

THE COMMUNITY TRUST OF SOUTHLAND
FINANCIAL REPORT
For the Year Ended 31 March 2014

| CONTENTS | PAGE |
|--|-------------|
| Trustees' Responsibility Statement | 2 |
| Statements of Comprehensive Income..... | 3 |
| Statements of Changes in Equity..... | 4 |
| Statements of Financial Position..... | 5 |
| Statements of Cash Flows | 6 |
| Notes to the Financial Statements | 7 – 35 |
| Independent Auditor's Report | 36 - 37 |

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

The Trustees of The Community Trust of Southland ("the Trust") are pleased to present the financial statements for the year ended 31 March 2014.

The Trustees are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Trust and Group as at 31 March 2014 and the results of their operations and cash flows for the year ended on that date.

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

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

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

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



Trustee

24 July 2014

Trustee

24 July 2014



THE COMMUNITY TRUST OF SOUTHLAND
STATEMENTS OF COMPREHENSIVE INCOME
For the Year Ended 31 March 2014

| | | Group | | Parent | |
|---|--------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Notes | 2014 \$000 | 2013 \$000 | 2014 \$000 | 2013 \$000 |
| Sales (by subsidiary) | | 2,603 | 2,450 | - | - |
| Dividends | | 4,786 | 7,705 | 4,572 | 7,320 |
| Interest | 3 | 2,890 | 3,127 | 3,073 | 3,050 |
| Unrealised gains / (losses) from change in fair value of managed funds | | (419) | 10,483 | (419) | 10,483 |
| Realised gains from change in fair value of managed funds | | 1,849 | 1,229 | 1,850 | 1,228 |
| Other income | | 80 | 267 | 4 | 4 |
| | | <u>11,789</u> | <u>25,261</u> | <u>9,080</u> | <u>22,085</u> |
| Plus share of associates earnings | | 252 | 143 | - | - |
| Less investing activity expenses | 4 | 4,286 | 3,237 | 1,229 | 729 |
| Net Surplus from Investing Activities | | <u>7,755</u> | <u>22,167</u> | <u>7,851</u> | <u>21,356</u> |
| Trust expenses | 4 | 1,209 | 1,255 | 1,209 | 1,255 |
| Operating Surplus before Grants | | <u>6,546</u> | <u>20,912</u> | <u>6,642</u> | <u>20,101</u> |
| Grants | 5 | 4,289 | 6,482 | 1,745 | 2,549 |
| Discount on interest free loans | | (313) | 360 | (306) | 350 |
| Net Surplus before Taxation | | <u>2,570</u> | <u>14,070</u> | <u>5,203</u> | <u>17,202</u> |
| Taxation expense | 6 | 57 | 104 | - | - |
| Net Surplus after Taxation | | <u>2,513</u> | <u>13,966</u> | <u>5,203</u> | <u>17,202</u> |
| Other comprehensive income | | - | 22 | - | 22 |
| Total Comprehensive Income for the Year | | <u>\$2,513</u> | <u>\$13,988</u> | <u>5,203</u> | <u>\$17,224</u> |
| Surplus is attributed to: | | | | | |
| Equity holders of the parent | | 2,455 | 13,859 | 5,203 | 17,202 |
| Minority interest | 12 | 58 | 107 | - | - |
| | | <u>\$2,513</u> | <u>\$13,966</u> | <u>\$5,203</u> | <u>\$17,202</u> |
| Total Comprehensive Income is attributed to: | | | | | |
| Equity holders of the parent | | 2,455 | 13,881 | 5,203 | 17,224 |
| Minority interest | 12 | 58 | 107 | - | - |
| | | <u>\$2,513</u> | <u>\$13,988</u> | <u>\$5,203</u> | <u>\$17,224</u> |

The financial statements should be read with the accompanying notes.

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENTS OF CHANGES IN EQUITY
For the Year Ended 31 March 2014

| Group | Trust Capital | Unspent Grants Budget Reserve | Capital Maintenance Reserve | Grants Maintenance Reserve | Minority Interest | Other | Total |
|--------------------------------------|------------------|--|-----------------------------------|----------------------------------|----------------------|--------------|------------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Balance at 31 March 2012 | \$158,460 | \$570 | \$39,159 | (\$32,095) | \$284 | \$Nil | \$166,378 |
| Net surplus after taxation | - | - | - | - | 107 | 13,859 | 13,966 |
| Revaluation of land/buildings | - | - | - | - | - | 22 | 22 |
| Minority interest adjustment | - | - | - | - | (103) | - | (103) |
| Transfer to/(from) reserves | - | (570) | 846 | 13,605 | - | (13,881) | - |
| Balance at 31 March 2013 | <u>\$158,460</u> | <u>\$Nil</u> | <u>\$40,005</u> | <u>(\$18,490)</u> | <u>\$288</u> | <u>\$Nil</u> | <u>\$180,263</u> |
| Net surplus/(deficit) after taxation | - | - | - | - | 58 | 2,455 | 2,513 |
| Revaluation of land/buildings | - | - | - | - | - | - | - |
| Minority interest adjustment | - | - | - | - | (25) | - | (25) |
| Transfer to/(from) reserves | - | - | 35,836 | (33,381) | - | (2,455) | - |
| Balance at 31 March 2014 | <u>\$158,460</u> | <u>\$Nil</u> | <u>\$75,841</u> | <u>(\$51,871)</u> | <u>\$321</u> | <u>\$Nil</u> | <u>\$182,751</u> |
| Parent | | | | | | | |
| Balance at 31 March, 2012 | \$158,460 | \$570 | \$65,206 | (\$53,813) | \$Nil | \$Nil | \$170,423 |
| Net surplus after taxation | - | - | - | - | - | 17,203 | 17,203 |
| Revaluation of land/buildings | - | - | - | - | - | 22 | 22 |
| Transfer to/(from) reserves | - | (570) | 846 | 16,949 | - | (17,225) | - |
| Balance at 31 March, 2013 | <u>\$158,460</u> | <u>\$Nil</u> | <u>\$66,052</u> | <u>(\$36,864)</u> | <u>\$Nil</u> | <u>\$Nil</u> | <u>\$187,648</u> |
| Net (deficit) after taxation | - | - | - | - | - | 5,203 | 5,203 |
| Revaluation of land/buildings | - | - | - | - | - | - | - |
| Transfer to/(from) reserves | - | - | 9,789 | (4,586) | - | (5,203) | - |
| Balance at 31 March, 2014 | <u>\$158,460</u> | <u>\$Nil</u> | <u>\$75,841</u> | <u>(\$41,450)</u> | <u>\$Nil</u> | <u>\$Nil</u> | <u>\$192,851</u> |

The financial statements should be read with the accompanying notes.

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENTS OF FINANCIAL POSITION
As at 31 March 2014

| | | Group | | Parent | |
|---|--------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Notes | 2014 \$000 | 2013 \$000 | 2014 \$000 | 2013 \$000 |
| Current Assets | | | | | |
| Cash and cash equivalents | | 1,493 | 1,601 | 959 | 886 |
| Accounts receivable | 10 | 303 | 513 | 6 | 10 |
| Inventories | 11 | 430 | 394 | - | - |
| Prepayments | | 10 | 9 | 10 | 9 |
| GST refund due | | 39 | 32 | 15 | 15 |
| Loan receivables | 14 | 1,040 | 738 | 10 | 75 |
| Taxation refund due | 6 | 8 | 81 | - | - |
| Deposit paid on asset | | - | 597 | - | - |
| Total Current Assets | | 3,323 | 3,965 | 1,000 | 995 |
| Non-Current Assets | | | | | |
| Investment in managed funds | 16 | 180,832 | 179,082 | 180,832 | 179,082 |
| Investment in associates | 17 | 2,566 | 4,645 | - | - |
| Investment in subsidiaries | 18 | - | - | - | - |
| Investment in listed equities | 15 | 1,117 | 496 | 1,117 | 496 |
| Investment in unlisted equities | 15 | 4,987 | 5,345 | 107 | 125 |
| Loan receivables | 14 | 1,847 | 3,049 | 281 | 760 |
| Related party advances | 29 | - | - | 11,420 | 9,168 |
| Goodwill | 13 | 33 | 33 | - | - |
| Intangibles | | 4 | 2 | - | - |
| Property, plant and equipment | 19 | 1,868 | 1,304 | 889 | 900 |
| Total Non-Current Assets | | 193,254 | 193,956 | 194,646 | 190,531 |
| Total Assets | | 196,577 | 197,921 | 195,646 | 191,526 |
| Current Liabilities | | | | | |
| Accounts payable | | 252 | 740 | 60 | 36 |
| Accruals | | 175 | 193 | 72 | 103 |
| Employee entitlements | | 60 | 74 | 34 | 33 |
| Grant obligations | 9 | 9,715 | 10,189 | 1,451 | 1,843 |
| Term loans | 23 | 592 | - | - | - |
| Total Current Liabilities | | 10,794 | 11,196 | 1,617 | 2,015 |
| Non-current Liabilities | | | | | |
| Grant obligations | 9 | 3,032 | 6,262 | 1,178 | 1,863 |
| Term loans | 23 | - | 200 | - | - |
| Total Non-Current Liabilities | | 3,032 | 6,462 | 1,178 | 1,863 |
| Total Liabilities | | 13,826 | 17,658 | 2,795 | 3,878 |
| NET ASSETS | | \$182,751 | \$180,263 | \$192,851 | \$187,648 |
| Funds Employed | | | | | |
| Trust capital | 7 | 158,460 | 158,460 | 158,460 | 158,460 |
| Reserves | 8 | 23,970 | 21,515 | 34,391 | 29,188 |
| Equity attributable to equity holders of parent | | 182,430 | 179,975 | 192,851 | 187,648 |
| Minority interest | 12 | 321 | 288 | - | - |
| TOTAL FUNDS EMPLOYED | | \$182,751 | \$180,263 | \$192,851 | \$187,648 |

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 2014

| | | Group | | Parent | |
|--|-------|----------------|----------------|----------------|----------------|
| | Notes | 2014 \$000 | 2013 \$000 | 2014 \$000 | 2013 \$000 |
| Cash Flows from Operating Activities | | | | | |
| Cash was provided from (applied to): | | | | | |
| Receipts from customers | | 2,683 | 2,717 | 4 | 4 |
| Interest and dividends | | 7,887 | 10,608 | 7,650 | 10,405 |
| Payments to suppliers and employees | | (4,547) | (2,909) | (1,506) | (1,093) |
| Other expenses | | (904) | (1,256) | (843) | (921) |
| Grants paid | | (7,993) | (7,050) | (2,820) | (3,253) |
| Net Cash Outflows from Operating Activities | 21 | <u>(2,874)</u> | <u>2,110</u> | <u>2,485</u> | <u>5,142</u> |
| Cash Flows from Investment Activities | | | | | |
| Cash was provided from (applied to): | | | | | |
| Managed funds | | (649) | 2,559 | (320) | 2,968 |
| Investments in unlisted equities | | 340 | (739) | - | - |
| Investments in listed equities | | (292) | - | (621) | (327) |
| Investment in associates/subsidiaries | | 1,970 | (2,435) | (2,253) | (7,691) |
| Intangibles | | (2) | - | - | - |
| Loan receivables | | 1,171 | (411) | 850 | 399 |
| Property, plant and equipment | | (761) | (103) | (68) | (15) |
| Deposit paid on asset | | 597 | (597) | - | - |
| Net Cash Inflows from Investing Activities | | <u>2,374</u> | <u>(1,726)</u> | <u>(2,412)</u> | <u>(4,666)</u> |
| Cash Flows to Financing | | | | | |
| Cash was provided from: | | | | | |
| Term loans | | 392 | 200 | - | - |
| Net Cash Outflows from Financing Activities | | <u>392</u> | <u>200</u> | <u>-</u> | <u>-</u> |
| Net Increase / (Decrease) in Cash held | | <u>(108)</u> | <u>584</u> | <u>73</u> | <u>476</u> |
| Add cash at beginning of year | | 1,601 | 1,017 | 886 | 410 |
| Total Cash Balance at End of Year | | <u>\$1,493</u> | <u>\$1,601</u> | <u>\$959</u> | <u>\$886</u> |
| Represented by: | | | | | |
| Cash and cash equivalents | | <u>\$1,493</u> | <u>\$1,601</u> | <u>\$959</u> | <u>\$886</u> |

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 2014

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 1993 and the Community Trusts Act 1999.

These consolidated financial statements have been approved for issue by the Trustees on 24 July 2014.

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

2. STATEMENT OF ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements of the group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand International Financial Reporting Standards for Public Benefit Entities ('NZ IFRS PBE').

A new Accounting Standards Framework (incorporating a Tier structure and a separate suite of accounting standards for PBEs) has been issued by the External Reporting Board (XRB).

Under the new Accounting Standards Framework, The Community Trust of Southland will have to transition to the new Not-for-Profit Public Benefit Entities (NFP PBE) Standards that will be based mainly on International Public Sector Accounting Standards (IPSAS). The effective date for the new NFP PBE Standards is for reporting periods beginning on or after 1 April 2015. Therefore The Community Trust of Southland will have to prepare its financial statements in accordance with the new NFP PBE Standards for the first time for the annual period ending 31 March 2016.

The Community Trust of Southland has not been able to determine the impact of this transition as the new NFP PBE Standards are currently being developed by the XRB.

Due to the change in the Accounting Standards framework for PBEs, all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to PBEs as the XRB has effectively frozen the financial reporting requirements for PBEs until PBEs transition to the PBE Standards. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude PBEs from their scope.

(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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

Going Concern assumption

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

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

Critical Accounting Estimates & Judgements

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

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

b) Principles of consolidation

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

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

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

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

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

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

(ii) Transactions with non-controlling interests

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

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

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

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

c) Income tax

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

d) Income recognition

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

(i) Sales of goods

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

(ii) Sales of services

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

(iii) Interest income

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

(iv) Dividend income

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

e) Goods and Services Tax (GST)

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

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

f) Impairment of non-financial assets

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

g) Inventories

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

h) Property, plant & equipment

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

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

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

Depreciation is charged so as to write off the cost of assets, other than freehold land, over their estimated useful lives, using the straight-line 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% - 76.2% |
| Office equipment | 11.4% - 60% |
| Furniture & fittings | 14.4% - 18% |
| Motor vehicles | 25% - 30% |

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

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

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

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

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

i) 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 statements of comprehensive income.

j) Cash and cash equivalents

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

k) Equity

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

l) Currency translation

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

m) Employee entitlements

Liabilities for wages and salaries (including non-monetary benefits 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) Investment in subsidiaries and associates

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

o) Trade and other payables

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

p) Operating leases

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

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

q) Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the 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 profit or loss on disposal.

r) Statements of cash flows

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

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

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

Financial Assets

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

Financial Assets at Fair Value through Profit or Loss

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

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

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

s) Financial assets & liabilities (Cont'd)

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

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

Loans & Receivables

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

Accounts receivable, advances to third parties, short term deposits and trust advances are carried at amortised cost using the effective interest method less impairment.

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

Other Financial Liabilities

Other liabilities include accounts payable and grants committed not paid.

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

Impairment of Financial Assets

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

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

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

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 profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

t) New standards first applied in the period

The group has adopted External reporting Standard A1 Accounting Standards framework (For-profit Entities Update) (XRB A1). XRB A1 outlines which suite of accounting standards public benefit entities must follow. The group is required to report in accordance with NZ IFRS PBE. There is no impact on the current or prior year financial statements of transitioning to the new Accounting Standards framework.

3. INTEREST

| | Group | | Parent | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$000 | \$000 | \$000 | \$000 |
| Cash and cash equivalents | 24 | 40 | 14 | 11 |
| Interest on advances | 2,866 | 3,087 | 3,059 | 3,039 |
| | <u>\$2,890</u> | <u>\$3,127</u> | <u>\$3,073</u> | <u>\$3,050</u> |

4. INVESTING ACTIVITY AND TRUST EXPENSES

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

The breakdown of expenses into investing activity costs and Trust operating costs for the group for the year ended 31 March 2014 is as follows:

| Group | Note | Investing Activity Costs | Trust Operating Costs | Total Group 2014 |
|--|-------------|---------------------------------|------------------------------|-------------------------|
| Opening inventory of subsidiary | | 394 | - | 394 |
| Purchase of materials and consumables | | 1,113 | - | 1,113 |
| Closing inventory of subsidiary | | (430) | - | (430) |
| Trustees' fees | 24 | - | 165 | 165 |
| Directors' fees | | 76 | - | 76 |
| Employee entitlements | | 782 | 582 | 1,364 |
| Fund managers' fees | | 679 | - | 679 |
| Depreciation/Amortisation | | 117 | 100 | 217 |
| Impairment provision on investments | | 93 | - | 93 |
| Bad debt – Southland Outdoor Stadium Trust | | 550 | - | 550 |
| Loss on sale of investments | | 286 | - | 286 |
| Audit of the financial statements - PricewaterhouseCoopers | | 26 | 23 | 49 |
| Legal expenses | | 2 | 11 | 13 |
| Administration expenses | | 598 | 328 | 1,019 |
| | | <u>4,286</u> | <u>1,209</u> | <u>5,495</u> |

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

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 2013 is as follows:

| Group | Note | Investing Activity Costs | Trust Operating Costs | Total Group 2013 |
|--|-------------|---|--------------------------------------|---------------------------------|
| Opening inventory of subsidiary | | 243 | - | 243 |
| Purchase of materials and consumables | | 1,142 | - | 1,142 |
| Closing inventory of subsidiary | | (394) | - | (394) |
| Trustees' fees | 24 | - | 192 | 192 |
| Directors' fees | | 83 | - | 83 |
| Employee entitlements | | 713 | 579 | 1,292 |
| Fund managers' fees | | 729 | - | 729 |
| Depreciation/Amortisation | | 73 | 100 | 173 |
| Impairment provision on investments | | 99 | - | 99 |
| Loss on sale of investments | | - | - | - |
| Audit of the financial statements - PricewaterhouseCoopers | | 32 | 30 | 62 |
| Legal expenses | | 7 | (1) | 6 |
| Administration expenses | | 510 | 355 | 865 |
| | | 3,237 | 1,255 | 4,492 |

The breakdown of expenses into investing activity costs and Trust operating costs for the parent for the year ended 31 March 2014 is as follows:

| Parent | Note | Investing Activity Costs | Trust Operating Costs | Total Parent 2014 |
|--|-------------|---|--------------------------------------|----------------------------------|
| Opening inventory of subsidiary | | - | - | - |
| Purchase of materials and consumables | | - | - | - |
| Closing inventory of subsidiary | | - | - | - |
| Trustees' fees | 24 | - | 165 | 165 |
| Directors' fees | | - | - | - |
| Employee entitlements | | - | 582 | 582 |
| Fund managers' fees | | 679 | - | 679 |
| Depreciation/Amortisation | | - | 100 | 100 |
| Bad debt – Southland Outdoor Stadium Trust | | 550 | - | 550 |
| Loss on sale of investments | | - | - | - |
| Audit of the financial statements - PricewaterhouseCoopers | | - | 23 | 23 |
| Legal expenses | | - | 13 | 11 |
| Administration expenses | | - | 328 | 341 |
| | | 1,229 | 1,209 | 2,438 |

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

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

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

| Parent | Note | Investing Activity Costs | Trust Operating Costs | Total Parent 2013 |
|--|------|--------------------------|-----------------------|-------------------|
| Opening inventory of subsidiary | | - | - | - |
| Purchase of materials and consumables | | - | - | - |
| Closing inventory of subsidiary | | - | - | - |
| Trustees' fees | 24 | - | 192 | 192 |
| Directors' fees | | - | - | - |
| Employee entitlements | | - | 579 | 579 |
| Fund managers' fees | | 729 | - | 729 |
| Depreciation/Amortisation | | - | 100 | 100 |
| Impairment provision on investments | | - | - | - |
| Loss on sale of investments | | - | - | - |
| Audit of the financial statements - PricewaterhouseCoopers | | - | 30 | 30 |
| Legal expenses | | - | (1) | (1) |
| Administration expenses | | - | 355 | 355 |
| | | <u>729</u> | <u>1,255</u> | <u>1,984</u> |

5. GRANTS

| | 2014 \$000 | Group 2013 \$000 | 2014 \$000 | Parent 2013 \$000 |
|--|----------------|------------------------|----------------|-------------------------|
| Committed and payable in the current year | 4,852 | 5,544 | 2,229 | 2,410 |
| Committed and not payable until future years | (563) | 938 | (484) | 139 |
| | <u>\$4,289</u> | <u>\$6,482</u> | <u>\$1,745</u> | <u>\$2,549</u> |

6. TAXATION

a) Income tax recognised in profit or loss

Current tax expense

| | | | | |
|--------------------------|-------------|--------------|--------------|--------------|
| Current year | 57 | 104 | - | - |
| Total tax expense | <u>\$57</u> | <u>\$104</u> | <u>\$Nil</u> | <u>\$Nil</u> |

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

| | | | | |
|--|-------------|--------------|--------------|--------------|
| Net surplus before taxation | 188 | 938 | 56 | 576 |
| Income tax expense calculated at 28% | 53 | 263 | 16 | 161 |
| Income tax exemption on partnership | (16) | (162) | (16) | (161) |
| Tax effect of permanent differences | 1 | 1 | - | - |
| Tax effect of timing differences | 1 | 1 | - | - |
| Other adjustments – Share of associate | 8 | (40) | - | - |
| Inter-company dividend received | 10 | 41 | - | - |
| Total tax expense | <u>\$57</u> | <u>\$104</u> | <u>\$Nil</u> | <u>\$Nil</u> |

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

6. TAXATION (continued)

b) Current tax assets and liabilities

Current tax assets

| | | | | |
|------------------------|-----|------|-------|-------|
| Current tax refundable | \$8 | \$81 | \$Nil | \$Nil |
|------------------------|-----|------|-------|-------|

Current tax liabilities

| | | | | |
|---------------------|-------|-------|-------|-------|
| Current tax payable | \$Nil | \$Nil | \$Nil | \$Nil |
|---------------------|-------|-------|-------|-------|

The Community Trust of Southland is exempt from income tax.

7. TRUST CAPITAL

| | Group | | Parent | |
|-----------------------------|--------------|--------------|---------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$000 | \$000 | \$000 | \$000 |
| Opening and closing balance | \$158 | \$158 | \$158 | 158 |
| | <u>\$158</u> | <u>\$158</u> | <u>\$158</u> | <u>\$158</u> |

8. RESERVES

| | | | | |
|-----------------------------|-------------|-------------|-------------|-------------|
| Capital maintenance reserve | 76 | 40 | 76 | 66 |
| Grants maintenance reserve | (52) | (18) | (41) | (37) |
| | <u>\$24</u> | <u>\$22</u> | <u>\$34</u> | <u>\$29</u> |

9. GRANT OBLIGATIONS

Commitments of \$16,450,358 (2013:\$3,705,300) exist for grants of the Group and \$3,705,300 (2013:\$16,450,358) for the Parent which will be distributed from either capital or income sources in future years.

| | | | | |
|--|-----------------|-----------------|----------------|----------------|
| Balance at 1 April | 16,451 | 17,019 | 3,706 | 4,409 |
| Grants approved in current year | 5,469 | 5,565 | 2,636 | 2,419 |
| Grants paid in current year | (7,817) | (7,075) | (2,640) | (3,265) |
| Grants approved relating to future years | (819) | 1,309 | (685) | 501 |
| Grants withdrawn for current year | (34) | (20) | (25) | (8) |
| Grants withdrawn for prior years | (383) | (487) | (183) | (362) |
| Grant writeback Southland Outdoor Stadium Trust loan | (200) | - | (200) | - |
| Grant refunds | 25 | 25 | 20 | 12 |
| Change in present value | 55 | 115 | - | - |
| | <u>\$12,747</u> | <u>\$16,451</u> | <u>\$2,629</u> | <u>\$3,706</u> |

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

| | | | | |
|---------------------------|-----------------|-----------------|----------------|----------------|
| Year ending 31 March 2013 | - | 10,189 | - | 1,843 |
| Year ending 31 March 2014 | 9715 | 3,410 | 1,451 | 237 |
| Year ending 31 March 2015 | 2,056 | 2,079 | 743 | 853 |
| Year ending 31 March 2016 | 956 | 412 | 435 | 412 |
| Year ending 31 March 2017 | 20 | 361 | - | 361 |
| | <u>\$12,747</u> | <u>\$16,451</u> | <u>\$2,629</u> | <u>\$3,706</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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

| | Group | | Parent | |
|--------------------------------|---------------|---------------|---------------|---------------|
| | 2014 \$000 | 2013 \$000 | 2014 \$000 | 2013 \$000 |
| 10. ACCOUNTS RECEIVABLE | | | | |
| Trade receivables | 303 | 513 | 6 | 10 |
| Allowance for doubtful debts | - | - | - | - |
| | <u>\$303</u> | <u>\$513</u> | <u>\$6</u> | <u>\$10</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.

11. INVENTORIES

| | | | | |
|---------------------------|--------------|--------------|--------------|--------------|
| Raw materials and packing | 383 | 363 | - | - |
| Finished goods | 47 | 31 | - | - |
| | <u>\$430</u> | <u>\$394</u> | <u>\$Nil</u> | <u>\$Nil</u> |

12. MINORITY INTEREST

| | | | | |
|--|--------------|--------------|--------------|--------------|
| Opening balance at the beginning of the year | 288 | 284 | - | - |
| Share of profits for the year | 58 | 107 | - | - |
| Minority interest adjustment | (25) | (103) | - | - |
| Closing Balance | <u>\$321</u> | <u>\$288</u> | <u>\$Nil</u> | <u>\$Nil</u> |

13. GOODWILL

Gross carrying amount

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

Allocation of goodwill to cash-generating units

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

During the year ended 31 March 2014, management have determined that there is no evidence of impairment of any of the cash generating units containing goodwill.

14. LOAN RECEIVABLES

| | | | | |
|---|----------------|----------------|--------------|--------------|
| Loans | 2,934 | 4,144 | 335 | 1,185 |
| Impairment provision | (3) | (7) | - | - |
| Discount provision | (44) | (350) | (44) | (350) |
| | <u>\$2,887</u> | <u>\$3,787</u> | <u>\$291</u> | <u>\$835</u> |
| Loans to third parties | 644 | 1,031 | - | - |
| Loans to unlisted equity entities/associates and subsidiaries | 1,887 | 1,852 | - | - |
| Loans to community groups (i) | 356 | 904 | 291 | 835 |
| | <u>\$2,887</u> | <u>\$3,787</u> | <u>\$291</u> | <u>\$835</u> |

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

14. Loan Receivables (continued)

| | Group | | Parent | |
|---------------------|----------------|----------------|---------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$000 | \$000 | \$000 | \$000 |
| Current portion | 270 | 738 | 10 | 75 |
| Non-current portion | 2,617 | 3,049 | 281 | 760 |
| | <u>\$2,887</u> | <u>\$3,787</u> | <u>\$291</u> | <u>\$835</u> |

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

(i) Loans to Community Groups

| | | | | |
|--|--------------|--------------|--------------|--------------|
| Southland Outdoor Stadium Trust | - | 750 | - | 750 |
| Northern Southland Medical Trust | 25 | 50 | - | - |
| Otautau Community Health Trust | - | 3 | - | - |
| Troopers Memorial Corner Charitable Trust - Yule House | 100 | 110 | 100 | 110 |
| Wyndham & Districts Community Rest | | | | |
| Home Incorporated | 25 | 75 | 25 | 75 |
| Arrowtown Trust | 100 | 100 | 100 | 100 |
| South Catlins Charitable Trust | 110 | 150 | 110 | 150 |
| Sport Southland | 10 | 19 | - | - |
| Gore & Districts Community Counselling Centre Incorporated | 30 | - | - | - |
| Discount Provision | (44) | (353) | (44) | (350) |
| | <u>\$356</u> | <u>\$904</u> | <u>\$291</u> | <u>\$835</u> |

Loans are interest free. To comply with IFRS, all interest free loans have been discounted to present value at the market rate of 5.74%. This has resulted in \$310,747 being recorded as income this year after \$352,548 was expensed last year. This calculation will be re-calculated each year with the resulting gain/loss being returned through the statement of financial performance.

15(a). INVESTMENT IN UNLISTED EQUITIES

| | | | | |
|-----------------------------------|----------------|----------------|--------------|--------------|
| IZON Limited | 250 | 250 | - | - |
| Impairment provision | (44) | (44) | - | - |
| | <u>206</u> | <u>206</u> | <u>-</u> | <u>-</u> |
| Areograph Limited | 393 | 393 | - | - |
| Impairment provision | (393) | (393) | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fiordland Lobster Company Limited | 2,000 | 2,000 | - | - |
| Rothbury Group Limited | 1,660 | 2,000 | - | - |
| Waikaia Gold Limited | 1,014 | 1,014 | - | - |
| Waikaia Sheet Pile Ltd | - | - | - | - |
| Te Kete Putea Limited Partnership | 107 | 125 | 107 | 125 |
| | <u>\$4,987</u> | <u>\$5,345</u> | <u>\$107</u> | <u>\$125</u> |

Investments in unlisted equities are shown at cost, as it is not possible to get a reliable fair value estimate. Shares in Te Kete Putea Ltd Partnership are being amortised over the estimated life of the partnership.

15(b). INVESTMENTS IN LISTED EQUITIES

| | | | | |
|------------------------------------|--------------|------------|--------------|------------|
| Pacific Edge Biotechnology Limited | <u>1,117</u> | <u>496</u> | <u>1,117</u> | <u>496</u> |
|------------------------------------|--------------|------------|--------------|------------|

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

16. MANAGED FUNDS

The Group has funds with six investment managers (fund managers) at 31 March 2014 as follows:

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

The fair value of the managed funds investments as at 31 March 2014 was as follows:

| Group & Parent | Elevation Capital \$000 | Direct Capital \$000 | First NZ Capital \$000 | Pioneer Capital \$000 | PIMCO \$000 | Tyndall Investment \$000 | Total \$000 |
|---|--|-------------------------------------|---|--------------------------------------|------------------------|---|------------------------|
| Australasian Equities | 22,048 | 1,034 | | 587 | | | 23,669 |
| Overseas Equities | 53,750 | | | | | | 53,750 |
| NZ Fixed Interest Overseas Fixed Interest | | | | | | 41,114 | 41,114 |
| Foreign Exchange contracts | | | | | 41,482 | | 41,482 |
| Unsettled Trades | | | | | | 830 | 830 |
| Cash | 14,105 | | 3 | | | 39 | 39 |
| Total | \$89,903 | \$1,034 | \$3 | \$587 | \$41,482 | \$5,840 | \$180,832 |

The fair value of the managed funds investments as at 31 March 2013 was as follows:

| Group & Parent | AMP Capital \$000 | Capital International \$000 | Direct Capital \$000 | First NZ Capital \$000 | Franklin Templeton \$000 | PIMCO \$000 | Tyndall Investment \$000 | Total \$000 |
|---|----------------------------------|--|-------------------------------------|---------------------------------------|---|------------------------|---|------------------------|
| Australasian Equities | 36,777 | | 884 | | | | | 37,661 |
| Overseas Equities | | 14,925 | | | 16,669 | | | 31,594 |
| NZ Fixed Interest Overseas Fixed Interest | | | | | | | 45,809 | 45,809 |
| Property Equities | 7,068 | | | | | 54,895 | | 54,895 |
| Foreign Exchange contracts | | | | | | | 275 | 275 |
| Unsettled Trades | | | | | | | 76 | 76 |
| Cash | 1,087 | | | 16 | | | 601 | 1,704 |
| Total | \$44,932 | \$14,925 | \$884 | \$16 | \$16,669 | \$54,895 | \$46,761 | \$179,082 |

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
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

17. INVESTMENT IN ASSOCIATES

| Associates | Percentage Held | | Balance Date | Principal Activity | Consolidated Carrying Amount | |
|---------------------------|-----------------|--------|--------------|--------------------------------------|------------------------------|-------|
| | 2014 | 2013 | | | 2014 | 2013 |
| | | | | | \$ | \$ |
| Bush Road Limited | 30% | 30% | 31 March | Vegetable Processors and Wholesalers | - | 49 |
| Taha Asia Pacific Limited | 32% | 32% | 31 March | Dross Recycling | - | 2,281 |
| Benmore Salmon Ltd | 49.85% | 49.85% | 31 March | Salmon Farm | 2,566 | 2,315 |

All entities are incorporated in New Zealand.

Interests in Associates

| | 2014 \$000 | Group 2013 \$000 | 2014 \$000 | Parent 2013 \$000 |
|---|---------------|------------------------|---------------|-------------------------|
| <i>Movements in carrying amounts</i> | | | | |
| Shares at cost | \$2,494 | \$4,494 | - | - |
| Opening balance | 4,645 | 2,186 | - | - |
| Acquisition of associates | - | 2,380 | - | - |
| Sale of associates during year | (2,000) | - | - | - |
| Impairment | (49) | (64) | - | - |
| Reversal of share of associate earnings on sale | (282) | - | - | - |
| Share of total recognised revenues and expenses | 252 | 143 | - | - |
| Balance at 31 March 2014 | \$2,566 | \$4,645 | \$Nil | \$Nil |

On the 3 December 2013 the entire shareholding in Taha Asia Pacific Limited was sold for \$2 million less legal fees of \$4,641. The sale resulted in a \$285,525 loss calculated as follows

| | |
|--|-------------|
| 2013 Carrying value | \$2,280,884 |
| Less sale of shares in Taha Asia Pacific Ltd | 1,995,359 |
| Less loss on sale of investment | 285,525 |

| | |
|----------------------|------|
| 2014 Carrying Amount | \$ - |
|----------------------|------|

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

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

19. PROPERTY, PLANT & EQUIPMENT

| | Land | Buildings | Equipment | Furniture & Fittings | Motor Vehicles | Total |
|---|-------|-----------|-----------|-------------------------|-------------------|---------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Group | | | | | | |
| Cost or Valuation at 31 March 2012 | 360 | 735 | 966 | 270 | 159 | 2,490 |
| Additions/Revaluations | - | 22 | 117 | 18 | - | 157 |
| Disposals/Revaluations | - | - | (238) | - | (2) | (240) |
| Cost or Valuation at 31 March 2013 | 360 | 757 | 845 | 288 | 157 | 2,407 |
| Additions/Revaluations | - | - | 654 | 48 | 77 | 779 |
| Disposals/Revaluations | - | - | (5) | (3) | (34) | (42) |
| Cost or Valuation at 31 March 2014 | 360 | 757 | 1,494 | 333 | 200 | 3,144 |
| Accumulated depreciation at 31 March 2012 | - | 286 | 648 | 200 | 48 | 1,182 |
| Depreciation | - | 22 | 94 | 8 | 30 | 154 |
| Disposals | - | - | (232) | - | (1) | (233) |
| Accumulated depreciation at 31 March 2013 | - | 308 | 510 | 208 | 77 | 1,103 |
| Depreciation | - | 29 | 132 | 10 | 27 | 198 |
| Disposals | - | - | (4) | (1) | (20) | (25) |
| Accumulated depreciation at 31 March 2014 | - | 337 | 638 | 217 | 84 | 1,276 |
| Net book value 31 March 2013 | \$360 | \$450 | \$334 | \$80 | \$80 | \$1,304 |
| Net book value 31 March 2014 | \$360 | \$420 | \$856 | \$116 | \$116 | \$1,868 |
| Parent | | | | | | |
| Cost or Valuation at 31 March 2012 | 360 | 735 | 266 | 168 | 77 | 1,606 |
| Additions/Revaluations | - | 22 | 61 | - | - | 83 |
| Disposals/Revaluations | - | - | (169) | - | (2) | (171) |
| Cost or Valuation at 31 March 2013 | 360 | 757 | 158 | 168 | 75 | 1,518 |
| Additions/Revaluations | - | - | 7 | 2 | 77 | 87 |
| Disposals/Revaluations | - | - | (2) | (1) | (34) | (37) |
| Cost or Valuation at 31 March 2014 | 360 | 757 | 163 | 169 | 118 | 1,568 |
| Accumulated depreciation at 31 March 2012 | - | 286 | 242 | 154 | 23 | 705 |
| Depreciation | - | 22 | 41 | 2 | 16 | 81 |
| Disposals | - | - | (166) | - | (1) | (167) |
| Accumulated depreciation at 31 March 2013 | - | 308 | 117 | 156 | 38 | 619 |
| Depreciation | - | 29 | 34 | 2 | 17 | 82 |
| Disposals | - | - | (1) | (1) | (20) | (22) |
| Accumulated depreciation at 31 March 2014 | - | 337 | 150 | 157 | 35 | 679 |
| Net book value 31 March 2013 | \$360 | \$450 | \$41 | \$12 | \$37 | \$900 |
| Net book value 31 March 2014 | \$360 | \$420 | \$13 | \$12 | \$83 | \$889 |

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

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

20. KEY MANAGEMENT PERSONNEL

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

| | Group | | Parent | |
|------------------------------|--------------|--------------|---------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$000 | \$000 | \$000 | \$000 |
| Short term employee benefits | 343 | 336 | 196 | 194 |
| | <u>343</u> | <u>336</u> | <u>196</u> | <u>194</u> |

21. RECONCILIATION WITH OPERATING SURPLUS

| | Group | | Parent | |
|---|------------------|-----------------|----------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$000 | \$000 | \$000 | \$000 |
| Net surplus/(deficit) after taxation | 2,513 | 13,966 | 5,203 | 17,202 |
| Add (less) movement in working capital | | | | |
| (Increase)/decrease in accounts receivable | 210 | (223) | 4 | 23 |
| (Increase)/decrease in inventory | (36) | (151) | - | - |
| (Increase)/decrease in prepayments and tax refund due | 72 | (148) | - | - |
| Increase/(decrease) in accounts payable and GST | (497) | 355 | 23 | (213) |
| Increase/(decrease) in other creditors and accruals | (18) | 143 | (30) | 103 |
| Increase/(decrease) in employee entitlements | (14) | (38) | - | (7) |
| Increase/(decrease) in grants committed not paid | (3,703) | (570) | (1,075) | (704) |
| | <u>(3,986)</u> | <u>(632)</u> | <u>(1,078)</u> | <u>(798)</u> |
| Add (less) movement in non-cash items | | | | |
| Gains/(losses) from change in fair value investments | 419 | (10,483) | (1,849) | (10,483) |
| Depreciation | 215 | 172 | 100 | 99 |
| Profit/(loss) on sale of fixed assets | - | - | (3) | - |
| Unrealised gains/(losses) from investments at FVTPL | (1,849) | (1,229) | 418 | (1,228) |
| Impairment on investments/advances | 93 | 99 | - | - |
| Share of associate's earnings | (252) | (143) | - | - |
| Loss on sale of associate | 285 | - | - | - |
| Discounted interest free loans | (313) | 360 | (306) | 350 |
| | <u>(1,402)</u> | <u>(11,224)</u> | <u>(1,640)</u> | <u>(11,262)</u> |
| Net Cash Outflows from Operating Activities | <u>(\$2,874)</u> | <u>\$2,110</u> | <u>\$2,485</u> | <u>\$5,142</u> |

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

22. 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.

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 profit and loss.

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 six separate fund managers, with each fund manager having an investment mandate which requires that they diversify their instruments on the Group's behalf. The Group has sought and obtained the advice of professional investment advisors prior to making its investment allocations and placement decisions.

THE COMMUNITY TRUST OF SOUTHLAND

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2014

22. FINANCIAL INSTRUMENTS (Cont'd)

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 objectives 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 5.5% (after inflation) of the Trust's capital value. Recognising that actual returns are likely to fluctuate from year to year, the Trust retains the variation from the target in trust funds so that in years when investment returns are less than the target sufficient funds are available to meet expenditure and make distributions. If the Trust fund falls below the value that needs to be maintained for the benefit of current and future generations the level of expenditure and distributions are reviewed by the Trust.

The Trust's present grants policy is to distribute annually as grants an amount equivalent to 3.5% 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 | 18% |
| Income – Overseas Bonds | 22% |
| Growth – Listed Shares | 38% |
| Growth – Unlisted Shares (private equity) | 17% |
| | <hr/> |
| | 100% |
| | <hr/> |

Capital Maintenance Reserve

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

Grants Maintenance Reserve

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

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

22. FINANCIAL INSTRUMENTS (Cont'd)

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

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

| | Interest Rate Risk | | Foreign Exchange Risk | | Equity Price Risk | |
|----------------------|--------------------|-----------|-----------------------|-----------|-------------------|-----------|
| | -1% | +1% | -10% | +10% | -10% | +10% |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 31 March 2014 | | | | | | |
| Net | | | | | | |
| Surplus/(Deficit) | \$3,294 | (\$3,294) | \$3,151 | (\$6,844) | \$8,612 | (\$8,612) |
| Total Funds | | | | | | |
| Employed | \$3,294 | (\$3,294) | \$3,151 | (\$6,844) | \$8,612 | (\$8,612) |

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

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

1. The assets and liabilities as at year end remain the same throughout the ensuing year.
2. Each of the sensitivities is performed in isolation.
3. In 2013, the exact split of the unit trust shareholdings in overseas equities was unknown so it was assumed that they were domiciled in the following currencies;

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

In 2014, with a change in investment strategy and investment managers, it is known exactly what shares and how much are held in each foreign currency and as such the calculation of the foreign exchange risk is based on the value of holdings in each currency at balance date multiplied by the exchange rate applicable to each currency at balance date.

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

Liquidity & Interest Risk tables - Financial Liabilities

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

| | Less than 1 year \$'000 | 1-2 Years \$'000 | 2-3 Years \$'000 | More than 3 years \$'000 | Total \$'000 |
|---------------------------|-------------------------------|---------------------|---------------------|--------------------------------|-----------------|
| 2014 | | | | | |
| Accounts payable | 252 | | | | 252 |
| Grants committed not paid | 9714 | 2056 | 956 | 20 | 12,746 |
| Term loan | 140 | 140 | 140 | 210 | 630 |
| | <u>10,106</u> | <u>2,196</u> | <u>1,096</u> | <u>230</u> | <u>13,628</u> |

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

22. FINANCIAL INSTRUMENTS (Cont'd)

| | Less than 1 year \$'000 | 1-2 Years \$'000 | 2-3 Years \$'000 | More than 3 years \$'000 | Total \$'000 |
|---------------------------|--|-----------------------------|-----------------------------|---|-------------------------|
| 2013 | | | | | |
| Accounts payable | 740 | - | - | - | 740 |
| Grants committed not paid | 10,189 | 3,410 | 2,079 | 773 | 16,451 |
| Term loan | - | 200 | - | - | 200 |
| | <u>10,929</u> | <u>3,610</u> | <u>2,079</u> | <u>773</u> | <u>17,391</u> |

Fair Value Hierarchy

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

Level 1 Quoted Market Value

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

Level 2 Observable Markets

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

Level 3 Significant Non- Observable Inputs

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

In arriving at the fair value for the Direct Capital Portfolio, the Trust has used the fair value assessed by Direct Capital IV Partnership (Direct Capital). Direct Capital 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:

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

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

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

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

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 Capital). Pioneer Capital uses fair value to measure its financial instruments, such as debt and equity investments in portfolio companies. All of Pioneer Capital's equity investments held at balance date fall within Level 3. Pioneer Capital state that the valuation techniques used are appropriate in the circumstance given that the lowest significant level input for a Level 3 category is unobservable.

The financial statements for Pioneer Capital for the year ended 31 March 2014 have been audited by Ernst & Young. In the Audit report, Ernst Young's opinion is that the accounts complied with generally accepted accounting practice in New Zealand and present fairly, in all material aspects, the financial position, performance and cashflows for the period ended 31 March 2014.

Fair Value Movements

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

| | Group | | Parent | |
|--|----------------|--------------|----------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$000 | \$000 | \$000 | \$000 |
| Opening balance | 884 | 695 | 884 | 695 |
| Net income recognised in the statement of financial performance | (38) | 10 | (38) | 10 |
| Total realised gains/(losses) recognised in the statement of financial performance | 77 | (42) | 77 | (42) |
| Total un-realised gains recognised in the statement of financial performance | 50 | 182 | 50 | 182 |
| Capital contribution | 776 | 90 | 776 | 90 |
| Capital distribution | (128) | (51) | (128) | (51) |
| Closing Balance | <u>\$1,621</u> | <u>\$884</u> | <u>\$1,621</u> | <u>\$884</u> |
| Total gains/(losses) included in the statement of financial performance in relation to those financial assets held as at 31 March. | | | | |
| Year ended 31 March | <u>\$89</u> | <u>\$150</u> | <u>\$89</u> | <u>\$150</u> |

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

22. FINANCIAL INSTRUMENTS (Cont'd)

| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | |
|--|----------------------------|----------------|----------------|-----------------|---------|
| | | Quoted | Observable | Significant | |
| | | Market | Markets | Non- observable | |
| | | Price | | inputs | Total |
| | | \$000 | \$000 | \$000 | \$000 |
| <u>Financial Assets at fair value through profit & loss</u> | | | | | |
| <u>2014</u> | | | | | |
| <u>Investment in Managed Funds</u> | | | | | |
| Elevation Capital | Australasian Equities | 22,048 | | | 22,048 |
| | Overseas Equities | 53,750 | | | 53,750 |
| Pioneer Capital | Australasian Equities | | | 587 | 587 |
| Direct Capital | Australasian Equities | | | 1,034 | 1,034 |
| PIMCO | Overseas Fixed Interest | | 41,482 | | 41,482 |
| Tyndall Investment | NZ Fixed Interest | | 41,114 | | 41,114 |
| | Foreign Exchange Contracts | | 830 | | 830 |
| | Unsettled Trades | | 39 | | 39 |
| | | | | | - |
| Total Managed Funds held at fair value | | 75,798 | 83,465 | 1,621 | 160,884 |
| Cash held with Fund Managers | | | | | 19,948 |
| Total Managed Funds | | | | | 180,832 |
| <u>Investment in Listed Equities</u> | | | | | |
| <u>Pacific Edge Bio-technology</u> | | | | | |
| | | 1,117 | | | 1,117 |
| Total Financial assets held at fair value | | 76,915 | 83,465 | 1,621 | 162,001 |
| <u>2013</u> | | | | | |
| <u>Investment in Managed Funds</u> | | | | | |
| AMP | Australasian Equities | 36,777 | | | 36,777 |
| | Property Equities | 7,068 | | | 7,068 |
| Capital International | Overseas Equities | | 14,925 | | 14,925 |
| Direct Capital | Australasian Equities | | | 884 | 884 |
| Franklin Templeton | Overseas Equities | | 16,669 | | 16,669 |
| PIMCO | Overseas Fixed Interest | | 54,895 | | 54,895 |
| Tyndall Investment | NZ Fixed Interest | | 45,809 | | 45,809 |
| | Foreign Exchange Contracts | | 275 | | 275 |
| | Unsettled Trades | | 76 | | 76 |
| Total Managed Funds held at fair value | | 43,845 | 132,649 | 884 | 177,378 |
| Cash held with Fund Managers | | | | | 1,704 |
| Total Managed Funds | | | | | 179,082 |
| <u>Investment in Listed Equities</u> | | | | | |
| <u>Pacific Edge Bio-technology</u> | | | | | |
| | | 496 | | | 496 |
| Total Financial assets held at fair value | | 44,341 | 132,649 | 884 | 177,874 |

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

23. TERM LOANS

| | |
|--------------------------------|---|
| Facility: | Term loan with fixed repayments |
| Maturity: | 11 September 2018 |
| Interest rate at balance date: | 6.74% per annum |
| Repayments: | Interest & principal |
| Security: | Registered first ranking General Security agreement over Back Country Foods Ltd property and a specific security agreement from Back Country Foods Ltd over raw materials – unaudited |

There are financial covenants with the ANZ Bank:

- Gearing, Effective Equity is equal to at least 50% of total tangible assets.
- Interest Cover, The ratio of Earnings before Interest and Taxation (EBIT) to Interest costs is not less than 2 to 1.

The Company's gearing at 31 March 2014 was 47% which is less than the required 50%. After balance date but before the financial statements were authorised for issue, the bank gave written representation that it intends to take no action under its securities in regards to this breach. The loan will continue to be repaid in accordance with the original terms and conditions. The company will continue to monitor these covenants in the future. As required by NZIAS1 the bank borrowings are shown as a current liability at balance date.

24. TRUSTEE FEES

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

| | 2014 | 2013 |
|-----------------------------------|--------------|--------------|
| | \$000 | \$000 |
| Robin Campbell (retired July 13) | 9 | 22 |
| Joan Kiernan | 20 | 20 |
| Tracy Hicks | 24 | 28 |
| Alison Broad (retired Sept 12) | - | 9 |
| Wayne Harpur (retired Sept 12) | - | 8 |
| Raewynne Evans (retired July 13) | 4 | 17 |
| Trish Lindsay | 14 | 19 |
| Craig Robins | 16 | 18 |
| Linette Sinclair | 14 | 18 |
| Toni Green (retired July 13) | 4 | 16 |
| Richard Wason (commenced Oct 12) | 16 | 9 |
| Penny Simmonds (commenced Oct 12) | 14 | 8 |
| Stephen Bragg (commenced Aug 13) | 10 | - |
| Lindsay Wright (commenced Aug 13) | 10 | - |
| Trish Boyle (commenced Aug 13) | 10 | - |
| | \$165 | \$192 |

25. CONTINGENCIES

There are no contingent liabilities or contingent assets relating to the Group at 31 March 2014 (2013: Nil).

26. CAPITAL COMMITMENTS

The Community Trust of Southland is committed to providing funds up to \$2 million to Direct Capital, for new capital acquired. To date \$1,024,790 of this amount has been drawn upon. Additionally \$2 million is also committed to Pioneer Capital, for new capital acquisitions; to date \$614,687 of this amount has been drawn upon.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

27. 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 | |
|---|--------------|--------------|---------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ |
| Current within one year | 40 | 33 | - | - |
| Later than one year but not later than five years | - | 130 | - | - |
| Later than five years | - | - | - | - |
| | <u>\$40</u> | <u>\$163</u> | <u>\$Nil</u> | <u>\$Nil</u> |

28. EVENTS OCCURRING AFTER BALANCE DATE

There have been no significant subsequent events that affect these financial statements (2013: \$Nil).

29. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Key management declared interests in relation to organisations that received grants totalling \$ 174,126 as detailed below (2013: \$185,673) during the year. Interests were declared when these grants were considered and key management took no part in deliberations relating to organisations they had an interest in.

| | | 2014 | 2013 |
|---------------|--|----------------|----------------|
| J Prendergast | Tertiary Scholarships | 144,126 | 124,200 |
| | Verdon College | - | 3,696 |
| | YMCA of Invercargill Charitable Trust | 30,000 | 47,777 |
| | Rotary Club of Invercargill North Charitable Trust | - | 10,000 |
| | TOTAL | 174,126 | 185,673 |

Transactions with Trustees

Trustees declared interests in relation to organisations that received grants totalling \$935,937 as detailed below (2013: \$2,622,765) during the year. Interests were declared when these grants were considered and Trustees took no part in deliberations relating to organisations they had an interest in.

| | | 2014 | 2013 |
|---------|---|-------------|-------------|
| T Hicks | Citizens Advice Bureau Gore | 2,032 | - |
| | Community Networking Trust | 32,254 | - |
| | Community Networking Trust (Eastern Southland) Inc | 10,000 | 45,480 |
| | Eastern Southland Basketball Association | 5,055 | - |
| | Eastern Southland Pony Club | 5,326 | - |
| | Equestrian Sports New Zealand Inc (Southland Showjumping) | - | 2,500 |
| | Eventing Southland | 10,000 | - |
| | Gore & Districts Community Counselling Centre | 5,000 | 5,000 |
| | Gore & Districts Community Youth Worker Trust | - | 5,000 |
| | Gore & Districts Senior Citizens Club (Choir Section) | 500 | 691 |
| | Gore Community Committee of RNZFB | 5,000 | - |
| | Gore Contract Bridge Club Inc | - | 4,500 |

| | | | |
|----------------------|--|----------------|----------------|
| T Hicks (cont) | Gore Dancesport Supporters Group | - | 1,600 |
| | Gore District Council | - | 6,000 |
| | Gore Health Ltd | 30,000 | - |
| | Gore Multi Sports Centre Charitable Trust | 2,458 | 2,103 |
| | Gore Operatic Society | 7,568 | - |
| | Gore Parents Centre | - | 2,211 |
| | Gore Southern Shears Committee | 4,200 | - |
| | Gore Toy Library | - | 1,600 |
| | Gore Volunteer Fire Brigade | - | 4,000 |
| | Gore Womens Refuge | 27,378 | 27,000 |
| | Hokonui Moonshine Museum Charitable Trust | - | 3,000 |
| | Ice Sports Southland | 3,005 | - |
| | Leadership Scholarship | 1,500 | - |
| | Longford Intermediate School | 10,153 | - |
| | Mataura & Districts Marae | 5,000 | - |
| | Mataura & Districts Senior Citizens | - | 500 |
| | Mataura Kilties Pipe Band | 7,800 | - |
| | Mataura Village Development | 2,000 | - |
| | Norman Jones Foundation | - | 20,000 |
| | Pukerau School | - | 6,531 |
| | Royal NZ Plunket Society - Mataura | - | 1,645 |
| | Royal NZ Society for the Prevention of Cruelty to Animals Gore | 10,554 | - |
| | Southern Equestrian Park Trust | 1,000 | - |
| | Southland Regional Heritage Committee | 30,000 | 37,160 |
| | Sport Scholarship | 500 | - |
| | St Peters College | 30,000 | - |
| | Venture Southland | 1,200 | 398,825 |
| | Venture Southland Creative Southland | 57,000 | - |
| | Waikaka School | - | 10,000 |
| | TOTAL | 306,483 | 585,346 |
| | | | |
| A Broad | Athletics Southland | - | 3,075 |
| (Retired Sept 12) | Riverton Community Arts Centre Charitable Trust | - | 440 |
| | Southland Art Foundation | - | 37,160 |
| | TOTAL | - | 40,675 |
| | | | |
| T Lindsay | Aspirations Scholarships | 11,000 | - |
| | Chamber Music NZ Inc (Southland Branch) | - | 20,000 |
| | Hillside Primary School | 6,088 | - |
| | Invercargill Summer Festival | 12,000 | - |
| | Mataura Kilties | 7,800 | - |
| | Murihiku Health Scholarship | - | 1,000 |
| | Rimu Home & School Committee | 7,100 | - |
| | RSPCA Southland Branch | 10,000 | - |
| | Southland Piping and Drumming Development Trust | 18,315 | - |
| T Lindsay | Shakespeare in the Park Charitable Trust | 6,000 | 8,117 |
| | St Josephs School | 8,434 | - |

| | | | |
|-------------------|--|----------------|----------------|
| | St Peter's School | 30,000 | - |
| | Stadium Southland | - | 2,500 |
| | The Kai Tech Charitable Trust | - | 40,000 |
| | TOTAL | 116,737 | 71,617 |
| L Sinclair | Gore Womens Refuge | - | 27,000 |
| | Community Networking Trust | 30,754 | - |
| | Community Networking Trust (Eastern Southland) Inc | 10,001 | 45,480 |
| | CTOS School Leaver Scholarship | 3,000 | - |
| | Hokonui Runanga | 8,000 | - |
| | Nightcaps Community Medical Trust | 4,000 | - |
| | Ohai-Nightcaps Rugby Club | 14,000 | - |
| | Riverton Heritage & Tourist Centre Trust | 2,000 | 5,000 |
| | Riverton Senior Citizens Association | 1,300 | 1,596 |
| | St Peter's School | 30,000 | - |
| | YMCA of Invercargill Charitable Trust | - | 47,777 |
| | TOTAL | 103,055 | 126,853 |
| R Campbell | Barnardos NZ - Southland Area | 45,000 | 52,645 |
| (retired July 13) | Presbyterian Support Services Otago | - | 2,000 |
| | Presbyterian Support Southland | - | 103,168 |
| | RSPCA Southland Branch | 10,000 | - |
| | South Invercargill Urban Rejuvenation Charitable Trust | 10,000 | - |
| | Southland Regional Heritage Committee | - | 37,160 |
| | Venture Southland | - | 418,825 |
| | Venture Southland Creative Southland | - | 56,500 |
| | TOTAL | 65,000 | 670,298 |
| W Harpur | DisAbilities Resource Centre Southland | - | 15,000 |
| (retired Sept 12) | Southland Multiple Sclerosis Society | - | 20,000 |
| | TOTAL | - | 35,000 |
| R Evans | Oraka Aparima Runaka | - | 3,700 |
| (Retired July 13) | Southland Regional Heritage Committee | 30,000 | 37,160 |
| | TOTAL | 30,000 | 40,860 |
| T Green | Borland Lodge | - | 10,000 |
| (Retired July 13) | Cycling Southland | 5,525 | - |
| | Hockey Southland | 9,830 | - |
| | Invercargill Musical Theatre | 38,552 | - |
| | James Hargest College Junior Campus | 600 | - |
| | The Scout Association of New Zealand | - | 5,000 |
| | YMCA of Invercargill Charitable Trust | 30,000 | - |
| | TOTAL | 84,507 | 15,000 |
| | | | |

| | | | |
|--------------------|---|----------------|------------------|
| J Kiernan | Queenstown Art Society | 7,605 | - |
| | Rotary Club of Invercargill North Charitable Trust | - | 10,000 |
| | TOTAL | 7,605 | 10,000 |
| | | | |
| C Robins | Netball Southland | - | 200,000 |
| | CTOS School Leaver Scholarship | 3000 | - |
| | TOTAL | 3000 | 200,000 |
| | | | |
| P Simmonds | Chamber of Commerce | 3,000 | - |
| | Cycling Southland | 5,525 | - |
| | Gore Health Ltd | 30,000 | - |
| | Hockey Southland | 15,830 | - |
| | Invercargill Artificial Sports Surface Charitable Trust | - | 5,000 |
| | Royal NZ Foundation for the Blind | 34,855 | - |
| | Sport Southland | 750 | - |
| | St Peter's School | 30,000 | - |
| | The Parenting Place | 20,000 | - |
| | Venture Southland | - | 418,825 |
| | Venture Southland Creative Southland | 37,000 | 56,500 |
| | Rugby Southland | - | 256,791 |
| | Shakespeare in the Park Charitable Trust | 6,000 | - |
| | Southland Basketball Association | - | 70,000 |
| | Water Safety NZ Inc | - | 20,000 |
| | TOTAL | 182,960 | 827,116 |
| | | | |
| L Wright | Sport Scholarship | 1,500 | - |
| (Commenced Aug 13) | | | |
| | | | |
| R Wason | Fiordland Community House | 10,090 | - |
| (Commenced Aug 13) | Talklink Trust | 5,000 | - |
| | Te Anau Presbyterian Church | 20,000 | - |
| | TOTAL | 35,090 | - |
| | | | |
| | OVERALL TOTAL | 935,937 | 2,622,765 |

Transactions with subsidiaries

At 31 March 2014 the Southland Community Trust Charities Limited owed \$10,462,909 to the Community Trust of Southland (2013 \$8,209,595). At 31 March 2014 The Community Trust of Southland owed \$Nil to Invest South Limited Partnership (2013: \$127,315). The Community Trust of Southland is owed \$956,445 from Invest South Holdings Ltd (2013:\$956,445).

Transactions between subsidiaries

At 31 March 2014 Bush Road Limited owed \$43,500 to Invest South Limited Partnership, however this was impaired to \$0 for accounting purposes, (2013: \$43,500).

Invest South Limited Partnership advanced Back Country Foods Ltd a further \$205,832 during the year for the purchase of a fixed asset (2013: \$205,832), the total owing of \$411,664 was repaid during the year. Interest received on this loan for the year to 31 March 2014 was \$13,661 (2013: \$536).

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

Transactions between subsidiaries (continued)

Directors fees have been paid to Peak Consulting Ltd (P Carnahan) by Benmore Salmon Ltd \$18,000 (2013: \$18,000), of which \$600 was owed at year end (2013: Nil), Waikaia Gold Ltd \$20,000, (2013: \$5,000) and Back Country Foods Ltd \$7,200 (2013: \$7,200). Peter Carnahan is a director on these companies. Additionally Back Country Foods Ltd paid Peak Consulting Ltd \$937 for accounting services performed during the year (2013:\$1,031).

Directors Fees have been paid to B Highsted (Director) from Back Country Foods Ltd \$4,800 (2013: \$4,800) and Benmore Salmon Ltd \$12,000 (2013: \$8,000). Brett Highsted is a director on these companies.

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 \$287,902 (2013: \$329,503). At 31 March 2014 Invest South GP Limited was due \$92,509 (2013: \$43,890) from Invest South Limited Partnership. At 31 March 2014 Invest South Limited Partnership owed \$7,377,620 to Invest South Holdings Limited (2013: \$7,376,735) and \$2,313,267 to Southland Community Trust Charities Limited (2013: \$5,137,435). Invest South Holdings Ltd owed Invest South GP Limited \$60,216 (2013: \$60,308). 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 Benmore Salmon, \$255,025 (2013: \$255,025), Waikaia Gold Ltd \$1,521,000 (2013 \$1,521,000), Waikaia Sheet Pile Ltd, \$73,800 (2013 \$Nil) and Areograph Ltd \$40,000 (2013: \$40,000). As from 1 April 2014, interest will be charged on the loan to Benmore Salmon, currently it is interest free. For the year ended 31 March 2014, interest of \$2,214 has been charged on the Waikaia Sheet Pile loan (2013: Nil). The loans to Waikaia Gold Ltd and Areograph Ltd are interest free.

A loan of \$95,667 (2013: \$95,667) has also been advanced to Evanos Trust, a shareholder of Benmore Salmon Ltd. Interest of \$4,777 has been charged on this loan for the year to 31 March 2014 (2013: \$2,791). Additionally a loan of \$126,409 has been advanced to B & K Crossan, shareholders & directors of Back Country Foods Ltd, (2013 \$155,428), Interest for the year of \$12,602 has been received on this loan (2013 \$16,764).

30. DISTRIBUTIONS OF INCOME AND CAPITAL

A list of all distributions of income and capital approved by The Community Trust of Southland during the year ended 31 March 2014 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 35, which comprise the statements of financial position as at 31 March 2014, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Trust and the Group. The Group comprises the Trust and the entities it controlled at 31 March 2014 or from time to time during the financial year.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal controls as the Trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Trust and Group's preparation of financial statements that present fairly the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust and Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors we have no relationship with, or interests in, The Community Trust of Southland or any of its subsidiaries.



pwc
Independent Auditors' Report
The Community Trust of Southland

Opinion

In our opinion, the financial statements on pages 3 to 35 present fairly, in all material respects, the financial position of the Trust and the Group as at 31 March 2014, and its financial performance and cash flows for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.

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.

PricewaterhouseCoopers

Chartered Accountants
24 July 2014

Dunedin