES' FEES

Trustee meeting fees and honoraria are set by the Minister of Finance, and were paid to Trustees as follows:

	Meetings Attended	Fees 2008 \$	Fees 2007 \$
A A Broad	57	35,975	38,290
P B Redpath	32	19,292	26,401
T W Harpur	39	17,262	16,125
R Evans	15	8,244	-
S G Palmer	-	-	3,758
N J Wyeth	36	18,565	18,870
D Williams	6	2,838	20,700
M Hawes	5	2,008	14,737
K S Henderson	3	1,236	17,070
G M Neave	6	2,008	16,555
J T Hicks	30	16,227	14,270
P Lindsay	31	16,222	14,657
J Kiernan	30	13,163	-
A C Robins	27	13,793	-
L Sinclair	35	15,543	-
		\$182,376	\$201,433

3. INVESTMENT IN INVEST SOUTH LIMITED

Invest South Limited is in the business of investing, principally by way of equity investment, in businesses in the Southland region. Invest South Limited's balance date is 31 March. The Group owns 100% of Invest South Limited's 10 million shares.

The Group's investment in Invest South Limited comprises:

	2008 \$	2007 \$
Opening value of investment	6,576,290	6,252,562
Additional capital invested by shareholder	500,000	0
Share of operating surplus/(deficit)	566,757	323,728
Closing value of investment	\$7,643,047	\$6,576,290

4. GRANTS APPROVED

	2008 \$	2007 \$
Grants approved this year	8,706,412	10,049,668
Less prior year's grants no longer needed	(127,007)	(414,774)
Net Grants Approved	\$8,579,405	\$9,634,894

5. TRUST AREA AND PURPOSE

The Trust's specified area includes all of the areas of Invercargill City Council, Southland District Council, and Gore District Council, the Heriot and Tapanui areas of Clutha District Council, and the Wakatipu Basin area of Lakes District Council. The Trust's principal activities are to invest the Trust capital, both within the specified area and outside of the region, and to distribute trusts for charitable, cultural, philanthropic, recreational and other purposes being purposes beneficial to the community principally within the Trust's specified area.

6. PROPERTY, PLANT AND EQUIPMENT

	Cost \$	Accum dep'n/ revaluations \$	2008 value \$	2007 value \$
Land	457,419	217,419	240,000	240,000
Buildings	523,063	(96,937)	620,000	580,000
Office Equipment	229,039	184,041	44,998	47,302
Furniture & Fittings	154,250	146,998	7,252	9,449
Motor Vehicles	85,647	50,021	35,626	57,216
Totals	\$1,449,418	\$501,542	\$947,876	\$933,967

Land and Buildings have been revalued as at 31 March 2008, and are stated at their revalued amounts as determined by an independent registered valuer.

7. INVESTMENTS MANAGED BY FUND MANAGERS

The Group has funds with six investment managers (fund managers), being Alliance Bernstein, AMP Capital, Capital International, ING (NZ) Limited, Tower Asset Management, and Invest South Limited. Market values, and asset allocations, of these investments as at balance date were as follows:

	Alliance Bernstein (NZ\$m)	AMP (NZ\$m)	Capital International (NZ\$m)	First NZ Capital (NZ\$m)	Tower Asset Management (NZ\$m)	Inveset South Ltd (NZ\$m)	Total 2008 value (NZ\$m)	Total 2007 value (NZ\$m)
Australasian equities		16.55		18.28		7.64	42.47	27.58
Overseas equities	18.57		13.88				32.45	72.61
NZ fixed interest		24.94					24.94	23.51
Overseas fixed interest						54.89	54.89	50.23
Property					7.09		7.09	0.88
Cash		26.60					26.60	26.76
Totals	\$18.57	\$68.09	\$13.88	\$25.37	\$54.89	\$7.64	\$188.44	\$201.57

Exposure to currency, interest rate and credit risk arises in the normal course of the fund managers' management.

8. LOANS

Loan balances outstanding as at 31 March were as follows:

	2008 \$	2007 \$
Troopers Memorial Corner Charitable Trust	0	195,000
Bluff Healthy Homes	32,029	0
Ringa Ringa Heights Golf Club	0	36,000
Southern Rural Fire Authority	50,000	0
Croydon Aviation Museum	0	280,000
Invercargill Artificial Sport Surface Trust	96,500	96,500
Northern Southland Medical Trust	50,000	50,000
Otautau Community Health Trust	18,000	21,000
Troopers Memorial Corner Charitable Trust – Yule House	160,000	170,000
Wyndham Rest Home	100,000	100,000
Parata Rest Home	0	15,000
Arrowtown Community Pre School	9,141	0
Borland Lodge	353,198	331,641
Southland Indoor Leisure Centre Charitable Trust	800,000	800,000
	\$1,668,868	\$2,095,141

All outstanding loans are repayable upon demand, and are interest free with the exception of the loan to Borland Lodge, which attracted interest of 6.5%.

9. CAPITAL COMMITMENTS

Commitments of up to \$4,567,971 exist for loans which Trustees have approved, but which had not been drawn down as at balance date. The approved loans are as follows:

	2008 \$	2007 \$
South Catlins Environment and Development Trust	600,000	600,000
Living Fiordland Charitable Trust	3,700,000	3,700,000
Awarua Social Services	167,971	200,000
Southern Rural Fire Authority	0	50,000
Arrowtown Community Pre School	0	30,000
Arrowtown Trust	100,000	0
	\$4,567,971	\$4,580,000

10. TAXATION

With effect from 1 April 2004 Community Trusts, including the Community Trust of Southland, became exempt from income tax pursuant to section CB4(1)(m) of the Income Tax Act 1994.

The financial information shown above has been extracted from the Trust's audited financial statements.



**Community Trust
of Southland**
Te Pou Arataki Pounamu o Murihiku