

**THE COMMUNITY TRUST OF SOUTHLAND**  
**FINANCIAL REPORT**  
**For the Year Ended 31 March 2015**

<b>CONTENTS</b>	<b>PAGE</b>
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 – 36
Independent Auditor's Report .....	37 - 38

## 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 2015.

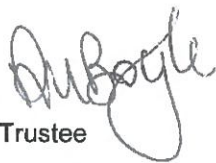
The Trustees are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Trust and Group as at 31 March 2015 and the results of their operations and cash flows for the 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 2013.

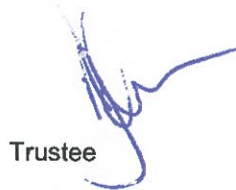
The Trustees have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Trustees consider that they have taken adequate steps to safeguard the assets of the Trust, and to prevent and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

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



Trustee

27 August 2015



Trustee

27 August 2015

**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
For the Year Ended 31 March 2015

		Group		Parent	
	Notes	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Sales (by subsidiary)		11,964	2,603	-	-
Dividends		9,183	4,786	8,802	4,572
Interest	3	244	2,890	661	3,073
Unrealised gains / (losses) from change in fair value of managed funds		10,143	(419)	10,143	(419)
Realised gains from change in fair value of management funds		3,005	1,849	3,005	1,850
Other income		-	80	4	4
Fair value gains/(losses) on remeasurement of salmon stock	11	2,705	-	-	-
		<u>37,244</u>	<u>11,789</u>	<u>22,615</u>	<u>9,080</u>
Plus share of associates earnings		-	252	-	-
Less investing activity expenses	4	12,151	4,286	599	1,229
Less losses from change in fair value of other investments	17	641	-	-	-
Less loss on foreign exchange contracts		79	-	-	-
<b>Net Surplus from Investing Activities</b>		<u>24,373</u>	<u>7,755</u>	<u>22,016</u>	<u>7,851</u>
Trust expenses	4	1,259	1,209	1,259	1,209
<b>Operating Surplus before Grants</b>		<u>23,114</u>	<u>6,546</u>	<u>20,757</u>	<u>6,642</u>
Grants	5	4,942	4,289	3,192	1,745
Discount on interest free loans		(20)	(313)	(17)	(306)
Write down of related party advance	29	-	-	13,148	-
<b>Net Surplus before Taxation</b>		<u>18,192</u>	<u>2,570</u>	<u>4,434</u>	<u>5,203</u>
Taxation expense	6	992	57	-	-
<b>Net Surplus after Taxation</b>		<u>17,200</u>	<u>2,513</u>	<u>4,434</u>	<u>5,203</u>
Other comprehensive income		-	-	-	-
<b>Total Comprehensive Income for the Year</b>		<u><u>\$17,200</u></u>	<u><u>\$2,513</u></u>	<u><u>\$4,434</u></u>	<u><u>\$5,203</u></u>
<b>Surplus is attributed to:</b>					
Equity holders of the parent		16,464	2,455	4,434	5,203
Minority interest	12	736	58	-	-
		<u>\$17,200</u>	<u>\$2,513</u>	<u>\$4,434</u>	<u>\$5,203</u>
<b>Total Comprehensive Income is attributed to:</b>					
Equity holders of the parent		16,464	2,455	4,434	5,203
Minority interest	12	736	58	-	-
		<u>\$17,200</u>	<u>\$2,513</u>	<u>\$4,434</u>	<u>\$5,203</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 2015

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 1 April 2013	\$158,460	\$Nil	\$40,005	(\$18,490)	\$288	\$Nil	\$180,263
Net surplus 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>
Net surplus/(deficit) after taxation	-	-	-	-	736	16,464	17,200
Revaluation of land/buildings	-	-	-	-	-	-	-
Minority interest adjustment	-	-	-	-	(33)	-	(33)
Reserves on acquisition of subsidiary	-	-	-	-	1,171	-	1,171
Transfer to/(from) reserves	-	-	16,464	-	-	(16,464)	-
Balance at 31 March 2015	<u>\$158,460</u>	<u>\$Nil</u>	<u>\$92,305</u>	<u>(\$51,871)</u>	<u>\$2,195</u>	<u>\$Nil</u>	<u>\$201,089</u>
<b>Parent</b>							
Balance at 1 April 2013	\$158,460	\$Nil	\$66,052	(\$36,864)	\$Nil	\$Nil	\$187,648
Net surplus 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>
Net (deficit) after taxation	-	-	-	-	-	4,434	4,434
Revaluation of land/buildings	-	-	-	-	-	-	-
Transfer to/(from) reserves	-	-	197	4,237	-	(4,434)	-
Balance at 31 March 2015	<u>\$158,460</u>	<u>\$Nil</u>	<u>\$76,038</u>	<u>(\$37,213)</u>	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$197,285</u>

The financial statements should be read with the accompanying notes.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENTS OF FINANCIAL POSITION**  
**As at 31 March 2015**

		<b>Group</b>		<b>Parent</b>	
	<b>Notes</b>	<b>2015</b> <b>\$000</b>	<b>2014</b> <b>\$000</b>	<b>2015</b> <b>\$000</b>	<b>2014</b> <b>\$000</b>
<b>Current Assets</b>					
Cash and cash equivalents		631	1,493	201	959
Accounts receivable	10	1,395	303	64	6
Inventories	11	1,298	430	-	-
Biological assets – salmon stock	11	5,625	-	-	-
Prepayments		27	10	27	10
GST refund due		-	39	24	15
Loan receivables	14	743	1,040	-	10
Taxation refund due	6	-	8	-	-
<b>Total Current Assets</b>		<b>9,719</b>	<b>3,323</b>	<b>316</b>	<b>1,000</b>
<b>Non-Current Assets</b>					
Investment in managed funds	16	193,980	180,832	193,980	180,832
Investment in associates	17	-	2,566	-	-
Investment in subsidiaries	18	-	-	-	-
Investment in listed equities	15	637	1,117	637	1,117
Investment in unlisted equities	15	6,024	4,987	-	107
Loan receivables	14	1,160	1,847	1,074	281
Related party advances	29	-	-	3,580	11,420
Goodwill	13	509	33	-	-
Intangibles		67	4	-	-
Property, plant and equipment	19	3,693	1,868	827	889
<b>Total Non-Current Assets</b>		<b>206,070</b>	<b>193,254</b>	<b>200,098</b>	<b>194,646</b>
<b>Total Assets</b>		<b>215,789</b>	<b>196,577</b>	<b>200,414</b>	<b>195,646</b>
<b>Current Liabilities</b>					
Bank overdraft		252	-	-	-
Accounts payable		1,052	252	39	60
Taxation payable	6	69	-	-	-
Deferred tax payable	6	750	-	-	-
Accruals		411	175	88	72
Employee entitlements		34	60	34	34
Grant obligations	9	8,662	9,715	837	1,451
Term loans	23	1,339	592	-	-
<b>Total Current Liabilities</b>		<b>12,569</b>	<b>10,794</b>	<b>998</b>	<b>1,617</b>
<b>Non-current Liabilities</b>					
Grant obligations	9	2,131	3,032	2,131	1,178
Term loans	23	-	-	-	-
<b>Total Non-Current Liabilities</b>		<b>2,131</b>	<b>3,032</b>	<b>2,131</b>	<b>1,178</b>
<b>Total Liabilities</b>		<b>14,700</b>	<b>13,826</b>	<b>3,129</b>	<b>2,795</b>
<b>NET ASSETS</b>		<b>\$201,089</b>	<b>\$182,751</b>	<b>\$197,285</b>	<b>\$192,851</b>
<b>Funds Employed</b>					
Trust capital	7	158,460	158,460	158,460	158,460
Reserves	8	40,434	23,970	38,825	34,391
Equity attributable to equity holders of parent		198,894	182,430	197,285	192,851
Minority interest	12	2,195	321	-	-
<b>TOTAL FUNDS EMPLOYED</b>		<b>\$201,089</b>	<b>\$182,751</b>	<b>\$197,285</b>	<b>\$192,851</b>

The financial statements should be read with the accompanying notes.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENTS OF CASH FLOWS**  
For the Year Ended 31 March 2015

		Group		Parent	
	Notes	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>Cash Flows from Operating Activities</b>					
Cash was provided from/(applied to):					
Receipts from customers		11,724	2,683	4	4
Interest and dividends		9,337	7,887	9,405	7,650
Payments to suppliers and employees		(10,864)	(4,547)	(1,458)	(1,506)
Other expenses		(2,523)	(904)	(375)	(843)
Grants paid		(6,976)	(7,993)	(2,853)	(2,820)
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	21	<u>698</u>	<u>(2,874)</u>	<u>4,723</u>	<u>2,485</u>
<b>Cash Flows from Investment Activities</b>					
Cash was provided from/(applied to):					
Managed funds		-	(649)	-	(320)
Investments in unlisted equities		(1,122)	340	107	-
Investments in listed equities		480	(292)	480	(621)
Investment in associates/subsidiaries		(1,303)	1,970	-	(2,253)
Intangibles		-	(2)	-	-
Loan receivables		857	1,171	(6,073)	850
Property, plant and equipment		(371)	(761)	5	(68)
Deposit paid on asset		-	597	-	-
<b>Net Cash Inflows/(Outflows) from Investing Activities</b>		<u>(1,459)</u>	<u>2,374</u>	<u>(5,481)</u>	<u>(2,412)</u>
<b>Cash Flows to Financing</b>					
Cash was provided from/(applied to):					
Term loans		(205)	392	-	-
<b>Net Cash Inflows /(Outflows) from Financing Activities</b>		<u>(205)</u>	<u>392</u>	<u>-</u>	<u>-</u>
<b>Net Increase / (Decrease) in Cash held</b>		<u>(966)</u>	<u>(108)</u>	<u>(758)</u>	<u>73</u>
Add cash at beginning of year		1,493	1,601	959	886
Add new subsidiaries cash at beginning of the year		(148)	-	-	-
<b>Total Cash Balance at End of Year</b>		<u>\$379</u>	<u>\$1,493</u>	<u>\$201</u>	<u>\$959</u>
Represented by:					
Cash and cash equivalents		\$631	\$1,493	\$201	\$959
Bank overdraft		\$(252)	-	-	-
<b>Total Cash Balance</b>		<u>\$379</u>	<u>\$1,493</u>	<u>\$201</u>	<u>\$959</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 2015**

**1. GENERAL INFORMATION**

**Reporting Entity**

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

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

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

The financial statements comply with the Financial Reporting Act 2013 and the Community Trusts Act 1999.

These consolidated financial statements have been approved for issue by the Trustees on 27 August 2015.

**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 2015**

**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, Back Country Foods Limited, Aoraki Smokehouse Salmon Limited and Hutton Salmon Limited.

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 parent entity controls another entity.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the parent entity. 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 2015**

**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 2015**

**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.

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

**h) Biological Assets – Salmon Stock**

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

**i) Property, plant & equipment**

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statements of comprehensive 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 Group, and are reviewed at the end of each reporting period to ensure the carrying value of land and buildings is not materially different from their fair values.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2015**

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

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in 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.

**j) Trade and other receivables**

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

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

**k) Cash and cash equivalents**

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

**l) 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.

**m) 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.

**n) 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.

**o) Investment in subsidiaries and associates**

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

**p) Trade and other payables**

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

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2015**

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

**q) 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.

**r) 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.

**s) Statements of cash flows**

The Statements of Cash Flows are prepared exclusive of goods and services tax (GST), which is consistent with the method used in the statements of comprehensive income

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

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

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

**t) 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.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2015**

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

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

Regular-way purchases and sales of managed funds are recognised on the trade date - the date on which the Trust commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the managed funds have expired or the 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 Group's right to receive payments is established.

Loans & Receivables

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

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

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

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 2015**

**2. STATEMENT OF ACCOUNTING POLICIES (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.

**3. INTEREST**

	<b>Group</b>		<b>Parent</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents	37	24	24	14
Interest on advances	207	2,866	637	3,059
	<u>\$244</u>	<u>\$2,890</u>	<u>\$661</u>	<u>\$3,073</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 2015 is as follows:

<b>Group</b>	<b>Note</b>	<b>Investing Activity Costs</b>	<b>Trust Operating Costs</b>	<b>Total Group 2015</b>
Materials and consumables		4,919	-	4,919
Trustees' fees	24	-	165	165
Directors' fees		217	-	217
Employee entitlements		4,008	588	4,596
Fund managers' fees		599	-	599
Depreciation/Amortisation		364	163	527
Impairment provision on investments		84	-	84
Audit of the financial statements - PricewaterhouseCoopers		33	28	61
Legal expenses		23	2	25
Administration expenses		1,904	313	2,217
		<u>12,151</u>	<u>1,259</u>	<u>13,410</u>

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2015**

**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 2014 is as follows:

<b>Group</b>	<b>Note</b>	<b>Investing Activity Costs</b>	<b>Trust Operating Costs</b>	<b>Total Group 2014</b>
Materials and consumables		1,077	-	1,077
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	926
		<u>4,286</u>	<u>1,209</u>	<u>5,495</u>

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

<b>Parent</b>	<b>Note</b>	<b>Investing Activity Costs</b>	<b>Trust Operating Costs</b>	<b>Total Parent 2015</b>
Trustees' fees	24	-	165	165
Employee entitlements		-	588	588
Fund managers' fees		599	-	599
Depreciation/Amortisation		-	163	163
Audit of the financial statements - PricewaterhouseCoopers		-	28	28
Legal expenses		-	2	2
Administration expenses		-	313	313
		<u>599</u>	<u>1,259</u>	<u>1,858</u>

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

<b>Parent</b>	<b>Note</b>	<b>Investing Activity Costs</b>	<b>Trust Operating Costs</b>	<b>Total Parent 2014</b>
Trustees' fees	24	-	165	165
Employee entitlements		-	582	582
Fund managers' fees		679	-	679
Depreciation/Amortisation		-	100	100
Bad debt – Southland Outdoor Stadium Trust		550	-	550
Audit of the financial statements - PricewaterhouseCoopers		-	23	23
Legal expenses		-	11	11
Administration expenses		-	328	328
		<u>1,229</u>	<u>1,209</u>	<u>2,438</u>

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2015

**5. GRANTS**

	<b>Group</b>		<b>Parent</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Committed and payable in the current year	5,843	4,852	2,239	2,229
Committed and not payable until future years	(901)	(563)	953	(484)
	<u>\$4,942</u>	<u>\$4,289</u>	<u>\$3,192</u>	<u>\$1,745</u>

**6. TAXATION**

**a) Income tax recognised in profit or loss**

**Current tax expense**

Current year	242	57	-	-
Deferred tax	750	-	-	-
	<u>\$992</u>	<u>\$57</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	18,192	2,570	4,434	5,203
Less net surplus from exempt activities	(15,343)	(2,382)	(4,434)	(5,203)
	<u>2,849</u>	<u>188</u>	<u>-</u>	<u>-</u>
Taxable net surplus before taxation				
Income tax expense calculated at 28%	798	53	-	-
Income tax exemption on partnership	(22)	(16)	-	-
Tax effect of permanent differences	23	2	-	-
Other adjustments	180	8	-	-
Inter-company dividend received	13	10	-	-
	<u>\$992</u>	<u>\$57</u>	<u>\$Nil</u>	<u>\$Nil</u>

**b) Deferred tax payable**

**Current tax assets**

Opening balance	-	-	-	-
Movement for the year	750	-	-	-
	<u>750</u>	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$Nil</u>
Closing balance				

Deferred tax relates to differences in fair value of biological assets – salmon stock, holiday pay and ACC accrued in the financial statements.

**c) Current tax assets and liabilities**

**Current tax assets**

Current tax refundable	\$Nil	\$8	\$Nil	\$Nil
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**Current tax liabilities**

Current tax payable	\$69	\$Nil	\$Nil	\$Nil
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The Community Trust of Southland is exempt from income tax.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2015

**7. TRUST CAPITAL**

	2015 \$000	Group 2014 \$000	2015 \$000	Parent 2014 \$000
Opening and closing balance	\$158,460	\$158,460	\$158,460	158,460
	<u>\$158,460</u>	<u>\$158,460</u>	<u>\$158,460</u>	<u>\$158,460</u>

**8. RESERVES**

Capital maintenance reserve	92,305	75,841	76,038	75,841
Grants maintenance reserve	(51,871)	(51,871)	(37,213)	(41,450)
	<u>\$40,434</u>	<u>\$23,970</u>	<u>\$38,825</u>	<u>\$34,391</u>

**9. GRANT OBLIGATIONS**

Commitments of \$10,792,815 (2014:\$12,747,130) exist for grants of the Group and \$2,968,521 (2014:\$2,629,587) for the Parent which will be distributed from either capital or income sources in future years.

Balance at 1 April	12,747	16,451	2,629	3,706
Grants approved in current year	6,307	5,469	4,029	2,636
Grants paid in current year	(7,027)	(7,817)	(2,896)	(2,640)
Grants approved relating to future years	(833)	(819)	(645)	(685)
Grants withdrawn for current year	(74)	(34)	(60)	(25)
Grants withdrawn for prior years	(353)	(383)	(114)	(183)
Grant writeback Southland Outdoor Stadium Trust loan	-	(200)	-	(200)
Grant refunds	26	25	25	20
Change in present value	-	55	-	-
	<u>\$10,793</u>	<u>\$12,747</u>	<u>\$2,968</u>	<u>\$2,629</u>

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

Within 1 year	8,662	9,715	837	1,451
Within 1 – 2 years	1,591	2,056	1,591	743
Within 2 – 3 years	540	956	540	435
Over 3 years	-	20	-	-
	<u>\$10,793</u>	<u>\$12,747</u>	<u>\$2,968</u>	<u>\$2,629</u>

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

**10. ACCOUNTS RECEIVABLE**

Trade receivables	1,395	303	64	6
Allowance for doubtful debts	-	-	-	-
	<u>\$1,395</u>	<u>\$303</u>	<u>\$64</u>	<u>\$6</u>

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2015**

**10. ACCOUNTS RECEIVABLE (Cont'd)**

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.

	<b>Group</b>		<b>Parent</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>

**11. INVENTORIES & BIOLOGICAL ASSETS**

**Inventories**

Raw materials and packing	584	383	-	-
Finished goods	714	47	-	-
	<u>\$1,298</u>	<u>\$430</u>	<u>\$Nil</u>	<u>\$Nil</u>

**Biological Assets – Salmon Stock**

Balance at beginning of year	-	-	-	-
Acquired as part of business combination	2,920	-	-	-
Change in fair value less estimated costs to sell	2,705	-	-	-
	<u>\$5,625</u>	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$Nil</u>

**Risk Factors**

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

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

**Supply and Demand Risks**

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

**Determining Fair Value**

The pre-harvest salmon stock has been valued with reference to their stage of development, the length of the growth cycle, number in the water, assumptions in respect of biomass and feed conversion rates, and the fair value per kg at the point of harvest. The fair value per kg at the point of harvest is determined with reference to the market selling prices, as at 31 March 2015.

**12. MINORITY INTEREST**

Opening balance at the beginning of the year	321	288	-	-
Share of profits for the year	736	58	-	-
Minority interest adjustment	(33)	(25)	-	-
Reserves on acquisition of subsidiary	1,171	-	-	-
	<u>\$2,195</u>	<u>\$321</u>	<u>\$Nil</u>	<u>\$Nil</u>

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2015

**13. GOODWILL**

	Group		Parent	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>Gross carrying amount</b>				
Balance at beginning of financial year	33	33	-	-
Acquisition of goodwill	476	-	-	-
Impairment charge	-	-	-	-
	<u>\$509</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 Limited and Aoraki Smokehouse Salmon Limited. During the year ended 31 March 2015, management have determined that there is no evidence of impairment of any of the cash generating units containing goodwill.

**14. LOAN RECEIVABLES**

Loans	1,929	2,934	1,100	335
Impairment provision	-	(3)	-	-
Discount provision	(26)	(44)	(26)	(44)
	<u>\$1,903</u>	<u>\$2,887</u>	<u>\$1,074</u>	<u>\$291</u>
Loans to third parties	298	644	-	-
Loans to unlisted equity entities/associates and subsidiaries	531	1,887	-	-
Loans to community groups (i)	1,074	356	1,074	291
	<u>\$1,903</u>	<u>\$2,887</u>	<u>\$1,074</u>	<u>\$291</u>
Current portion	743	1,040	-	10
Non-current portion	1,160	1,847	1,074	281
	<u>\$1,903</u>	<u>\$2,887</u>	<u>\$1,074</u>	<u>\$291</u>

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

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2015

**14. LOAN RECEIVABLES (Cont'd)**

Loans to Community Groups Group	Parent		2015 \$000	2014 \$000
	2015 \$000	2014 \$000		
Northern Southland Medical Trust	-	25	-	-
Troopers Memorial Corner Charitable Trust - Yule House	90	100	90	100
Wyndham & Districts Community Rest Home Incorporated	25	25	25	25
Arrowtown Trust	80	100	80	100
South Catlins Charitable Trust	55	110	55	110
Sport Southland	-	10	-	-
Gore & Districts Community Counselling Centre Incorporated	-	30	-	-
Queenstown Lakes Housing Trust	850	-	850	-
Discount Provision	(26)	(44)	(26)	(44)
	<u>\$1,074</u>	<u>\$356</u>	<u>\$1,074</u>	<u>\$291</u>

The loans, except Queenstown Lakes Housing Trust where interest is charged at 6.45%, are interest free. To comply with IFRS, all interest free loans have been discounted to present value at the market rate of 6.59%. This has resulted in \$17,244 being recorded as income this year after \$310,747 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	(87)	(44)	-	-
	<u>163</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	3,188	2,000	-	-
Rothbury Group Limited	1,660	1,660	-	-
Waikaia Gold Limited	1,014	1,014	-	-
Waikaia Sheet Pile Ltd	-	-	-	-
Te Kete Putea Limited Partnership	-	107	-	107
	<u>\$6,024</u>	<u>\$4,987</u>	<u>\$Nil</u>	<u>\$107</u>

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

**15 (b) INVESTMENTS IN LISTED EQUITIES**

Pacific Edge Biotechnology Limited	<u>637</u>	<u>1,117</u>	<u>637</u>	<u>1,117</u>
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**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2015**

**16. MANAGED FUNDS**

The Group has funds with six investment managers (fund managers) at 31 March 2015 as follows:

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

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

<b>Group &amp; Parent</b>	<b>Elevation Capital \$000</b>	<b>Direct Capital \$000</b>	<b>First NZ Capital \$000</b>	<b>Pioneer Capital \$000</b>	<b>PIMCO \$000</b>	<b>Nikko Investment \$000</b>	<b>Total \$000</b>
Australasian equities	24,865	910		719			26,494
Overseas equities	73,309						73,309
NZ fixed interest						30,876	30,876
Overseas fixed interest					42,506		42,506
Foreign exchange contracts						474	474
Unlisted unit trusts						16,369	16,369
Unsettled trades						-	-
Cash	3,908		3			41	3,952
<b>Total</b>	<b>\$102,082</b>	<b>\$910</b>	<b>\$3</b>	<b>\$719</b>	<b>\$42,506</b>	<b>\$47,760</b>	<b>\$193,980</b>

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

<b>Group &amp; Parent</b>	<b>Elevation Capital \$000</b>	<b>Direct Capital \$000</b>	<b>First NZ Capital \$000</b>	<b>Pioneer Capital \$000</b>	<b>PIMCO \$000</b>	<b>Nikko Investment \$000</b>	<b>Total \$000</b>
Australasian Equities	22,048	1,034		587			23,669
Overseas Equities	53,750						53,750
NZ Fixed Interest						41,114	41,114
Overseas Fixed Interest					41,482		41,482
Foreign Exchange contracts						830	830
Unsettled Trades						39	39
Cash	14,105		3			5,840	19,948
<b>Total</b>	<b>\$89,903</b>	<b>\$1,034</b>	<b>\$3</b>	<b>\$587</b>	<b>\$41,482</b>	<b>\$47,823</b>	<b>\$180,832</b>

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

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2015

**17. INVESTMENT IN ASSOCIATES**

Associates	Percentage Held		Balance Date	Principal Activity	Consolidated Carrying Amount	
	2015	2014			2015	2014
					\$	\$
Bush Road Limited	30%	30%	31 March	Vegetable Processors and Wholesalers	-	-
Aoraki Smokehouse Salmon Limited	71.26%	49.85%	31 March	Salmon Farm	Nil	2,566

All entities are incorporated in New Zealand.

**Interests in Associates**

	2015 \$000	Group 2014 \$000	2015 \$000	Parent 2014 \$000
<i>Movements in carrying amounts</i>				
Shares at cost	\$114	\$2,494	-	-
Opening balance	2,566	4,645	-	-
Acquisition of associates	1,303	-	-	-
Sale of associates during year	-	(2,000)	-	-
Impairment	-	(49)	-	-
Reversal of share of associate earnings on sale	(186)	(282)	-	-
Share of total recognised revenues and expenses	-	252	-	-
Reclassify Associate as subsidiary	(3,683)	-	-	-
Balance at 31 March	\$Nil	\$2,566	\$Nil	\$Nil

Throughout the year Invest South Limited Partnership purchased a further 21.41% in Aoraki Smokehouse Salmon Limited for \$1,302,863. This resulted in a \$640,767 loss due to the change in fair value of the original shares held and Invest South Limited Partnership reclassifying its investment in Aoraki Smokehouse Salmon Limited as a subsidiary.

**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
Aoraki Smokehouse Salmon Limited	71.26%	31 March	Salmon farm
Hutton Salmon Limited	71.26%	31 March	Salmon farm

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2015

**19. PROPERTY, PLANT & EQUIPMENT**

	Land	Buildings	Equipment	Furniture & Fittings	Motor Vehicles	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Group</b>						
Cost or Valuation at 1 April 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
Additions/Revaluations	-	-	10	34	1	45
Aoraki Smokehouse Salmon Ltd	-	-	3,348	-	-	3,348
Hutton Salmon Limited	-	-	80	-	-	80
Disposals/Revaluations	-	-	-	-	(73)	(73)
Cost or Valuation at 31 March 2015	360	757	4,932	367	128	6,544
Accumulated depreciation at 1 April 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
Depreciation	-	29	464	15	19	527
Aoraki Smokehouse Salmon Ltd	-	-	1,116	-	-	1,116
Disposals	-	-	-	-	(68)	(68)
Accumulated depreciation at 31 March 2015	-	366	2,218	232	35	2,851
Net book value 31 March 2014	\$360	\$420	\$856	\$116	\$116	\$1,868
Net book value 31 March 2015	\$360	\$391	\$2,714	\$135	\$93	\$3,693
<b>Parent</b>						
Cost or Valuation at 1 April 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
Additions/Revaluations	-	-	8	-	1	9
Disposals/Revaluations	-	-	-	-	(41)	(41)
Cost or Valuation at 31 March 2015	360	757	171	169	78	1,536
Accumulated depreciation at 1 April 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
Depreciation	-	29	9	2	17	57
Disposals	-	-	-	-	(28)	(28)
Accumulated depreciation at 31 March 2015	-	366	159	159	24	708
Net book value 31 March 2014	\$360	\$420	\$13	\$12	\$83	\$889
Net book value 31 March 2015	\$360	\$391	\$12	\$10	\$54	\$827

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2015**

**19. PROPERTY, PLANT & EQUIPMENT (continued)**

No revaluation of freehold land and buildings has been completed since 31 March 2013. The values listed are those calculated by Chadderton Valuation, an independent valuer at that date less an annual depreciation allowance.

**20. KEY MANAGEMENT PERSONNEL**

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

	<b>Group</b>		<b>Parent</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Short term employee benefits	368	343	204	196
	<u>\$368</u>	<u>\$343</u>	<u>\$204</u>	<u>\$196</u>

**21. RECONCILIATION WITH OPERATING SURPLUS**

Net surplus/(deficit) after taxation	17,200	2,513	4,434	5,203
<b>Add (less) movement in working capital</b>				
(Increase)/decrease in accounts receivable	(298)	210	(59)	4
(Increase)/decrease in inventory	(333)	(36)	-	-
(Increase)/decrease in prepayments and tax refund due	26	72	(17)	-
Increase/(decrease) in accounts payable and GST	724	(497)	(31)	23
Increase/(decrease) in other creditors and accruals	14	(18)	16	(30)
Increase/(decrease) in employee entitlements	(26)	(14)	1	-
Increase/(decrease) in grants committed not paid	(2,034)	(3,703)	339	(1,075)
	<u>(1,927)</u>	<u>(3,986)</u>	<u>249</u>	<u>(1,078)</u>
<b>Add (less) movement in non-cash items</b>				
Gains/(losses) from change in fair value investments	(2,285)	419	(3,005)	(1,849)
Depreciation	527	215	57	100
Profit/(loss) on sale of fixed assets	-	-	-	(3)
Unrealised gains/(losses) from investments at FVTPL	(10,143)	(1,849)	(10,143)	418
Fair value gains/(losses) on remeasurement of salmon stock	(2,705)	-	-	-
Impairment on investments/advances	84	93	-	-
Share of associate's earnings	-	(252)	-	-
Loss on sale of associate	-	285	-	-
Discounted interest free loans	(20)	(313)	(17)	(306)
Minority interest	(33)	-	-	-
Write down of related party advance	-	-	13,148	-
	<u>(14,575)</u>	<u>(1,402)</u>	<u>40</u>	<u>(1,640)</u>
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	<u>\$698</u>	<u>(\$2,874)</u>	<u>\$4,723</u>	<u>\$2,485</u>

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2015**

**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 2015**

**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 2015**

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

The following sensitivity 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
<b>31 March 2015</b>						
Net						
Surplus/(Deficit)	\$3,258	(\$3,258)	\$7,331	(\$7,331)	\$11,018	(\$11,018)
Total Funds						
Employed	\$3,258	(\$3,258)	\$7,331	(\$7,331)	\$11,018	(\$11,018)
	Interest Rate Risk		Foreign Exchange Risk		Equity Price Risk	
	-1%	+1%	-10%	+10%	-10%	+10%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>31 March 2014</b>						
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

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.

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
<b>2015</b>					
Accounts payable	1,052	-	-	-	1,052
Grants committed not paid	8,662	2,131	-	-	10,793
Term loan	1,339	-	-	-	1,339
	<u>11,053</u>	<u>2,131</u>	<u>-</u>	<u>-</u>	<u>13,184</u>
	Less than 1 year \$'000	1-2 Years \$'000	2-3 Years \$'000	More than 3 years \$'000	Total \$'000
<b>2014</b>					
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 2015**

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

**Fair Value Hierarchy**

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

Level 1 Quoted Market Value

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

Level 2 Observable Markets

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

Level 3 Significant Non- Observable Inputs

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Currently the only 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.

In arriving at the fair value for the Pioneer Capital Portfolio, the Trust has used the fair value assessed by Pioneer Capital II Limited Partnership (Pioneer). Pioneer uses fair value to measure its financial instruments, such as debt and equity investments in portfolio companies. 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 2015 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 2015.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2015**

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

Fair Value Movements

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

	<b>Group</b>		<b>Parent</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Opening balance	1,621	884	1,621	884
Net income recognised in the statement of financial performance	(8)	(38)	(8)	(38)
Total realised gains/(losses) recognised in the statement of financial performance	286	77	286	77
Total unrealised gains recognised in the statement of financial performance	(30)	50	(30)	50
Capital contribution	191	776	191	776
Capital distribution	(431)	(128)	(431)	(128)
Closing Balance	<u>\$1,629</u>	<u>\$1,621</u>	<u>\$1,629</u>	<u>\$1,621</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>\$1,629</u>	<u>\$1,621</u>	<u>\$1,629</u>	<u>\$1,621</u>
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<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Quoted</u>	<u>Observable</u>	<u>Significant</u>	
<u>Market</u>	<u>Markets</u>	<u>Non-observable</u>	
<u>Price</u>		<u>Inputs</u>	
<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>

**Financial Assets at Fair Value Through Profit & Loss**

**2015**

Elevation Capital	Australian Equities	24,865		24,865
	Overseas Equities	73,309		73,309
Pioneer Capital	Australasian Equities		719	719
Direct Capital	Australasian Equities		910	910
PIMCO	Overseas Fixed Interest	42,506		42,506
Nikko Investment	NZ Fixed Interest	30,876		30,876
	Foreign Exchange Contracts	474		474
	Unlisted Unit Trusts	16,369		16,369
Total Managed Funds held at Fair Value		98,174	90,225	190,028
Cash held with Fund Managers				3,952
Total Managed Funds				<u>193,980</u>

Investment in Listed Equities

Pacific Edge Bio-technology	637			637
Total Financial Assets Held at Fair Value	<u>98,811</u>	<u>90,225</u>	<u>1,629</u>	<u>\$190,665</u>

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2015**

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

**2014**

Elevation Capital	Australian 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
Nikko Investment	NZ Fixed Interest	41,114		41,114
	Foreign Exchange Contracts	830		830
	Unlisted Unit Trusts	-		-
	Unsettled Trades	39		39
<hr/>				
Total Managed Funds held at Fair Value		75,798	83,465	160,884
Cash held with Fund Managers				19,948
Total Managed Funds				<u>180,832</u>
 <u>Investment in Listed Equities</u>				
Pacific Edge Bio-technology		1,117		1,117
Total Financial Assets Held at Fair Value		<u>76,915</u>	<u>83,465</u>	<u>\$162,001</u>

**23. TERM LOANS**

Facility: Term loan with fixed repayments  
Maturity: 13 September 2018  
Interest rate at balance date: 6.99% per annum  
Repayments: Interest & principal  
Security: Secured over a FD300L Freeze Dryer, serial # 0913327.

On 1 June 2015 the 1004 and 1005 loans were repaid to ANZ Bank and the loans transferred to Invest South Limited Partnership.

**24. TRUSTEE FEES**

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

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Robin Campbell (retired July 13)	-	9
Joan Kiernan	19	20
Tracy Hicks	24	24
Raewynne Evans (retired July 13)	-	4
Trish Lindsay	2	14
Craig Robins	16	16
Linette Sinclair	14	14
Toni Green (retired July 13)	-	4
Richard Wason	16	16
Penny Simmonds	14	14
Stephen Bragg	14	10
Lindsay Wright	16	10
Trish Boyle	19	10
Ross Jackson	11	-
	<hr/>	<hr/>
	<b>\$165</b>	<b>\$165</b>
	<hr/>	<hr/>

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2015

**25. CONTINGENCIES**

There are no contingent liabilities or contingent assets relating to the Group at 31 March 2015 (2014: Nil).

**26. CAPITAL COMMITMENTS**

In March 2015 the Trust agreed to loan \$2,000,000 to the Queenstown Lakes Community Housing Trust. At balance date \$850,000 was drawn down.

**27. OPERATING LEASE COMMITMENTS**

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

	<b>Group</b>		<b>Parent</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Current within one year	60	40	-	-
Later than one year but not later than five years	60	-	-	-
Later than five years	60	-	-	-
	<u>\$180</u>	<u>\$40</u>	<u>\$Nil</u>	<u>\$Nil</u>

**28. EVENTS OCCURRING AFTER BALANCE DATE**

Southland Community Trust Charities Limited was initially established for taxation purposes, however with the subsequent granting of tax exemption to the Community Trust of Southland there is no longer a need for the company, and so Southland Community Trust Charities Limited has been wound up subsequent to balance date.

**29. RELATED PARTY TRANSACTIONS**

**Transactions with Key Management Personnel**

Key management declared interests in relation to organisations that received grants totalling \$40,500 as detailed below (2014: \$174,126) 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.

	<b>2015</b>	<b>2014</b>
<b>J Prendergast</b>		
St Mary's Parish Invercargill	30,000	-
Tertiary Education Scholarships	10,500	144,126
YMCA of Invercargill Charitable Trust	-	30,000
<b>Total</b>	<b>40,500</b>	<b>174,126</b>

**Transactions with Trustees**

Trustees declared interests in relation to organisations that received grants totalling \$1,956,989 as detailed below (2014:\$935,937) 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.

	<b>2015</b>	<b>2014</b>
<b>C Robins</b>		
Knapdale Primary School	4,500	-
CTOS School Leaver Scholarship	-	3,000
<b>Total</b>	<b>4,500</b>	<b>3,000</b>

**L Sinclair**

Community Led Development Grant - S Dennison	3,200	-
Community Networking Trust	25,000	30,754
Community Networking Trust (Eastern Southland) Inc	10,000	10,001
CTOS School Leaver Scholarship	-	3,000
Hokonui Runanga	-	8,000
Netball South	159,270	-
Nga Kete Matauranga Pounamu Charitable Trust	10,000	-
Nightcaps Community Medical Trust	-	4,000
Ohai-Nightcaps Rugby Club	-	14,000
Rape and Abuse Support Centre Southland	30,000	-
Riverton Heritage & Tourist Centre Trust	-	2,000
Riverton Senior Citizens Association	-	1,300
St Peter's School	-	30,000
YMCA of Invercargill Charitable Trust	-	-
<b>Total</b>	<b>237,470</b>	<b>103,055</b>

**P Simmonds**

Chamber of Commerce	-	3,000
Community Led Development Grant - S Dennison	3,200	-
Cycling Southland	-	5,525
Financial Hardship Scholarships	4,000	-
Gore Health Ltd	-	30,000
HETTANZ Southland	640	-
Hockey Southland	22,700	15,830
Knapdale Primary School	4,500	-
Nga Kete Matauranga Pounamu Charitable Trust	10,000	-
Royal NZ Foundation for the Blind	-	34,855
Snow Sports New Zealand	5,000	-
Sport Southland	-	750
Southland Disability Enterprises Limited	30,000	-
Southland Indoor Leisure Centre Charitable Trust	1,000,000	-
Southland Motorcycle Club	3,000	-
Southland Musicians Club	2,000	-
Southland Riding for the Disabled	5,000	-
St Peter's School	-	30,000
The Parenting Place	-	20,000
Venture Southland	5,560	-
Venture Southland Creative Southland	37,000	37,000
Shakespeare in the Park Charitable Trust	-	6,000
<b>Total</b>	<b>1,132,600</b>	<b>182,960</b>

**T Hicks**

Art Scholarship	750	-
Citizens Advice Bureau Gore	7,605	2,032
Community Led Development Grant - S Dennison	3,200	-
Community Networking Trust	25,000	32,254
Community Networking Trust (Eastern Southland) Inc	11,500	10,000
Eastern Southland Basketball Association	4,950	5,055
Eastern Southland Pony Club	-	5,326

	3,500	-
Equestrian Sports New Zealand Inc (Southland Show jumping)		
Eventing Southland	-	10,000
Gore & Districts Amenities Charitable Trust	5,000	-
Gore & Districts Community Counselling Centre	-	5,000
Gore & Districts Senior Citizens Club (Choir Section)	500	500
Gore Blue Light	3,000	-
Gore Community Committee of RNZFB	-	5,000
Gore District Historical Society	3,750	-
Gore Health Ltd	5,000	30,000
Gore Multi Sports Centre Charitable Trust	-	2,458
Gore Operatic Society	-	7,568
Gore Parents Centre	-	-
Gore Southern Shears Committee	4,200	4,200
Gore Womens Refuge	27,652	27,378
Greenvale Sheep Dog Trial Club	8,000	-
Heritage South	4,000	-
HETTANZ Southland	640	-
Hokonui Moonshine Museum Charitable Trust	3,000	-
Hokonui Pioneer Village & Museum	10,000	-
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 & Districts Historical Society	32,455	-
Mataura Kilties Pipe Band	-	7,800
Mataura Pony Club	3,000	-
Mataura Scout Group	1,500	-
Mataura Taskforce	1,604	-
Mataura Village Development	-	2,000
Mataura Youth Centre Trust	5,000	-
New Zealand Song Writers Trust	5,000	-
Royal NZ Plunket Society - Mataura	700	-
Royal NZ Society for the Prevention of Cruelty to Animals Gore	-	10,554
Southern Equestrian Park Trust	-	1,000
Southland Bird Club	3,000	-
Southland Disability Enterprises Limited	30,000	-
Southland Life Education Trust	16,786	-
Southland Ten Pin Bowling Association	1,500	-
Southland Warm Homes Trust	25,000	-
Southland Regional Heritage Committee	-	30,000
Sport Scholarship	2,500	500
St Peters College	-	30,000
Venture Southland	5,560	1,200
Venture Southland Creative Southland	54,000	57,000
Waikaka Combined Sports Association	5,000	-
Waikaka Public Hall Society	3,242	-
<b>Total</b>	<b>327,594</b>	<b>306,483</b>

**R Wason**

Fiordland Community House	-	10,090
Invercargill Contract Bridge Club	24,300	-
Invercargill & Districts Victim Support Group	6,500	-
Talklink Trust	-	5,000
Te Anau Presbyterian Church	-	20,000
<b>Total</b>	<b>30,800</b>	<b>35,090</b>

**L Wright**

Sport Scholarship	-	1,500
New Zealand Song Writers Trust	5,000	-
<b>Total</b>	<b>5,000</b>	<b>1,500</b>

**R Jackson**

Chamber of Commerce Southland	3,000	-
Invercargill & Districts Victim Support Group	6,500	-
Pacific Island Advisory and Cultural Support Group	18,000	-
Queenstown Cricket Club	1,500	-
Rape and Abuse Support Centre Southland	30,000	-
School Leaver	104,000	-
Southland Christmas Parade Charitable Trust	15,810	-
Volleyball Southland	14,015	-
YMCA of Invercargill Charitable Trust	25,000	-
<b>Total</b>	<b>217,825</b>	<b>-</b>

**S Bragg**

Awarua Social and Health Services	1,200	-
<b>Total</b>	<b>1,200</b>	<b>-</b>

**T Lindsay**

Aspirations Scholarships	-	11,000
Chamber Music NZ Inc (Southland Branch)	-	-
Hillside Primary School	-	6,088
Invercargill Summer Festival	-	12,000
Mataura Kilties	-	7,800
Murihiku Health Scholarship	-	-
Rimu Home & School Committee	-	7,100
RSPCA Southland Branch	-	10,000
Southland Piping and Drumming Development Trust	-	18,315
Shakespeare in the Park Charitable Trust	-	6,000
Southland Disability Enterprises Limited	30,000	-
St Josephs School	-	8,434
St Peter's School	-	30,000
Stadium Southland	-	-
The Kai Tech Charitable Trust	-	-
<b>Total</b>	<b>30,000</b>	<b>116,737</b>

**R Campbell**

Barnardos NZ - Southland Area	-	45,000
RSPCA Southland Branch	-	10,000
South Invercargill Urban Rejuvenation Charitable Trust	-	10,000
<b>Total</b>		<b>65,000</b>

**R Evans**

Southland Regional Heritage Committee	-	30,000
<b>TOTAL</b>	-	<b>30,000</b>

**T Green**

Cycling Southland	-	5,525
Hockey Southland	-	9,830
Invercargill Musical Theatre	-	38,552
James Hargest College Junior Campus	-	600
YMCA of Invercargill Charitable trust	-	30,000
<b>Total</b>	-	<b>84,507</b>

**J Kiernan**

Queenstown Art Society	-	7,605
<b>Total</b>	-	<b>7,605</b>

<b>OVERALL TOTAL</b>	<b>1,986,989</b>	<b>935,937</b>
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**Transactions with subsidiaries**

	<b>Parent 2015 \$000</b>	<b>Parent 2014 \$000</b>
<b>Related Party Advance</b>		
Southland Community Trust Charities Limited	15,595	10,464
Writedown of advance	(13,148)	-
	<hr/>	<hr/>
	2,477	10,464
Invest South GP Limited	1,133	956
	<hr/>	<hr/>
	3,580	11,420
	<hr/>	<hr/>

The writedown follows a decision to wind up Southland Community Charities Limited.

## Transactions between subsidiaries

Directors fees have been paid to Peak Consulting Ltd (P Carnahan) by Aoraki Smokehouse Salmon Limited \$18,000 (2014 \$18,000), of which \$1,500 was owing at year end (2014: \$600), Waikaia Gold Limited \$20,000, (2014: \$20,000) and Back Country Foods Limited \$7,200 (2014: \$7,200). Peter Carnahan is a director on these companies. Additionally Back Country Foods Limited paid Peak Consulting Limited \$694 for administration services performed during the year (2014:\$937).

Directors Fees have been paid to B Highsted (Director) from Back Country Foods Limited \$600 (2014: \$4,800) and Aoraki Smokehouse Salmon Limited \$12,000 (2014: \$12,000). Brett Highsted is a director on Aoraki Smokehouse Salmon Limited, but ceased being a director on Back Country Foods Limited during the year.

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 \$370,535 (2014: \$287,902). At 31 March 2015 Invest South GP Limited was due \$10,668 (2014: \$92,509) from Invest South Limited Partnership. At 31 March 2015 Invest South Limited Partnership owed \$7,317,404 to Invest South Holdings Limited (2014: \$7,377,620) and \$1,557,050 to Southland Community Trust Charities Limited (2014: \$2,313,267). Invest South Holdings Ltd owed Invest South GP Limited \$0 (2014: \$60,216). The advances are unsecured, repayable on demand and interest free. It is not expected the advances will be repaid or received in the next 12 months.

Shareholder loans have been advanced to Aoraki Smokehouse Salmon Limited, \$255,027 (2014: \$255,027), Waikaia Gold Limited \$492,162 (2014 \$1,521,000), Waikaia Sheet Pile Limited, \$0 (2014 \$73,800) and Aerograph Limited \$40,000 (2014: \$40,000). In 2015, interest was charged on the loan to Aoraki Smokehouse Salmon Limited of \$nil, (2014, \$nil) from 1 April 2014. For the year ended 31 March 2015, interest of \$6,860 has been charged on the Waikaia Sheet Pile Limited loan (2014: \$2,214). The loans to Waikaia Gold Limited and Aerograph Limited are interest free.

A loan of \$0 (2014: \$95,667) has also been advanced to Evanos Trust, a shareholder of Aoraki Smokehouse Salmon Limited. Interest of \$1,311 has been charged on this loan for the year to 31 March 2015 (2014: \$4,777). Additionally a loan of \$125,118 has been advanced to B & K Crossan, shareholders & directors of Back Country Foods Limited, (2014 \$26,409), Interest for the year of \$12,547 has been received on this loan (2014 \$12,602).

## 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 2015 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](http://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") and Group on pages 3 to 36, which comprise the statements of financial position as at 31 March 2015, and the statements of comprehensive income, the statement 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 2015 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 New Zealand Equivalents to International Financial Reporting Standards and for such internal controls as the Trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Trust and Group's preparation and fair presentation of the financial statements, 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.

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



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

The Community Trust of Southland

### ***Opinion***

In our opinion, the financial statements on pages 3 to 36 present fairly, in all material respects, the financial position of the Trust and Group as at 31 March 2015, and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards.

### ***Restriction on Use of our Report***

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

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
31 August 2015

Dunedin