Community Trust South

TE POU ARATAKI POUNAMU O MURIHIKU

Performance Report

For the year ended 31 March 2022

Community Trust South
Perfomance Report
For year ended 31 March 2022

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TRUST INFORMATION

Trust Entity

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

Community Trust South ("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 South region, Stewart Island, Queenstown, Arrowtown and Glenorchy. Through its granting programme the Trust aspires to achieve a thriving South 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.

Group Structure

Community Trust South Group consists of the Trust and its controlled entities, Invest South GP Limited and Invest South Limited Partnership. 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.

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 2022 were

Trustee	Date Appointed
Mata Cherrington (Chair)	June 2015
Bill Moran (Deputy Chair)	June 2019
Steve Canny	June 2019
David Goble	June 2019
Kirsty Pickett	September 2020
Louise Fowler	September 2020
Leanne Samuel	August 2021
Leon Hartnett	August 2021
Mel Montgomery	August 2021

Trustee changes during the financial year were:

Trish Boyle	July 2013 (Retired August 2021)
Lindsay Wright	July 2013 (Retired August 2021)
Michael Wilson	July 2018 (Retired November 2021)

in New Zealand Dollars ($000s)

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

- Investment
- GM performance review
- Audit, finance and risk management
- Te Whai Hua

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
Justine Horgan	Marketing and communication advisor
Michelle Baron	Funding advisor

Auditor

PricewaterhouseCoopers

Legal Counsel

AWS Legal, Invercargill

Investment Advisor

Aon Hewitt, Wellington

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 0.4% (2021: 20.8%)

Contact Details

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TRUSTEES' RESPONSIBILITY STATEMENT

The Trustees of Community Trust South ("the Trust") are pleased to present the financial statements for the year ended 31 March 2022.

The Trustees are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly the financial position of the Trust and Group as at 31 March 2022 and the results of their operations and cash flows for the year ended on that date.

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

The Trustees believe that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Trust and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

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

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

Board Chair
17 August 2022

Trustee
17 August 2022

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STATEMENTS OF COMPREHENSIVE REVENUE AND EXPENSE
For the year ended 31 March 2022

	Note	Group 2022	Group 2021	Parent 2022	Parent 2021
Revenue					
Return on investments	12	1,438	1,901	1,144	1,803
Interest	3	303	3,913	303	3,911
Fair value gains/(losses) from managed funds	13	(771)	38,075	(771)	38,075
Other income		212	180	227	187
Share of profit from associates	15	579	394	-	-
Reversal of impairment of associates	15	-	282	-	-
Gains/(losses) from change in fair value of other investments	11	1,139	2,070	-	-
Total Revenue		2,900	46,815	903	43,976
Operating Expenses					
Investing activity expenses	4	2,039	1,749	1,507	1,300
Trust expenses	4	1,195	1,152	1,195	1,152
Grants committed to community groups	5	7,815	5,418	7,815	5,418
Discount on concessionary loans		(5)	(27)	(5)	(27)
Total Expenses		11,044	8,292	10,512	7,843
Net Surplus/(Deficit) before taxation		(8,144)	38,523	(9,609)	36,133
Other Comprehensive Income					
Property revaluation		407	-	407	-
Total Comprehensive Income/(Deficit) for the year		(7,737)	38,523	(9,202)	36,133

Total Comprehensive Income/(Deficit) is attributed to:

	Group 2022	Group 2021	Parent 2022	Parent 2021
Owners of the parent	(7,737)	38,523	(9,202)	36,133
	(7,737)	38,523	(9,202)	36,133

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STATEMENTS OF CHANGES IN NET ASSETS/EQUITY

For the year ended 31 March 2022

Group	Trust Capital	Capital Maintenance Reserve	Grants Maintenance Reserve	Asset Revaluation Reserve	Accumulated Revenue and Expense	Total
Opening balance at 1 April 2020	158,460	113,065	(54,404)	398	-	217,519
Total comprehensive revenue and expense	-				38,523	38,523
Transactions with owners						
Transfer to/(from) reserves	-	3,796	34,727	-	(38,523)	-
Closing balance at 31 March 2021	158,460	116,861	(19,677)	398	-	256,042
Total comprehensive revenue and expense	-	-	-	-	(7,737)	(7,737)
Transactions with owners						
Transfer to/(from) reserves	-	17,725	(25,869)	407	7,737	-
Closing balance at 31 March 2022	158,460	134,586	(45,546)	805	-	248,305

Parent	Trust Capital	Capital Maintenance Reserve	Grants Maintenance Reserve	Asset Revaluation Reserve	Accumulated Revenue and Expense	Total
Opening balance at 1 April 2020	158,460	94,624	(42,467)	398	-	211,015
Total comprehensive revenue and expense	-		-	-	36,133	36,133
Transactions with owners						
Transfer to/(from) reserves	-	3,796	32,337	-	(36,133)	-
Closing balance at 31 March 2021	158,460	98,420	(10,130)	398	-	247,148
Total comprehensive revenue and expense	-	-	-	-	(9,202)	(9,202)
Transactions with owners						
Transfer to/(from) reserves	-	17,725	(27,334)	407	9,202	-
Closing balance at 31 March 2022	158,460	116,145	(37,464)	805	-	237,946

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STATEMENTS OF FINANCIAL POSITION
As at 31 March 2022

		Group		Parent	
	Note	2022	2021	2022	2021
Current Assets					
Cash and cash equivalents		4,301	92	3,729	23
Accounts receivable	9	39	23	10	23
Other current assets		22	22	22	22
Loan receivables	10	63	1,025	63	1,025
Total Current Assets		4,425	1,162	3,824	1,093
Non-Current Assets					
Investment in managed funds	14	208,267	241,362	208,267	241,362
Investment in associates	15	1,958	1,379	-	-
Investment in equities	11	17,509	15,030	-	-
Loan receivables	10	22,515	2,535	20,491	274
Related party advances	22	-	-	11,570	9,730
Property, plant and equipment	17	1,350	958	1,340	953
Total Non-Current Assets		251,599	261,264	241,668	252,319
Total Assets		256,024	262,426	245,492	253,412
Current Liabilities					
Accounts payable (exchange transactions)		108	102	33	41
Other current liabilities		254	191	156	132
Grant obligations	8	4,737	3,538	4,737	3,538
Total Current Liabilities		5,099	3,831	4,926	3,711

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STATEMENTS OF FINANCIAL POSITION

As at 31 March 2022

	Note	Group 2022	Group 2021	Parent 2022	Parent 2021
Non-Current Liabilities					
Grant obligations	8	2,620	2,553	2,620	2,553
Total Non-Current Liabilities		2,620	2,553	2,620	2,553
Total Liabilities		7,719	6,384	7,546	6,264
Net Assets		248,305	256,042	237,946	247,148
Net Assets/Equity comprise:					
Trust capital	6	158,460	158,460	158,460	158,460
Reserves	7	89,845	97,582	79,486	88,688
Net Assets/Equity attributable to equity holders of parent		248,305	256,042	237,946	247,148

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STATEMENTS OF CASHFLOWS

For the year ended 31 March 2022

	Group		Parent	
	2022	2021	2022	2021
Cash Flows from Operating Activities				
Receipts from:				
Receipts from customers	-	-	9	9
Interest and dividends	1,736	6,468	1,442	6,368
Foreign exchange	572	951	572	951
Grants/Scholarships repaid	39	59	39	59
Other income	-	-	2	1
Total cash inflows from operating activities	2,347	7,478	2,064	7,388
Payments to:				
Suppliers, trustees and staff	2,669	2,336	2,271	2,058
Other expenses	466	532	382	388
Foreign exchange	2,138	-	2,138	-
Grants to community organisations	6,575	6,384	6,575	6,384
Total cash outflows from operating activities	11,848	9,252	11,366	8,830
Net cash (outflow) from operating activities	(9,501)	(1,774)	(9,302)	(1,442)
Cash Flows from Investment Activities				
Receipts from:				
Investment in unlisted equities	-	80	-	-
Investment in managed funds	34,773	1,682	34,773	1,682
Associated party advance	-	-	-	-
Loan receivable repayments	1,507	1,324	1,270	1,324
Total cash inflow from investing activities	36,280	3,086	36,043	3,006
Payments to:				
Investment in unlisted equities	1,368	-	-	-
Investment in managed funds	934	-	934	-
Loan receivable advances	20,247	1,621	20,247	1,252
Associated party advance	-	-	1,840	375
Property, plant and equipment	21	14	14	11
Total cash outflow from investing activities	22,570	1,635	23,035	1,638
Net cash (outflow) from investing activities	13,710	1,451	13,008	1,368
Net Increase / (Decrease) in Cash held	4,209	(323)	3,706	(74)
Add cash at beginning of year	92	415	23	97
Total Cash Balance at End of Year	4,301	92	3,729	23
Represented by				
Cash and cash equivalents	4,301	92	3,729	23
Total Cash Balance	4,301	92	3,729	23

STATEMENT OF ACCOUNTING POLICIES AND EXPLANATORY NOTES

1. Reporting entity

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

Community Trust South ("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 17 August 2022.

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 Parent and 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.

2. Statement of Accounting Policies (continued)

(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 19.

(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 South (the parent entity) and its controlled entities, Invest South GP Limited and Invest South Limited Partnership.

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

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

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

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

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

2. Statement of Accounting Policies (continued)

(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).

(d) Exchange revenue

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 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.

2. Statement of Accounting Policies (continued)

(ii) 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.

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

(e) Non-exchange revenue

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

(f) Goods and Services Tax (GST)

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

(g) Impairment of non financial assets

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

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.

2. Statement of Accounting Policies (continued)

(h) Property, plant & equipment

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

All plant and equipment are 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 & equipment	8-80%	Diminishing value
Leasehold alterations	3-40%	Diminishing value
Office equipment	8-67%	Diminishing value

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

Land and buildings are measured at fair value and were revalued at 31 March 2022. 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.

2. Statement of Accounting Policies (continued)

(i) Trade and other receivables

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

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

(j) 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.

(k) 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.

(l) Employee entitlement

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.

(m) Investments in subsidiaries and associates

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

(n) 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.

(o) 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.

2. Statement of Accounting Policies (continued)

(p) Financial assets and 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.

(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 thorugh 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 and 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.

in New Zealand Dollars ($000s)

2. Statement of Accounting Policies (continued)

(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.

(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.

(vii) 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	
	2022	2021	2022	2021
Cash and cash equivalents	-	-	-	-
Interest on managed funds	303	3,913	303	3,911
	303	3,913	303	3,911

in New Zealand Dollars ($000s)

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 2022 is as follows:

Group	Note	Investing Activity Costs	Trust Operating Costs	Total Group
Trustee fees	18	-	154	154
Director fees		139	-	139
Employee entitlements		220	634	854
Fund manager fees		1,507	-	1,507
Depreciation/Amortisation		2	35	37
Audit of financial statements - PricewaterhouseCoopers		48	33	81
Legal expenses		3	12	15
Administration expenses		120	327	447
		2,039	1,195	3,234

The breakdown of expenses into investing activity costs and Trust operating costs for the group for the year ended 31 March 2021 is as follows:

Group	Note	Investing Activity Costs	Trust Operating Costs	Total Group
Trustee fees	18	-	158	158
Director fees		103	-	103
Employee entitlements		187	611	798
Fund manager fees		1,300	-	1,300
Depreciation/Amortisation		2	32	34
Audit of financial statements - PricewaterhouseCoopers		49	34	83
Legal expenses		1	13	14
Administration expenses		107	304	411
		1,749	1,152	2,901

The breakdown of expenses into investing activity costs and Trust operating costs for the parent for the year ended 31 March 2022 is as follows:

Parent	Note	Investing Activity Costs	Trust Operating Costs	Total Group
Trustee fees	18	-	154	154
Employee entitlements		-	634	634
Fund manager fees		1,507	-	1,507
Depreciation/Amortisation		-	35	35
Audit of financial statements - PricewaterhouseCoopers		-	33	33
Legal expenses		-	12	12
Administration expenses		-	327	327
		1,507	1,195	2,702

in New Zealand Dollars ($000s)

4. Investing Activity and Trust Expenses (continued)

The breakdown of expenses into investing activity costs and Trust operating costs for the parent for the year ended 31 March 2021 is as follows:

Parent	Note	Investing Activity Costs	Trust Operating Costs	Total Group
Trustee fees	18	-	158	158
Employee entitlements		-	611	611
Fund manager fees		1,300	-	1,300
Depreciation/Amortisation		-	32	32
Audit of financial statements - PricewaterhouseCoopers		-	34	34
Legal expenses		-	13	13
Administration expenses		-	304	304
		1,300	1,152	2,452

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	
	2022	2021	2022	2021
Grants approved in current year	7,928	5,871	7,928	5,871
Grants withdrawn for current year	(50)	(57)	(50)	(57)
Grant withdrawn in prior years	(45)	(245)	(45)	(245)
Grants repaid	(21)	(44)	(21)	(44)
Scholarships repayable	(5)	(15)	(5)	(15)
Grants approved in principal relating to future years	8	(92)	8	(92)
	7,815	5,418	7,815	5,418

6. Trust Capital

Opening and closing balance	158,460	158,460	158,460	158,460
	158,460	158,460	158,460	158,460

7. Reserves

Capital maintenance reserve	134,586	116,861	116,145	98,420
Grants maintenance reserve	(45,546)	(19,677)	(37,464)	(10,130)
Asset revaluation reserve	805	398	805	398
	89,845	97,582	79,486	88,688

(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.

in New Zealand Dollars ($000s)

7. Reserves (continued)

(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.

(iii) Asset Maintenance Reserve
The Asset Revaluation Reserve reflects the gains/(losses) resulting from the revaluation of land and buildings. These movements in fair value are reflected through the Statement of Comprehensive Revenue and Expense.

8. 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 have been approved in principal by the board are recognised as Non-Current Liabilities.

Commitments of $7,356,944 (2021: $6,090,559) exist for grants of the Group and $7,356,944 (2021: $6,090,559) for the Parent which will be distributed from either capital or income sources in future years.

	Group		Parent	
	2022	2021	2022	2021
Balance at 1 April	6,091	6,998	6,091	6,998
Grants approved in current year	7,928	5,871	7,928	5,871
Grants paid in current year	(6,575)	(6,384)	(6,575)	(6,384)
Grants approved in principal relating to future years	8	(92)	8	(92)
Grants withdrawn for current year	(50)	(57)	(50)	(57)
Grants withdrawn for prior years	(45)	(245)	(45)	(245)
	7,357	6,091	7,357	6,091
The years in which these commitments fall due are as follows:				
Current	4,737	3,538	4,737	3,538
Within 1-2 years	1,749	1,647	1,749	1,647
Within 2-3 years	871	906	871	906
	7,357	6,091	7,357	6,091

9. Accounts Receivable

Trade receivables	39	23	10	23
Allowance for doubtful debts	-	-	-	-
	39	23	10	23

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.

in New Zealand Dollars ($000s)

	Group		Parent	
	2022	2021	2022	2021
10. Loan Receivables				
Loans	22,613	3,599	20,589	1,338
Discount provision	(35)	(39)	(35)	(39)
	22,578	3,560	20,554	1,299
Loans to unlisted equity entities/associates	2,024	2,261	-	-
Concessionary loans to community groups	288	1,299	288	1,299
Impact Investment Loan	20,266	-	20,266	-
	22,578	3,560	20,554	1,299
Current portion	63	1,025	63	1,025
Non-current portion	22,515	2,535	20,491	274
	22,578	3,560	20,554	1,299

Loan receivables to entities where the Group are also a shareholder are interest free. One of these is repayable upon 12 month notice period, the other loan is repayable at the discretion of the company.

Concessionary Loans to Community Groups				
South Catlins Charitable Trust	126	136	126	136
South Alive Centre	150	190	150	190
Murchison Villas Ltd	-	956	-	956
Te Anau Boat Club	47	56	47	56
Face value of loans outstanding	323	1,338	323	1,338
Discount Provision	(35)	(39)	(35)	(39)
Total concessionary loans	288	1,299	288	1,299
Opening balance	1,299	1,307	1,299	1,307
Amounts advanced	247	1,252	247	1,252
Amounts repaid	(1,270)	(1,324)	(1,270)	(1,324)
Interest charged	7	37	7	37
Unwinding of discount recognised in surplus/deficit	5	27	5	27
Closing balance	288	1,299	288	1,299

Concessionary loans are interest free, with the exception being Murchison Villas Ltd, which incurred interest at a fixed rate of 4% which was capitalised to the loan. To comply with PBE Standards, all interest free loans have been discounted to present value at the assessed market rate of 5.24% (2021: 4.59%). This has resulted in $4,604 being recorded as income this year (2021: $27,382). The discount reflecting the market interest rate will be unwound by the discount being returned through the surplus or deficit.

Impact Investment Loan				
Invercargill Central Ltd	20,266	-	20,266	-
	20,266	-	20,266	-

Impacts investments are investments made with the intention to generate a measurable positive Social or Environment Impact alongside an Investment Return. Impact investments may include direct ownership of property, public or private equity, shares or investments in social enterprises or cash investments with a specific purpose. This investment is recorded at cost.

The Trust's primary purpose is to achieve a positive Social or Environment Impact within the Trust's region, on the basis that the value of the expected Social or Environment Impact exceeds the value of any lost Investment Return.

in New Zealand Dollars ($000s)

	Group 2022	Group 2021	Parent 2022	Parent 2021
11. Investment in Unlisted Equities				
Investment in Unlisted Equities	17,509	15,030	-	-
	17,509	15,030	-	-

Investments in unlisted equities are shown at fair value

Gain/(losses) from change in fair value of investments

	Group 2022	Group 2021	Parent 2022	Parent 2021
Investments in Unlisted equities	1,139	2,076	-	-
Loans in Unlisted equities - interest write off	-	(6)	-	-
Investment in Subsidiaries	-	-	-	-
	1,139	2,070	-	-

12. Revenue

	Group 2022	Group 2021	Parent 2022	Parent 2021
Dividends	1,438	1,901	1,144	1,803
	1,438	1,901	1,144	1,803

13. Fair value gains/(losses) from managed funds

	Group 2022	Group 2021	Parent 2022	Parent 2021
Unrealised gains / (losses) from change in fair value of managed funds	(4,336)	21,228	(4,336)	21,228
Realised gains/(losses) from change in fair value of management funds	6,877	13,610	6,877	13,610
Unrealised gains/(losses) from foreign exchange	(1,439)	2,286	(1,439)	2,286
Realised gains/(losses) from foreign exchange	(1,873)	951	(1,873)	951
	(771)	38,075	(771)	38,075

in New Zealand Dollars ($000s)

14. Managed Funds

The Group has funds with 12 investment managers (fund managers) at 31 March 2022 as follows:

- Direct Capital
- Fisher Funds
- Hunter Investment Management
- Hyperion
- Magellan Global Fund
- Milford Asset Management
- Mint Asset Management
- Morrison & Co
- Pioneer Capital Limited Partnership
- Platinum
- Resolution Capital
- Waterman Fund

The fair value of the managed funds investments as at 31 March 2022 was as follows:

	BNZ Forex	Direct Capital	Fisher Funds	Hunter Fund	Hyperion	Magellan	Milford	Mint Asset	Morrison & Co	Pioneer Capital II	Pioneer Capital IV	Platinum	Resolution Capital	Waterman	Total
Australasian equities	-	-	-	-	-	-	-	31,132	-	-	-	-	-	-	31,132
Overseas equities	-	-	-	-	14,820	15,651	17,026	-	-	-	-	25,070	-	-	72,567
NZ fixed interest	-	-	20,762	-	-	-	-	-	-	-	-	-	-	-	20,762
Overseas fixed interest	-	-	-	29,246	-	-	-	-	-	-	-	-	-	-	29,246
Foreign exchange contracts	(396)	-	-	-	-	-	-	-	-	-	-	-	-	-	(396)
Cash	-	-	17,139	-	-	-	-	-	-	-	-	-	-	-	17,139
Private Equity	-	151	-	-	-	-	-	-	-	1,118	907	-	-	1,635	3,811
Infrastructure	-	-	-	-	-	15,110	-	-	7,903	-	-	-	-	-	23,013
Property	-	-	-	-	-	-	-	-	-	-	-	-	10,993	-	10,993
Total	(396)	151	37,901	29,246	14,820	30,761	17,026	31,132	7,903	1,118	907	25,070	10,993	1,635	208,267

in New Zealand Dollars ($000s)

14. Managed Funds (continued)

The fair value of the managed funds investments as at 31 March 2021 was as follows:

	BNZ Forex	Direct Capital	Fisher Funds	Hunter Fund	Hyperion	Magellan Global Equity	Milford	Mint Asset	Morrison & Co	Pioneer Capital II	Pioneer Capital IV	Platinum	Resolution Capital	Waterman	Total
Australasian equities	-	-	-	-	-	-	-	32,552	-	-	-	-	-	-	32,552
Overseas equities	-	-	-	-	14,982	15,926	15,922	-	-	-	-	35,947	-	-	82,777
NZ fixed interest	-	-	33,207	-	-	-	-	-	-	-	-	-	-	-	33,207
Overseas fixed intere	-	-	-	31,862	-	-	-	-	-	-	-	-	-	-	31,862
Foreign exchange contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash	-	-	22,514	-	-	-	-	-	-	-	-	-	-	-	22,514
Private Equity	-	129	-	-	-	-	-	-	-	3,856	-	-	-	4,948	8,933
Infrastructure	-	-	-	-	-	13,485	-	-	6,832	-	-	-	-	-	20,317
Property	-	-	-	-	-	-	-	-	-	-	-	-	9,200	-	9,200
Total	-	129	55,721	31,862	14,982	29,411	15,922	32,552	6,832	3,856	-	35,947	9,200	4,948	241,362

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.

14. Managed Funds (continued)

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.

<table>
<tr><th>Asset category</th><th>Basis of fair value measurement</th></tr>
<tr><td>Australasian equities - Platinum, Mint, Magellan, Resolution Capital, Hyperion, Milford</td><td>Based on quoted market prices at the balance sheet date</td></tr>
<tr><td>Overseas equities – Platinum, Magellan, Resolution Capital, Hyperion, Milford</td><td>Based on quoted market prices at the balance sheet date</td></tr>
<tr><td>New Zealand equities & infrastructure – Morrison, Waterman</td><td>Based on quoted market prices at the balance sheet date</td></tr>
<tr><td>NZ fixed interest - Fisher Funds</td><td rowspan="4">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</td></tr>
<tr><td>NZ cash - Fisher Funds</td></tr>
<tr><td>Foreign exchange contracts - BNZ</td></tr>
<tr><td>Overseas fixed interest – Hunter</td></tr>
<tr><td>Australasian private equities – Pioneer, Morrison, Direct Capital</td><td>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.</td></tr>
<tr><td>Australasian equities – Direct Capital</td><td>In arriving at the fair value for the Direct Capital Portfolio, the Trust has used the fair value assessed by Direct Capital IV Partnership (Direct Capital). Direct Capital has applied the Australian Venture Capital and Private Equity Valuation Guidelines to quarterly revaluations on each Direct Capital IV portfolio company. In addition, Direct Capital notes:
• With consideration towards current and future maintainable financial performance, the multiple of earnings approach is used. The earnings multiple is derived with consideration towards the multiple paid on investment, current industry and competitor multiples and listed equivalents. It is uncommon for the earnings multiple to be changed quarter on quarter.
• The resulting enterprise value is then discounted to recognise the private nature of the businesses, which takes into account the less liquid nature of the investment, possible minority interest position, etc. The discount rate used is typically between 10 and 30%.
• Finally, the last quarterly closing net debt net of any ongoing working capital requirements to calculate Equity Value.
Each valuation is completed following receipt of portfolio company quarterly financial statements. Each year the valuations are audited by KPMG in order to achieve audited special purpose financial statements as at 31 December.</td></tr>
</table>

in New Zealand Dollars ($000s)

15. Investment in Associates

Associates	Percentage Held 2022	Percentage Held 2021	Balance Date	Principal Activity	Consolidated Carrying Amount 2022	2021
New Zealand Beeswax Limited	39.2%	39.2%	31 March	Beeswax processing and manufacturing	1,958	1,379

The entity is incorporated in New Zealand.

Movements in carrying amounts	Group 2022	Group 2021	Parent 2022	Parent 2021
Balance at 1 April	1,379	703	-	-
Acquisition of associates	-	-	-	-
Share of associate earnings	579	394	-	-
Add impairment reversal	-	282	-	-
Less impairment recognised	-	-	-	-
Balance at 31 March	1,958	1,379	-	-

16. Investment in Subsidiaries

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

Subsidiaries are incorporated in New Zealand.

Subsidiaries	Percentage Held 2022	Percentage Held 2021	Balance Date	Principal Activity
Invest South GP Limited	100%	100%	31 March	Investment management services
Invest South Limited Partnership	100%	100%	31 March	Private equity investment

in New Zealand Dollars ($000s)

17. Property, Plant and Equipment

Group	Land	Buildings	Equipment	Furniture & Fitting	Total
Cost or Valuation as at 1 April 2021	450	552	91	205	1,298
Additions	-	-	15	7	22
Revaluation	135	272	-	-	407
Unwinding Asset Valuations	-	(52)	(11)	(3)	(66)
Cost or Valuation at 31 March 2022	585	772	95	209	1,661
Accumulated depreciation at 1 April 2021	-	107	69	164	340
Depreciation	-	17	14	5	36
Unwinding Accumulated Depreciation	-	(52)	(10)	(3)	(65)
Accumulated depreciation at 31 March 2022	-	72	73	166	311
Net book value 31 March 2021	450	445	22	41	958
Net book value 31 March 2022	585	700	22	43	1,350

Parent	Land	Buildings	Equipment	Furniture & Fitting	Total
Cost or Valuation as at 1 April 2021	450	552	91	193	1,286
Additions	-	-	15	-	15
Revaluation	135	272	-	-	407
Unwinding Asset Valuations	-	(52)	(11)	(3)	(66)
Cost or Valuation at 31 March 2022	585	772	95	190	1,642
Accumulated depreciation at 1 April 2021	-	107	69	158	333
Depreciation	-	17	14	3	34
Unwinding Accumulated Depreciation	-	(52)	(10)	(3)	(65)
Accumulated depreciation at 31 March 2022	-	72	73	157	302
Net book value 31 March 2021	450	445	22	36	953
Net book value 31 March 2022	585	700	22	33	1,340

A revaluation of freehold land and buildings was completed in March 2022. 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(h).

18. Key Management Personnel

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

	Group		Parent	
	2022	2021	2022	2021
Short term employee benefits - Executives	343	314	165	159
Trustee fees - Trustees	154	158	154	158
Directors fees – Directors	139	103	-	-
	636	575	319	317
Key management comprised the following number of FTEs				
Executives	1.67	1.67	1.00	1.00
Trustees	1.10	1.10	0.99	1.10
Directors	0.27	0.27	-	-
	3.04	3.04	1.99	2.10

in New Zealand Dollars ($000s)

18. Key Management Personnel (continued)

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

	2022	2021
Bill Moran	20	17
David Goble	16	15
John Wyeth (retired October 2020)	-	8
Kirsty Pickett (appointed September 2020)	16	9
Leanne Samuel (appointed August 2021)	9	-
Leon Hartnett (appointed August 2021)	9	-
Lindsay Wright (retired August 2021)	5	17
Louise Fowler (appointed September 2020)	14	9
Mata Cherrington	23	14
Mel Montgomery (appointed August 2021)	9	-
Michael Wilson (retired November 2021)	8	14
Penny Simmonds (retired September 2020)	-	7
Richard Wason (retired September 2020)	-	7
Stephen Canny	14	14
Trish Boyle (retired August 2021)	11	27
	154	158

The Board approved the implementation of an external committee member for the role of Chair of the Audit, Finance and Risk Committee at the June 2018 Board meeting. Remuneration was paid as follows:

Kathryn Ball (appointed July 2021)	3	-
Ross Jackson (retired July 2021)	4	6
	7	6

19. 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 investment valuations are based on the prevailing economic, market and other conditions as at 31 March 2022. Such conditions can change significantly over relatively short periods of time. The situation is continuing to evolve, and many uncertainties remain as to the effect the COVID-19 crisis will have on the Group and the broader domestic and global economies, which is a constantly evolving situation. It is not possible to fully identify and quantify the impact of all COVID-19 related uncertainties and implications.

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.

19. Financial Instruments (continued)

(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.

(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 presentation 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 eleven 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.

in New Zealand Dollars ($000s)

19. Financial Instruments (continued)

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.

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	4.0%
Income – Cash	1.0%
Income – NZ Bonds	7.5%
Income – Overseas Bonds	12.5%
Income – NZ Loan	10.0%
Growth – Infrastructure/Property	12.5%
Growth – Listed Shares	42.5%
Growth – Unlisted Shares (private equity)	10.0%
	100%

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

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

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

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

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

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

in New Zealand Dollars ($000s)

19. Financial Instruments (continued)

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.

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

31 March 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Investment in managed funds	66,751	129,802	11,714	208,267
Unlisted equity securities	-	-	17,509	17,509
	66,751	129,802	29,222	225,775
31 March 2021				
Financial assets at fair value through profit or loss				
Investment in managed funds	87,584	138,014	15,764	241,362
Unlisted equity securities	-	-	15,030	15,030
	87,584	138,014	30,794	256,391

	Investment in managed funds	Unlisted equity securities
Balance at 1 April 2021	241,362	15,030
Additional investments/transfers	7,810	1,340
Settlements and repayments	(40,185)	-
Change in value of financial assets at fair value through profit or loss	(771)	1,139
Reinvested earnings	51	-
Balance at 31 March 2022	208,267	17,509
Balance at 1 April 2020	205,743	13,033
Additional investments/transfers	134,103	-
Settlements and repayments	(141,297)	(72)
Change in value of financial assets at fair value through profit or loss	38,075	2,069
Reinvested earnings	4,738	-
Balance at 31 March 2021	241,362	15,030

Included in profit or loss for the year is a net loss of $1,138,571 (31 March 2021: net profit of $2,069,333) 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.

in New Zealand Dollars ($000s)

19. Financial Instruments (continued)

It is the trustee's 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 a valuation is requested to determine the fair value.

20. Contingencies

There are no contingent liabilities or contingent assets relating to the Group at 31 March 2022 (2021: Nil).

21. Capital Commitments

In May 2019, trustee's approved a loan for $2,500,000 to Hawthorndale Care Village (formerly Calvary Hospital Southland Foundation), at balance date the loan has not been drawn down.

In March 2022, trustee's approved a loan for $300,000 to Waihopai Runaka Holdings Ltd, at balance date the loan has not been drawn down.

At balance date the Trust had committed a total of $16.3m (2021: $14.0m) to New Zealand based private equity funds. Of this sum $13.5m (20210: $12.0m) has been drawn down to date. The calls on the remaining committed funds are made by Fund Managers as further investments are made. The timing of these calls is uncertain.

22. Related Party Transactions

Transactions with Key Management Personnel

(i) *Transactions with Employees*
Key management employees declared interests in relation to organisations that grants were approved during the year as detailed below. Interests were declared when these grants were considered, and key management took no part in the grant assessment or deliberations relating to organisations they had an interest in.

	2022	2021
J Flutey		
Phoenix Synchro (Southland)	4,450	7,300
Total	4,450	7,300
D Williams		
Touch Southland	48,350	53,210
Total	48,350	53,210
Overall Total	52,800	60,510

in New Zealand Dollars ($000s)

22. Related Party Transactions (continued)

(ii) *Transactions with Trustees*
Trustees declared interests in relation to organisations that grants were approved and people for whom scholarships were approved during the year totalling $1,848,843 as detailed below (2021: $1,759,212). Interests were declared when these grants and scholarships were considered.

	2022	2021
B Moran		
Active Southland	185,000	380,000
Alena Saili	3,000	-
Chamber Music at The World's Edge Foundation	15,500	-
Corbin Strong	3,000	-
Cycling New Zealand	20,000	-
Jason McKenzie	3,000	-
Nicholas Boessiere	3,000	-
Queenstown Lakes District Council	-	50,000
Sport Otago	20,000	15,000
Te Atamira Whakatipu Community Trust	75,000	-
Three Lakes Cultural Trust	-	15,000
Turn up the Music Trust	10,000	-
Wakatipu Community Foundation	50,000	70,112
Total	387,500	530,112
M Cherrington		
Rangatahi Tumeke Charitable Trust	30,000	-
Serena Lyders	330	-
Southland Warm Homes Trust	-	25,000
Te Runaka o Awarua Charitable Trust	50,000	50,000
Waihopai Runaka	80,000	-
Total	160,330	75,000
D Goble		
Arrowtown Golf Club	18,000	-
Queens Park Golf Club	10,000	-
Southland disAbility Enterprises	70,000	-
Whanake House Charitable Trust	15,000	-
Youthline Southland Charitable Trust	6,000	-
Total	119,000	-
L Fowler		
Bluff Hill Motopohue Environment Trust	-	16,000
Combined Papatipu Runaka	-	320,000
Presbyterian Support Southland	144,550	140,000
Rangatahi Tumeke Charitable Trust	30,000	-
Te Runaka o Awarua Charitable Trust	130,000	50,000
Tuurama Trust	20,000	-
Waihopai Runaka	80,000	-
Total	404,550	526,000

in New Zealand Dollars ($000s)

22. Related Party Transactions (continued)

	2022	2021
K Pickett		
Southland Teachers & Judges of Highland & National Dancing	2,000	-
Te Anau Community Events	-	3,000
Total	2,000	3,000
S Canny		
Rangatahi Tumeke Charitable Trust	30,000	-
Southland Regional Development Agency Limited	279,000	200,000
Southland Warm Homes Trust	25,000	25,000
Total	334,000	225,000
L Hartnett		
Olivia Cochrane	2,820	-
Total	2,820	-
M Montgomery		
Lochiel School	8,613	-
Southland Indoor Leisure Centre Charitable Trust	200,000	-
Stadium Southland Ltd	8,000	-
Total	216,613	-
L Samuel		
Miharo Murihku Trust	55,000	-
Southland disAbility Enterprises	70,000	-
Te Runaka o Awarua Charitable Trust	50,000	-
Total	175,000	-
T Boyle		
COIN South	20,000	-
Halfmoon Bay School	1,700	-
Invercargill Secondary Schools	-	90,000
Southland Hindi School Charitable Trust Board	-	3,000
Waverley Park School	-	5,000
Total	21,700	98,000
M Wilson		
Chamber of Music New Zealand Trust Board	-	10,000
Total	-	10,000
L Wright		
Catherine Cotter	330	-
Parata Anglican Charitable Trust Board	-	40,000
Presbyterian Support Southland	-	140,000
Southern Wellbeing Trust	25,000	-
Total	25,330	180,000

in New Zealand Dollars ($000s)

22. Related Party Transactions (continued)

	2022	2021
R Wason		
Fiordland Communtiy Events Centre	-	60,000
Fiordland Health Trust	-	20,000
Total	-	80,000
P Simmonds		
James Wilkinson	-	600
New Zealand Foundation for the Blind	-	16,500
Talk Link Trust	-	15,000
Total	-	32,100
Overall Total	1,848,843	1,759,212

(iii) Transactions with Trustees

Trustees declared interests in relation to payments made to organisations for services provided, these transactions occurred at arm's length. The payments approved during the year totalling $30,000 as detailed below (2021:$30,000). Interest was declared when this training opportunity was considered

	2022	2021
M Cherrington		
Centre for Social Impact	30,000	30,000
	30,000	30,000
Overall Total	30,000	30,000

in New Zealand Dollars ($000s)

22. Related Party Transactions (continued)

Transactions with subsidiaries

The Limited Partner of Invest South Limited Partnership is Community Trust South. Community Trust South is owed $11,570,079 from Invest South Limited Partnership (2021: $9,730,054).

Transactions between subsidiaries

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 $546,309 (2021: $453,953). At 31 March 2022 Invest South GP Limited was due to receive $723 (2021: $57,250) from Invest South Limited Partnership. At 31 March 2022 Invest South GP Limited had total advance receivable of $153,780 from Invest South Limited Partnership (2021: $69,050).

At 31 March 2022 Invest South Limited Partnership owed $11,570,079 to Community Trust South (2021: $9,730,054).

	2022	2021
Invest South GP Limited	153,780	69,050
Community Trust South	11,570,079	9,730,054
	11,723,859	9,799,104

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 New Zealand Beeswax Limited, $1,665,876 (2021: $1,893,038) For the year ended 31 March 2022 no interest has been charged on the New Zealand Beeswax Limited (2021: $Nil). The loan's repayment terms require a notice period of at least 12 months.

Shareholder loans have been advanced to Waikaka Gold Mines Limited, $368,388 (2021: $368,388). For the year ended 31 March 2022 no interest has been charged on the Waikaka Gold Mines Limited (2021: $nil).

23. Coronavirus (COVID-19) Pandemic

COVID-19 was declared a pandemic by the World Health Organisation on 11 March 2020. There was a substantial reduction in economic activity throughout the world as a result of this pandemic , as governments introduced measures (such as the closure of all non-essential businesses and the cancellation of all public events) in a bid to halt, or at least slow, transmission of the virus. Most governments implemented financial stimulus packages to help counteract the economic impact caused by the pandemic. The financial markets rebounded strongly as a result of these stimulus packages. The group undertakes all of its economic activities in New Zealand and does not source any products from overseas. The group invests overseas through managed funds only. The prior years financial results were reflective of the financial markets strong rebound as a result of governments stimulus packages. For the current year, the continued uncertainty and issues caused by the pandemic, along with the current Russia Ukraine crisis has negatively affected financial markets. Although restrictions have been reduced and borders are reopening, there is still cause for uncertainty in the coming year.

24. Events Occurring after Balance Date

There were no events subsequent to balance date.

Independent auditor's report

To the Trustees of Community Trust South

Our opinion

In our opinion, the accompanying financial statements of Community Trust South (the Trust), and including its subsidiaries (the Group), present fairly, in all material respects, the financial positions of the Trust and Group as at 31 March 2022, their financial performance and their cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (PBE RDR).

What we have audited

The Trust's and Group's financial statements comprise:

- the Statements of Financial Position as at 31 March 2022;
- 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 Cashflows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 consolidated 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.

Independence

We are independent of the Trust and Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for 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.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Performance Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

Responsibilities of the Trustees for the consolidated financial statements

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

In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

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

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 Trust and Trustees, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement leader on the audit resulting in this independent auditor's report is Simon Kirkpatrick.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants

17 August 2022

Dunedin