2017

Community Trust of Southland

Te Pou Arataki Pounamu o Murihiku

Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

THE COMMUNITY TRUST OF SOUTHLAND
FINANCIAL REPORT
For the Year Ended 31 March 2017

CONTENTS | PAGE

THE COMMUNITY TRUST OF SOUTHLAND
TRUSTEES' RESPONSIBILITY STATEMENT

The Trustees of The Community Trust of Southland ("the Trust") are pleased to present the financial statements for the year ended 31 March 2017.

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 2017 and the results of their operations and cash flows for the year ended on that date.

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

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

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

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

Trustee	Trustee
28 July 2017	28 July 2017

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENTS OF COMPREHENSIVE REVENUE AND EXPENSE
For the Year Ended 31 March 2017

	Notes	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Revenue	16	11,846	18,120	3,649	6,255
Interest	3	1,513	1,819	1,453	1,789
Fair value gains / (losses) from managed funds	17	12,220	71	12,218	71
Other Income		400	(357)	404	4
Investing activity expenses	4	(8,772)	(12,865)	(1,017)	(573)
Gains from change in fair value of other investments	15	1,403	5,325	-	-
Impairment of goodwill	13	-	(248)	-	-
Loss on disposal of assets		-	-	(683)	-
Loss on the sale of subsidiary		(858)	-	-	-
Net Surplus from Investing Activities		17,752	11,865	16,024	7,546
Trust expenses	4	1,152	1,048	1,152	1,048
Operating Surplus before Grants		16,600	10,817	14,872	6,498
Grants	5	5,978	4,444	5,978	4,444
Discount on concessionary loans		66	2	66	2
Net Surplus before Taxation		10,556	6,371	8,828	2,052
Taxation expense	6	(545)	55	-	-
Net Surplus after Taxation		11,101	6,316	8,828	2,052
Total Comprehensive revenue and expense for the Year		$11,101	$6,316	$8,828	$2,052
Total Comprehensive revenue and expense is attributed to:					
Owners of the parent		11,118	6,642	8,828	2,052
Minority Interests	12	(17)	(326)	-	-
		$11,101	$6,316	$8,828	$2,052

The financial statements should be read with the accompanying notes.

pwc

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Year Ended 31 March 2017

Group	Trust Capital	Capital Maintenance Reserve	Grants Maintenance Reserve	Accumulated revenue and expenses	Minority Interest	Total
	$000	$000	$000	$000	$000	$000
Balance at 1 April 2015	$158,460	$88,068	($47,634)	$Nil	$2,195	$201,089
Total comprehensive revenue and expense	-	-	-	6,642	(326)	6,316
Transactions with owners						
Minority interest adjustment	-	-	-	-	(125)	(125)
Transfer to/(from) reserves	-	5,528	1,114	(6,642)	-	-
Balance at 31 March 2016	$158,460	$93,596	($46,520)	$Nil	$1,744	$207,280
Total comprehensive revenue and expense	-	-	-	11,118	(17)	11,101
Transactions with owners						
Minority interest adjustment	-	-	-	-	(1,727)	(1,727)
Transfer to/(from) reserves	-	7,001	3,595	(10,596)	-	-
Acquisition of minority interest	-	-	-	(522)	-	(522)
Balance at 31 March 2017	$158,460	$100,597	($42,925)	$Nil	$Nil	$216,132

Parent	Trust Capital	Capital Maintenance Reserve	Grants Maintenance Reserve	Accumulated revenue and expenses	Minority Interest	Total
Balance at 1 April 2015	$158,460	$76,038	($37,213)	$Nil	$Nil	$197,285
Total comprehensive revenue and Expense	-	-	-	2,052		-2,052
Transactions with owners						
Transfer to/(from) reserves	-	938	1,114	(2,052)	-	-
Balance at 31 March 2016	$158,460	$76,976	($36,099)	$Nil	$Nil	$199,337
Total comprehensive revenue and expense	-	-	-	8,828	-	8,828
Transactions with owners						
Transfer to/(from) reserves	-	5,180	3,648	(8,828)	-	-
Adjustment upon amalgamation of Subsidiary	-	-	(248)	-	-	(248)
Balance at 31 March 2017	$158,460	$82,156	($32,699)	$Nil	$Nil	$207,919

The financial statements should be read with the accompanying notes.

pwc

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENTS OF FINANCIAL POSITION
As at 31 March 2017

	Notes	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Current Assets					
Cash and cash equivalents		1,252	867	148	186
Accounts receivable	10	577	2,746	73	1,332
Inventories	11	418	1,097	-	-
Biological assets – salmon stock	11	-	4,503	-	-
Other current assets		43	19	38	19
Loan receivables	14	1,050	160	125	85
Total Current Assets		3,340	9,392	384	1,622
Non-Current Assets					
Investment in managed funds	18	207,869	192,255	207,869	192,256
Investment in associates	19	-	-	-	-
Investment in subsidiaries	20	-	-	-	8,001
Investment in equities	15	13,860	15,520	435	554
Loan receivables	14	1,841	292	436	292
Related party advances	30		-	9,666	6,822
Intangible assets	13	37	323	-	-
Property, plant and equipment	21	1,605	3,550	731	781
Total Non-Current Assets		225,212	211,940	219,137	208,705
Total Assets		228,552	221,332	219,521	210,327
Current Liabilities					
Accounts payable (exchange transactions)		618	1,074	153	45
Taxation payable	6	37	84	-	-
Other current liabilities		369	452	60	146
Grant obligations	9	9,429	9,315	9,429	9,315
Related party loans	29	-	-	-	126
Loans	24	-	271	-	-
Total Current Liabilities		10,453	11,196	9,642	9,632
Non-current Liabilities					
Deferred tax payable	6	7	678	-	-
Grant obligations	9	1,960	1,358	1,960	1,358
Term Loan	24	-	820	-	-
Total Non-Current Liabilities		1,967	2,856	1,960	1,358
Total Liabilities		12,420	14,052	11,602	10,990
NET ASSETS		216,132	207,280	$207,919	$199,337
Net Assets/Equity comprise:					
Trust capital	7	158,460	158,460	158,460	158,460
Reserves	8	57,672	47,076	49,459	40,877
Net Assets/Equity attributable to equity holders of parent		216,132	205,536	207,919	199,337
Minority Interests	12	-	1,744	-	-
TOTAL NET ASSETS/EQUITY		$216,132	$207,280	$207,919	$199,337

The financial statements should be read with the accompanying notes.

pwc

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENTS OF CASH FLOWS
For the Year Ended 31 March 2017

	Notes	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Cash Flows from Operating Activities					
Cash was provided from (applied to):					
Receipts from customers		8,448	11,251	4	4
Interest and dividends		5,798	7,420	5,078	6,863
Payments to suppliers and employees		(5,209)	(9,916)	(1,744)	(1,227)
Other expenses		(2,514)	(2,732)	(374)	(279)
Grants paid		(5,261)	(4,485)	(5,261)	(4,485)
Other Income		400	-	400	-
Net Cash Inflows/(Outflows) from Operating Activities		1,662	1,538	(1,897)	876
Cash Flows from Investment Activities					
Cash was provided from (applied to):					
Investments in unlisted equities		2,844	(3,616)	-	83
Investments in listed equities		119	1,808	119	1,725
Investment in associates/subsidiaries		(390)			
Associated party advance		-	-	4,100	-
Loan receivables		(2,395)	1,396	(250)	(2,690)
Property, plant and equipment		1,649	(390)	4	(9)
Investment in Managed Funds		(2,062)	-	(2,114)	-
Goodwill & Intangibles		49	-	-	-
Net Cash Inflows/(Outflows) from Investing Activities		(186)	(802)	1,859	(891)
Cash Flows to Financing					
Cash was provided from:					
Term loans		(1,091)	(248)	-	-
Net Cash Inflows /(Outflows) from Financing Activities		(1,091)	(248)	-	-
Net Increase / (Decrease) in Cash held		385	488	(38)	(15)
Add cash at beginning of year		867	379	186	201
Add new subsidiaries cash at beginning of the year		-	-	-	-
Total Cash Balance at End of Year		$1,252	$867	$148	$186
Represented by:					
Cash and cash equivalents		$1,252	$867	148	186
Total Cash Balance		$1,252	$867	$148	$186

The financial statements should be read with the accompanying notes.

pwc

1. GENERAL INFORMATION

Reporting Entity

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

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

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

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

These financial statements have been approved for issue by the Trustees on 28 July 2017.

2. STATEMENT OF ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements of the group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). 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 publically 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.

Historical cost convention
The financial statements have been prepared on the basis of historical cost as modified by the revaluation of certain assets as identified in specific accounting policies below.

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

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

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

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.

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 those 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 durations 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 21.

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

(b) **Principles of consolidation**

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

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

Controlled entities which form part of the Group are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Aoraki Smokehouse Salmon Limited and Hutton Salmon Limited have been de-consolidated as at 31 August 2016.

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.

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

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.

(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

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

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

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

DMC

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

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

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

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

(d) Exchange revenues

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

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

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

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

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

(e) Non-exchange revenue

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

(f) Goods and Services Tax (GST)

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

pwc

3. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

(g) Impairment of non-financial assets

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

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

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

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

(h) Inventories

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

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

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

(i) Property, plant & equipment

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

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

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

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

pwc

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

The following rates have been used:

Plant & machinery	8 - 80%	Diminishing value
Leasehold alteration	3 - 40%	Diminishing value
Office equipment	11 - 60%	Diminishing value
Motor vehicles	20 - 30%	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 are revalued every three to five years. Fair value is determined on the basis of an annual independent valuation prepared by external valuation experts, based on a discounted cash flows or capitalisation of net income approach. The fair values are recognised in the financial statements of the Trust, and are reviewed at the end of each reporting period to ensure the carrying value of land and buildings is not materially different from their fair values.

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

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

(j) Trade and other receivables

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

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

(k) Cash and cash equivalents

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

(l) Currency translation

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

(m) Employee entitlements

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

pwc

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

(n) Investments in subsidiaries and associates

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

(o) Trade and other payables

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

(p) Operating leases

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

(q) Goodwill

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

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

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

(r) Statements of cash flows

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

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

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

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

pwc

(s) **Financial assets & liabilities**

Investments

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

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.

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.

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

(s) Financial assets & liabilities (Cont'd)

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.

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.

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.

DWC

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

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.

(s) Financial assets & liabilities (Cont'd)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through 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.

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	
	2017 $000	2016 $000	2017 $000	2016 $000
Cash and cash equivalents	5	10	7	6
Interest on advances	1,508	1,809	1,446	1,783
	$1,513	$1,819	$1,453	$1,789

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 2017 is as follows:

Group	Note	Investing Activity Costs	Trust Operating Costs	Total Group 2017
Cost of goods sold		3,187		3,187
Trustees' fees	22	-	162	162
Directors' fees		86	-	86
Employee entitlements		2,311	549	2,860
Fund managers' fees		1,017	-	1,017
Depreciation/Amortisation		250	46	296
Impairment provision on investments		-	-	-
Audit of the financial statements - PricewaterhouseCoopers		35	32	67
Legal expenses		41	34	75
Administration expenses		1,845	329	2,174
		8,772	1,152	9,924

pwc

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

The breakdown of expenses into investing activity costs and Trust operating costs for the group for the year ended 31 March 2016 is as follows:

Group	Note	Investing Activity Costs	Trust Operating Costs	Total Group 2016
Cost of goods sold		5,618	-	5,618
Trustees' fees	22	-	162	162
Directors' fees		114	-	114
Employee entitlements		3,828	512	4,340
Fund managers' fees		575	-	575
Depreciation/Amortisation		495	55	550
Impairment provision on investments		2	-	2
Audit of the financial statements - PricewaterhouseCoopers		35	27	62
Legal expenses		-	1	1
Administration expenses		2,198	291	2,489
		12,865	1,048	13,913

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

Parent	Note	Investing Activity Costs	Trust Operating Costs	Total Parent 2017
Trustees' fees	22	-	162	162
Employee entitlements		-	549	549
Fund managers' fees		1,017	-	1,017
Depreciation/Amortisation		-	46	46
Audit of the financial statements - PricewaterhouseCoopers		-	32	32
Legal expenses		-	34	34
Administration expenses		-	329	329
		1,017	1,152	2,169

The breakdown of expenses into investing activity costs and Trust operating costs for the parent for the year ended 31 March 2016 is as follows:

Parent	Note	Investing Activity Costs	Trust Operating Costs	Total Parent 2016
Trustees' fees	22	-	162	162
Employee entitlements		-	512	512
Fund managers' fees		573	-	573
Depreciation/Amortisation		-	55	55
Audit of the financial statements - PricewaterhouseCoopers		-	27	27
Legal expenses		-	1	1
Administration expenses		-	291	291
		573	1,048	1,621

pwc

5. GRANTS

	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Committed and payable in the current year	6,564	5,217	6,564	5,217
Committed and not payable until future years	(586)	(773)	(586)	(773)
	$5,978	$4,444	$5,978	$4,444

6. TAXATION

a) Income tax recognised in surplus or deficit

	Group 2017	Group 2016	Parent 2017	Parent 2016
Current tax expense				
Current year	126	126	-	-
Deferred tax	(671)	(71)	-	-
Total tax expense	($545)	$55	$Nil	$Nil

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

	Group 2017	Group 2016	Parent 2017	Parent 2016
Net surplus before taxation	10,556	6,371	8,827	2,052
Less net surplus from exempt activities	(9,511)	(2,054)	(8,827)	(2,052)
Taxable net surplus before taxation	1,045	4,317	-	-
Income tax expense calculated at 28%	293	1,209	-	-
Income tax exemption on partnership	(642)	(1,448)	-	-
Tax effect of permanent differences	-	1	-	-
Other adjustments	(309)	255	-	-
Inter-company dividend received	113	38	-	-
Total tax expense	($545)	$55	$Nil	$Nil

b) Deferred tax liability

	Group 2017	Group 2016	Parent 2017	Parent 2016
Valuation of biological assets	-	631	-	-
Leave and other provisions	7	47	-	-
Balance at end of the period	$7	$678	$Nil	$Nil

c) Current tax assets and liabilities

	Group 2017	Group 2016	Parent 2017	Parent 2016
Current tax assets				
Current tax refundable	$Nil	$Nil	$Nil	$Nil
Current tax liabilities				
Current tax payable	$37	$84	$Nil	$Nil

The Community Trust of Southland is exempt from income tax.

pwc

d) Imputation credit account balances

	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Balance at beginning of the period	670	660	-	-
Taxation paid	173	110	-	-
Taxation refunded	-	-	-	-
Imputation credits attached to dividends paid	(265)	(90)	-	-
Loss of Continuity	(55)	-		
Imputation Credits unrecognised sale of subsidiary	(523)	-	-	-
Balance at end of the period	$Nil	$670	$Nil	$Nil

7. TRUST CAPITAL

	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Opening and closing balance	$158,460	$158,460	$158,460	$158,460
	$158,460	$158,460	$158,460	$158,460

8. RESERVES

	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Capital maintenance reserve	100,597	93,596	82,158	76,976
Grants maintenance reserve	(42,925)	(46,520)	(32,699)	(36,099)
	$57,672	$47,076	$49,459	$40,877

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

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

pwc

9. GRANT OBLIGATIONS

Commitments of $11,389,027 (2016 $10,672,876) exist for grants of the Group and $11,389,027 (2016:$ 10,672,876) for the Parent which will be distributed from either capital or income sources in future years.

	Group		Parent	
	2017 $000	2016 $000	2017 $000	2016 $000
Balance at 1 April	10,673	10,793	10,673	2,968
Grants approved in current year	5,542	5,452	5,542	5,452
Grants paid in current year	(5,291)	(4,660)	(5,291)	(4,660)
Grants approved relating to future years	586	(773)	586	(773)
Grants withdrawn for current year	(16)	(66)	(16)	(66)
Grants withdrawn for prior years	(105)	(74)	(105)	(74)
Transfer from subsidiary	-	-	-	7,825
	$11,389	$10,673	11,389	10,673

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

	Group		Parent	
Current	9,429	9,315	9,429	9,315
Within 1-2 years	1,198	953	1,198	953
Within 2-3 years	762	405	762	405
	$11,389	$10,673	$11,389	$10,673

10. ACCOUNTS RECEIVABLE

	Group		Parent	
	2017 $000	2016 $000	2017 $000	2016 $000
Trade receivables	577	1,465	73	51
Allowance for doubtful debts	-	-	-	-
Managed funds transfers	-	1,281	-	1,281
	$577	$2,746	$73	$1,332

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

11. INVENTORIES & BIOLOGICAL ASSETS

	Group		Parent	
	2017 $000	2016 $000	2017 $000	2016 $000
Inventories				
Raw materials and packing	382	279	-	-
Finished goods	36	818	-	-
	$418	$1,097	$Nil	$Nil
Biological Assets – Salmon Stock				
Balance at beginning of year	4,503	5,625	-	-
Sold as part of business disposal	(4,503)	-	-	-
Current year movements in inventory	-	(671)	-	-
Change in fair value less estimated costs to sell	-	(451)	-	-
	$Nil	$4,503	$Nil	$Nil

Risk Factors

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

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

Supply and Demand Risks

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

Determining Fair Value

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

12. MINORITY INTEREST

	Group		Parent	
	2017 $000	2016 $000	2017 $000	2016 $000
Opening balance at the beginning of the year	1,744	2,195	-	-
Share of profits for the year	(17)	(326)	-	-
Dividend paid to minority interest	(277)	(94)	-	-
Minority interest adjustment on acquisition / Disposal of subsidiary	(1,450)	(31)	-	-
Closing Balance	$Nil	$1,744	$Nil	$Nil

pwc

	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
13. Intangible Assets				
Goodwill				
Gross carrying amount				
Balance at beginning of financial year	269	509	-	-
Acquisition of goodwill	-	8	-	-
Impairment charge	-	(248)	-	-
De-recognition on disposal of Subsidiary	(236)	-	-	-
	$33	$269	$Nil	$Nil
Other Intangibles				
Other Intangibles	4	54	-	-
	$4	$54	$Nil	$Nil

Allocation of goodwill to cash-generating units
Goodwill has been allocated for impairment testing purposes to the following cash-generating units representing the lowest level at which management monitor goodwill – Back Country Foods Limited and Aoraki Smokehouse Salmon Limited. During the year ended 31 March 2016, management have determined an impairment of $248,099 in Aoraki Smokehouse Salmon Limited. As a result of the disposal of Aoraki Smokehouse Salmon Limited on 29 August 2016, $235,863 of goodwill was derecognised.

14. LOAN RECEIVABLES

	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Loans	2,985	480	655	405
Impairment provision	-	-	-	-
Discount provision	(94)	(28)	(94)	(28)
	$2,891	$452	$561	$377
Loans to third parties	2,330	75	-	-
Loans to unlisted equity entities/associates	-	-	-	-
Concessionary loans to community groups	561	377	561	377
	$2,891	$452	$561	$377
Current portion	1,050	160	125	85
Non-current portion	1,841	292	436	292
	$2,891	$452	$561	$377

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

pwc

	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Concessionary Loans to Community Groups				
Troopers Memorial Corner Charitable Trust - Yule House	70	80	70	80
Arrowtown Trust	40	60	40	60
South Catlins Charitable Trust	55	55	55	55
Bluff Oyster & Food Festival	140	210	140	210
South Alive Centre	350	-	350	-
Face value of loans outstanding	655	405	655	405
Discount Provision	(94)	(28)	(94)	(28)
Total concessionary loans	$561	$377	$561	$377
Opening balance	377	1,074	377	1,074
Amounts advanced	350	1,000	350	1,000
Amounts repaid	(100)	(1,695)	(100)	(1,695)
Impairment losses	-	-	-	-
Initial recognition fair value adjustment	-	-	-	-
Unwinding of discount recognised in surplus/deficit	(66)	(2)	(66)	(2)
Closing balance	$561	$377	$561	$377

The concessionary loans, except Queenstown Lakes Community Housing Trust where interest was charged at 6.45% p.a., are interest free. To comply with PBE Standards, all interest free loans have been discounted to present value at the assessed market rate of 5.75%. This has resulted in $66,169 being recorded as an expense this year (2016: $1,646). The discount reflecting the market interest rate will be unwound by the discount being returned through the surplus or deficit.

15 (a) INVESTMENT IN UNLISTED EQUITIES

	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
IZON Limited	250	250	-	-
Impairment provision	(250)	(250)	-	-
	-	-	-	-
Areograph Limited	393	393	-	-
Impairment provision	(393)	(393)	-	-
	-	-	-	-
Fiordland Lobster Company Limited	8,859	8,765	-	-
Magic Memories Group Holdings Limited	3,000	1,275	-	-
Rothbury Group Limited	-	2,931	-	-
Waikaia Gold Limited	1,062	1,995	-	-
Waikaia Sheet Pile Ltd	-	-	-	-
Bison Group Limited	504	-	-	-
	$13,425	$14,966	$Nil	$ Nil

Investments in unlisted equities are shown at fair value. Last year the investments were shown at cost less impairment, as it was not possible to get a reliable fair value estimate (refer to Note 21). All Shareholdings within Rothbury Group Limited were sold during the year ended 31 March 2017.

pwc

	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Gain from change in fair value of investments				
Fiordland Lobster Company Limited	1,659	3,199	-	-
Magic Memories Group Holdings Limited	725	275	-	-
Rothbury Group Limited	(144)	1,032	-	-
Waikaia Gold Limited	(933)	981	-	-
	$1,307	$5,487	$ -	$ -
Impairment charge / (reversal) on investments				
IZON Science Limited	-	162	-	-
Aoraki Smokehouse Salmon Limited	-	-	-	-
Areograph Limited	-	-	-	-
Bush Road Limited	(53)	-	-	-
	($53)	$162	$ -	$ -

15 (b) INVESTMENTS IN LISTED EQUITIES

	Group 2017	Group 2016	Parent 2017	Parent 2016
Pacific Edge Biotechnology Limited	435	554	435	554

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

16. Revenue

	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Sales (by controlled entities)	7,545	11,244	-	-
Dividends	4,301	6,876	3,649	6,255
	$11,846	$18,120	$ 3,649	$ 6,255

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

	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Unrealised gains / (losses) from change in fair value of managed funds	602	903	601	903
Realised gains from change in fair value of management funds	11,618	(832)	11,617	(832)
	$12,220	$71	$12,218	$71

pwc

18. MANAGED FUNDS

The Group has funds with 11 investment managers (fund managers) at 31 March 2017 as follows:

- AMP Capital
- Elevation Capital Limited
- Direct Capital
- Mint Asset Management
- Morrison & Co
- Pioneer Capital Limited Partnership
- Pacific Investment Management Company (PIMCO)
- Nikko Investment Management
- Platinum
- Salt Funds
- Waterman Fund

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

Group & Parent

	AMP $000	Elevation Capital $000	Direct Capital $000	Mint Asset $000	Morrison & Co $000	Pioneer Capital $000	PIMCO $000	Nikko Investment $000	Platinum $000	Salt Funds $000	Waterman Fund $000	Total $000
Australasian equities				21,173						10,514		31,687
Overseas equities		37,847							33,399			71,246
NZ fixed interest								23,469				23,469
Overseas fixed interest							35,599					35,599
Foreign exchange contracts								(130)				(130)
Unlisted unit trusts												-
Unsettled trades												-
Cash								23,498				23,498
Private Equity			513			1,549					953	3,015
Infrastructure	10,425				1,855							12,280
Property	7,205											7,205
Total	$17,630	$37,846	$513	$21,173	$1,855	$1,549	$35,599	$46,837	$33,398	$10,514	$953	$207,869

The fair value of the managed funds investments as at 31 March 2016 was as follows:

Group & Parent	Elevation Capital $000	Direct Capital $000	First NZ Capital $000	Pioneer Capital $000	PIMCO $000	Nikko Investment $000	Total $000
Australasian equities	21,515	491		1,217			23,223
Overseas equities	72,184						72,184
NZ fixed interest						31,257	31,257
Overseas fixed interest					42,190		42,190
Foreign exchange contracts						2,011	2,011
Unlisted unit trusts						12,430	12,430
Unsettled trades							
Cash	8,633					327	8,960
Total	$102,332	$491	$Nil	$1,217	$42,190	$46,025	$192,255

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.

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	Based on quoted market prices at the balance sheet date
Overseas equities – Elevation Capital, Platinum	Based on quoted market prices at the balance sheet date
New Zealand equities & infrastructure – Mint, Salt, Waterman, Morrison & Co	Based on quoted market prices at the balance sheet date
NZ fixed interest - Nikko Overseas fixed interest - PIMCO Foreign exchange contracts - Nikko 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 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

19. INVESTMENT IN ASSOCIATES

Associates	Percentage Held 2017	Percentage Held 2016	Balance Date	Principal Activity	Consolidated Carrying Amount 2017 $	Consolidated Carrying Amount 2016 $
Bush Road Limited	0%	30%	31 March	Vegetable Processors and Wholesalers	-	-

Shares in Bush Road were disposed of during the year ended 31 March 2017

The above entity is incorporated in New Zealand.

Interests in Associates	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Movements in carrying amounts				
Shares at cost	$Nil	$114	-	-
Opening balance	-	-	-	-
Acquisition of associates	-	-	-	-
Sale of associates during year	53	-		
Impairment	-	-	-	-
Reversal of share of associate earnings on sale	-	-	-	-
Share of total recognised revenues and expenses	(53)	-	-	-
Reclassify associate as subsidiary	-	-	-	-
Balance at 31 March	$Nil	$Nil	$Nil	$Nil

20. INVESTMENT IN SUBSIDIARIES

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

Subsidiaries are incorporated in New Zealand.

Subsidiaries	2017 Percentage Held	2016 Percentage Held	Balance Date	Principal Activity
Invest South Holdings Limited (formerly Invest South Limited)	100%	100%	31 March	Debt funding and equity investments
Invest South GP Limited	100%	100%	31 March	Management company
Invest South Limited Partnership	100%	100%	31 March	Asset Management
Back Country Foods Limited	100%	59.2%	31 March	Freeze dried food producer
Aoraki Smokehouse Salmon Limited	0%	71.26%	31 March	Salmon farm
Hutton Salmon Limited	0%	71.26%	31 March	Salmon farm

pwc

21. PROPERTY, PLANT & EQUIPMENT

	Land $000	Buildings $000	Equipment $000	Furniture & Fittings $000	Motor Vehicles $000	Total $000
Group						
Cost or Valuation as at 1 April 2016	360	757	5,463	419	131	7,130
Additions/Revaluations	-	-	136	13	-	149
Disposals/Revaluations	-	-	-	-	(78)	(78)
Aoraki Smokehouse Hulton Salmon Disposal	-	-	(3,889)	-	-	(3,889)
Cost or Valuation at 31 March 2017	360	757	1,710	432	53	3,312
Accumulated depreciation at 1 April 2016	-	395	2,863	262	60	3,580
Depreciation	-	29	243	17	9	298
Disposals	-	-	-	-	(32)	(32)
Aoraki Smokehouse Hulton Salmon Disposal	-	-	(2,138)	-	-	(2,138)
Accumulated depreciation at 31 March 2017	-	424	968	279	37	1,708
Net book value 31 March 2016	$360	$362	$2,600	$157	$71	$3,550
Net book value 31 March 2017	$360	$333	$2,493	$153	$16	$1,605
Parent						
Cost or Valuation at 1 April 2016	360	757	179	170	78	1,544
Additions/Revaluations	-	-	10	2	-	12
Disposals/Revaluations	-	-	-	(5)	(36)	(41)
Cost or Valuation at 31 March 2017	360	757	189	167	42	1,515
Accumulated depreciation at 1 April 2016	-	395	166	161	41	763
Depreciation	-	29	9	2	9	49
Disposals	-	-	-	(5)	(23)	(28)
Accumulated depreciation at 31 March 2017	-	424	175	158	27	784
Net book value 31 March 2016	$360	$362	$13	$9	$37	$781
Net book value 31 March 2017	$360	$333	$14	$9	$15	$731

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

22. KEY MANAGEMENT PERSONNEL

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

	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Short term employee benefits - Executives	315	309	207	207
Trustee fees - Trustees	162	162	162	162
Directors fees - Directors	86	60	-	
	$473	$531	$369	$369

pwc

22. KEY MANAGEMENT PERSONNEL (CONT'D)

	Group		Parent	
	2017	2016	2017	2016
	# of FTEs	# of FTEs	# of FTEs	# of FTEs
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

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

	2017	2016
	$000	$000
Joan Kiernan (retired June 2015)	-	3
Tracy Hicks (retired June 2015)	-	3
Craig Robins (retired June 2015)	-	3
Linette Sinclair (retired June 2015)	-	3
Richard Wason	16	16
Penny Simmonds (remuneration paid to SIT)	14	14
Stephen Bragg	14	14
Lindsay Wright	19	19
Trish Boyle	25	29
Ross Jackson (remuneration paid to McCulloch and Partners)	14	14
Mata Cherrington	14	11
Margot Hishon	18	11
Stephen O'Connor	14	11
John Wilson (retired June 2016)	4	11
Warren Skerrett (appointed June 2016)	10	-
	$162	$162

23. FINANCIAL INSTRUMENTS

Financial Risk Management
The Group's activities expose it to a variety of financial risks including market risk (including fair value interest rate risk, cash flow interest rate risk, currency risk, and equity price risk), credit risk and liquidity risk.

The Group has policies to manage the risks associated with financial instruments. The Group is risk averse and seeks to minimise exposure from its treasury activities. The Group has established investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market Risk
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices. There has been no change to the Group's exposure to market risks or in the manner it manages and measures the risk.

The measures the Trustees have put in place to manage these risks are:
- to retain an investment advisor to advise the Trust as to appropriate investment objectives, policies, and strategies;
- to use external fund managers to undertake the management of the investments; and
- to operate a widely diversified portfolio of investments.

pwc

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to fair value interest rate risk is limited to its fixed rate cash at bank and fixed rate cash and fixed interest deposits with fund managers.

Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a variable rate financial instrument will fluctuate because of changes in market interest rates. Investments issued at variable interest rates expose the Group to cash flow interest rate risk.

Currency Risk

Currency risk is the risk that the value of a foreign currency denominated financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign exchange risk arises from transactions and recognised assets that are denominated in a currency that is not the Group's functional currency.

Equity Price Risk

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

Credit Risk Management

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

The Group from time to time has significant funds in trading bank deposits. The Group limits risk by spreading the deposits over several trading banks. The Group has not required collateral or other security to support its financial instruments. The Group further limits risk through its policy of placing managed funds with five separate fund managers, with each fund manager having an investment mandate which requires that they diversify their instruments on the Group's behalf. The Group has sought and obtained the advice of professional investment advisors prior to making its investment allocations and placement decisions.

Liquidity Risk Management

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

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

Capital Risk Management

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

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

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

pwc

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	15%
Income – Overseas Bonds	20%
Growth – Listed Shares	50%
Growth – Unlisted Shares (private equity)	10%
	100%

Fair Values

The fair value of financial instruments that are not traded in an active market or listed shares that are thinly traded, in relation to the Group's unlisted debt instruments have been valued in accordance with independent valuations. The independent valuations were completed on behalf of the Group during 2016 by Deloitte.

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.

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.

pwc

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

Group

31 March 2017	Level 1	Level 2	Level 3	Total
	NZD	NZD	NZD	NZD
Financial assets at fair value through profit or loss	$000	$000	$000	$000
Listed equity securities	435	-	-	435
Investment in managed funds	207,869	-	-	207,869
Unlisted equity securities	-	-	13,424	13,424
	208,304	-	13,424	221,728

31 March 2016	Level 1	Level 2	Level 3	Total
	NZD	NZD	NZD	NZD
Financial assets at fair value through profit or loss	$000	$000	$000	$000
Listed equity securities	554	-	-	554
Investment in managed funds	192,256	-	-	192,256
Unlisted equity securities	-	-	14,966	14,966
	192,810	-	14,966	207,776

	Investment in managed funds NZD	Unlisted equity securities NZD	Listed NZ equity securities NZD
Balance at beginning of the year	192,256	14,966	554
Additional investments/transfers	3,395	1860	-
Settlements and repayments	-	(4,709)	-
Change in value of financial assets at fair value through profit or loss	12,218	1,307	(119)
Balance at end of the year	207,869	13,424	435

pwc

	2016		
	Investment in Managed Funds NZD	Unlisted equity securities NZD	Listed NZ equity securities NZD
Balance at beginning of the year	193,980	6,025	637
Additional investments/transfers	-	3,616	-
Settlements and repayments	(1,795)	-	-
Change in value of financial assets at fair value through profit or loss	71	5,325	(83)
Balance at end of the year	192,256	14,966	554

Included in profit or loss for the year are net gains of $1,307,083 (31 March 2016: $5,325,199) 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.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices or alternative pricing sources supported by observable inputs are classified within Level 2. As Level 2 investments include positions that are not traded in active markets, valuations may be adjusted to reflect illiquidity, which are generally based on available market information.

Shares

The level three shares were purchased in an arms length transaction. It is the Directors determination that the transaction price is the best evidence of fair value. There have been no events that would indicate that there has been a significant change in the value of the shares from date of purchase to year end.

Loans receivable

The value of loans receivable is derived from external valuations of the underlying collateral and desktop valuations of the remainder applying methodology consistent with property valuations e.g. discount rate, timing of sell down period, the price/cost escalations over the time.

pwc

Valuation methodologies	
Adjusted net asset approach	A valuation methodology which is a combination of the market and income approach. It involves directly measuring the fair value of the recognised and unrecognised assets and liabilities of the investee.
Market approach – comparable company valuation multiples	A valuation methodology which assumes that the value of an unquoted asset can be measured by comparing that asset to similar assets where market prices are available. Information can usually be sourced from quoted prices and/or observable data from transaction such as mergers and acquisitions. Earnings multiples are adjusted to reflect qualitative differences between the investee and the comparable companies and earnings of the investee are adjusted for non-recurring items. Other adjustments may be made to reflect the characteristics of the equity interest being valued (eg. non-controlling interest discount, lack of liquidity)
Discounted cash flow analysis	A valuation methodology which requires the application of financial modelling techniques. Discounted cash flow analysis requires explicit assumptions to be made regarding the prospective income and expenses of a property, such assumptions pertaining to the quantity, quality, variability, timing and duration of inflows and outflows over an assumed development period. The assessed cash flows are discounted to present value at an appropriate, market-derived discount rate to determine fair value.
Sales comparison approach	A valuation methodology whereby the subject property is compared to recently sold properties of a similar nature with fair value determined through the application of positive and negative adjustments for their differing attributes.

The following table shows the impact on the fair value of a change in a significant unobservable input:

Significant inputs	Fair value measurement sensitivity to increase in input	Fair value measurement sensitivity to decrease in input
Minority discount	Decrease	Increased
EBITDA multiple	Increase	Decrease
Value per square metre	Increase	Decrease
Discount rate	Decrease	Increase

There are interrelationships between the unobservable inputs as they are determined by market conditions; an increase in more than one input could magnify or mitigate the impact on the valuation.

pwc

24. Term Loans

	Group 2017 $	Group 2016 $	Partnership 2017 $	Partnership 2016 $
Current term loans				
Advance Wood	-	271,251	-	-
	$-	$271,251	$-	$-
Non-current term loans				
ANZ Bank loan facility	-	550,000	-	-
ANZ Bank loan facility – 3 year	-	270,000	-	-
	$-	$820,000	$-	$-
Total term loans	$-	$1,091,251	$-	$-

The above term loans were held by Aoraki Smokehouse Salmon Limited. These loans were derecognised upon disposal of the shareholding in Aoraki Smokehouse Salmon Limited on 29 August 2016.

25. CONTINGENCIES

There are no contingent liabilities or contingent assets relating to the Group at 31 March 2017 (2016: Nil).

26. CAPITAL COMMITMENTS

There was a community loan granted to the Te Anau Childcare Centre of $15,000, but this has not been drawn down at balance date. In March 2015 the Trust agreed to loan $2,000,000 to the Queenstown Lakes Community Housing Trust. At 31 March 2016 $850,000 was drawn down.

27. OPERATING LEASE COMMITMENTS

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

	Group 2017 $000	Group 2016 $000	Parent 2017 $000	Parent 2016 $000
Current within one year	-	-	-	-
Later than one year but not later than five years	60	60	-	-
Later than five years	-	60	-	-
	$60	$120	$Nil	$Nil

pwc

28. EVENTS OCCURING AFTER BALANCE DATE

The Trust approved a loan of $1 million for a two year term from date of first drawn down to the Fiordland Retirement Housing Trust at 4% per annum payable at the end of the two year term. This was originally discussed at the February 2017 board meeting. (2016 Nil)

29. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Transactions with Employees

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

		2017	2016
J Prendergast	Chelsea Cosgrove	300	-
	Henry McIntyre	300	-
	Mikaela Goodall	300	
	Travis Oudoff	300	
	TOTAL	$1,200	$Nil
D Williams	Brad Kooman	500	-
	Touch Southland	50,278	-
	TOTAL	$50,778	$Nil

Transactions with Trustees

Trustees declared interests in relation to organisations that received grants during the year totalling $1,401,910 as detailed below (2016 $1,164,386). Interests were declared when these grants were considered and Trustees took no part in deliberations relating to organisations they had an interest in.

P Simmonds		
CareerFest Southland	-	8,500
Cycling New Zealand	15,000	-
Environment Southland	50,000	50,000
Film Otago Southland	-	50,000
Finn Bodkin-Allen	-	400

pwc

Hockey Southland	26,910	11,390
Invercargill City Council – Film Premier	7,000	-
National Basketball Leagues Limited	10,500	
Netball South	-	170,460
Rugby Southland	-	163,710
Rugby Southland Supporters Club	10,000	-
Shakespeare in the Park	3,700	-
Southland Basketball	-	50,000
Talent Development Southland Charitable Trust	50,000	-
Venture Southland	51,400	217,000
Total	224,510	721,460

T Hicks		
Gore Kids Hub	-	200,000

R Jackson		
First Church Heritage Building Charitable Trust	8,000	6,079
Kris Milne -- Sport Scholarship	1,500	-
Pacific Island Advisory and Cultural Trust	36,000	-
Rape and Abuse Support Centre Southland	30,000	80,000
Rugby Southland	162,800	-
Southland Badminton Association	5,000	-
Southland Piping and Drumming Development Trust	15,000	15,000
Talent Development Southland Charitable Trust	50,000	-
The Southland Christmas Parade Charitable Trust	15,500	
YMCA of Invercargill Charitable Trust	30,000	20,000
Total	353,800	121,079

J Wilson		
Eastern Southland Combined Search & Rescue	2,400	
Southland Mountain Bike Club	6,700	-
Total	9,100	-

L Wright		
Helen Christie – Sport Scholarship	3,000	-
Total	3,000	-

pwc

S O'Connor		
Calvary Hospital	50,000	-
Inner Wheel (FibreOctave)	5,000	-
YMCA of Invercargill	30,000	20,000
Total	**85,000**	**20,000**
T Boyle		
Environment Southland	50,000	50,000
South Invercargill Urban Rejuvenation Charitable Trust	400,000	-
Tokonui School	-	8,022
Total	**450,000**	**58,022**
M Hishon		
Gregory McDonald – Art Scholarship	6,500	-
Henry McIntyre – Art Scholarship	300	-
Lucy McIntyre	-	500
Tokonui School	-	40,000
Total	**6,800**	**40,500**
M Cherrington		
1000 Days Trust	50,000	-
Nga Hau E Wha	11,000	-
Sport Southland	200,000	-
Total	**261,000**	**-**
Overall Total	**$1,401,910**	**$1,164,386**

Transactions with subsidiaries

During the 2016 year the assets and liabilities of Southland Community Trust Charities Limited were transferred to The Community Trust of Southland. The Community Trust of Southland is owed $9,665,054 from Invest South Limited Partnership (2016: $6,822,660).

Transactions between subsidiaries

Directors fees have been paid to Peak Consulting Ltd (P Carnahan) by Aoraki Smokehouse Salmon Limited $7,500 (2016: $18,000), of which $0 was owing at year end (2016: $1,500), Waikaia Gold Limited $27,917, (2016: $25,208) of which $7,906.25 was owing at year end (2016: $nil) and Back Country Foods Limited $7,200 (2016: $7,200) of which $690 was owing at year end (2016 $nil). Peter Carnahan is a director on these companies. Additionally administration fees have been paid to Peak Consulting Limited by Back Country Foods Limited $900 (2016:$750) and Aoraki Smokehouse Salmon Limited $nil (2016: $4,950).

Directors fees have been paid to B Highsted (Director) from Aoraki Smokehouse Salmon Limited $5,213 (2016: $12,000) of which $0 was owing at year end (2016: $231).

Directors fees have been paid to I Sutherland (Director) from Back Country Foods Limited $10,000 (2016: $4,800).

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 $268,442 (2016: $243,105). At 31 March 2017 Invest South GP Limited was due $76,061 (2016: $36,094) from Invest South Limited Partnership.

pwc

At 31 March 2017 Invest South Limited Partnership owed $0 to Invest South Holdings Limited (2016: $7,317,404) and $9,665,054 to Community Trust of Southland (2016: $6,822,660).

The advances are unsecured, repayable on demand and interest free. It is not expected the advances will be repaid or received in the next 12 months.

Shareholder loans have been advanced to Aoraki Smokehouse Salmon Limited, $0 (2016: $755,025), Waikaia Gold Limited $Nil (2016 $Nil) and Back Country Foods Limited, $653,278 (2016: $433,643). In 2017, interest was charged on the loan to Aoraki Smokehouse Salmon Limited of $42,437, (2016, $56,931) from 1 April 2016. For the year ended 31 March 2017, interest of $Nil has been charged on the Waikaia Sheet Pile Limited loan (2016: $Nil) and the Back Country Foods Limited loan $21,057 (2016: $21,674). The loans to Bush Road Limited and Aerograph Limited are interest free.

A loan of $nil has been advanced to B & K Crossan, shareholders & directors of Back Country Foods Limited, (2016 $70,535), Interest for the year of $6,044 has been received on this loan (2016 $12,098).

30. DISTRIBUTIONS OF INCOME AND CAPITAL

A list of all distributions of income and capital approved by The Community Trust of Southland during the year ended 31 March 2017 is available, on request, from the Trust's office at 62 Don Street (PO Box 1646), Invercargill, 9840 or on the Trust's website www.ctos.org.nz.

31. EVENTS OCCURRING AFTER BALANCE DATE

As at 31 March 2017 the Limited Partner of Invest South Limited Partnership was Southland Community Trust Charities Limited. This entity was de-registered on 27 April 2017. From this date onwards the Limited Partner of Invest South Limited Partnership is the Community Trust of Southland.

pwc

Independent auditor's report

To the trustees of The Community Trust of Southland

The Community Trust of Southland financial statements comprise:

- the statements of financial position as at 31 March 2017;
- 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 notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements of The Community Trust of Southland (the Trust) present fairly, in all material respects, the financial positions of the Trust and the Trust and its subsidiaries, together the Group, as at 31 March 2017, their financial performance and their cash flows for the year then ended in accordance with New Zealand Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR).

Basis for opinion

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

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

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

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

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 Buildings, 106 George Street, PO Box 5848, 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 Trustees are responsible, on behalf of the Trust, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS RDR, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:
https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
28 July 2017

Dunedin