Community Trust South

TE POU ARATAKI POUNAMU O MURIHIKU

FINANCIAL STATEMENTS

for the year ended 31 March 2020

Contents

In New Zealand Dollars ($000s)

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 o 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, 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.

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 2020 were:

Trustee	Date Appointed
Penny Simmonds (Chair)	October 2012
Lindsay Wright (Deputy Chair)	July 2013
Richard Wason	October 2012
Trish Boyle	July 2013
Mata Cherrington	June 2015
John Wyeth	June 2017
Michael Wilson	July 2018
Bill Moran	June 2019
Steve Canny	June 2019
David Goble	June 2019

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

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

In New Zealand Dollars ($000s)

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

Preston Russell Law, 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 -1.4% (2019: 5.4%).

Contact Details

Physical Address:	62 Don Street, Invercargill
Postal Address:	PO Box 1646, Invercargill, 9840
Phone:	03 218 2034
Freephone:	0800 600 186
Email:	info@communitytrustsouth.nz
Website:	www.communitytrustsouth.nz

Community Trust South
Financial Statements
For the year ended 31 March 2020
In New Zealand Dollars ($000s)

STATEMENTS OF COMPREHENSIVE REVENUE AND EXPENSE

For year ended 31 March 2020

	Note	Group 2020	Group 2019	Parent 2020	Parent 2019
Revenue					
Revenue from investments	12	3,209	3,503	2,965	3,012
Interest	3	2,040	2,369	2,031	2,322
Fair value gains / (losses) from managed funds	13	(4,995)	6,400	(4,995)	6,400
Other income		20	22	12	7
Share of profit from associates	15	(1)	398	-	-
Gains / (losses) from change in fair value of other investments	11	(2,337)	898	-	-
Total Revenue		(2,064)	13,590	13	11,741
Operating Expenses					
Investing activity expenses	4	1,706	1,640	1,246	1,259
Trust expenses	4	1,284	1,234	1,284	1,234
Grants committed to community groups	5	7,498	8,055	7,498	8,055
Discount on concessionary loans		(118)	76	(118)	76
Impairment loss	15	2,349			
Total Expenses		12,719	11,005	9,910	10,624
Net (Deficit)/Income before taxation		(14,783)	2,585	(9,897)	1,117
Profit from discontinued operations		-	528	-	-
Net (Deficit)/Income after taxation		(14,783)	3,113	(9,897)	1,117
Other comprehensive income					
Property Revaluation		-	299	-	299
Total Comprehensive (Deficit)/Income for the year		(14,783)	3,412	(9,897)	1,416
Total Comprehensive (Deficit)/Income is attributed to:					
Owners of the parent		(14,783)	3,412	(9,897)	1,416
		(14,783)	3,412	(9,897)	1,416

The financial statements should be read with the accompanying notes.

in New Zealand Dollars ($000s)

STATEMENTS OF CHANGES IN NET ASSETS/EQUITY

For the year ended 31 March 2020

Group	Trust Capital	Capital Maintenance Reserve	Grants Maintenance Reserve	Asset Revaluation Reserve	Accumulated Revenue and Expense	Total
Opening balance at 1 April 2018	158,460	103,244	(32,814)	-	-	228,890
Total comprehensive revenue and expense	-	-	-	-	3,412	3,412
Transactions with owners						
Transfer to/(from) reserves	-	3,649	(636)	299	(3,412)	-
Adjustment to reserves	-	-	(99)	99	-	-
Closing balance at 31 March 2019	158,460	106,893	(33,449)	398	-	232,302
Total comprehensive revenue and expense	-	-	-	-	(14,783)	(14,783)
Transactions with owners						
Transfer to/(from) reserves	-	6,172	(20,955)	-	14,783	-
Closing balance at 31 March 2020	158,460	113,065	(54,404)	398	-	217,519

Parent	Trust Capital	Capital Maintenance Reserve	Grants Maintenance Reserve	Asset Revaluation Reserve	Accumulated Revenue and Expenses	Total
Opening balance at 1 April 2018	158,460	84,803	(23,767)	-	-	219,496
Total comprehensive revenue and expense	-	-	-	-	1,416	1,416
Transactions with owners						
Transfer to/(from) reserves	-	3,649	(2,532)	299	(1,416)	-
Adjustment to reserves	-	-	(99)	99	-	-
Closing balance at 31 March 2019	158,460	88,452	(26,398)	398	-	220,912
Total comprehensive revenue and expense	-	-	-		(9,897)	(9,897)
Transactions with owners						
Transfer to/(from) reserves	-	6,172	(16,069)	-	9,897	-
Closing balance at 31 March 2020	158,460	94,624	(42,467)	398	-	211,015

The financial statements should be read with the accompanying notes.

PwC

Community Trust South
Financial Statements
For the year ended 31 March 2020
in New Zealand Dollars ($000s)

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2020

		Group		Parent	
	Note	2020	2019	2020	2019
Current Assets					
Cash and cash equivalents		415	1,526	97	518
Accounts receivable	9	721	683	714	669
Assets available for sale		-	2,247	-	
Other current assets		22	20	21	20
Loan receivables	10	74	133	74	133
Total Current Assets		1,232	4,609	906	1,340
Non-Current Assets					
Investment in managed funds	14	205,743	214,086	205,743	214,086
Investment in associates	15	703	3,053	-	-
Investment in equities	11	13,033	13,683	-	-
Loan receivables	10	3,126	3,270	1,233	1,612
Related party advances	22	-	-	9,355	9,666
Property, plant and equipment	17	979	965	974	960
Total Non-Current Assets		223,584	235,057	217,305	226,324
Total Assets		224,816	239,666	218,211	227,664
Current Liabilities					
Accounts payable (exchange transactions)		153	150	97	107
Liabilities available for sale		-	546	-	-
Other current liabilities		147	117	102	94
Grant obligations	8	4,406	3,690	4,406	3,690
Total Current Liabilities		4,706	4,503	4,605	3,891

The financial statements should be read with the accompanying notes

In New Zealand Dollars ($000s)

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2020

		Group		Parent	
	Note	2020	2019	2020	2019
Non-Current Liabilities					
Grant obligations	8	2,591	2,861	2,591	2,861
Total Non-Current Liabilities		2,591	2,861	2,591	2,861
Total Liabilities		7,297	7,364	7,196	6,752
Net Assets		217,519	232,302	211,015	220,912
Net Assets/Equity comprise:					
Trust capital	6	158,460	158,460	158,460	158,460
Reserves	7	59,059	73,842	52,555	62,452
Net Assets/Equity attributable to equity holders of parent		217,519	232,302	211,015	220,912

Approved on behalf of the Board:

Board Chair
5 August 2020

Audit, Finance and Risk Management Committee Chair
5 August 2020

The financial statements should be read with the accompanying notes.

Community Trust South
Financial Statements
For the year ended 31 March 2020
In New Zealand Dollars ($000s)

STATEMENTS OF CASHFLOWS

For the year ended 31 March 2020

	Group 2020	Group 2019	Parent 2020	Parent 2019
Cash Flows from Operating Activities				
Receipts from:				
Receipts from customers	8	495	8	4
Interest and dividends	5,182	6,917	4,921	5,388
Discontinued operations	-	970	-	-
Other income	17	22	5	3
Total cash inflows from operating activities	6,207	7,404	4,934	5,395
Payments to:				
Suppliers, trustees and staff	2,230	1,986	1,982	1,971
Other expenses	698	716	618	493
Hedge payments	2,056	238	2,055	238
Grants to community organisations	7,052	6,464	7,052	6,464
Total cash outflows from operating activities	12,036	9,404	11,607	9,166
Net cash (outflow) from operating activities	(6,828)	(2,000)	(6,673)	(3,771)
Cash Flows from Investment Activities				
Receipts from:				
Investments in listed equities	-	1,309	-	-
Investment in unlisted equities	3,396	395	-	-
Investment in managed funds	5,403	2,838	5,403	2,838
Loan receivable repayments	2,264	778	2,264	540
Associated party advance	-	-	310	2600
Goodwill and intangibles	-	4	-	-
Total cash inflow from investing activities	11,063	5,324	7,977	5,978
Payments to:				
Investment in unlisted equities	3,383	-	-	-
Loan receivable advances	1,913	1,816	1,678	1,840
Discontinued operations	-	1,464	-	-
Property, plant and equipment	50	-	47	10
Total cash outflow from investing activities	5,346	3,280	1,725	1,850
Net cash (outflow) from investing activities	5,717	2,044	6,252	4,128
Net Increase / (Decrease) in Cash held	(1,111)	44	(421)	357
Add cash at beginning of year	1,526	1,482	518	161
Total Cash Balance at End of Year	415	1,526	97	518
Represented by				
Cash and cash equivalents	415	1,526	97	518
Total Cash Balance	415	1,526	97	518

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 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 5 August 2020.

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.

PwC

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 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 (Cont'd)

(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 subsidiary is a limited partnership and is transparent for income tax purposes in accordance with Income Tax Act 2007. No income tax is recorded by the Limited Partnership. All income, expenses, tax credits, gains and losses flow through to the Limited Partner in accordance with their effective interest for income tax purposes.

(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.

2. Statement of Accounting Policies (Cont'd)

(iii) Interest Income

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

(iv) Dividend income

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

(e) Non-exchange revenue

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

(f) Goods and Services Tax (GST)

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

(g) Impairment of non-financial assets

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

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 (Cont'd)

(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 & machinery	8 - 80%	Diminishing value
Leasehold alteration	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 2019. 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 (Cont'd)

(i) Trade and other receivables

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

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

(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 (Cont'd)

(p) 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.

(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.

in New Zealand Dollars ($000s)

2. Statement of Accounting Policies (Cont'd)

(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.

(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	
	2020	2019	2020	2019
Cash and cash equivalents	-	3	-	-
Interest on managed funds	2,040	2,366	2,031	2,322
	2,040	2,369	2,031	2,322

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 2020 is as follows:

Group	Note	Investing Activity Costs	Trust Operating Costs	Total Group
Trustees' fees	18	-	163	163
Directors' fees		96	-	96
Employee entitlements		174	573	747
Fund managers' fees		1,246	-	1,246
Depreciation/Amortisation		2	34	36
Audit of the financial statements - PricewaterhouseCoopers		41	28	69
Legal expenses		27	99	126
Administration expenses		120	387	507
		1,706	1,284	2,990

The breakdown of expenses into investing activity costs and Trust operating costs for the group for the year ended 31 March 2019 is as follows:

Group	Note	Investing Activity Costs	Trust Operating Costs	Total Group
Trustees' fees	18	-	164	164
Directors' fees		115	-	115
Employee entitlements		151	558	709
Fund managers' fees		1,259	-	1,259
Depreciation/Amortisation		-	42	42
Audit of the financial statements - PricewaterhouseCoopers		40	19	59
Legal expenses		26	18	44
Administration expenses		49	433	482
		1,640	1,234	2,874

The breakdown of expenses into investing activity costs and Trust operating costs for the parent for the year ended 31 March 2020 is as follows:

Parent	Note	Investing Activity Costs	Trust Operating Costs	Total Group
Trustees' fees	18	-	163	163
Employee entitlements		-	573	573
Fund managers' fees		1,246	-	1,246
Depreciation/Amortisation		-	34	34
Audit of the financial statements - PricewaterhouseCoopers		-	28	28
Legal expenses		-	99	99
Administration expenses		-	387	387
		1,246	1,284	2,530

In New Zealand Dollars ($000s)

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 2019 is as follows:

Parent	Note	Investing Activity Costs	Trust Operating Costs	Total Group
Trustees' fees	18	-	164	164
Employee entitlements		-	558	558
Fund managers' fees		1,259	-	1,259
Depreciation/Amortisation		-	42	42
Audit of the financial statements - PricewaterhouseCoopers		-	19	19
Legal expenses		-	18	18
Administration expenses		-	433	433
		1,259	1,234	2,493

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	
	2020	2019	2020	2019
Grants approved in current year	7,763	7,685	7,763	7,685
Grants withdrawn for current year	(30)	(22)	(30)	(22)
Grants withdrawn for prior years*	(72)	(170)	(72)	(170)
Grants repaid	(28)	(1)	(28)	(1)
Scholarships repayable	(18)	(55)	(18)	(55)
Grants approved in principal relating to future years	(117)	618	(117)	618
	7,498	8,055	7,498	8,055

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	113,065	106,893	94,624	88,452
Grants maintenance reserve	(54,404)	(33,449)	(42,467)	(26,398)
Asset revaluation reserve	398	398	398	398
	59,059	73,842	52,555	62,452

in New Zealand Dollars ($000s)

7. Reserves (Cont'd)

(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.

(iii) Asset Revaluation 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 $6,997,350 (2019: $6,551,271) exist for grants of the Group and $6,997,350 (2019: $6,551,271) for the Parent which will be distributed from either capital or income sources in future years.

	Group		Parent	
	2020	2019	2020	2019
Balance at 1 April	6,551	4,960	6,551	4,960
Grants approved in current year	7,763	7,685	7,763	7,685
Grants paid in current year	(7,098)	(6,520)	(7,098)	(6,520)
Grants approved in principal relating to future years	(117)	618	(117)	618
Grants withdrawn for current year	(30)	(22)	(30)	(22)
Grants withdrawn for prior years	(72)	(170)	(72)	(170)
	6,997	6,551	6,997	6,551
The years in which these commitments fall due are as follows:				
Current	4,406	3,690	4,406	3,690
Within 1-2 years	1,789	1,862	1,789	1,862
Within 2-3 years	802	999	802	999
	6,997	6,551	6,997	6,551

9. Accounts Receivable

Trade receivables	99	62	92	48
Allowance for doubtful debts	-	-	-	-
Managed funds transfers	622	621	622	621
	721	683	714	669

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.

pwc

Community Trust South
Financial Statements
For the year ended 31 March 2020
in New Zealand Dollars ($000s)

10. Loan Receivables

	Group 2020	Group 2019	Parent 2020	Parent 2019
Loans	3,267	3,588	1,374	1,930
Discount provision	(67)	(185)	(67)	(185)
	3,200	3,403	1,307	1,745
Loans to unlisted equity entities/associates	1,893	1,658	-	-
Concessionary loans to community groups	1,307	1,745	1,307	1,745
	3,200	3,403	1,307	1,745
Current portion	74	133	74	133
Non-current portion	3,126	3,270	1,233	1,612
	3,200	3,403	1,307	1,745

The current loan to an entity where the Group is also a shareholder, is interest free.

	Group 2020	Group 2019	Parent 2020	Parent 2019
Concessionary Loans to Community Groups				
Troopers Memorial Corner Charitable Trust - Yule House	-	50	-	50
South Catlins Charitable Trust	136	155	136	155
Bluff Oyster and Food Festival		70	-	70
South Alive Centre	230	270	230	270
Te Anau Childcare	5	10	5	10
Murchison Villas Ltd	937	1,300	937	1,300
Te Anau Boat Club	66	75	66	75
Face value of loans outstanding	1,374	1,930	1,374	1,930
Discount Provision	(67)	(185)	(67)	(185)
Total concessionary loans	1,307	1,745	1,307	1,745
Opening balance	1,745	520	1,745	520
Amounts advanced	1,678	1,816	1,678	1,816
Amounts repaid	(2,264)	(540)	(2,264)	(540)
Interest charged	30	25	30	25
Unwinding of discount recognised in surplus/deficit	118	(76)	118	(76)
Closing balance	1,307	1,745	1,307	1,745

Concessionary loans are interest free, with the exception being Murchison Villas Ltd, which incurs interest at a fixed rate of 4% which is 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 4.59% (2019: 5.95%). This has resulted in $118,320 being recorded as income this year (2019: $76,138 expense). The discount reflecting the market interest rate will be unwound by the discount being returned through the surplus or deficit.

In New Zealand Dollars ($000s)

11. Investment in Unlisted Equities

	Group 2020	Group 2019	Parent 2020	Parent 2019
Investment in Unlisted Equities	13,033	13,683	-	-
	13,033	13,683	-	-

Investments in unlisted equities are shown at fair value.

Gain/(losses from change in fair value of investments

	Group 2020	Group 2019	Parent 2020	Parent 2019
Investments in Unlisted equities	(4,033)	898	-	-
Investment in Subsidiaries	1,696			
	(2,337)	898	-	-

12. Revenue

	Group 2020	Group 2019	Parent 2020	Parent 2019
Dividends	3,209	3,503	2,965	3,012
	3,209	3,503	2,965	3,012

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

	Group 2020	Group 2019	Parent 2020	Parent 2019
Unrealised gains / (losses) from change in fair value of managed funds	(2,296)	6,838	(2,296)	6,838
Realised gains/(losses) from change in fair value of management funds	348	337	348	337
Unrealised gains/(losses) from foreign exchange	(991)	(537)	(991)	(537)
Realised gains/(losses) from foreign exchange	(2,056)	(238)	(2,056)	(238)
	(4,995)	6,400	(4,995)	6,400

pwc

in New Zealand Dollars ($000s)

14. Managed Funds

The Group has funds with 10 investment managers (fund managers) at 31 March 2020 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
- Waterman Fund

The fair value of the managed funds investments as at 31 March 2020 was as follows:

	AMP	Direct Capital	Elevation Capital	Hunter Fund	Mint Asset	Morrison & Co	Nikko Investment	BNZ FOREX	Pioneer Capital	Platinum	Salt Funds	Waterman Fund	Total
Australasian equities					27,161						-		27,161
Overseas equities	15,370		5,897							36,801			58,068
NZ fixed interest							27,665						27,665
Overseas fixed interest				30,820									30,820
Foreign exchange contracts								(274)					(274)
Cash			3,788				28,570						32,358
Private Equity		150							1,416			4,461	6,027
Infrastructure	10,768					5,886							16,654
Property	7,264												7,264
Total	33,402	150	9,685	30,820	27,161	5,886	56,235	(274)	1,416	36,801	-	4,461	205,743

In New Zealand Dollars ($000s)

14. Managed Funds (Cont'd)

The fair value of the managed funds investments as at 31 March 2019 was as follows:

	AMP	Direct Capital	Elevation Capital	Hunter Fund	Mint Asset	Morrison & Co	Nikko Investment	BNZ FOREX	Pioneer Capital	Platinum	Salt Funds	Waterman Fund	Total
Australasian equities					25,924						10,068		35,992
Overseas equities			39,235							38,588			77,823
NZ fixed interest							24,547						24,547
Overseas fixed interest				31,302									31,302
Foreign exchange contracts								9					9
Cash							11,172						11,172
Private Equity		338							2,292			4,019	6,649
Infrastructure	12,148					5,679							17,827
Property	8,765												8,765
Total	20,913	338	39,235	31,302	25,924	5,679	35,719	9	2,292	38,588	10,068	4,019	214,086

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

pwc

in New Zealand Dollars ($000s)

15. Investment in Associates

Associates	Percentage Held 2020	Percentage Held 2019	Balance Date	Principal Activity	Consolidated Carrying Amount 2020	Consolidated Carrying Amount 2019
New Zealand Beeswax Limited	39.2%	40%	31 March	Beeswax processing and manufacturing	703	3,053

The entity is incorporated in New Zealand.

Movements in carrying amounts	Group 2020	Group 2019	Parent 2020	Parent 2019
Balance at 1 April	3053	2,655	-	-
Acquisition of associates	-	-	-	-
Share of associate earnings	(1)	398	-	-
Less (impairment)/reversal	(2,349)			
Balance at 31 March	703	3,053	-	-

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 2020	Percentage Held 2019	Balance Date	Principal Activity
Invest South GP Limited	100%	100%	31 March	Management company
Invest South Limited Partnership	100%	100%	31 March	Asset management
Back Country Foods Ltd	0%	100%	31 March	Freeze dried food producer

In New Zealand Dollars ($000s)

17. Property, Plant and Equipment

	Land	Buildings	Equipment	Furniture & Fitting	Total
Group					
Cost or Valuation as at 1 April 2019	450	552	209	178	1,389
Additions	-	-	16	35	51
Unwinding Asset Valuations	-	-	(139)	(12)	(151)
Cost or Valuation at 31 March 2020	450	552	86	201	1,289
Accumulated depreciation at 1 April 2019	-	70	189	165	424
Depreciation	-	20	12	5	37
Unwinding Accumulated Depreciation	-	-	(139)	(12)	(151)
Accumulated depreciation at 31 March 2020	-	90	62	158	310
Net book value 31 March 2019	450	482	20	13	965
Net book value 31 March 2020	450	462	24	43	979
Parent					
Cost or Valuation at 1 April 2019	450	552	209	168	1,379
Additions	-	-	16	32	48
Unwinding Asset Valuations	-	-	(139)	(8)	(147)
Cost or Valuation at 31 March 2020	450	552	86	192	1,280
Accumulated depreciation at 1 April 2019	-	70	189	160	419
Depreciation	-	20	12	2	34
Unwinding Accumulated Depreciation	-	-	(139)	(8)	(147)
Accumulated depreciation at 31 March 2020	-	90	62	154	306
Net book value 31 March 2019	450	482	20	8	960
Net book value 31 March 2020	450	462	24	38	974

A revaluation of freehold land and buildings was completed in March 2019. 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).

18. Key Management Personnel

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

	Group		Parent	
	2020	2019	2020	2019
Short term employee benefits - Executives	314	288	155	141
Trustee fees - Trustees	163	164	163	164
Directors fees – Directors	96	115	-	-
	573	567	318	305
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

PwC

In New Zealand Dollars ($000s)

18. Key Management Personnel (Cont'd)

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

	2020	2019
Richard Wason	16	16
Penny Simmonds (1/3 remuneration paid to SIT)	25	14
Lindsay Wright	19	18
Trish Boyle	14	14
Mata Cherrington	14	14
John Wyeth	14	14
Ross Jackson (retired June 2018)	-	4
Michael Wilson (appointed July 2018)	14	11
Margot Hishon (retired May 2019)	5	29
Stephen O'Connor (retired May 2019)	2	14
Warren Skerrett (retired May 2019)	3	16
Bill Moran (appointed June 2019)	13	-
Stephen Canny (appointed June 2019)	12	-
David Goble (appointed June 2019)	12	-
	163	164

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:

Ross Jackson (remuneration paid to McCulloch & Partners)	11	3
	11	3

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 2020. 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.

pwc

19. Financial Instruments (Cont'd)

(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 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 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.

pwc

In New Zealand Dollars ($000s)

19. Financial Instruments (Cont'd)

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%
Income – Cash	1%
Income – NZ Bonds	7.5%
Income – Overseas Bonds	12.5%
Income – NZ Loan	10%
Growth – Infrastructure/Property	12.5%
Growth – Listed Shares	42.5%
Growth – Unlisted Shares (private equity)	10%
	100%

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 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 (Cont'd)

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 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Investment in managed funds	67,896	125,935	11,912	205,743
Unlisted equity securities	-	-	13,033	13,033
	67,896	125,935	24,945	218,776
31 March 2019				
Financial assets at fair value through profit or loss				
Investment in managed funds	96,610	105,148	12,328	214,086
Unlisted equity securities	-	-	13,683	13,683
	96,610	105,148	26,011	227,769

	Investment in managed funds	Unlisted equity securities
Balance at 1 April 2019	214,086	13,683
Additional investments/transfers	53,350	3,383
Settlements and repayments	(56,743)	0)
Change in value of financial assets at fair value through profit or loss	(4,950)	(4,033)
Balance at 31 March 2020	205,743	13,033
Balance at 1 April 2018	210,286	14,490
Additional investments/transfers	9,015	39
Settlements and repayments	(11,615)	(1,744)
Change in value of financial assets at fair value through profit or loss	6,400	898
Balance at 31 March 2019	214,086	13,683

Included in profit or loss for the year is a net loss of $4,033,462 (31 March 2019: net gain of $897,784) 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 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 2020 (2019: Nil).

21. Capital Commitments

In April 2017, the trustee's approved a loan for $1,000,000 and on 24 August 2017 approved a further loan of $1,250,000 to Murchison Villas Ltd (formerly Fiordland Retirement Housing Trust), at balance date $1,317,815 (2019: $973,884) has not been drawn down.

In April 2019, the trustee's approved an investment loan to Invercargill Central Limited for $20,000,000 subject to conditions being met, at balance date the investment loan has not be drawn down and conditions are still being worked through.

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

In February 2020, the trustee's approved a loan for $435,000 to Southland disAbility Enterprises (approved in principal in February 2020, ratified March 2020) at balance date the loan has not been drawn down.

At balance date the Trust had committed a total of $14m (2019: $14m) to New Zealand based private equity funds. Of this sum $12m (2019: $11.8m) 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.

pwc

In New Zealand Dollars

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.

J Flutey	2020	2019
Ailin Pekar – Sport Scholarship	1,250	-
Ali Robertson – Sport Scholarship	1,250	1,000
Arielle Wilkes – Sport Scholarship	1,250	1,000
Phoenix Synchro (Southland)	8,950	10,620
Total	12,700	12,620
D Williams		
Touch Southland	59,380	59,380
Total	59,380	59,380
Overall Total	72,080	72,000

(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 $3,487,895 as detailed below (2019: $876,432). Interests were declared when these grants and scholarships were considered.

	2020	2019
R Jackson		
Kris Milne – Sport Scholarship	-	1,500
Southland Badminton Association	-	12,300
Southland Piping and Drumming Development Trust	-	15,000
Total	-	28,800
S O'Connor		
Calvary Hospital	-	100,000
Southland disAbility Enterprises Ltd	-	80,000
YMCA of Invercargill	-	30,000
Total	-	210,000
M Hishon		
Talent Development Southland Charitable Trust	-	50,000
Total	-	50,000
W Skerrett		
Foveaux Masters Swim Club	-	2,260
The Bluff Yacht Club	-	5,500
Total	-	7,760

In New Zealand Dollars

22. Related Party Transactions (Cont'd)

L Wright	2020	2019
Riversdale Arts	8,000	8,000
Southland Regional Development Agency Limited	200,000	-
Total	208,000	8,000

P Simmonds		
CCS Disability Action Southland	35,000	-
Chamber of Commerce	-	4,000
Cycling New Zealand	-	10,000
Grace Earland – Sport Scholarship	1,000	-
Gore District Council	-	5,000
Hanna Ott – Create Scholarship	1,250	-
Hockey Southland	-	21,340
Indian Community Southland	-	5,000
Netball South Zone	165,610	-
Rugby Southland	169,380	-
Sharks Basketball	70,000	-
Sharla Clynes – Create Scholarship	350	-
Southern Filmmakers	12,000	2,000
Southland Art Foundation	-	4,500
Southland Indoor Leisure Centre	250,000	-
Southland Regional Development Agency Limited	200,000	-
Talk Link Trust	10,000	-
Venture Southland	-	58,500
Total	914,590	110,340

T Boyle		
COIN South	20,000	-
Norman Jones Foundation	-	45,000
Southland Regional Development Agency Limited	200,000	-
Total	220,000	45,000

M Cherrington		
Softball Southland	16,850	267,320
Southland Regional Development Agency Limited	200,000	-
Sport Southland	42,212	99,212
Talent Development Southland Charitable Trust	-	50,000
Te Rourou Whakatipuranga O Awarua	8,000	-
Te Runaka o Awarua Charitable Trust	50,000	-
Waihopai Runaka	15,000	
Total	332,062	416,532

In New Zealand Dollars

22. Related Party Transactions (Cont'd)

J Wyeth		
Riverton Golf Club	15,600	-
Southland Regional Development Agency Limited	200,000	-
Total	215,600	-
M Wilson		
Southland Regional Development Agency Limited	200,000	-
Total	200,000	-
R Wason		
Southland Regional Development Agency Limited	200,000	-
Total	200,000	-
B Moran		
Southland Regional Development Agency Limited	200,000	-
Sport Otago	30,000	-
Sport Southland	65,000	-
Talent Development Southland Charitable Trust	50,000	-
Total	345,000	-
D Goble		
Emma Jones – Create Scholarship	1,500	-
Southland Regional Development Agency Limited	200,000	-
YMCA of Invercargill	30,000	-
Total	231,500	-
S Canny		
Borland Lodge Outdoor Education Trust	10,000	-
Conor Shearing – Sport Scholarship	1,500	-
Cycling Southland	7,500	-
Southland Regional Development Agency Limited	200,000	-
Venture Southland	402,143	-
Total	621,143	-
Overall Total	3,487,896	876,432

In New Zealand Dollars

22. Related Party Transactions (Cont'd)

(iii) *Transactions with Trustees*

Trustees declared interests in relation to organisations that Community Loans were approved for during the year totalling $2,935,000 as detailed below (2019 $75,000). Interests were declared when these Community Loans were considered

R Wason		
Te Anau Boating Club	-	75,000
	-	75,000
S O'Connor		
Calvary Hospital Southland Foundation	2,500,000	-
	2,500,000	-
T Boyle		
Southland disAbility Enterprises	435,000	-
	435,000	-
Overall Total	2,935,000	75,000

(iv) *Transactions with Trustees*

Trustees declared interests in relation to investment transactions approved during the year totalling $35,000,000 as detailed below (2019 $Nil). Interests were declared when these investment transactions were considered

P Simmonds		
Invercargill Central Ltd - Investment loan approved	20,000,000	-
Invercargill Central Ltd - Divestment of NZ Bonds to fund loan	10,000,000	-
	30,000,000	-
J Wyeth		
Invest South – Divestment from Elevation to fund additional equity	5,000,000	-
	5,000,000	-
Overall Total	35,000,000	-

(v) *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 (2019 $Nil). Interest was declared when this training opportunity was considered

M Cherrington		
Centre for Social Impact	30,000	-
	30,000	-
Overall Total	30,000	-

In New Zealand Dollars

22. Related Party Transactions (Cont'd)

Transactions with subsidiaries
The Limited Partner of Invest South Limited Partnership is Community Trust South. Community Trust South is owed $9,355,054 from Invest South Limited Partnership (2019: $9,665,054).

Transactions between subsidiaries
Directors fees have been paid to Peak Consulting Ltd (P Carnahan) by Back Country Foods Limited $nil (2019: $6,400).

Directors fees have been paid to J Smith (Director) from Back Country Foods Limited $nil (2019: $5,600).

Directors fees have been paid to M O'Connor (Director) from Back Country Foods Limited $nil (2019: $4,800)

Directors fees have been paid to K Cooney (Director) from New Zealand Beeswax Limited $35,000 (2019: $35,000).

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 $469,686 (2019: $371,062). At 31 March 2019 Invest South GP Limited was due $40,185 (2019: $37,000) from Invest South Limited Partnership. At 31 March 2019 Invest South GP Limited had total advance receivable of $56,968 from Invest South Limited Partnership (2019: $38,113).

At 31 March 2020 Invest South Limited Partnership owed $9,355,054 to Community Trust South (2019: $9,665,054).

	2020	2019
Invest South GP Limited	56,968	38,113
Community Trust South	9,355,054	9,665,054
	9,412,022	9,703,167

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 loan was advanced to NZ Beeswax Limited, balance at 2020: $1,893,038 (2019: $1,667,837) For the year ended 31 March 2020 no interest has been charged on the loan (2019: $Nil). The loan has repayment notice period of at least 12 months.

23. Coronavirus (COVID-19) Pandemic

Before the reporting date a number of cases of a new virus, COVID-19 (which is also known as Coronavirus), had been reported in the Wuhan province of China. This virus has subsequently spread throughout the world and COVID-19 was declared a pandemic by the World Health Organization on 11 March 2020. The result of this pandemic has been a substantial reduction in economic activity throughout the world, as governments have 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. 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. Consequently, the financial statements for the current period are impacted by COVID-19 through the fair value of the investments at 31 March 2020. At the time of signing the financial statements, there is uncertainty about how much further economic activity will fall and how long the period of reduced economic activity will last. (2019 Nil).

24. Events Occurring after Balance Date

Subsequent to balance date Invest South fully sold their investment in Magic Memories, the value in the financial statements at 31 March 2020 is reflective of the sale price.

pwc

Independent auditor's report

To the Trustees of Community Trust South

We have audited the financial statements which comprise:

- the statements of financial position as at 31 March 2020;
- 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 accompanying financial statements of Community Trust South (the Trust), present fairly, in all material respects, the financial position of the Trust, as well as the Trust and its controlled entities, together the Group, as at 31 March 2020, their financial performance and their cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

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 *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.

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.

PricewaterhouseCoopers, Westpac Building, 106 George Street, PO Box 5838, Dunedin 9058, New Zealand
T: +64 3 470 3600, F: +64 3 470 3601, pwc.co.nz

Responsibilities of the Trustees for the financial statements

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
5 August 2020

Dunedin