

THE COMMUNITY TRUST OF SOUTHLAND
FINANCIAL REPORT
For the Year Ended 31 March 2016

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THE COMMUNITY TRUST OF SOUTHLAND TRUSTEES' 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 2016.

The Trustees are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly the financial position of the Trust and Group as at 31 March 2016 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 and Group 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 Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.


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

24 August 2016



Trustee
Penelope Simmonds

24 August 2016

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENTS OF COMPREHENSIVE REVENUE AND EXPENSE
For the Year Ended 31 March 2016

		Group		Parent	
	Notes	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Sales (by controlled entities)		11,244	11,964	-	-
Dividends		6,876	9,183	6,255	8,802
Interest	3	1,819	244	1,789	661
Unrealised gains / (losses) from change in fair value of managed funds		903	10,143	903	10,143
Realised gains from change in fair value of management funds		(832)	3,005	(832)	3,005
Other income		94	-	4	4
Fair value gains/(losses) on remeasurement of salmon stock	11	(451)	2,705	-	-
		<u>19,653</u>	<u>37,244</u>	<u>8,119</u>	<u>22,615</u>
Plus share of associates earnings		-	-	-	-
Less investing activity expenses	4	(12,865)	(12,151)	(573)	(599)
Plus gains/(losses) from change in fair value of other investments	15	5,325	(720)	-	-
Less impairment of goodwill	13	(248)	-	-	-
Net Surplus from Investing Activities		<u>11,865</u>	<u>24,373</u>	<u>7,546</u>	<u>22,016</u>
Trust expenses	4	<u>1,048</u>	<u>1,259</u>	<u>1,048</u>	<u>1,259</u>
Operating Surplus before Grants		<u>10,817</u>	<u>23,114</u>	<u>6,498</u>	<u>20,757</u>
Grants	5	4,444	4,942	4,444	3,192
Discount on concessionary loans	2	2	(20)	2	(17)
Write down of related party advance		-	-	-	13,148
Net Surplus before Taxation		<u>6,371</u>	<u>18,192</u>	<u>2,052</u>	<u>4,434</u>
Taxation expense	6	<u>55</u>	<u>992</u>	<u>-</u>	<u>-</u>
Net Surplus after Taxation		<u>6,316</u>	<u>17,200</u>	<u>2,052</u>	<u>4,434</u>
Other Comprehensive revenue and expense					
Revaluation of land and buildings		-	-	-	-
Total Comprehensive revenue and expense: for the Year		<u><u>\$6,316</u></u>	<u><u>\$17,200</u></u>	<u><u>\$2,052</u></u>	<u><u>\$4,434</u></u>
Net Surplus and Total Comprehensive revenue and expense is attributed to:					
Owners of the parent		6,642	16,464	2,052	4,434
Minority interests	12	(326)	736	-	-
		<u><u>\$6,316</u></u>	<u><u>\$17,200</u></u>	<u><u>\$2,052</u></u>	<u><u>\$4,434</u></u>

The financial statements should be read with the accompanying notes.

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Year Ended 31 March 2016

Group	Trust Capital	Unspent Grants Budget Reserve	Capital Maintenance Reserve	Grants Maintenance Reserve	Accumulated revenue and expenses	Minority interest	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 April 2014	\$158,460	\$Nil	\$75,841	(\$51,871)	\$Nil	\$321	\$182,751
Total comprehensive revenue and expense	-	-	-	-	16,464	736	17,200
Transactions with owners							
Minority interest adjustment	-	-	-	-	-	(33)	(33)
Reserves on acquisition of subsidiary	-	-	-	-	-	1,171	1,171
Transfer to/(from) reserves	-	-	12,227	4,237	(16,464)	-	-
—							
Balance at 31 March 2015	\$158,460	\$Nil	\$88,068	(\$47,634)	\$Nil	\$2,195	\$201,089
Total comprehensive revenue and expense	-	-	-	-	6,642	(326)	6,316
Transactions with owners							
Minority interest adjustment	-	-	-	-	-	(125)	(125)
Transfer to/(from) reserves	-	-	5,528	1,114	(6,642)	-	-
—							
Balance at 31 March 2016	\$158,460	\$Nil	\$93,596	(\$46,520)	\$Nil	\$1,744	\$207,280
Parent							
Balance at 1 April 2014	\$158,460	\$Nil	\$75,841	(\$41,450)	\$Nil	\$Nil	\$192,851
Total comprehensive revenue and Expense	-	-	-	-	4,434	-	4,434
Transactions with owners							
Transfer to/(from) reserves	-	-	197	4,237	(4,434)	-	-
—							
Balance at 31 March 2015	\$158,460	\$Nil	\$76,038	(\$37,213)	\$Nil	\$Nil	\$197,285
Total comprehensive revenue and expense	-	-	-	-	2,052	-	2,052
Transactions with owners							
Transfer to/(from) reserves	-	-	938	1,114	(2,052)	-	-
—							
Balance at 31 March 2016	\$158,460	\$Nil	\$76,976	(\$36,099)	\$Nil	\$Nil	\$199,337

The financial statements should be read with the accompanying notes.

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENTS OF FINANCIAL POSITION
As at 31 March 2016

		Group		Parent	
	Notes	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Current Assets					
Cash and cash equivalents		867	631	186	201
Accounts receivable	10	2,746	1,395	1,332	64
Inventories	11	1,097	1,298	-	-
Biological assets – salmon stock	11	4,503	5,625	-	-
Prepayments		10	27	10	27
GST refund due		9	-	9	24
Loan receivables	14	160	743	85	-
Total Current Assets		9,392	9,719	1,622	316
Non-Current Assets					
Investment in managed funds	16	192,256	193,980	192,256	193,980
Investment in associates	17	-	-	-	-
Investment in subsidiaries	18	-	-	8,000	-
Investment in listed equities	15	554	637	554	637
Investment in unlisted equities	15	14,966	6,024	-	-
Loan receivables	14	292	1,160	292	1,074
Related party advances	27	-	-	6,822	3,580
Goodwill	13	269	509	-	-
Intangibles		53	67	-	-
Property, plant and equipment	19	3,550	3,693	781	827
Total Non-Current Assets		211,940	206,070	208,705	200,098
Total Assets		221,332	215,789	210,327	200,414
Current Liabilities					
Bank overdraft		-	252	-	-
Accounts payable		1,074	1,052	44	39
Taxation payable	6	84	69	-	-
Accruals		397	411	91	88
Employee entitlements		55	34	55	34
Grant obligations	9	9,316	8,662	9,316	837
Related party loans	27	-	-	126	-
Loans	22	270	1,339	-	-
Total Current Liabilities		11,196	11,819	9,632	998
Non-current Liabilities					
Deferred tax payable	6	678	750	-	-
Grant obligations	9	1,358	2,131	1,358	2,131
Term Loan	22	820	-	-	-
Total Non-Current Liabilities		2,856	2,881	1,358	2,131
Total Liabilities		14,052	14,700	10,990	3,129
NET ASSETS		207,280	\$201,089	\$199,337	\$197,285
Equity comprises:					
Trust capital	7	158,460	158,460	158,460	158,460
Reserves	8	47,076	40,434	40,877	38,825
Equity attributable to equity holder of parent		205,536	198,894	199,337	197,285
Minority interests	12	1,744	2,195	-	-
TOTAL EQUITY		207,280	\$201,089	\$199,337	\$197,285

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 2016

		Group		Parent	
	Notes	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Cash Flows from Operating Activities					
Cash was provided from (applied to):					
Receipts from customers		11,251	11,724	4	4
Interest and dividends		7,420	9,337	6,863	9,405
Payments to suppliers and employees		(9,916)	(10,864)	(1,227)	(1,458)
Other expenses		(2,732)	(2,523)	(279)	(375)
Grants paid		(4,485)	(6,976)	(4,485)	(2,853)
Net Cash Inflows/(Outflows) from Operating Activities		1,538	698	876	4,723
Cash Flows from Investment Activities					
Cash was provided from (applied to):					
Investments in unlisted equities		(3,616)	(1,122)	83	107
Investments in listed equities		1,808	480	1,725	480
Investment in associates/subsidiaries		-	(1,303)	-	-
Loan receivables		1,396	857	(2,690)	(6,073)
Property, plant and equipment		(390)	(371)	(9)	5
Net Cash Inflows/(Outflows) from Investing Activities		(802)	(1,459)	(891)	(5,481)
Cash Flows to Financing					
Cash was provided from:					
Term loans		(248)	(205)	-	-
Net Cash Inflows/(Outflows) from Financing Activities		(248)	(205)	-	-
Net Increase / (Decrease) in Cash held		488	(966)	(15)	(758)
Add cash at beginning of year		379	1,493	201	959
Add new subsidiaries cash at beginning of the year		-	(148)	-	-
Total Cash Balance at End of Year		\$867	\$379	\$186	\$201
Represented by:					
Cash and cash equivalents		\$867	\$631	-	\$201
Bank overdraft		-	\$(252)	-	-
Total Cash Balance		\$867	\$379	\$186	\$201

The financial statements should be read with the accompanying notes.

**THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016**

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 was 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 2013 and the Community Trusts Act 1999.

These financial statements have been approved for issue by the Trustees on 27 July 2016.

2. STATEMENT OF ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements of the group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). The Parent and Group are considered public benefit entities for financial reporting purposes.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, and comply with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") as appropriate for Tier 2 not-for-profit public benefit entities.

The group qualifies and has elected to prepare financial statements as a Tier 2 reporting entity as total expenditure is less than \$30 million, and the group is not considered publicly accountable as defined by External Reporting Board Standard A1.

First time adoption of PBE Standards RDR

This is the Group and Parent's first set of financial statements presented in accordance with PBE Standards RDR. Upon transition no adjustment to previous recognition or measurement was required. Where appropriate disclosure in relation to the prior period have been restated to conform to the current year's presentation in accordance with PBE Standards RDR.

(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 dollars.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

Going Concern assumption

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

Selection of accounting policies

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 if the revisions affect only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimate uncertainty:

- **Assessing impairment of investments**
The group follows the guidance in NZ IAS 39 and NZ IAS 36 to determine when an investment is impaired. The determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the durations and extent to which the recoverable amount of an investment is less than its carrying value; and the financial health of and short-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.
- **Assessing fair value of financial instruments**
Judgement is required in calculating the fair value of financial instruments. Fair value is based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Refer to note 3.
- **Assessing fair value of biological assets**
Some judgement has been made in determining the fair value of biological assets. Biological assets are measured at fair value less costs to sell, with any change therein recognised in the income statement. The fair value is determined with reference to the present value of the expected cash flows using anticipated harvest volumes, market prices and the costs of cultivation until sold. Costs to sell include all costs that would be necessary to sell the assets. Biological assets are transferred to inventories at the date of harvest.

(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 controlled entities, Southland Community Trust Charities Limited, Invest South Holdings Limited, Invest South GP Limited, Invest South Limited Partnership, Back Country Foods Limited, Aoraki Smokehouse Salmon Limited and Hutton Salmon Limited.

Controlled entities are all those entities over which the Group has the power to govern the financial and operating policies of other entities so as to benefit from that entity's activities.

Controlled entities 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 controlled entities 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 COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

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 surplus or deficit.

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 minority interests

The Group treats transactions with minority interests as transactions with equity owners of the Group. For purchases from minority 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 minority 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 associates 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 surplus or deficit for the year, and its share of post-acquisition movements in reserves is recognised in other comprehensive revenue and expense. 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 surplus or deficit for the year.

(c) Income tax

Current year 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).

Deferred tax is recognised on temporary difference between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that such taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised of the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the accounting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(d) Exchange revenues

Exchange revenue is measured at the fair value of the consideration received or receivable. Such revenue 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) Non-exchange revenue

The recognition of non-exchange revenue from grants, donations, legacies and bequests depends on the nature of any stipulations attached to the inflow of resources received, and whether this creates a liability (i.e. present obligation) rather than the recognition of revenue. Stipulations that are conditions that specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, resulting in the recognition of a non-exchange liability that is subsequently recognised as non-exchange revenue as and when the conditions are satisfied. Stipulations may exist that are in essence restrictions - which do not specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated. Such stipulations therefore do not result in the recognition of a non-exchange liability, and do result in the immediate recognition of non-exchange revenue.

(f) Goods and Services Tax (GST)

The statements of comprehensive revenue and expense 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.

(g) 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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

Cash-generating assets are assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

For cash generating assets, value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the assets.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach - depending on the nature of the asset and impairment, and the availability of information.

(h) 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 cost of items transferred from biological assets is their fair value less costs to sell at the date of transfer.

(i) 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 revenue and expenses 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 or diminishing value 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 - 80%	Diminishing value
Leasehold alteration	3 - 40%	Diminishing value
Office equipment	11.4 - 60%	Diminishing value
Motor vehicles	20 - 30%	Diminishing value
Buildings	3.6 - 12.5%	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 surplus or deficit for the year.

Land and buildings are measured at fair value and are revalued every three to five years. 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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

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 surplus or deficit, in which case the increase is credited to the surplus or deficit 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 the surplus or deficit 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 surplus or deficit. 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.

(j) Trade and 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 surplus or deficit.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, bank overdrafts, 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.

(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 surplus or deficit.

(m) Employee entitlements

Liabilities for wages and salaries (including non-monetary benefits and annual leave) to be settled within 12 months of the reporting date are recognised in employee entitlements 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) Investments 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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

(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.

(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 Group's 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 surplus or deficit 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

'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 and investments.

'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 surplus or deficit.

Financial Assets

Financial assets are classified into the following specified categories; financial assets "at fair value through surplus or deficit" (or "FVTSD"), "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 2016**

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

(s) Financial assets & liabilities (Cont'd)

Financial Assets at Fair Value Through Surplus or Deficit

The Group classifies its managed funds and investments in listed and unlisted equities as financial assets at fair value through surplus or deficit. These financial assets are designated by management at fair value through surplus or deficit at inception.

Financial assets designated at fair value through surplus or deficit 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 Group 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 Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through surplus or deficit are initially recognised at fair value. Transaction costs are expensed in the surplus or deficit. Subsequent to initial recognition, all financial assets at fair value through surplus or deficit are measured at fair value. Gains and losses arising from changes in the fair value are presented in the surplus or deficit in the period in which they arise. Interest income from financial assets at fair value through surplus or deficit is recognised in the surplus or deficit as part of the gains and losses arising from changes in the fair value. Dividend income from financial assets at fair value through surplus or deficit is recognised in the surplus or deficit as part of the gains and losses arising from changes in the fair value when the Group'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.

Concessionary loans issued are loans issued to third parties at rates and/or terms below market. Any difference between fair value and transaction price of the concessionary loan at initial recognition is recognised as a finance cost in surplus or deficit.

Impairment of Financial Assets

Financial assets, other than those at fair value through surplus or deficit, 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 surplus or deficit.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

(s) Financial assets & liabilities (Cont'd)

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 surplus or deficit 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.

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.

(t) Biological Assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in the income statement. The fair value is determined with reference to the present value of the expected cash flows using anticipated harvest volumes, market prices and the costs of cultivation until sold. Costs to sell include all costs that would be necessary to sell the assets. Biological assets are transferred to inventories at the date of harvest.

3. INTEREST

	Group		Parent	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Cash and cash equivalents	10	37	6	24
Interest on advances	1,809	207	1,783	637
	<u>\$1,819</u>	<u>\$244</u>	<u>\$1,789</u>	<u>\$661</u>

4. INVESTING ACTIVITY AND TRUST EXPENSES

The breakdown of expenses into investing activity costs and Trust operating costs for the group for the year ended 31 March 2016 is as follows:

Group	Note	Investing Activity Costs	Trust Operating Costs	Total Group 2016
Cost of goods sold		5,620	-	5,620
Trustees' fees	20	-	162	162
Directors' fees		114	-	114
Employee entitlements		3,828	512	4,340
Fund managers' fees		573	-	573
Depreciation/Amortisation		495	55	550
Impairment provision on investments		2	-	2
Audit of the financial statements - PricewaterhouseCoopers		35	27	62
Legal expenses		-	1	1
Administration expenses		2,198	291	2,489
		<u>12,865</u>	<u>1,048</u>	<u>13,913</u>

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

4. INVESTING ACTIVITY AND TRUST EXPENSES (Cont'd)

The breakdown of expenses into investing activity costs and Trust operating costs for the group for the year ended 31 March 2015 is as follows:

Group	Note	Investing Activity Costs	Trust Operating Costs	Total Group 2015
Cost of goods sold		4,919	-	4,919
Trustees' fees	20	-	165	165
Directors' fees		217	-	217
Employee entitlements		4,008	588	4,596
Fund managers' fees		599	-	599
Depreciation/Amortisation		364	163	527
Impairment provision on investments		84	-	84
Audit of the financial statements - PricewaterhouseCoopers		33	28	61
Legal expenses		23	2	25
Administration expenses		1,904	313	2,217
		<u>12,151</u>	<u>1,259</u>	<u>13,410</u>

The breakdown of expenses into investing activity costs and Trust operating costs for the parent for the year ended 31 March 2016 is as follows:

Parent	Note	Investing Activity Costs	Trust Operating Costs	Total Parent 2016
Trustees' fees	20	-	162	162
Employee entitlements		-	512	512
Fund managers' fees		573	-	573
Depreciation/Amortisation		-	55	55
Audit of the financial statements - PricewaterhouseCoopers		-	27	27
Legal expenses		-	1	1
Administration expenses		-	291	291
		<u>573</u>	<u>1,048</u>	<u>1,621</u>

The breakdown of expenses into investing activity costs and Trust operating costs for the parent for the year ended 31 March 2015 is as follows:

Parent	Note	Investing Activity Costs	Trust Operating Costs	Total Parent 2015
Trustees' fees	20	-	165	165
Employee entitlements		-	588	588
Fund managers' fees		599	-	599
Depreciation/Amortisation		-	163	163
Audit of the financial statements - PricewaterhouseCoopers		-	28	28
Legal expenses		-	2	2
Administration expenses		-	313	313
		<u>599</u>	<u>1,259</u>	<u>1,858</u>

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

5. GRANTS

	Group		Parent	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Committed and payable in the current year	5,217	5,843	5,217	2,239
Committed and not payable until future years	(773)	(901)	(773)	953
	<u>\$4,444</u>	<u>\$4,942</u>	<u>\$4,444</u>	<u>\$3,192</u>

6. TAXATION

a) Income tax recognised in surplus or deficit

Current tax expense

Current year	126	242	-	-
Deferred tax	(71)	750	-	-
Total tax expense	<u>\$55</u>	<u>\$992</u>	<u>\$Nil</u>	<u>\$Nil</u>

Income tax expense on pre-tax accounting surplus from operations reconciles to the income tax expense in the financial statements as follows:

Net surplus before taxation	6,371	18,192	2,052	4,434
Less net surplus from exempt activities	(2,054)	(15,343)	(2,052)	(4,434)
Taxable net surplus before taxation	<u>4,317</u>	<u>2,849</u>	<u>-</u>	<u>-</u>
Income tax expense calculated at 28%	1,209	798	-	-
Income tax exemption on partnership	(1,448)	(22)	-	-
Tax effect of permanent differences	1	23	-	-
Other adjustments	255	180	-	-
Inter-company dividend received	38	13	-	-
Total tax expense	<u>\$55</u>	<u>\$992</u>	<u>\$Nil</u>	<u>\$Nil</u>

b) Deferred tax liability

Valuation of biological assets	631	750	-	-
Leave and other provisions	47	-	-	-
Balance at end of the period	<u>\$678</u>	<u>\$750</u>	<u>\$Nil</u>	<u>\$Nil</u>

c) Current tax assets and liabilities

Current tax assets

Current tax refundable	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$Nil</u>
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Current tax liabilities

Current tax payable	<u>\$84</u>	<u>\$69</u>	<u>\$Nil</u>	<u>\$Nil</u>
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The Community Trust of Southland is exempt from income tax.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

	Group		Partnership	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
d) Imputation credit account balances				
Balance at end of the period	<u>\$669</u>	<u>\$649</u>	<u>\$Nil</u>	<u>\$Nil</u>

7. TRUST CAPITAL

	Group		Parent	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
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>

8. RESERVES

	Group		Parent	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Capital maintenance reserve	93,596	88,068	76,976	76,038
Grants maintenance reserve	(46,520)	(47,634)	(36,099)	(37,213)
	<u>\$47,076</u>	<u>\$40,434</u>	<u>\$40,877</u>	<u>\$38,825</u>

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 accumulated revenue and expenses.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

9. GRANT OBLIGATIONS

Commitments of \$10,674,000 (2015: \$ 10,793,000) exist for grants of the Group and \$10,674,000 (2015: \$ 2,968,000) for the Parent which will be distributed from either capital or income sources in future years.

	Group		Parent	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Balance at 1 April	10,793	12,747	2,968	2,629
Grants approved in current year	5,452	6,307	5,452	4,029
Grants paid in current year	(4,659)	(7,027)	(4,659)	(2,896)
Grants approved relating to future years	(773)	(833)	(773)	(645)
Grants withdrawn for current year	(65)	(74)	(65)	(60)
Grants withdrawn for prior years	(74)	(353)	(74)	(114)
Grant refunds	-	26	-	25
Transfer from subsidiary	-	-	7,825	-
	<u>\$10,674</u>	<u>\$10,793</u>	<u>10,674</u>	<u>\$2,968</u>

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

Current	9,316	8,662	9,316	837
Within 1-2 years	953	1,591	953	1,591
Within 2-3 years	405	540	405	540
	<u>\$10,674</u>	<u>\$10,793</u>	<u>\$10,674</u>	<u>\$2,968</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.

	Group		Parent	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
10. ACCOUNTS RECEIVABLE				
Trade receivables	1,465	1,395	51	64
Allowance for doubtful debts	-	-	-	-
Managed funds transfers	1,281	-	1,281	-
	<u>\$2,746</u>	<u>\$1,395</u>	<u>\$1,332</u>	<u>\$64</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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

11. INVENTORIES & BIOLOGICAL ASSETS

	Group		Parent	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Inventories				
Raw materials and packing	279	584	-	-
Finished goods	818	714	-	-
	<u>\$1,097</u>	<u>\$1,298</u>	<u>\$Nil</u>	<u>\$Nil</u>
Biological Assets – Salmon Stock				
Balance at beginning of year	5,625	-	-	-
Acquired as part of business combination	-	2,920	-	-
Current year movements in inventory	(671)	-	-	-
Change in fair value less estimated costs to sell	(451)	2,705	-	-
	<u>\$4,503</u>	<u>\$5,625</u>	<u>\$Nil</u>	<u>\$Nil</u>

Risk Factors

The Group is exposed to a number of risks relating to its growing of salmon stocks. These include storms, marine predators, toxic algae blooms and other contamination of the water space. The Group has extensive processes in place to monitor and mitigate these risks including regular inspection of the growing areas and contingency plans in the event of an adverse climatic event.

The key assumption which would lead to future uncertainty which may cause an adjustment to the carrying amounts of biological assets is the fair value per kg at the point of harvest. The value of these assets may fluctuate with both the market prices and foreign exchange movements.

Supply and Demand Risks

The Group is exposed to risks arising from fluctuations in the price and sales volumes of salmon. Management performs regular analysis to ensure that the Group's pricing structure is in line with the market and to ensure harvest volumes are appropriate.

Determining Fair Value

The pre-harvest salmon stock has been valued with reference to their stage of development, the length of the growth cycle, number in the water, assumptions in respect of biomass and feed conversion rates, and the fair value per kg at the point of harvest. The fair value per kg at the point of harvest is determined with reference to the market selling prices, as at 31 March 2016.

12. MINORITY INTEREST

	Group		Parent	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Opening balance at the beginning of the year	2,195	321	-	-
Share of profits for the year	(326)	736	-	-
Minority interest adjustment	(125)	(33)	-	-
Reserves on acquisition of subsidiary	-	1,171	-	-
	<u>\$1,744</u>	<u>\$2,195</u>	<u>\$Nil</u>	<u>\$Nil</u>

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

	Group		Parent	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
13. GOODWILL				
Gross carrying amount				
Balance at beginning of financial year	509	33	-	-
Acquisition of goodwill	8	476	-	-
Impairment charge	(248)	-	-	-
	<u>\$269</u>	<u>\$509</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 Limited and Aoraki Smokehouse Salmon Limited. During the year ended 31 March 2016, management have determined an impairment of \$248,099 in Aoraki Smokehouse Salmon Limited.

14. LOAN RECEIVABLES

Loans	\$480	1,929	405	1,100
Impairment provision	-	-	-	-
Discount provision	(28)	(26)	(28)	(26)
	<u>\$452</u>	<u>\$1,903</u>	<u>\$377</u>	<u>\$1,074</u>
Loans to third parties	75	298	-	-
Loans to unlisted equity entities/associates	-	531	-	-
Concessionary loans to community groups	377	1,074	377	1,074
	<u>\$452</u>	<u>\$1,903</u>	<u>\$377</u>	<u>\$1,074</u>
Current portion	160	743	85	-
Non-current portion	292	1,160	292	1,074
	<u>\$452</u>	<u>\$1,903</u>	<u>\$377</u>	<u>\$1,074</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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

	Group		Parent	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Concessionary Loans to Community Groups				
Troopers Memorial Corner Charitable Trust - Yule House	80	90	80	90
Wyndham & Districts Community Rest Home Incorporated	-	25	-	25
Arrowtown Trust	80	80	60	80
South Catlins Charitable Trust	55	55	55	55
Bluff Oyster & Food Festival	210	-	210	-
Queenstown Lakes Housing Trust	-	850	-	850
Face value of loans outstanding	405	1,100	405	1,100
Discount Provision	(28)	(26)	(28)	(26)
Total concessionary loans	\$377	\$1,074	\$377	\$1,074
Opening balance	1,074	356	1,074	291
Amounts advanced	1,000	850	1,000	850
Amounts repaid	(1,695)	(150)	(1,695)	(85)
Impairment losses	-	-	-	-
Initial recognition fair value adjustment	-	-	-	-
Unwinding of discount recognised in surplus/deficit	(2)	18	(2)	18
Closing balance	\$377	\$1,074	\$377	\$1,074

The concessionary loans, except Queenstown Lakes Community Housing Trust where interest was charged at 6.45% p.a., are interest free. To comply with PBE Standards, all interest free loans have been discounted to present value at the assessed market rate of 5.75%. This has resulted in \$1,646 being recorded as an expense this year (2015: \$17,544 of income). The discount reflecting the market interest rate will be unwound by the discount being returned through the surplus or deficit.

15 (a) INVESTMENT IN UNLISTED EQUITIES

IZON Limited	250	250	-	-
Impairment provision	(250)	(87)	-	-
	-	163	-	-
Areograph Limited	393	393	-	-
Impairment provision	(393)	(393)	-	-
	-	-	-	-
Fiordland Lobster Company Limited	8,765	3,188	-	-
Magic Memories Group Holdings Limited	1,275	-	-	-
Rothbury Group Limited	2,931	1,660	-	-
Waikaia Gold Limited	1,995	1,013	-	-
	14,966	\$6,024	\$Nil	\$ Nil

Investments in unlisted equities are shown at fair value. Last year the investments were shown at cost less impairments, as it was not possible to get a reliable fair value estimate (refer to Note 21).

THE COMMUNITY TRUST OF SOUTHLAND
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For the Year Ended 31 March 2016

	2016 \$000	Group 2015 \$000	2016 \$000	Parent 2015 \$000
Gain from change in fair value of investments				
Fiordland Lobster Company Limited	3,199	-	-	-
Magic Memories Group Holdings Limited	275	-	-	-
Rothbury Group Limited	1,032	-	-	-
Walkala Gold Limited	981	-	-	-
	<u>\$5,487</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
Impairment charge / (reversal) on investments				
IZON Science Limited	162	-	-	-
Aoraki Smokehouse Salmon Limited	-	(720)	-	-
Areograph Limited	-	-	-	-
	<u>\$162</u>	<u>\$(720)</u>	<u>\$-</u>	<u>\$-</u>
Total	<u><u>\$5,325</u></u>	<u><u>\$(720)</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>

15 (b) INVESTMENTS IN LISTED EQUITIES

Pacific Edge Biotechnology Limited	<u>\$554</u>	<u>\$637</u>	<u>\$554</u>	<u>\$637</u>
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This investment is measured at its fair value based on its quoted price.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

16. MANAGED FUNDS

The Group has funds with six investment managers (fund managers) at 31 March 2016 as follows:

- Direct Capital
- Elevation Capital Limited
- First New Zealand Capital
- Pacific Investment Management Company (PIMCO)
- Pioneer Capital Limited Partnership
- Nikko Investment Management

The fair value of the managed funds investments as at 31 March 2016 was as follows:

Group & Parent	Elevation Capital \$000	Direct Capital \$000	First NZ Capital \$000	Pioneer Capital \$000	PIMCO \$000	Nikko Investment \$000	Total \$000
Australasian equities	21,515	491		1,217			23,223
Overseas equities	72,184						72,184
NZ fixed interest						31,257	31,257
Overseas fixed Interest					42,190		42,190
Foreign exchange contracts						2,011	2,011
Unlisted unit trusts						12,430	12,430
Unsettled trades							
Cash	8,633					328	8,961
Total	\$102,332	\$491	\$Nil	\$1,217	\$42,190	\$46,026	\$192,256

The fair value of the managed funds investments as at 31 March 2015 was as follows:

Group & Parent	Elevation Capital \$000	Direct Capital \$000	First NZ Capital \$000	Pioneer Capital \$000	PIMCO \$000	Nikko Investment \$000	Total \$000
Australasian equities	24,865	910		719			26,494
Overseas equities	73,309						73,309
NZ fixed interest						30,876	30,876
Overseas fixed interest					42,506		42,506
Foreign exchange contracts						474	474
Unlisted unit trusts						16,369	16,369
Unsettled trades							
Cash	3,908		3			41	3,952
Total	\$102,082	\$910	\$3	\$719	\$42,506	\$47,780	\$193,980

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.

THE COMMUNITY TRUST OF SOUTHLAND
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For the Year Ended 31 March 2016

Fair Value Measurement

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 surplus or deficit. 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.

Asset category	Basis of fair value measurement
Australasian equities - Elevation Capital	Based on quoted market prices at the balance sheet date
Overseas equities - Elevation Capital	Based on quoted market prices at the balance sheet date
NZ fixed interest - Nikko	Based on quoted market prices at the balance sheet date where such quoted market prices are available, and otherwise based on valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.
Overseas fixed interest - PIMCO	
Foreign exchange contracts - Nikko	
Unlisted unit trusts - Nikko	
Australasian equities - Direct Capital	
	<p>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 has applied the Australian Venture Capital and Private Equity Valuation Guidelines to quarterly revaluations on each Direct Capital IV portfolio company. In addition Direct Capital notes:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
Australasian equities - Pioneer Capital	In arriving at the fair value for the Pioneer Capital Portfolio, the Trust has used the fair value assessed by Pioneer Capital II Limited Partnership (Pioneer). Pioneer uses fair value to measure its financial instruments, such as debt and equity investments in portfolio companies. Valuation techniques are used such as discounted cash flow models.

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17. INVESTMENT IN ASSOCIATES

Associates	Percentage Held		Balance Date	Principal Activity	Consolidated Carrying Amount	
	2016	2015			2016	2015
					\$	\$
Bush Road Limited	30%	30%	31 March	Vegetable Processors and Wholesalers	-	-

All entities are incorporated in New Zealand.

Interests in Associates

	2016 \$000	Group 2015 \$000	2016 \$000	Parent 2015 \$000
<i>Movements in carrying amounts</i>				
Shares at cost	\$114	\$114	-	-
Opening balance	-	-	-	-
Acquisition of associates	-	-	-	-
Sale of associates during year	-	-	-	-
Impairment	-	-	-	-
Reversal of share of associate earnings on sale	-	-	-	-
Share of total recognised revenues and expenses	-	-	-	-
Reclassify associate as subsidiary	-	-	-	-
Balance at 31 March	\$Nil	\$Nil	\$Nil	\$Nil

18. INVESTMENT IN SUBSIDIARIES

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

Subsidiaries are incorporated in New Zealand.

Subsidiaries	2016 Percentage Held	2015 Percentage Held	Balance Date	Principal Activity
Southland Community Trust Charities Limited	100%	100%	31 March	Distribution of grants to charitable organisations
Invest South Holdings Limited (formerly Invest South Limited)	100%	100%	31 March	Debt funding and equity investments
Invest South GP Limited	100%	100%	31 March	Management company
Invest South Limited Partnership	100%	100%	31 March	Asset Management
Back Country Foods Limited	59.2%	59.2%	31 March	Freeze dried food producer
Aoraki Smokehouse Salmon Limited	71.26%	71.26%	31 March	Salmon farm
Hutton Salmon Limited	71.26%	71.26%	31 March	Salmon farm

During the year the assets and liabilities of Southland Community Trust Charities Limited were transferred to the Community Trust of Southland, including the investment of \$8,000,000 in Invest South Holdings Limited. These assets and liabilities are now reflected in the Community Trust of Southland.

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19. PROPERTY, PLANT & EQUIPMENT

	Land \$000	Buildings \$000	Equipment \$000	Furniture & Fittings \$000	Motor Vehicles \$000	Total \$000
Group						
Cost or Valuation as at 1 April 2015	360	757	4,852	367	128	6,464
Additions/Revaluations	-	-	339	52	3	394
Prior year error	-	-	272	-	-	272
Disposals/Revaluations	-	-	-	-	-	-
Cost or Valuation at 31 March 2016	360	757	5,463	419	131	7,130
Accumulated depreciation at 1 April 2015	-	366	2,138	232	35	2,771
Depreciation	-	29	467	14	25	535
Prior year error	-	-	258	16	-	274
Disposals	-	-	-	-	-	-
Accumulated depreciation at 31 March 2016	-	395	2,863	262	60	3,580
Net book value 31 March 2015	\$360	\$391	\$2,714	\$135	\$93	\$3,693
Net book value 31 March 2016	\$360	\$362	\$2,600	\$157	\$71	\$3,550
Parent						
Cost or Valuation at 1 April 2015	360	757	171	169	78	1,535
Additions/Revaluations	-	-	8	1	-	9
Disposals/Revaluations	-	-	-	-	-	-
Cost or Valuation at 31 March 2016	360	757	179	170	78	1,544
Accumulated depreciation at 1 April 2015	-	366	159	159	24	708
Depreciation	-	29	7	2	17	55
Disposals	-	-	-	-	-	-
Accumulated depreciation at 31 March 2016	-	395	166	161	41	763
Net book value 31 March 2015	\$360	\$391	\$12	\$10	\$54	\$827
Net book value 31 March 2016	\$360	\$362	\$13	\$9	\$37	\$781

No revaluation of freehold land and buildings has been completed since 31 March 2013. The values listed are those calculated by Chadderton Valuation, an independent valuer at that date less an annual depreciation allowance. Refer to the policy which is outlined within Note 2(i).

20. KEY MANAGEMENT PERSONNEL

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

	Group		Parent	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Short term employee benefits - Executives	309	368	207	204
Trustee fees - Trustees	162	165	162	165
Directors fees - Directors	60	60	-	-
	<u>\$531</u>	<u>\$593</u>	<u>\$369</u>	<u>\$369</u>

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20. KEY MANAGEMENT PERSONNEL (CONT'D)

	2016 # of FTEs	Group 2015 # of FTEs	2016 # of FTEs	Parent 2015 # of FTEs
Key management comprised the following number of FTEs				
Executives	1.67	1.55	1.00	1.00
Trustees	1.22	1.22	1.22	1.22
Directors	0.27	0.27	-	-
	<u>3.16</u>	<u>3.04</u>	<u>2.22</u>	<u>2.22</u>

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

	2016 \$000	2015 \$000
Joan Kiernan (retired June 2015)	3	19
Tracy Hicks (retired June 2015)	3	24
Trish Lindsay	-	2
Craig Robins (retired June 2015)	3	16
Linette Sinclair (retired June 2015)	3	14
Richard Wason	16	16
Penny Simmonds	14	14
Stephen Bragg	14	14
Lindsay Wright	19	16
Trish Boyle	29	19
Ross Jackson	14	11
Mata Cherrington (appointed June 2015)	11	-
Margot Hishon (appointed June 2015)	11	-
Stephen O'Connor (appointed June 2015)	11	-
John Wilson (appointed June 2015)	11	-
	<u>\$162</u>	<u>\$165</u>

21. FINANCIAL INSTRUMENTS

Financial Risk Management

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

Market Risk

The Group'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 Group's exposure to market risks or in the manner it manages and measures the risk.

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; and
- to operate a widely diversified portfolio of investments.

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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 Group's exposure to fair value interest rate risk is limited to its fixed rate cash at bank and fixed rate cash and fixed interest 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 Group 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 Group's functional currency.

Equity Price Risk

The Group is exposed to equity price risk. This arises from managed funds held by the Trust and classified as financial assets at fair value through surplus or deficit.

Credit Risk Management

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group 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 five separate fund managers, with each fund manager having an investment mandate which requires that they diversify their investments on the Group's behalf. The Group has sought and obtained the advice of professional investment advisors prior to making its investment allocations and placement decisions.

Liquidity Risk Management

Liquidity risk is the risk that the Group 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 Group aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Group 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.

Capital Risk Management

The Group's objective when managing Group 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 Group consists of Group 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 Trust'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 Trust. Trustees further agreed that over the long term the net assets of the Trust 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 4.35% (after inflation) of the Trust's capital value. Recognising that actual returns are likely to fluctuate from year to year,

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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 3.25% of the Trust's actual capital base. 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 need to rebuild capital, and the robustness of the community sector in the Trust's area, will be considerations in any decision to increase or decrease the grants budget. As a result there may 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 as follows:

Liquidity – Cash	4%
Income – Cash	1%
Income – NZ Bonds	15%
Income – Overseas Bonds	20%
Growth – Listed Shares	50%
Growth – Unlisted Shares (private equity)	10%
	<hr/>
	100%
	<hr/>

Fair Values

The fair value of financial instruments that are not traded in an active market or listed shares that are thinly traded, in relation to the Group's unlisted debt instruments have been valued in accordance with independent valuations. The independent valuations were completed on behalf of the Group during 2016 by Deloitte.

Although the General Partner uses its best judgement in estimating the fair value of investments, these are inherent limitations in any estimation techniques. The fair value estimates presented herein are not necessarily indicative of an amount the Group could realise in a current transaction.

IFRS 13 requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following Levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quotes prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Level in the fair value hierarchy within which the fair value measurement is categorised in its entirety should be determined on the basis of the lowest Level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the General Partner. The General Partner considers observable data to be market data that is readily available, regularly distributable or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

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The following table analyses within the fair value hierarchy the Group's financial assets (by class) measure at fair value on the statement of financial position.

Group

31 March 2016	Level 1 NZD \$000	Level 2 NZD \$000	Level 3 NZD \$000	Total NZD \$000
Financial assets at fair value through profit or loss				
Listed equity securities	554	-	-	554
Investment in managed funds	137,636	54,620	-	192,256
Listed Australian equity securities	-	-	-	-
Unlisted equity securities	-	-	14,966	14,966
	<u>138,190</u>	<u>54,620</u>	<u>14,966</u>	<u>207,776</u>

31 March 2015	Level 1 NZD	Level 2 NZD	Level 3 NZD	Total NZD
Financial assets at fair value through profit or loss				
Listed equity securities	637	-	-	637
Investment in managed funds	135,405	58,575	-	193,980
Listed Australian equity securities	-	-	-	-
Unlisted equity securities	-	-	6,025	6,025
	<u>136,042</u>	<u>58,575</u>	<u>6,025</u>	<u>200,642</u>

	Investment in managed funds NZD	Unlisted equity securities NZD	Listed NZ equity securities NZD
Balance at beginning of the year	193,980	6,025	637
Transfer from loans and receivables at FVTPL	-	-	-
Transfer from Unlisted equity securities	-	-	-
Additional investments/transfers	-	3,616	-
Settlements and repayments	(1,795)	-	-
Change in value of financial assets at fair value through profit or loss	71	5,325	(83)
Loan interest receivable	-	-	-
Foreign exchange movement	-	-	-
Balance at end of the year	<u>192,256</u>	<u>14,966</u>	<u>554</u>

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	2015		
	Unlisted equity securities NZD	Unlisted equity securities NZD	Listed NZ equity securities NZD
Balance at beginning of the year	180,832	4,880	1,117
Change in value of financial assets at fair value through profit or loss	13,148	-	(480)
Additional investments		1,145	-
Balance at end of the year	193,980	6,025	637

Included in profit or loss for the year are net gains of \$5,325,199 (31 March 2015: \$Nil gain) relating to level 3 assets held at the end of the reporting year. Fair value gains or losses on those assets are included in "change in fair value of financial assets at FVTPL" in the statement of comprehensive income.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include listed equity securities and the investment in a listed bond fund.

Financial instruments that traded in markets that are not considered to be active but are valued based on quoted market prices or alternative pricing sources supported by observable inputs are classified within Level 2. As Level 2 investments include positions that are not traded in active markets, valuations may be adjusted to reflect illiquidity, which are generally based on available market information.

Shares

The level three shares were purchased in an arms length transaction. It is the Directors determination that the transaction price is the best evidence of fair value. There have been no events that would indicate that there has been a significant change in the value of the shares from date of purchase to year end.

Loans receivable

The value of loans receivable is derived from external valuations of the underlying collateral and desktop valuations of the remainder applying methodology consistent with property valuations e.g. discount rate, timing of sell down period, the price/cost escalations over the time.

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Valuation methodologies	
Adjusted net asset approach	A valuation methodology which is a combination of the market and income approach. It involves directly measuring the fair value of the recognised and unrecognised assets and liabilities of the investee.
Market approach – comparable company valuation multiples	A valuation methodology which assumes that the value of an unquoted asset can be measured by comparing that asset to similar assets where market prices are available. Information can usually be sourced from quoted prices and/or observable data from transaction such as mergers and acquisitions. Earnings multiples are adjusted to reflect qualitative differences between the investee and the comparable companies and earnings of the investee are adjusted for non-recurring items. Other adjustments may be made to reflect the characteristics of the equity interest being valued (eg. non-controlling interest discount, lack of liquidity)
Discounted cash flow analysis	A valuation methodology which requires the application of financial modelling techniques. Discounted cash flow analysis requires explicit assumptions to be made regarding the prospective income and expenses of a property, such assumptions pertaining to the quantity, quality, variability, timing and duration of inflows and outflows over an assumed development period. The assessed cash flows are discounted to present value at an appropriate, market-derived discount rate to determine fair value.
Sales comparison approach	A valuation methodology whereby the subject property is compared to recently sold properties of a similar nature with fair value determined through the application of positive and negative adjustments for their differing attributes.

The following table shows the impact on the fair value of a change in a significant unobservable input:

Significant inputs	Fair value measurement sensitivity to increase in input	Fair value measurement sensitivity to decrease in input
Minority discount	Decrease	Increased
EBITDA multiple	Increase	Decrease
Value per square metre	Increase	Decrease
Discount rate	Decrease	Increase

There are interrelationships between the unobservable inputs as they are determined by market conditions: an increase in more than one input could magnify or mitigate the impact on the valuation.

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22. Term Loans

	Group		Parent	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Current term loans				
Advance Wood	270	269	-	-
ANZ Bank loan facility	-	550	-	-
Advance Isaac Trust	-	44	-	-
ANZ Bank 1004 loan	-	238	-	-
ANZ Bank 1005 loan	-	238	-	-
	<u>\$270</u>	<u>\$1,339</u>	<u>\$-</u>	<u>\$-</u>
Non-current term loans				
ANZ Bank loan facility	550	-	-	-
ANZ Bank loan facility – 3 year	270	-	-	-
	<u>\$820</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
Total term loans	<u>\$1,090</u>	<u>\$1,339</u>	<u>\$-</u>	<u>\$-</u>

The advance to Wood is secured by a second General Security Agreement (GSA) over all plant and equipment of Aoraki Smokehouse Salmon Limited and is repayable on demand.

The ANZ Bank loan facility \$550,000 is secured by way of a registered first ranking GSA over all the present and after acquired property of Aoraki Smokehouse Salmon Limited. Repayments are interest only and the loan is a revolving credit facility.

The ANZ Bank loan \$270,000 was advanced on 27 August 2015. It is secured by way of a registered first ranking GSA over all the present and after acquired property of Aoraki Smokehouse Salmon Limited. Repayment terms are \$5,000 per month over 60 months.

23. CONTINGENCIES

There are no contingent liabilities relating to the Group at 31 March 2016 (2015: Nil). As at 31 March 2016 a contingent asset of \$400,000 existed (2015: \$400,000) being the likely repayment of a loan in relation to the Southland Outdoor Stadium Trust.

24. CAPITAL COMMITMENTS

There are no capital commitments as at 31 March 2016. In March 2015 the Trust agreed to loan \$2,000,000 to the Queenstown Lakes Community Housing Trust. At balance date 2015 \$850,000 was drawn down.

25. OPERATING LEASE COMMITMENTS

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

	Group		Parent	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Current within one year	-	60	-	-
Later than one year but not later than five years	60	60	-	-
Later than five years	60	60	-	-
	<u>\$120</u>	<u>\$180</u>	<u>\$Nil</u>	<u>\$Nil</u>

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26. EVENTS OCCURRING AFTER BALANCE DATE

There were no significant events occurring after 31 March 2016. (2015: Southland Community Trust Charities Limited was initially established for taxation purposes, however with the subsequent granting of tax exemption to the Community Trust of Southland there is no longer a need for the company, and so Southland Community Trust Charities Limited has been wound up subsequent to balance date).

27. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Transactions with Employees

Key management employees declared no interests in relation to organisations that received grants during the year as detailed below (2015: \$40,500). Interests were declared when these grants were considered and key management took no part in deliberations relating to organisations they had an interest in.

	2016	2015
	\$0	\$0
J Prendergast St Mary's Parish Invercargill	-	30,000
Tertiary Education Scholarships	-	10,500
TOTAL	\$Nil	\$40,500

Transactions with Trustees

Trustees declared interests in relation to organisations that received grants during the year totalling \$1,161,061 as detailed below (2015: \$1,956,989). Interests were declared when these grants were considered and Trustees took no part in deliberations relating to organisations they had an interest in. As at 31 March 2016 Grants remaining unpaid were Film Otago Southland (\$50,000), Venture Southland (\$208,500) and Tokanui School (\$8,022).

C Robins

Knapdale Primary School	-	4,500
Total	-	4,500

L Sinclair

Community Led Development Grant - S Dennison	-	3,200
Community Networking Trust	-	25,000
Community Networking Trust (Eastern Southland) Inc	-	10,000
Netball South	-	159,270
Nga Kete Matauranga Pounamu Charitable Trust	-	10,000
Rape and Abuse Support Centre Southland	-	30,000
Total	-	237,470

P Simmonds

CareerFest Southland	8,500	-
Chamber of Commerce	-	-
Community Led Development Grant - S Dennison	-	3,200
Cycling Southland	-	-
Environment Southland	50,000	-
Film Otago Southland	50,000	-
Tertiary Education Scholarships	-	4,000
Finn Bodkin-Allen	400	-
Gore Health Ltd	-	-
HETTANZ Southland	-	640

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Hockey Southland	11,390	22,700
Knapdale Primary School	-	4,500
Netball South	170,460	-
Nga Kete Maturanga Pounamu Charitable Trust	-	10,000
Royal NZ Foundation for the Blind	-	-
Rugby Southland	163,710	-
Snow Sports New Zealand	-	5,000
Sport Southland	-	-
Southland Basketball	50,000	-
Southland Disability Enterprises Limited	-	30,000
Southland Indoor Leisure Centre Charitable Trust	-	1,000,000
Southland Motorcycle Club	-	3,000
Southland Musicians Club	-	2,000
Southland Riding for the Disabled	-	5,000
St Peter's School	-	-
The Parenting Place	-	-
Venture Southland	217,000	5,560
Venture Southland Creative Southland	-	37,000
Shakespeare in the Park Charitable Trust	-	-
Total	721,460	1,132,600

T Hicks

Art Scholarship	-	750
Citizens Advice Bureau Gore	-	7,605
Community Led Development Grant - S Dennison	-	3,200
Community Networking Trust	-	25,000
Community Networking Trust (Eastern Southland) Inc	-	11,500
Eastern Southland Basketball Association	-	4,950
Equestrian Sports New Zealand Inc (Southland Show jumping)	-	3,500
Gore & Districts Amenities Charitable Trust	-	5,000
Gore & Districts Senior Citizens Club (Choir Section)	-	500
Gore Blue Light	-	3,000
Gore District Historical Society	-	3,750
Gore Health Ltd	-	5,000
Gore Kids Hub	200,000	-
Gore Southern Shears Committee	-	4,200
Gore Womens Refuge	-	27,652
Greenvale Sheep Dog Trial Club	-	8,000
Heritage South	-	4,000
HETTANZ Southland	-	640
Hokonui Moonshine Museum Charitable Trust	-	3,000
Hokonui Pioneer Village & Museum	-	10,000
Mataura & Districts Senior Citizens	-	500
Mataura & Districts Historical Society	-	32,455
Mataura Pony Club	-	3,000
Mataura Scout Group	-	1,500

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Mataura Taskforce	-	1,604
Mataura Youth Centre Trust	-	5,000
New Zealand Song Writers Trust	-	5,000
Royal NZ Plunket Society - Mataura	-	700
Southland Bird Club	-	3,000
Southland Disability Enterprises Limited	-	30,000
Southland Life Education Trust	-	16,786
Southland Ten Pin Bowling Association	-	1,500
Southland Warm Homes Trust	-	25,000
Sport Scholarship	-	2,500
Venture Southland	-	5,560
Venture Southland Creative Southland	-	54,000
Waikaka Combined Sports Association	-	5,000
Waikaka Public Hall Society	-	3,242
Total	200,000	327,594

R Jackson

Chamber of Commerce Southland	-	3,000
First Church Heritage Building Charitable Trust	6,079	-
Invercargill & Districts Victim Support Group	-	6,500
Pacific Island Advisory and Cultural Support Group	-	18,000
Queenstown Cricket Club	-	1,500
Rape and Abuse Support Centre Southland	80,000	30,000
School Leaver Awards	-	104,000
Southland Christmas Parade Charitable Trust	-	15,810
Southland Piping and Drumming Development Trust	15,000	-
Volleyball Southland	-	14,015
YMCA of Invercargill Charitable Trust	20,000	25,000
Total	121,079	217,825

R Wason

Invercargill Contract Bridge Club	-	24,300
Invercargill & Districts Victim Support Group	-	6,500
Total	-	30,800

L Wright

New Zealand Song Writers Trust	-	5,000
Total	-	5,000

S Bragg

Awarua Social and Health Services	-	1,200
Total	-	1,200

T Lindsay

Southland Disability Enterprises Limited	-	30,000
Total	-	30,000

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016

S O'Connor

YMCA of Invercargill	20,000	-
Total	20,000	-

T Boyle

Environment Southland	50,000	-
Tokonui School	8,022	-
Total	58,022	-

M Hishon

Lucy McIntyre	500	-
Tokonui School	40,000	-
Total	40,500	-

Overall Total	\$1,161,061	\$1,986,989
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Transactions with subsidiaries

During 2016 the assets and liabilities of Southland Community Trust Charities Limited were transferred to The Community Trust of Southland. At 31 March 2015 Southland Community Trust Charities Limited owed \$3,580,000 to The Community Trust of Southland. The Community Trust of Southland is owed \$6,447,000 from Invest South Limited Partnership (2015:\$0).

	Group		Parent	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Invest South Holdings Limited	-	-	375	-
Invest South Limited Partnership	-	-	6,447	-
Southland Community Trust Charities Limited	-	-	-	3,580
Related Party Advances Receivable	\$-	\$-	\$6,822	\$3,580
 Invest South Limited	 -	 -	 126	 -
Related Party Advances Payable	\$-	\$-	\$126	\$-

**THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2016**

Transactions between subsidiaries

Directors fees have been paid to Peak Consulting Ltd (P Carnahan) by Aoraki Smokehouse Salmon Limited \$18,000 (2015 \$18,000), of which \$1,500 was owing at year end (2015: \$1,500), Waikaia Gold Limited \$25,208, (2015: \$20,000) and Back Country Foods Limited \$7,200 (2015: \$7,200). Peter Carnahan is a director on these companies. Additionally administration fees have been paid to Peak Consulting Limited by Back Country Foods Limited who paid Peak Consulting Limited \$750 (2015: \$694) and Aoraki Smokehouse Salmon Limited \$4,950 (2015: \$Nil).

Directors Fees have been paid to B Highsted (Director) from Back Country Foods Limited \$Nil (2015: \$600) and Aoraki Smokehouse Salmon Limited \$12,000 (2015: \$12,000) of which \$231 was owing at year end (2015: \$Nil).

Directors Fees have been paid to I Sutherland (Director) from Back Country Foods Limited \$4,800 (2015: \$Nil).

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 \$243,105 (2015: \$370,535). At 31 March 2016 Invest South GP Limited was due \$37,861 (2015: \$10,668) from Invest South Limited Partnership. At 31 March 2016 Invest South Limited Partnership owed \$7,317,404 to Invest South Holdings Limited (2015: \$7,317,404) and \$Nil to Southland Community Trust Charities Limited (2015: \$1,557,050). The advances are unsecured, repayable on demand and interest free. It is not expected the advances will be repaid or received in the next 12 months.

Shareholder loans have been advanced to Aoraki Smokehouse Salmon Limited, \$755,025 (2015: \$255,027), Waikaia Gold Limited \$Nil (2015 \$492,162) and Back Country Foods Limited, \$433,643 (2015: \$Nil). In 2016, interest was charged on the loan to Aoraki Smokehouse Salmon Limited of \$56,931, (2015, \$Nil) from 1 April 2015. For the year ended 31 March 2016, interest of \$Nil has been charged on the Waikala Sheet Pile Limited loan (2015: \$6,860) and the Back Country Foods Limited loan \$21,674 (2015: \$Nil). The loans to Bush Road Limited and Aerograph Limited are interest free.

A loan of \$0 (2015: \$0) has also been advanced to Evanos Trust, a shareholder of Aoraki Smokehouse Salmon Limited. Interest of \$0 has been charged on this loan for the year to 31 March 2016 (2015: \$1,311). Additionally, a loan of \$70,535 has been advanced to B & K Crossan, shareholders & directors of Back Country Foods Limited, (2015 \$125,118), Interest for the year of \$12,098 has been received on this loan (2015 \$12,547).

28. 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 2016 is available, on request, from the Trust's office at 62 Don Street (PO Box 1646), Invercargill, 9840 or on the Trust's website www.ctos.org.nz.



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 39, which comprise the statements of financial position as at 31 March 2016, and the statements of comprehensive revenue and expenses, statements of changes in net assets/equity and the 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 the Trust and the Group. The Group comprises the Trust and the entities it controlled as at 31 March 2016 or from time to time during the financial year.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible on behalf of the Trust for the preparation and fair presentation of these financial statements in accordance with New Zealand Public Benefit Entities Standards Reduced Disclosure Regime 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). 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 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 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.

We are independent of the Trust and Group. 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.



Independent Auditors' Report

The Community Trust of Southland

Opinion

In our opinion, the financial statements on pages 3 to 39 present fairly, in all material respects, the financial position of the Trust and Group as at 31 March 2016, and their financial performance and cash flows for the year ended on that date in accordance with New Zealand Public Benefits Entity Standards Reduced Disclosure Regime.

Restriction on Use of our Report

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

A handwritten signature in dark ink, appearing to read 'R. McArthur', written over the printed name.

Chartered Accountants
24 August 2016

Dunedin

