



# Financial Statements

FOR THE YEAR ENDED 31 MARCH 2018

Community Trust of Southland  
Financial Statements  
For the year ended 31 March 2018  
*in New Zealand Dollars (\$000s)*

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## Trust Information

### 1. Trust 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 financial statements comply with the Financial Reporting Act 2013 and the Community Trusts Act 1999.

As a not-for-profit Public Benefit Entity (PBE) domiciled in Invercargill New Zealand, the Trust distributes grants to qualifying organisations in the Southland region, Stewart Island, Queenstown, Arrowtown and Glenorchy. Through its granting programme the Trust aspires to achieve a thriving Southland by engaging in effective and innovative philanthropy and grantmaking, demonstrate our commitment to Te Tiriti a Waitangi principles, and to protect and grow our investment fund for the benefit of our community and future generations.

### 2. Group Structure

The Community Trust of Southland Group consists of the Trust and its controlled entities Invest South GP Limited, Invest South Limited Partnership, and Back Country Foods Limited. Controlled entities are all those entities over which the Trust has the power to govern the financial and operating policies of other entities so as to benefit from that entity's activities.

### 3. Trustees

The Trust is governed by a Board consisting of up to ten trustees appointed by the Minister of Finance. Trustees are appointed for an initial term of up to four years and may, at the conclusion of their term, be appointed for a further term of up to four years. The Governance Charter provides the framework under which the Board and its Committees operate.

Trustees at 31 March 2018 were:

Trustee	Date Appointed
Margot Hishon (Chair)	June 2015
Lindsay Wright (Deputy Chair)	July 2013
Richard Wason	October 2012
Penny Simmonds	October 2012
Trish Boyle	July 2013
Ross Jackson	June 2014
Mata Cherrington	June 2015
Stephen O'Connor	June 2015
Warren Skerrett	June 2016
John Wyeth	June 2017

The Board's workload is allocated to the following Committees:

- Investment
- GM performance review
- Audit, finance and risk management

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**4. Management**

The management and staff consist of:

Jackie Flutey	General manager
Dianne Williams	Grants manager
Robyn Koehler	Research manager
Jennifer Hay	Accountant
Ngaire Hamilton	Trust administrator
Nikki Dermody	Marketing and communication advisor

**5. Auditor**

PricewaterhouseCoopers

**6. Legal Counsel**

Preston Russell Law, Invercargill

**7. Investment Advisor**

Aon Hewitt, Wellington

**8. Main Sources of Cash and Resources**

The Trust's main source of funds is from returns on its diversified investment portfolio. During the last financial year the portfolio has earned an annual investment return of 6.7% (2017 9.1%).

**9. Contact Details**

Physical Address:	62 Don Street, Invercargill
Postal Address:	PO Box 1646, Invercargill, 9840
Phone:	03 218 2034
Freephone:	0800 500 185
Email:	<a href="mailto:info@ctos.org.nz">info@ctos.org.nz</a>
Website:	<a href="http://www.ctos.co.nz">www.ctos.co.nz</a>

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Statements of Comprehensive Revenue and Expense for the year ended 31 March 2018

	Note	Group 2018	2017	Parent 2018	2017
<b>Revenue</b>					
Revenue from investments	16	8,958	11,846	4,281	3,649
Interest	3	1,369	1,513	1,248	1,453
Fair value gains / (losses) from managed funds	17	10,408	12,220	10,408	12,218
Other income		24	400	28	404
Share of profit from associates	19	647	-	-	-
Gains / (losses) from change in fair value of other investments	15	(458)	1,403	-	-
<b>Total Revenue</b>		<b>20,948</b>	<b>27,382</b>	<b>15,965</b>	<b>17,724</b>
<b>Operating Expenses</b>					
Investing activity expenses	4	4,874	8,772	1,257	1,017
Trust expenses	4	1,502	1,152	1,502	1,152
Grants committed to community groups	5	1,613	5,978	1,613	5,978
Discount on concessionary loans		16	66	16	66
		<b>8,005</b>	<b>15,968</b>	<b>4,388</b>	<b>8,213</b>
<b>Non-Operating Expenses</b>					
Loss on disposal of assets		-	-	-	683
Loss on the sale of subsidiary		-	858	-	-
		-	<b>858</b>	-	<b>683</b>
<b>Total Expenses</b>		<b>8,005</b>	<b>16,826</b>	<b>4,388</b>	<b>8,896</b>
<b>Net (Deficit)/Surplus before taxation</b>		<b>12,943</b>	<b>10,556</b>	<b>11,577</b>	<b>8,828</b>
Income tax expense	6	185	(545)	-	-
<b>Net (Deficit)/Surplus after taxation</b>		<b>12,758</b>	<b>11,101</b>	<b>11,577</b>	<b>8,828</b>
Other comprehensive income		-	-	-	-
<b>Total Comprehensive (Deficit)/Income for the year</b>		<b>12,758</b>	<b>11,101</b>	<b>11,577</b>	<b>8,828</b>
<b>Total Comprehensive (Deficit)/Income is attributed to:</b>					
Owners of the parent		12,758	11,118	11,577	8,828
Minority Interests	12	-	(17)	-	-
		<b>12,758</b>	<b>11,101</b>	<b>11,577</b>	<b>8,828</b>

The financial statements should be read with the accompanying notes.

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Statements of Changes in Net Assets/Equity for the year ended 31 March 2018

Group	Trust Capital	Capital Maintenance Reserve	Grants Maintenance Reserve	Accumulated Revenue and Expense	Minority Interest	Total
Opening balance at 1 April 2016	158,460	93,596	(46,520)	-	1,744	207,280
Total comprehensive revenue and expense	-	-	-	11,118	(17)	11,101
Transactions with owners						
Minority interest adjustment	-	-	-	-	(1,727)	(1,727)
Transfer to/(from) reserves	-	7,001	3,595	(10,596)	-	-
Acquisition of minority interest				(522)		(522)
Closing balance at 31 March 2017	158,460	100,597	(42,925)	-	-	216,132
Total comprehensive revenue and expense	-	-	-	12,758	-	12,758
Transactions with owners						
Transfer to/(from) reserves	-	2,647	10,111	(12,758)	-	-
Acquisition of minority interest	-	-	-	-	-	-
Closing balance at 31 March 2018	158,460	103,244	(32,814)	-	-	228,890

  

Parent	Trust Capital	Capital Maintenance Reserve	Grants Maintenance Reserve	Accumulated Revenue and Expenses	Minority Interest	Total
Opening balance at 1 April 2016	158,460	76,976	(36,097)	-	-	199,339
Total comprehensive revenue and expense	-	-	-	8,828	-	8,828
Transactions with owners						
Transfer to/(from) reserves	-	5,180	3,648	(8,828)	-	-
Adjustment upon amalgamation of subsidiary			(248)			(248)
Closing balance at 31 March 2017	158,460	82,156	(32,697)	-	-	207,919
Total comprehensive revenue and expense	-	-	-	11,577	-	11,577
Transactions with owners						
Transfer to/(from) reserves	-	2,647	8,930	(11,577)	-	-
Closing balance at 31 March 2018	158,460	84,803	(23,767)	-	-	219,496

The financial statements should be read with the accompanying notes.

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Statements of Financial Position as at 31 March 2018

	Note	Group 2018	Group 2017	Parent 2018	Parent 2017
<b>Current Assets</b>					
Cash and cash equivalents		1,482	1,252	161	148
Accounts receivable	10	1,222	577	723	73
Inventories	11	478	418	-	-
Other current assets		19	43	19	38
Loan receivables	14	75	1,050	75	125
<b>Total Current Assets</b>		<b>3,276</b>	<b>3,340</b>	<b>978</b>	<b>384</b>
<b>Non-Current Assets</b>					
Investment in managed funds	18	210,286	207,869	210,286	207,869
Investment in associates	19	2,655	-	-	-
Investment in equities	15	14,490	13,860	-	435
Loan receivables	14	2,365	1,841	445	436
Related party advances	28	-	-	12,266	9,666
Intangible assets	13	37	37	-	-
Property, plant and equipment	21	1,458	1,605	693	731
<b>Total Non-Current Assets</b>		<b>231,291</b>	<b>225,212</b>	<b>223,690</b>	<b>219,137</b>
<b>Total Assets</b>		<b>234,567</b>	<b>228,552</b>	<b>224,668</b>	<b>219,521</b>
<b>Current Liabilities</b>					
Accounts payable (exchange transactions)		429	618	143	153
Taxation payable	6	96	37	-	-
Other current liabilities		184	369	69	60
Grant obligations	9	2,651	9,429	2,651	9,429
<b>Total Current Liabilities</b>		<b>3,360</b>	<b>10,453</b>	<b>2,863</b>	<b>9,642</b>

The financial statements should be read with the accompanying notes

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	Note	Group		Parent	
		2018	2017	2018	2017
<b>Non-Current Liabilities</b>					
Deferred tax payable	6	8	7	-	-
Grant obligations	9	2,309	1,960	2,309	1,960
<b>Total Non-Current Liabilities</b>		<b>2,317</b>	<b>1,967</b>	<b>2,309</b>	<b>1,960</b>
<b>Total Liabilities</b>		<b>5,677</b>	<b>12,420</b>	<b>5,172</b>	<b>11,602</b>
<b>Net Assets</b>		<b>228,890</b>	<b>216,132</b>	<b>219,496</b>	<b>207,919</b>
<b>Net Assets/Equity comprise:</b>					
Trust capital	7	158,460	158,460	158,460	158,460
Reserves	8	70,430	57,672	61,036	49,459
<b>Net Assets/Equity attributable to equity holders of parent</b>		<b>228,890</b>	<b>216,132</b>	<b>219,496</b>	<b>207,919</b>
Minority interests	12	-	-	-	-
		<b>228,890</b>	<b>216,132</b>	<b>219,496</b>	<b>207,919</b>

Approved on behalf of the Board:



Board Chair  
24 July 2018



Audit, Finance and Risk Management Committee Chair  
24 July 2018

The financial statements should be read with the accompanying notes.



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Statements of Cash Flows for the year ended 31 March 2018

	Group		Parent	
	2018	2017	2018	2017
<b>Cash Flows from Operating Activities</b>				
Receipts from:				
Receipts from customers	3,977	8,448	4	4
Interest and dividends	5,702	5,798	4,878	5,078
Foreign exchange	627	-	627	-
Other Income	24	400	24	400
<b>Total cash inflows from operating activities</b>	<b>10,330</b>	<b>14,646</b>	<b>5,533</b>	<b>5,482</b>
Payments to:				
Suppliers, trustees and staff	1,829	5,209	2,258	1,744
Other expenses	4,702	2,514	439	374
Grants to community organisations	8,042	5,261	8,042	5,261
<b>Total cash outflows from operating activities</b>	<b>14,573</b>	<b>12,984</b>	<b>10,739</b>	<b>7,379</b>
<b>Net cash (outflow) from operating activities</b>	<b>(4,243)</b>	<b>1,662</b>	<b>(5,206)</b>	<b>(1,897)</b>
<b>Cash Flows from Investment Activities</b>				
Receipts from:				
Investments in listed equities	435	119	435	119
Investment in managed funds	7,367	(2,062)	7,365	(2,114)
Loan receivable repayments	2,572	285	140	100
Goodwill and Intangibles	-	49	-	-
<b>Total cash inflow from investing activities</b>	<b>10,372</b>	<b>(1,609)</b>	<b>7,940</b>	<b>(1,895)</b>
Payments to:				
Investment in associates/subsidiaries	2,007	390	-	-
Investments in unlisted equities	1,518	(2,844)	-	-
Loan receivable advances	2,365	2,680	115	350
Associated party advance	-	-	2,600	(4,100)
Property, plant and equipment	11	(1,649)	6	(4)
<b>Total cash outflow from investing activities</b>	<b>5,901</b>	<b>(1,423)</b>	<b>2,721</b>	<b>(3,754)</b>
<b>Net cash (outflow) from investing activities</b>	<b>4,473</b>	<b>(186)</b>	<b>5,219</b>	<b>1,859</b>
<b>Cash Flows from Financing Activities</b>				
Payments to:				
Term loans	-	1,091	-	-
<b>Total cash (outflow) from financing activities</b>	<b>-</b>	<b>(1,091)</b>	<b>-</b>	<b>-</b>
<b>Net Increase / (Decrease) in Cash held</b>	<b>230</b>	<b>385</b>	<b>13</b>	<b>(38)</b>
Add cash at beginning of year	1,252	867	148	186
Add new subsidiaries cash at beginning of the year	-	-	-	-
<b>Total Cash Balance at End of Year</b>	<b>1,482</b>	<b>1,252</b>	<b>161</b>	<b>148</b>
<b>Represented by</b>				
Cash and cash equivalents	1,482	1,252	161	148
<b>Total Cash Balance</b>	<b>1,482</b>	<b>1,252</b>	<b>161</b>	<b>148</b>

The financial statements should be read with the accompanying notes.

## Statement of Accounting Policies and Explanatory Notes

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

These financial statements have been approved for issue by the Trustees on 24 July 2018.

### 2. Statement of Accounting Policies

#### Statement of Compliance

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

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

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

#### (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.

##### *(i) 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.

##### *(ii) Presentation and functional currency*

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

##### *(iii) Going Concern assumption*

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

##### *(iv) Selection of accounting policies*

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

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**2. Statement of Accounting Policies (Cont'd)**

*(v) Critical Accounting Estimates & Judgements*

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revisions affect only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

- *Assessing impairment of investments*  
The group follows the guidance in PBE IPSAS 26 and PBE IPSAS 29 to determine when an investment is impaired. The determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the duration and extent to which the recoverable amount of an investment is less than its carrying value; and the financial health of and short-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.
- *Assessing fair value of financial instruments*  
Judgement is required in calculating the fair value of financial instruments. Fair value is based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Refer to note 23.
- *Assessing fair value of biological assets*  
Some judgement has been made in determining the fair value of biological assets. Biological assets are measured at fair value less costs to sell, with any change therein recognised in the income statement. The fair value is determined with reference to the present value of the expected cash flows using anticipated harvest volumes, market prices and the costs of cultivation until sold. Costs to sell include all costs that would be necessary to sell the assets. Biological assets are transferred to inventories at the date of harvest.

**(b) Principles of consolidation**

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

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

Controlled entities which form part of the Group are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Aoraki Smokehouse Salmon Limited and Hutton Salmon Limited have been de-consolidated as at 31 August 2016. Invest South Holdings Limited was struck off the Companies Office on 24 January 2018.

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

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

## 2. Statement of Accounting Policies (Cont'd)

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.

### (i) Transactions with minority interests

The Group treats transactions with minority interests as transactions with equity owners of the Group.

For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interests are also recorded in equity.

### (ii) Associates

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

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

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

### (c) Income tax

The Parent is exempt from income tax under section CW52 of the Income Tax Act 2007.

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

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

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

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**2. Statement of Accounting Policies (Cont'd)**

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

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

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

**(d) Exchange revenues**

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

**(i) Sales of goods**

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

**(ii) Sales of services**

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

**(iii) Interest income**

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

**(iv) Dividend income**

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

**(e) Non-exchange revenue**

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

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

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



## 2. Statement of Accounting Policies (Cont'd)

### (g) Impairment of non-financial assets

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

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

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

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

### (h) Inventories

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

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

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 revenue and expenses during the financial period in which they are incurred.

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

The following rates have been used:

Buildings	3 - 12.5%	Straight line
Plant & machinery	8 - 80%	Diminishing value
Leasehold alteration	3 - 40%	Diminishing value
Office equipment	8 - 67%	Diminishing value
Motor vehicles	20 - 30%	Diminishing value

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**2. Statement of Accounting Policies (Cont'd)**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the surplus or deficit for the year.

Land and buildings are measured at fair value and were revalued at 31 March 2013. Fair value is determined on the basis of an annual independent valuation prepared by external valuation experts, based on a discounted cash flows or capitalisation of net income approach. The fair values are recognised in the financial statements of the Trust, and are reviewed at the end of each reporting period to ensure the carrying value of land and buildings is not materially different from their fair values.

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

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

**(j) Trade and other receivables**

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

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

**(k) Cash and cash equivalents**

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

**(l) Currency translation**

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

**(m) Employee entitlements**

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

**(n) Investments in subsidiaries and associates**

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

**2. Statement of Accounting Policies (Cont'd)**

**(o) Trade and other payables**

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

**(p) Operating leases**

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

**(q) Goodwill**

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

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

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

**(r) Statements of cash flows**

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

'Operating activities' represents all transactions and other events that are not investing or financing activities.

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

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

**(s) Financial assets & liabilities**

**(i) Investments**

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



## 2. Statement of Accounting Policies (Cont'd)

### (ii) Financial Assets

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

### (iii) Financial Assets at Fair Value Through Surplus or Deficit

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

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

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

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

### (iv) Loans & Receivables

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

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

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

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

### (v) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

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**2. Statement of Accounting Policies (Cont'd)**

*(vi) Impairment of Financial Assets*

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

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

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

*(i) 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.

**3. Interest**

	Group		Parent	
	2018	2017	2018	2017
Cash and cash equivalents	-	5	-	7
Interest on advances	1,369	1,508	1,248	1,446
	<u>1,369</u>	<u>1,513</u>	<u>1,248</u>	<u>1,453</u>

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**4. Investing Activity and Trust Expenses**

The breakdown of expenses into investing activity costs and Trust operating costs for the group for the year ended 31 March 2018 is as follows:

Group	Note	Investing Activity Costs	Trust Operating Costs	Total Group
Cost of goods sold		1,573	-	1,573
Trustees' fees	22	-	167	167
Directors' fees		86	-	86
Employee entitlements		1,144	837	1,981
Fund managers' fees		1,257	-	1,257
Depreciation/Amortisation		114	44	158
Audit of the financial statements – PricewaterhouseCoopers		35	32	67
Legal expenses		2	19	21
Administration expenses		663	403	1,066
		<b>4,874</b>	<b>1,502</b>	<b>6,376</b>

The breakdown of expenses into investing activity costs and Trust operating costs for the group for the year ended 31 March 2017 is as follows:

Group	Note	Investing Activity Costs	Trust Operating Costs	Total Group
Cost of goods sold		3,187	-	3,187
Trustees' fees	22	-	162	162
Directors' fees		86	-	86
Employee entitlements		2,311	549	2,860
Fund managers' fees		1,017	-	1,017
Depreciation/Amortisation		250	46	296
Audit of the financial statements – PricewaterhouseCoopers		35	32	67
Legal expenses		41	34	75
Administration expenses		1,845	329	2,174
		<b>8,772</b>	<b>1,152</b>	<b>9,924</b>

The breakdown of expenses into investing activity costs and Trust operating costs for the parent for the year ended 31 March 2018 is as follows:

Parent	Note	Investing Activity Costs	Trust Operating Costs	Total Group
Trustees' fees	22	-	167	167
Employee entitlements		-	837	837
Fund managers' fees		1,257	-	1,257
Depreciation/Amortisation		-	44	44
Audit of the financial statements – PricewaterhouseCoopers		-	32	32
Legal expenses		-	19	19
Administration expenses		-	403	403
		<b>1,257</b>	<b>1,502</b>	<b>2,759</b>

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4. Investing Activity and Trust Expenses (Cont'd)

The breakdown of expenses into investing activity costs and Trust operating costs for the parent for the year ended 31 March 2017 is as follows:

Parent	Note	Investing Activity Costs	Trust Operating Costs	Total Group
Trustees' fees	22	-	162	162
Employee entitlements		-	549	549
Fund managers' fees		1,017	-	1,017
Depreciation/Amortisation		-	46	46
Audit of the financial statements – PricewaterhouseCoopers		-	32	32
Legal expenses		-	34	34
Administration expenses		-	329	329
		1,017	1,152	2,169

5. Grants

Grants to eligible organisations are recognised as an expense in the Statement of Comprehensive Revenue and Expense when they are approved by the Trustees of the Group. Payments to grant recipients are made on the satisfaction of specified funding conditions. Grants covering multiple years are recognised as a commitment in principal for future years.

	Group		Parent	
	2018	2017	2018	2017
Grants approved in current year	6,389	5,542	6,389	5,542
Grants withdrawn for current year	(11)	-	(11)	-
Grants withdrawn for prior years*	(5,100)	(150)	(5,100)	(150)
Grants repaid	(87)	-	(87)	-
Scholarships repayable	(12)	-	(12)	-
Grants approved in principal relating to future years	434	586	434	586
	1,613	5,978	1,613	5,978

\*the amount relates to approved grants in April 2010, the recipients did not proceed with the projects as planned and the grants have been withdrawn.

6. Taxation

a) Income tax recognised in surplus or deficit

Current tax expense				
Current year	184	126	-	-
Deferred tax	1	(671)	-	-
Total tax expense	185	(545)	-	-

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

Net surplus before taxation	12,943	10,556	11,577	8,827
Less net surplus from exempt activities	(11,577)	(9,511)	(11,577)	(8,827)
Taxable net surplus before taxation	1,366	1,045	-	-
Income tax expense calculated at 28%	382	293	-	-
Income tax exemption on partnership	(19)	(642)	-	-
Tax effect of permanent differences	1	-	-	-
Other adjustments	(179)	(309)	-	-
Inter-company dividend received	-	113	-	-
Total tax expense	185	(545)	-	-

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	Group 2018	2017	Parent 2018	2017
<b>6. Taxation (Cont'd)</b>				
<b>b) Deferred tax liability</b>				
Leave and other provisions	8	7	-	-
<b>Total deferred tax liability</b>	<u>8</u>	<u>7</u>	<u>-</u>	<u>-</u>
<b>c) Current tax assets and liabilities</b>				
Current tax liabilities				
Current tax payable	96	37	-	-

The Community Trust of Southland is exempt from income tax.

<b>d) Imputation credit account balances</b>				
Balance at beginning of the period	-	670	-	-
Taxation paid	136	173	-	-
Taxation refunded	(10)	-	-	-
Imputation credits attached to dividends paid	-	(265)	-	-
Loss of continuity	-	(55)	-	-
Imputation credits unrecognised sale of subsidiary	-	(523)	-	-
<b>Balance at end of the period</b>	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>

<b>7. Trust Capital</b>				
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>
<b>8. Reserves</b>				
Capital maintenance reserve	103,244	100,597	84,803	82,156
Grants maintenance reserve	(32,814)	(42,925)	(23,767)	(32,697)
	<u>70,430</u>	<u>57,672</u>	<u>61,036</u>	<u>49,459</u>

*(i) 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.

*(ii) Grants Maintenance Reserve*

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

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**9. Grant Obligations**

Grants approved by the Board but unpaid at balance date are recognised as Current Liabilities. For grants that cover multiple years, the portion that relates to future years, which has been approved in principal by the board are recognised as Non-Current Liabilities.

Commitments of \$4,960,197 (2017 \$11,389,027) exist for grants of the Group and \$4,960,197 (2017: \$11,389,027) for the Parent which will be distributed from either capital or income sources in future years.

	Group		Parent	
	2018	2017	2018	2017
Balance at 1 April	11,389	10,673	11,389	10,673
Grants approved in current year	6,390	5,542	6,390	5,542
Grants paid in current year	(8,142)	(5,291)	(8,142)	(5,291)
Grants approved in principal relating to future years	434	586	434	586
Grants withdrawn for current year	(11)	(16)	(11)	(16)
Grants withdrawn for prior years	(5,100)	(105)	(5,100)	(105)
	<b>4,960</b>	<b>11,389</b>	<b>4,960</b>	<b>11,389</b>

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

Current	2,651	9,429	2,651	9,429
Within 1-2 years	1,504	1,198	1,504	1,198
Within 2-3 years	805	762	805	762
	<b>4,960</b>	<b>11,389</b>	<b>4,960</b>	<b>11,389</b>

**10. Accounts Receivable**

Trade receivables	602	577	103	73
Allowance for doubtful debts	-	-	-	-
Managed funds transfers	620	-	620	-
	<b>1,222</b>	<b>577</b>	<b>723</b>	<b>73</b>

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

**11. Inventories and Biological Assets**

**Inventories**

Raw materials and packing	333	382	-	-
Finished goods	145	36	-	-
	<b>478</b>	<b>418</b>	<b>-</b>	<b>-</b>

**Biological Assets – Salmon Stock**

Balance at beginning of year	-	4,503	-	-
Sold as part of business disposal	-	(4,503)	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

*(i) Risk Factors*

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

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**11. Inventories and Biological Assets (Cont'd)**

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.

*(i) 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.

*(ii) Determining Fair Value*

The pre-harvest salmon stock has been valued with reference to their stage of development, the length of the growth cycle, number in the water, assumptions in respect of biomass and feed conversion rates, and the fair value per kg at the point of harvest. The fair value per kg at the point of harvest is determined with reference to the market selling prices, as at 31 March 2016. The stock has been derecognised as part of the disposal of Aoraki Smokehouse Salmon Limited on 29 August 2016.

**12. Minority Interest**

	Group		Parent	
	2018	2017	2018	2017
Opening balance at the beginning of the year	-	1,744	-	-
Share of profits for the year	-	(17)	-	-
Dividend paid to minority interest	-	(277)	-	-
Minority interest adjustment on acquisition/ Disposal of subsidiary	-	(1,450)	-	-
Closing Balance	-	-	-	-

**13. Intangible Assets**

**Goodwill**

**Gross carrying amount**

Balance at beginning of financial year

De-recognition on disposal of subsidiary

33	269	-	-
-	(236)	-	-
<b>33</b>	<b>33</b>	-	-

**Other Intangibles**

Other Intangibles

4	4	-	-
<b>4</b>	<b>4</b>	-	-

**Total**

<b>37</b>	<b>37</b>	-	-
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**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. As a result of the disposal of Aoraki Smokehouse Salmon Limited on 29 August 2016, \$235,863 of goodwill was derecognised.

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	Group		Parent	
	2018	2017	2018	2017
<b>14. Loan Receivables</b>				
Loans	2,550	2,985	630	655
Impairment provision	-	-	-	-
Discount provision	(110)	(94)	(110)	(94)
	<u>2,440</u>	<u>2,891</u>	<u>520</u>	<u>561</u>
Loans to third parties	-	2,330	-	-
Loans to unlisted equity entities/associates	1,920	-	-	-
Concessionary loans to community groups	520	561	520	561
	<u>2,440</u>	<u>2,891</u>	<u>520</u>	<u>561</u>
Current portion	75	1,050	75	125
Non-current portion	2,365	1,841	445	436
	<u>2,440</u>	<u>2,891</u>	<u>520</u>	<u>561</u>

The loan receivables relate to lending activities carrying interest rates between 4% and 13%. A selection of the loans to entities where the Group is also a shareholder, do not earn interest.

<b>Concessionary Loans to Community Groups</b>				
Troopers Memorial Corner Charitable Trust - Yule House	60	70	60	70
Arrowtown Trust	20	40	20	40
South Catlins Charitable Trust	155	55	155	55
Bluff Oyster and Food Festival	70	140	70	140
South Alive Centre	310	350	310	350
Te Anau Childcare	15	-	15	-
Face value of loans outstanding	<u>630</u>	<u>655</u>	<u>630</u>	<u>655</u>
Discount Provision	(110)	(94)	(110)	(94)
Total concessionary loans	<u>520</u>	<u>561</u>	<u>520</u>	<u>561</u>
Opening balance	561	377	561	377
Amounts advanced	115	350	115	350
Amounts repaid	(140)	(100)	(140)	(100)
Unwinding of discount recognised in surplus/deficit	(16)	(66)	(16)	(66)
Closing balance	<u>520</u>	<u>561</u>	<u>520</u>	<u>561</u>

The concessionary loans are interest free. To comply with PBE Standards, all interest free loans have been discounted to present value at the assessed market rate of 5.95%. This has resulted in \$15,585 being recorded as an expense this year (2017: \$66,169). The discount reflecting the market interest rate will be unwound by the discount being returned through the surplus or deficit.



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	Group		Parent	
	2018	2017	2018	2017
<b>15 (a) Investment In Unlisted Equities</b>				
Investment in Unlisted Equities	14,490	13,425	-	-
	14,490	13,425	-	-

Investments in unlisted equities are shown at fair value.

**Unlisted Equities**

Gain / (losses) from change in fair value of investments	(458)	1,403	-	-
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**15 (b) Investments in Listed Equities**

Pacific Edge Biotechnology Limited	-	435	-	435
	-	435	-	435

This investment is measured at its fair value base on its quoted price.

**16. Revenue**

Sales (by controlled entities)	3,975	7,545	-	-
Dividends	4,983	4,301	4,281	3,649
	8,958	11,846	4,281	3,649

**17. Fair value gains / (losses) from managed funds**

Unrealised gains / (losses) from change in fair value of managed funds	10,239	602	10,239	601
Realised gains/(losses) from change in fair value of management funds	221	11,618	221	11,617
Unrealised gains/(losses) from foreign exchange	(679)	-	(679)	-
Realised gains/(losses) from foreign exchange	627	-	627	-
	10,408	12,220	10,408	12,218

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**18. Managed Funds**

The Group has funds with 11 investment managers (fund managers) at 31 March 2018 as follows:

- AMP Capital
- Direct Capital
- Elevation Capital Limited
- Hunter Investment Management
- Mint Asset Management
- Morrison & Co
- Nikko Investment Management
- Pioneer Capital Limited Partnership
- Platinum
- Salt Funds
- Waterman Fund

The fair value of the managed funds investments as at 31 March 2018 was as follows:

	AMP	Direct Capital	Elevation Capital	Hunter Fund	Mint Asset	Morrison & Co	Nikko Investment	Pioneer Capital	PIMCO	Platinum	Salt Funds	Waterman Fund	Total
Australasian equities					25,037						11,257		36,294
Overseas equities			37,932				23,935			39,559			77,491
NZ fixed interest				31,180			(208)						23,935
Overseas fixed interest													31,180
Foreign exchange contracts													(208)
Cash							16,729						16,729
Private Equity		525						1,867				2,571	4,963
Infrastructure	10,075					2,305							12,380
Property	7,522												7,522
<b>Total</b>	<b>17,597</b>	<b>525</b>	<b>37,932</b>	<b>31,180</b>	<b>25,037</b>	<b>2,305</b>	<b>40,456</b>	<b>1,867</b>	<b>-</b>	<b>39,559</b>	<b>11,257</b>	<b>2,571</b>	<b>210,286</b>

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The fair value of the managed funds investments as at 31 March 2017 was as follows:

	AMP	Direct Capital	Elevation Capital	Hunter Fund	Mint Asset	Morrison & Co	Nikko Investment	Pioneer Capital	PIMCO	Platinum	Salt Funds	Waterman Fund	Total
Australasian equities					21,173						10,514		31,687
Overseas equities			37,847							33,399			71,246
NZ fixed interest							23,469						23,469
Overseas fixed interest							(130)		35,599				35,599
Foreign exchange contracts													(130)
Cash							23,498						23,498
Private Equity		513						1,549				953	3,015
Infrastructure	10,425					1,855							12,280
Property	7,205												7,205
<b>Total</b>	<b>17,630</b>	<b>513</b>	<b>37,847</b>	<b>-</b>	<b>21,173</b>	<b>1,855</b>	<b>46,837</b>	<b>1,549</b>	<b>35,599</b>	<b>33,399</b>	<b>10,514</b>	<b>953</b>	<b>207,869</b>

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

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**18. Managed Funds (Cont'd)**

**Fair Value Measurement**

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

Asset category	Basis of fair value measurement
Australasian equities - Elevation Capital, Platinum, Mint, Salt	Based on quoted market prices at the balance sheet date
Overseas equities – Elevation Capital, Platinum	Based on quoted market prices at the balance sheet date
New Zealand equities & Infrastructure – Mint, Salt, Waterman, Morrison & Co	Based on quoted market prices at the balance sheet date
NZ fixed interest - Nikko	Based on quoted market prices at the balance sheet date where such quoted market prices are available, and otherwise based on valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.
Overseas fixed interest – Hunter (previously known as PIMCO)	
Foreign exchange contracts - BNZ	
Unlisted unit trusts - Nikko	The fair value is based on net asset value of the private equity partnership, determined using valuation techniques such as market multiples, discounted cashflows and precedent transactions using observable inputs where available.
Australasian private equities – Pioneer, Waterman, Morrison, Direct Capital, AMP	
Australasian equities – Direct Capital	<p>In arriving at the fair value for the Direct Capital Portfolio, the Trust has used the fair value assessed by Direct Capital IV Partnership (Direct Capital). Direct Capital has applied the Australian Venture Capital and Private Equity Valuation Guidelines to quarterly revaluations on each Direct Capital IV portfolio company. In addition Direct Capital notes:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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%.</li> <li>• Finally the last quarterly closing net debt net of any ongoing working capital requirements to calculate Equity Value.</li> </ul> <p>Each valuation is completed following receipt of portfolio company quarterly financial statements. Each year the valuations are audited by KPMG in order to achieve audited special purpose financial statements as at 31 December.</p>

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19. Investment in Associates

Interests in Associates	Group		Parent	
	2018	2017	2018	2017
<i>Movements in carrying amounts</i>				
Shares at cost	2,008	-	-	-
Balance at 1 April	-	-	-	-
Acquisition of associates	2,008	-	-	-
Sale of associates during year	-	53	-	-
Share of associate earnings	647	(53)	-	-
Balance at 31 March	2,655	-	-	-

20. 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	2018 Percentage Held	2017 Percentage Held	Balance Date	Principal Activity
Invest South Holdings Limited (struck off 24 January 2018)	0%	100%	31 March	Debt funding and equity investments
Invest South GP Limited	100%	100%	31 March	Management company
Invest South Limited Partnership	100%	100%	31 March	Asset management
Back Country Foods Limited	100%	100%	31 March	Freeze dried food producer

Shareholdings in Aoraki Salmon Limited and Hutton Salmon Limited were disposed of on 29 August 2016.

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**21. Property, Plant and Equipment**

Group	Land	Buildings	Equipment	Furniture & Fitting	Motor Vehicles	Total
Cost or Valuation as at 1 April 2017	360	758	1,710	427	53	3,308
Additions/Revaluations	-	-	26	3	-	29
Disposals/Revaluations	-	-	(8)	-	(42)	(50)
Cost or Valuation at 31 March 2018	360	758	1,728	430	11	3,287
Accumulated depreciation at 1 April 2017	-	424	969	272	38	1,703
Depreciation	-	30	112	16	-	158
Disposals	-	-	(5)	-	(27)	(32)
Accumulated depreciation at 31 March 2018	-	454	1,076	288	11	1,829
Net book value 31 March 2017	360	334	741	155	15	1,605
Net book value 31 March 2018	360	304	652	142	-	1,458
Parent						
Cost or Valuation at 1 April 2017	360	757	189	167	42	1,515
Additions/Revaluations	-	-	21	-	-	21
Disposals/Revaluations	-	-	(2)	-	(42)	(44)
Cost or Valuation at 31 March 2018	360	757	208	167	-	1,492
Accumulated depreciation at 1 April 2017	-	424	175	157	27	783
Depreciation	-	31	13	1	-	45
Disposals	-	-	(2)	-	(27)	(29)
Accumulated depreciation at 31 March 2018	-	455	186	158	-	799
Net book value 31 March 2017	360	333	14	9	15	731
Net book value 31 March 2018	360	302	22	9	-	693

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

**22. Key Management Personnel**

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

	Group		Parent	
	2018	2017	2018	2017
Short term employee benefits - Executives	582	315	464	207
Trustee fees - Trustees	167	162	167	162
Directors fees – Directors	86	86	-	-
	835	563	631	369
Key management comprised the following number of FTEs				
Executives	1.67	1.67	1.00	1.00
Trustees	1.22	1.22	1.22	1.22
Directors	0.27	0.27	-	-
	3.16	3.16	2.22	2.22

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**22. Key Management Personnel (Cont'd)**

Trustee fees are set by the Minister of Finance at a fixed annual amount. Trustee remuneration as follows:

	2018	2017
Richard Wason	16	16
Penny Simmonds (remuneration paid to SIT)	14	14
Lindsay Wright	18	19
Trish Boyle	14	25
Ross Jackson (remuneration paid to McCulloch and Partners)	18	14
Mata Cherrington	14	14
Margot Hishon	29	18
Stephen O'Connor	14	14
John Wilson (retired June 2016)	-	4
Warren Skerrett (appointed June 2016)	16	10
Stephen Bragg (retired June 2017)	4	14
John Wyeth (appointed June 2017)	10	-
	<b>167</b>	<b>162</b>

**23. 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.

**(i) 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.

**(ii) 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.

## 23. Financial Instruments (Cont'd)

### (iii) 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.

### (iv) Equity Price Risk

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

### Credit Risk Management

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

The Group from time to time has significant funds in trading bank deposits. The Group limits risk by spreading the deposits over several trading banks. The Group has not required collateral or other security to support its financial instruments. The Group further limits risk through its policy of placing managed funds with five separate fund managers, with each fund manager having an investment mandate which requires that they diversify their 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.

### Liquidity Risk Management

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

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

### Capital Risk Management

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

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

The Trustees have adopted an investment strategy with a targeted long term real annual rate of return of 4.35% (after inflation) of the Trust's capital value. Recognising that actual returns are likely to fluctuate from year to year, 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.



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**23. Financial Instruments (Cont'd)**

The Trust's present grants policy is to distribute annually as grants an amount equivalent to 3.25% of the Trust's actual capital base. This amount has been calculated based on the Trustees' long term investment expectations, together with the objective of maintaining the capital value of the fund for the benefit of current and future generations. The need to rebuild capital, and the robustness of the community sector in the Trust's area, will be considerations in any decision to increase or decrease the grants budget. As a result there may be fluctuations between the grants distributed and the actual target.

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

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

**Fair Values**

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

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

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

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

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

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

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

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**23. Financial Instruments (Cont'd)**

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

31 March 2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	-	-	-
Listed equity securities	-	-	-	-
Investment in managed funds	109,568	93,450	7,268	210,286
Unlisted equity securities	-	-	14,490	14,490
	<b>109,568</b>	<b>93,450</b>	<b>21,758</b>	<b>224,776</b>
<hr/>				
31 March 2017				
Financial assets at fair value through profit or loss				
Listed equity securities	435	-	-	435
Investment in managed funds	120,283	82,716	4,870	207,869
Unlisted equity securities	-	-	13,424	13,424
	<b>120,718</b>	<b>82,716</b>	<b>18,294</b>	<b>221,728</b>
<hr/>				
	Investment in managed funds	Unlisted equity securities	Listed NZ equity securities	
Balance at 1 April 2017	207,869	13,424	435	
Additional investments/transfers	-	1,523	-	
Settlements and repayments	(7,993)	-	(435)	
Change in value of financial assets at fair value through profit or loss	10,410	(457)	-	
Balance at 31 March 2018	<b>210,286</b>	<b>14,490</b>	-	
<hr/>				
Balance at 1 April 2016	192,256	14,966	554	
Additional investments/transfers	3,395	1,860	-	
Settlements and repayments	-	(4,709)	-	
Change in value of financial assets at fair value through profit or loss	12,218	1,307	(119)	
Balance at 31 March 2017	<b>207,869</b>	<b>13,424</b>	<b>435</b>	
<hr/>				

Included in profit or loss for the year is a net loss of \$(457,714) (31 March 2017: \$1,307,083) relating to level 3 assets held at the end of the reporting year. Fair value gains or losses on those assets are included in "change in fair value of financial assets at FVTPL" in the statement of comprehensive income.

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

Loans receivable 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.

It is the trustees determination that the transaction price is the best evidence of fair value for unlisted equities. Therefore where possible they have used recent share purchase/offer price to determine the fair value of unlisted equities. If there have been no recent share transactions or offers then they have used discounted cash flow analysis to determine the fair value.

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**24. Term Loans**

All term loans were held by Aoraki Smokehouse Salmon Limited. These were all de-recognised when the shareholding in this entity was disposed of on 29 August 2016.

**25. Contingencies**

There are no contingent liabilities or contingent assets relating to the Group at 31 March 2018 (2017: Nil).

**26. Capital Commitments**

There was a community loan granted to Murchison Villas Ltd (formerly Fiordland Retirement Housing Trust) for \$2,250,000, which has not been drawn down at balance date. In November 2017, the Trustees approved a loan to South Catlins Charitable Trust for \$125,000, at balance date \$25,000 has not been drawn down.

At balance date the Trust had committed a total of \$14m (2017:\$14m) to New Zealand based private equity funds. Of this sum \$7.4m has been drawn down to date (2017:\$5.9m). The calls on the remaining committed funds are made by Fund Managers as further Investments are made. The timing of these calls is uncertain.

**27. Operating Lease Commitments**

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

	Group		Parent	
	2018	2017	2018	2017
Current within one year	-	-	-	-
Later than one year but not later than five years	60	60	-	-
Later than five years	-	60	-	-
	<b>60</b>	<b>120</b>	<b>-</b>	<b>-</b>

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**28. Related Party Transactions**

**Transactions with Key Management Personnel**

*(i) Transactions with Employees*

Key management employees declared no interests in relation to organisations that received grants during the year as detailed below. Interests were declared when these grants were considered and key management took no part in deliberations relating to organisations they had an interest in.

	2018	2017
<b>J Prendergast</b>		
Chelsea Cosgrove	-	300
Dance Opportunity	2,500	-
Henry McIntyre	-	300
Mikaela Goodall	-	300
Southland Justice of Peace	1,350	-
Travis Oudoff	-	300
<b>Total</b>	<b>3,850</b>	<b>1,200</b>
<b>D Williams</b>		
Brad Kooman	-	500
Touch Southland	43,380	50,278
<b>Total</b>	<b>43,380</b>	<b>50,778</b>
<b>Overall Total</b>	<b>47,230</b>	<b>51,978</b>

*(ii) Transactions with Trustees*

Trustees declared interests in relation to organisations that received grants during the year totalling \$1,809,568 as detailed below (2017 \$1,393,210). Interests were declared when these grants were considered.

	2018	2017
<b>P Simmonds</b>		
Alex Lithgow Statue Trust	10,000	-
Balfour Community Baths Fund	2,500	-
CareerFest Southland	8,000	-
Careers Advisors and Education Association – Southland Branch	5,000	-
Chamber of Commerce	4,000	-
Community College Southland	5,000	-
Cycling New Zealand	-	15,000
Dot Mullay Sport Scholarships	2,390	-
Environment Southland	-	50,000
Finn Bodkin-Allen	400	-
HETTANZ	600	-
Hockey Southland	-	26,910
Invercargill City Council – Film Premier	-	7,000
Invercargill Film Festival	25,000	-
Marshall Hall	1,500	-
National Basketball Leagues Limited	-	10,500
Netball South Zone	169,050	-

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**28. Related Party Transactions (Cont'd)**

<b>P Simmonds (Cont'd)</b>	<b>2018</b>	<b>2017</b>
Norman Jones Foundation	45,000	-
Rugby Southland	180,000	-
Rugby Southland Supporters Club	-	10,000
Shakespeare in the Park	5,000	3,700
Sharks Basketball	70,000	-
Southland Art Society	5,000	-
Southland Riding for the Disabled	10,000	-
Talent Development Southland Charitable Trust	35,957	50,000
Templeton Flaxmilling Heritage Trust	15,000	-
Venture Southland	270,500	51,400
<b>Total</b>	<b>869,897</b>	<b>224,510</b>
<b>R Jackson</b>		
Aleisha Brown	1,500	-
Ella Smith	1,000	-
First Church Heritage Building Charitable Trust	-	8,000
Kris Milne – Sport Scholarship	-	1,500
Mitchell Kempton	500	-
Otautau & District Toy Cupboard	2,000	-
Pacific Island Advisory and Cultural Trust	36,000	36,000
Rape and Abuse Support Centre Southland	30,000	30,000
Rugby Southland	-	162,800
Southland Badminton Association	17,320	5,000
Southland Piping and Drumming Development Trust	-	15,000
Talent Development Southland Charitable Trust	35,957	50,000
The Southland Christmas Parade Charitable Trust	15,500	15,500
YMCA of Invercargill Charitable Trust	30,000	30,000
<b>Total</b>	<b>169,777</b>	<b>353,800</b>
<b>J Wilson</b>		
Eastern Southland Combined Search and Rescue	-	2,400
Southland Mountain Bike Club	-	6,700
<b>Total</b>	<b>-</b>	<b>9,100</b>
<b>L Wright</b>		
Helen Christle – Sport Scholarship	-	3,000
Riversdale Arts	7,800	-
<b>Total</b>	<b>7,800</b>	<b>3,000</b>

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28. Related Party Transactions (Cont'd)

	2018	2017
<b>S O'Connor</b>		
Anna O'Connor	500	-
Calvary Hospital	-	50,000
Inner Wheel (FibreOctave)	-	5,000
Southland Disability Enterprises Ltd	80,000	-
YMCA of Invercargill	30,000	30,000
<b>Total</b>	<b>110,500</b>	<b>85,000</b>
<b>T Boyle</b>		
Environment Southland	-	50,000
Invercargill Primary School Education Initiative	16,250	-
Nightcaps Playcentre	7,480	-
South Invercargill Urban Rejuvenation Charitable Trust	55,000	400,000
Wakatipu Community of Learning	172,000	-
<b>Total</b>	<b>250,730</b>	<b>450,000</b>
<b>M Hishon</b>		
Gregory McDonald – Art Scholarship	-	6,500
Henry McIntyre – Art Scholarship	-	300
Kaitlyn Stuart	750	-
Kelvin Peninsula Community Association	20,000	-
Talent Development Southland Charitable Trust	85,957	-
<b>Total</b>	<b>106,707</b>	<b>6,800</b>
<b>W Skerrett</b>		
Kelvin Peninsula Community Association	20,000	-
<b>Total</b>	<b>20,000</b>	<b>-</b>
<b>M Cherrington</b>		
1000 Days Trust	-	50,000
Hospice Southland	1,438	-
Nga Hau E Wha	-	11,000
Sport Southland	220,719	200,000
Talent Development Southland Charitable Trust	50,000	-
Tangata Whenua, Community & Voluntary Sector Research Committee	2,000	-
<b>Total</b>	<b>274,157</b>	<b>261,000</b>
<b>Overall Total</b>	<b>\$1,809,568</b>	<b>\$1,393,210</b>

Transactions with subsidiaries

At 31 March 2017 the Limited Partner of Invest South Limited Partnership was Southland Community Trust Charities Limited. This entity was de-registered on 27 April 2017. From this date onwards the Limited Partner of Invest South Limited Partnership is the Community Trust of Southland. The Community Trust of Southland is owed \$12,265,054 from Invest South Limited Partnership (2017: \$9,665,054).

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**28. Related Party Transactions (Cont'd)**

**Transactions between subsidiaries**

Directors fees have been paid to Peak Consulting Ltd (P Carnahan) by Aoraki Smokehouse Salmon Limited \$Nil (2017: \$7,500), and Back Country Foods Limited \$7,200 (2017: \$7,200) of which \$Nil was owing at year end (2017: \$690). Peter Carnahan is a director on these companies. Additionally administration fees have been paid to Peak Consulting Limited by Back Country Foods Limited \$Nil (2017: \$900).

Directors fees have been paid to B Highsted (Director) from Aoraki Smokehouse Salmon Limited \$Nil (2017: \$5,213).

Directors fees have been paid to I Sutherland (Director) from Back Country Foods Limited \$4,800 (2017: \$10,000) of which \$1,200 was owing at year end (2017: \$Nil).

Directors fees have been paid to J Smith (Director) from Back Country Foods Limited \$3,200 (2017: \$Nil) of which \$400 was owing at year end (2017: \$Nil).

Directors fees have been paid to K Cooney (Director) from New Zealand Beeswax Limited \$29,167 (2017: \$Nil).

Invest South GP Limited is the general partner to Invest South Limited Partnership. During the year, Invest South Limited Partnership paid a management fee to Invest South GP Limited of \$289,105 (2017: \$268,442). At 31 March 2018 Invest South GP Limited was due \$28,875 (2017: \$76,061) from Invest South Limited Partnership. At 31 March 2018 Invest South GP Limited had total advance receivable of \$44,905 from Invest South Limited Partnership (2017 advance payable \$7,593).

At 31 March 2018 Invest South Limited Partnership owed \$12,265,054 to Community Trust of Southland (2017: \$9,665,054).

	2018	2017
Invest South GP Limited	44,905	7,593
Community Trust of Southland	12,265,054	9,665,054
	<u>12,309,959</u>	<u>9,672,647</u>

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 Back Country Foods Limited \$363,814 (2017: \$653,278). In 2018, no interest was charged on the loan to Aoraki Smokehouse Salmon Limited (2017: \$42,437). For the year ended 31 March 2018, interest has been charged on the Back Country Foods Limited loan \$9,650 (2017: \$21,057).

A loan of \$Nil has been advanced to B & K Crossan (2017: \$6,044), who are shareholders and directors of Back Country Foods Limited.

**29. 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 2018 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).

**30. Events Occurring after Balance Date**

There are no events occurring after balance date. (2017: As at 31 March 2017 the Limited Partner of Invest South Limited Partnership was Southland Community Trust Charities Limited. This entity was de-registered on 27 April 2017. From this date onwards the Limited Partner of Invest South Limited Partnership is the Community Trust of Southland).







## *Independent auditor's report*

To the Trustees of The Community Trust of Southland

The Community Trust of Southland financial statements comprise:

- the statements of financial position as at 31 March 2018;
- the statements of comprehensive revenue and expense for the year then ended;
- the statements of changes in net assets/equity for the year then ended;
- the statements of cash flows for the year then ended; and
- the explanatory notes to the financial statements, which include a statement of accounting policies.

### *Our opinion*

In our opinion, the financial statements of The Community Trust of Southland (the Trust) present fairly, in all material respects, the financial positions of the Trust, as well as the Trust and its subsidiaries, together the Group, as at 31 March 2018, their financial performance and their cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

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### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Trust and Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Trust and Group.

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### *Information other than the financial statements and auditor's report*

The Trustees are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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### *Responsibilities of the Trustees for the financial statements*

The Trustees are responsible, on behalf of the Trust, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Trust and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust and Group or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our auditor's report.

### *Who we report to*

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 to them in an auditor's 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.

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The engagement partner on the audit resulting in this independent auditor's report is Robert Harris.

For and on behalf of:

Chartered Accountants  
26 July 2018

Dunedin