

**THE COMMUNITY TRUST OF SOUTHLAND**  
**FINANCIAL REPORT**  
**For the Year Ended 31 March 2012**

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## THE COMMUNITY TRUST OF SOUTHLAND TRUSTEE'S RESPONSIBILITY STATEMENT

The Trustees of The Community Trust of Southland ("the Trust") are pleased to present the financial statements for the year ended 31 March 2012.


The Trustees are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Trust and Group as at 31 March 2012 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 1993.

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

26 / 7 / 2012

26 / 7 / 2012

**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Year Ended 31 March 2012**

		<b>Group</b>		<b>Parent</b>	
	<b>Notes</b>	<b>2012 \$000</b>	<b>2011 \$000</b>	<b>2012 \$000</b>	<b>2011 \$000</b>
Sales		2,330	2,079	-	-
Dividends		5,423	4,189	5,208	4,109
Interest	3	3,515	3,489	3,250	3,085
Unrealised Gains / (losses) from change in fair value of managed funds		(3,412)	1,152	(3,412)	1,152
Realised Gains from change in fair value of managed funds		1,171	3,756	1,171	3,756
(Losses) from change in fair value of other investments recognised at FVTPL		-	(111)	-	-
Share of Associates Earnings		73	-	-	-
Other income		281	9	4	4
		<u>9,381</u>	<u>14,563</u>	<u>6,221</u>	<u>12,106</u>
<b>Expenses:</b>					
Cost of sales		963	1,013	-	-
Depreciation		130	118	55	51
Bad debts		2	47	-	-
Fund managers fees		741	754	741	754
Trustees fees	24	183	194	183	194
Directors fees		71	78	-	-
Employee entitlements		1,204	1,097	549	459
Administration expenses	4	1,116	857	508	697
Impairment provision on investments		181	7	-	-
Loss on sale of investments		107	-	-	-
Other expenses		-	97	69	-
		<u>4,698</u>	<u>4,262</u>	<u>2,105</u>	<u>2,155</u>
Operating surplus before grants		4,683	10,301	4,116	9,951
Grants	5	11,993	9,404	1,124	3,539
Net surplus / (deficit) before taxation		<u>(7,311)</u>	<u>897</u>	<u>2,992</u>	<u>6,412</u>
Taxation expense	6	74	105	-	-
<b>Net surplus / (deficit) after taxation</b>		<u>(7,385)</u>	<u>792</u>	<u>2,992</u>	<u>6,412</u>
Other comprehensive income / (loss)		(58)	-	(58)	-
<b>Total comprehensive income / (loss) for the year</b>		<u>(\$7,443)</u>	<u>\$792</u>	<u>(\$2,934)</u>	<u>\$6,412</u>
<b>Surplus / (Deficit) is attributed to:</b>					
Equity holders of the parent		(7,490)	762	(2,992)	(6,412)
Minority interest	13	105	30	-	-
		<u>(\$7,385)</u>	<u>\$792</u>	<u>(\$2,992)</u>	<u>\$6,412</u>
<b>Total comprehensive income / (loss) is attributed to:</b>					
Equity holders of the parent		(7,548)	762	(2,934)	(6,412)
Minority interest	13	105	30	-	-
		<u>(\$7,443)</u>	<u>\$792</u>	<u>(\$2,934)</u>	<u>\$6,412</u>

The financial statements should be read with the accompanying notes.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENTS OF CHANGES IN EQUITY**  
**For the Year Ended 31 March 2012**

<b>Group</b>	<b>Trust Capital</b>	<b>Unspent Grants Budget Reserve</b>	<b>Capital Maintenance Reserve</b>	<b>Grants Maintenance Reserve</b>	<b>Minority Interest</b>	<b>Other</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Balance at 31 March 2010	\$158,460	\$570	\$34,662	(\$20,753)	\$95	\$Nil	\$173,034
Net surplus after taxation	-	-	-	-	30	762	792
Revaluation of land/buildings	-	-	18	-	-	-	18
Transfer to/(from) reserves	-	-	4,304	(3,542)	-	(762)	-
Balance at 31 March 2011	<u>\$158,460</u>	<u>\$570</u>	<u>\$38,984</u>	<u>(\$24,295)</u>	<u>\$125</u>	<u>\$Nil</u>	<u>\$173,844</u>
Net surplus/(deficit) after taxation	-	-	-	-	105	(7,490)	(7,385)
Revaluation of land/buildings	-	-	(58)	-	-	-	(58)
Minority Interest Adjustment	-	-	-	-	54	-	54
Transfer to/(from) reserves	-	-	233	(7,747)	-	7,490	(24)
Balance at 31 March 2012	<u>\$158,460</u>	<u>\$570</u>	<u>\$39,159</u>	<u>(\$32,042)</u>	<u>\$284</u>	<u>\$Nil</u>	<u>\$166,431</u>
<b>Parent</b>							
Balance at 31 March, 2010	\$158,460	\$570	\$59,703	(\$57,674)	\$Nil	\$Nil	\$161,059
Net surplus after taxation	-	-	-	-	-	6,412	6,412
Revaluation of land/buildings	-	-	18	-	-	-	18
Transfer to/(from) reserves	-	-	4,304	2,108	-	(6,412)	-
Balance at 31 March, 2011	<u>\$158,460</u>	<u>\$570</u>	<u>\$64,025</u>	<u>(\$55,566)</u>	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$167,489</u>
Net (deficit) after taxation	-	-	-	-	-	2,992	2,992
Revaluation of land/buildings	-	-	(59)	-	-	-	(59)
Transfer to/(from) reserves	-	-	1,240	1,752	-	(2,992)	-
Balance at 31 March, 2012	<u>\$158,460</u>	<u>\$570</u>	<u>\$65,206</u>	<u>(\$53,814)</u>	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$170,422</u>

The financial statements should be read with the accompanying notes.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENTS OF FINANCIAL POSITION**  
**As at 31 March 2012**

		<b>Group</b>		<b>Parent</b>	
	<b>Notes</b>	<b>2012 \$000</b>	<b>2011 \$000</b>	<b>2012 \$000</b>	<b>2011 \$000</b>
<b>Current Assets</b>					
Cash and cash equivalents		621	677	15	30
Accounts receivable	11	290	424	33	15
Inventories	12	243	220	-	-
Prepayments		9	9	9	7
GST refund due		54	88	28	50
Other receivables		93	45	-	-
Investments – Other	15	1,074	-	-	-
Trust advances to third parties	17	542	-	542	-
Related Party Advances	26	-	-	1,476	-
<b>Total current assets</b>		<b>2,926</b>	<b>1,463</b>	<b>2,103</b>	<b>102</b>
<b>Non-Current Assets</b>					
Investment in Managed Funds	16	170,338	176,371	170,338	176,371
Investment in Associates	18	2,186	-	-	-
Investment in Subsidiaries	19	-	-	-	1
Investments - Other	15	5,985	7,592	563	374
Goodwill	14	32	32	-	-
Intangibles		2	-	-	-
Trust advances to third parties	17	1,125	1,875	1,042	1,816
Property, plant and equipment	20	1,308	1,388	901	987
Database development	10	186	171	186	171
<b>Total non-current assets</b>		<b>181,162</b>	<b>187,429</b>	<b>173,030</b>	<b>179,720</b>
<b>Total assets</b>		<b>184,088</b>	<b>188,892</b>	<b>175,133</b>	<b>179,822</b>
<b>Current Liabilities</b>					
Bank overdraft		-	3	-	-
Accounts payable		409	460	262	214
Current tax liabilities	6	67	54	-	-
Other creditors		15	19	-	-
Accruals		35	52	-	-
Employee entitlements		112	61	40	17
Related Party Advances	26	-	-	-	4,939
Grant Obligations	9	10,946	10,289	2,075	7,147
		<b>11,584</b>	<b>10,938</b>	<b>2,377</b>	<b>12,317</b>
<b>Non-current Liabilities</b>					
Grant Obligations	9	6,073	4,111	2,334	16
<b>Total liabilities</b>		<b>17,657</b>	<b>15,049</b>	<b>4,711</b>	<b>12,333</b>
<b>NET ASSETS</b>		<b>\$166,431</b>	<b>173,843</b>	<b>\$170,422</b>	<b>\$167,489</b>
<b>Funds Employed</b>					
Trust capital	7	158,460	158,460	158,460	158,460
Reserves	8	7,687	15,258	11,962	9,029
Equity attributable to equity holders of parent		166,147	173,718	170,422	167,489
Minority Interest	13	284	125	-	-
<b>TOTAL FUNDS EMPLOYED</b>		<b>\$166,431</b>	<b>\$173,843</b>	<b>\$170,422</b>	<b>\$167,489</b>

The financial statements should be read with the accompanying notes.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENTS OF CASH FLOWS**  
**For the Year Ended 31 March 2012**

		<b>Group</b>		<b>Parent</b>	
	<b>Notes</b>	<b>2012 \$000</b>	<b>2011 \$000</b>	<b>2012 \$000</b>	<b>2011 \$000</b>
<b>Cash Flows from Operating Activities</b>					
Cash was provided from (applied to):					
Receipts from customers		2,695	2,037	4	4
Interest and dividends		8,938	535	8,446	82
Payments to suppliers and employees		(3,172)	(3,091)	(2,168)	(1,005)
Other expenses		(1,178)	(1,091)	(924)	(948)
Grants paid		(9,341)	(9,716)	(2,754)	(4,976)
<b>Net cash outflows from Operating Activities</b>	<b>22</b>	<b>(2,058)</b>	<b>(11,326)</b>	<b>(2,604)</b>	<b>(6,843)</b>
<b>Cash Flows from Investment Activities</b>					
Cash was provided from (applied to):					
Managed Funds		3,791	13,025	3,792	13,025
Investments in unlisted equities		(2,113)	(2,093)	-	-
Advances to third parties		-	605	-	-
Short term deposits		-	519	-	(102)
Investment in associates/subsidiaries		242	-	(6,602)	(1)
Trust advances		208	(106)	232	(109)
Property, plant and equipment		(108)	(258)	(27)	(143)
Database development		(15)	(63)	(15)	(63)
<b>Net cash inflows from Investing Activities</b>		<b>2,005</b>	<b>11,629</b>	<b>(2,620)</b>	<b>12,607</b>
<b>Cash Flows to Financing</b>					
Cash was (applied to):					
Introduced capital in subsidiary		-	-	-	(5,860)
<b>Net cash outflows from Financing Activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,860)</b>
<b>Net increase / (decrease) in Cash held</b>		<b>(53)</b>	<b>303</b>	<b>(15)</b>	<b>(96)</b>
Add cash at beginning of year		674	371	30	126
<b>Total Cash Balance at End of Year</b>		<b>\$621</b>	<b>\$674</b>	<b>\$15</b>	<b>\$30</b>
Represented by:					
Cash and cash equivalents		621	677	15	30
Bank Overdraft		-	(3)	-	-
		<b>\$621</b>	<b>\$674</b>	<b>\$15</b>	<b>\$30</b>

The financial statements should be read with the accompanying notes.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2012**

**1. GENERAL INFORMATION**

**Reporting Entity**

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

The Community Trust of Southland ("the Trust") was formed under the Trustee Banks Restructuring Act 1988 and is 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 1993 and the Community Trusts Act 1999.

These consolidated financial statements have been approved for issue by the Trustees on 26 July 2012.

The Group's owners do not have the power to amend these consolidated financial statements once issued.

**2. STATEMENT OF ACCOUNTING POLICIES**

**Statement of Compliance**

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for public benefit entities.

**(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.

*Going Concern assumption*

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

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

*Critical Accounting Estimates & Judgements*

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2012**

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

In the 2012 financial year The Community Trust of Southland revised its accounting estimate regarding the recognition of grant obligations. The Community Trust of Southland reviewed their judgements made and assumptions for which it is now apparent that a constructive obligation is created with respect to multi year grants, therefore the liability is recognised at this point in time.

This change in accounting estimate has resulted in approximately \$3,000,000 being recorded on the statements of financial position as a liability. The change in accounting estimate is expected to have an effect in future periods. The amount of the effect in future periods is not disclosed because estimating it is impracticable.

**b) Principles of Consolidation**

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

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

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

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

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

*(ii) Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*(iii) Associates*

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

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



**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2012**

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

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

**c) Income Tax**

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

**d) Income Recognition**

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

*(i) Sales of goods*

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

*(ii) Sales of services*

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

*(iii) Interest income*

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

*(iv) Dividend income*

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

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

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

**f) Impairment of non financial assets**

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

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2012**

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

**g) Inventories**

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

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

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

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

The following rates have been used:

Plant & machinery	7.5% - 76.2%	Diminishing value
Office equipment	11.4 - 60%	Diminishing value
Furniture & fittings	14.4 - 18%	Diminishing value
Motor vehicles	25 - 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 statements of comprehensive income.

Land and buildings are measured at fair value. Fair value is determined on the basis of an annual independent valuation prepared by external valuation experts, based on a discounted cash flows or capitalisation of net income approach. The fair values are recognised in the financial statements of the 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 profit or loss, in which case the increased is credited to the statements of comprehensive income to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of the asset.

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

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2012**

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

**i) Trade other receivables**

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

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

**j) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, 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) Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction, net of tax, for the proceeds.

**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 Statements of Comprehensive Income.

**m) Employee entitlements**

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

**n) Investment 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.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2012**

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

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

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

**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. Cash and cash equivalents comprise cash on hand and demand deposits, and other short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and includes all call borrowing such as bank overdrafts used by the trust as part of their day-to-day cash management.

'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.

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

**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 profit or loss.

Financial Assets

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

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

**s) Financial Assets & Liabilities (Cont'd)**

Financial Assets at Fair Value through Profit or Loss

The Trust classifies its Managed Funds and Investments in listed and unlisted equities as financial assets at fair value through profit or loss. These financial assets are designated by management at fair value through profit or loss at inception.

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

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

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

Loans & Receivables

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

Accounts receivable, Advances to third parties, Short Term Deposits and Trust Advances are carried at amortised cost using the effective interest method less impairment.

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

Other Financial Liabilities

Other liabilities include Accounts Payable and Grants committed not paid.

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount of the financial liability.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

**s) Financial Assets & Liabilities (Cont'd)**

**Impairment of Financial Assets**

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

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

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

**t) New accounting standards and interpretations not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

**NZ IFRS 9 *Financial Instruments*** (effective for annual reporting periods beginning on or after 1 January 2015)

The new standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities. When the standard is adopted, there is not expected to result in a change in measurement for financial assets as the current categorisation of loans and receivables is expected to remain the same. The Group would not have any transactions to disclose under the new IAS 1 and IFRS 7 disclosure requirements relating to gain or loss arising on de-recognition of financial assets measured at amortised cost. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from NZ IAS 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt NZ IFRS 9.

**NZ IFRS 13 *Fair Value Measurement*** (effective for annual reporting periods beginning on or after 1 January 2013)

NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 March 2014.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)**

**t) New accounting standards and interpretations not yet effective (Cont'd)**

**FRS 44 New Zealand Additional Disclosures and Harmonisation Amendments** (effective for annual reporting periods beginning on or after 1 July 2011)

FRS 44 sets out New Zealand specific disclosures for entities that apply NZ IFRSs. These disclosures have been relocated from NZ IFRSs to clarify that these disclosures are additional to those required by IFRSs. Adoption of the new rules will not affect any of the amounts recognised in the financial statements, but may simplify some of the Group's current disclosures.

The Harmonisation Amendments amends various NZ IFRSs for the purpose of harmonising with the source IFRSs and Australian Accounting Standards. The significant amendments include:

- deletion of the requirement for an independent valuer to conduct the valuation of investment property;
- inclusion of the option to account for investment property using either cost or fair value model;
- introduction of the option to use the indirect method of reporting cash flows that is not currently in NZ IAS 7.

In addition, various disclosure requirements have been deleted.

The Group intends to adopt FRS 44 and the Harmonisation Amendments in the annual reporting period ending 31 March 2013.

**NZ IAS 1 Amendments Presentation of Items of Other Comprehensive Income** (effective for annual reporting periods beginning 1 July 2012)

The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 April 2013.

Other standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2012 or later, but the Group has not early adopted them as they are not applicable to the Group, or the interpretation of the standards as clarified by amendments was the same as already applied by the Group.

Application of these standards, amendments and interpretations is not expected to have a material impact on the Group's financial position and results in the period of initial application.

**3. INTEREST**

	<b>Group</b>		<b>Parent</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents	23	89	5	4
Interest on Advances	3,492	3,400	3,245	3,081
	<u>\$3,515</u>	<u>\$3,489</u>	<u>\$3,250</u>	<u>\$3,085</u>

**THE COMMUNITY TRUST OF SOUTHLAND**  
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	<b>Group</b>		<b>Parent</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>

**4. ADMINISTRATION EXPENSES**

Included in Administration Expenses are the following:

**Auditors fees:**

Audit fees paid or payable to the auditors as follows:

Audit of the financial statements	40	41	28	29
Other services - Deloitte	31	17	-	8
	<u>\$71</u>	<u>\$58</u>	<u>\$28</u>	<u>\$37</u>

**5. GRANTS**

Committed and payable in the current year	9,549	8,588	3,608	3,523
Committed and not payable until future years	2,444	816	1,386	16
Transfer to Charities	-	-	(3,870)	-
	<u>\$11,993</u>	<u>\$9,404</u>	<u>\$1,124</u>	<u>\$3,539</u>

The Trustees have resolved that any unspent portion of the approved Grants budget for a year that remained unspent at year end would be carried forward in an "Unspent Grants Reserve", available to be spent in future years.

**6. TAXATION**

Taxation expense of \$74,000 (2011: \$105,000) and the taxation payable due of \$67,000 (2011: \$54,000) relates to the subsidiary entities.

The Community Trust of Southland is exempt from Income Tax.

**7. TRUST CAPITAL**

Opening and closing balance	\$158,460	\$158,460	\$158,460	158,460
	<u>\$158,460</u>	<u>\$158,460</u>	<u>\$158,460</u>	<u>\$158,460</u>

**8. RESERVES**

Capital Maintenance Reserve	39,159	38,984	65,206	64,025
Grants Maintenance Reserve	(32,042)	(24,295)	(53,814)	(55,566)
Unspent Grants Budget Reserve	570	570	570	570
	<u>\$7,687</u>	<u>\$15,258</u>	<u>\$11,962</u>	<u>\$9,029</u>



**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	<b>Group</b>		<b>Parent</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>9. GRANT OBLIGATIONS</b>				
Commitments of \$5,425,011 (2011:\$7,237,429) exist for grants of the parent and \$17,425,533 (2011:\$14,400,246) for the group which will be distributed from either capital or income sources in future years.				
Balance at 1 April 2011	14,400	14,712	7,163	8,599
Grants approved in current year	9,462	10,657	3,616	4,718
Grants paid in current year	(9,232)	(9,660)	(3,867)	(4,919)
Grants approved relating to future years	3,059	-	1,616	-
Grants withdrawn for current year	(61)	(1,240)	(25)	(1,166)
Grants withdrawn for prior years	(671)	-	(231)	-
Change in present value	62	(69)	7	(69)
Transfer to Charities	-	-	(3,870)	-
	<u>\$17,019</u>	<u>\$14,400</u>	<u>\$4,409</u>	<u>\$7,163</u>

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

Year ending 31 March 2012	10,946	10,289	2,075	7,147
Year ending 31 March 2013	4,267	1,721	1,706	16
Year ending 31 March 2014	1,806	1,246	628	-
Year ending 31 March 2015	-	1,144	-	-
	<u>\$17,019</u>	<u>\$14,400</u>	<u>\$4,409</u>	<u>\$7,163</u>

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

Previously grants committed for future years were recognised in the year of granting, if the grant was project related, rather than for on-going operational costs. This year, both operational and project grants committed for future years have been included in the financial statements to 31 March 2012. This change has resulted in an additional \$3,059,253 in grants approved for future years.

**10. DATABASE DEVELOPMENT**

The combined Community Trusts throughout New Zealand are jointly developing a shared database, to be used across 11 of the 12 Community Trusts. Database Development costs are the Group's share of the costs incurred on this joint project until 31 March 2012.

**11. ACCOUNTS RECEIVABLE**

Trade receivables	370	504	33	15
Allowance for doubtful debts	(80)	(80)	-	-
	<u>\$290</u>	<u>\$424</u>	<u>\$33</u>	<u>\$15</u>

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.

**THE COMMUNITY TRUST OF SOUTHLAND**  
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	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>12. INVENTORIES</b>				
Raw materials and packing	224	191	-	-
Finished goods	18	29	-	-
	<u>\$243</u>	<u>\$220</u>	<u>\$Nil</u>	<u>\$Nil</u>

**13. MINORITY INTEREST**

Opening balance at the beginning of the year	125	95	-	-
Share of profits for the year	105	30	-	-
Minority Interest Adjustment	54	-	-	-
Closing Balance	<u>\$284</u>	<u>\$125</u>	<u>\$Nil</u>	<u>\$Nil</u>

**14. GOODWILL**

**Gross carrying amount**

Balance at beginning of financial year	32	32	-	-
Additions during the period	-	-	-	-
Impairment charge	-	-	-	-
	<u>\$32</u>	<u>\$32</u>	<u>\$Nil</u>	<u>\$Nil</u>

**Allocation of goodwill to cash-generating units**

Goodwill has been allocated for impairment testing purposes to the following cash-generating units representing the lowest level at which management monitor goodwill – Back Country Foods.

During the year ended 31 March 2012, management have determined that there is no evidence of impairment of any of the cash generating units containing goodwill.

**15. INVESTMENTS - OTHER**

	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Investments in listed equities (i)	168	168	168	168
Investments in unlisted equities (ii)	4,297	4,533	-	-
Advances to third parties (iii)	2,199	2,526	-	-
Short term deposits (iv)	395	365	395	206
	<u>\$7,059</u>	<u>\$7,592</u>	<u>\$563</u>	<u>\$374</u>

**(i) Investment in listed entities**

Pacific Edge Biotechnology Limited	168	168	168	168
	<u>\$168</u>	<u>\$168</u>	<u>\$168</u>	<u>\$168</u>

**THE COMMUNITY TRUST OF SOUTHLAND**  
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	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>15. INVESTMENTS – OTHER (Cont'd)</b>				
<b>(ii) Investments in un-listed entities</b>				
IZON Limited	250	250	-	-
Rothbury Group Limited	2,000	2,000	-	-
Fiordland Lobster Company	2,000	2,000	-	-
Areograph Limited	393	393	-	-
Less impairment provision	(346)	(110)	-	-
	<u>4,297</u>	<u>\$4,533</u>	<u>\$Nil</u>	<u>\$Nil</u>

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

<b>(iii) Advances to third parties</b>	2,199	2,580	-	-
Less impairment provision	-	(54)	-	-
	<u>\$2,199</u>	<u>\$2,526</u>	<u>\$1,584</u>	<u>\$Nil</u>

The third party advances relate to certain lending activities carrying interest rates between 10% and 13%.

Current Portion	1,074	-	-	-
Non-Current Portion	1,125	-	-	-
	<u>2,199</u>	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$Nil</u>

<b>(iv) Short term deposits</b>				
Westpac on call	395	206	395	206
National Bank	-	159	-	-
	<u>\$395</u>	<u>\$365</u>	<u>\$395</u>	<u>\$206</u>

**16. MANAGED FUNDS**

The Group has funds with seven investment managers (Fund Managers) as follows:

- AMP Capital Investors
- Capital International
- Direct Capital
- First New Zealand Capital
- Franklin Templeton
- Pacific Investment Management Company (PIMCO)
- Tyndall Investment Management

During the year Franklin Templeton replaced Alliance Bernstein as one of the fund managers investing in overseas equities.

**THE COMMUNITY TRUST OF SOUTHLAND**  
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**16. MANAGED FUNDS (Cont'd)**

The fair value of the Managed Funds investments as at 31 March 2012 was as follows:

Group & Parent	AMP Capital \$000	Capital Internati onal \$000	Direct Capital \$000	First NZ Capital \$000	Franklin Templet on \$000	PIMCO \$000	Tyndall Invest ment \$000	Total \$000
Australasian Equities	15,944		695	15,693				32,332
Overseas Equities		13,391			15,137			28,528
NZ Fixed Interest							45,296	45,296
Overseas Fixed Interest						53,882		53,882
Property Equities				6,479				6,479
Foreign Exchange contracts							701	701
Unsettled Trades							79	79
Cash	175			102			2,764	3,041
<b>Total</b>	<b>16,119</b>	<b>13,391</b>	<b>695</b>	<b>22,274</b>	<b>15,137</b>	<b>53,882</b>	<b>48,840</b>	<b>170,338</b>

The fair value of the Managed Funds investments as at 31 March 2011 was as follows:

Group & Parent	AMP Capital \$000	Capital Internati onal \$000	Direct Capital \$000	First NZ Capital \$000	Franklin Templet on \$000	PIMCO \$000	Tyndall Investm ent \$000	Total \$000
Australasian Equities	16,777		389	18,315				35,481
Overseas Equities		14,436			16,785			31,221
NZ Fixed Interest							42,200	42,200
Overseas Fixed Interest						42,781		42,781
Property Equities				6,271				6,271
Foreign Exchange contracts							(1,267)	(1,267)
Unsettled Trades						(474)	106	(368)
Cash	201			135		9,751	9,965	20,052
<b>Total</b>	<b>\$16,978</b>	<b>\$14,436</b>	<b>\$389</b>	<b>\$24,721</b>	<b>\$16,785</b>	<b>\$52,058</b>	<b>\$51,004</b>	<b>\$176,371</b>

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

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	Group		Parent	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
<b>17. TRUST ADVANCES</b>				
Bluff Healthy Homes	-	3	-	3
Southland Outdoor Stadium Trust	750	750	750	750
Southland Rural Fire Authority	10	20	10	20
Invercargill Artificial Sport Surface Trust	-	96	-	96
Northern Southland Medical Trust	50	50	-	-
Otautau Community Health Trust	6	9	-	-
Troopers Memorial Corner Charitable				
Trust - Yule House	120	130	120	130
Wyndham Rest Home	100	100	100	100
Edendale Vintage Machinery Club	-	40	-	40
Borland Lodge	323	427	323	427
Arrowtown Trust	100	100	100	100
South Catlins Environmental and Development Trust	150	150	150	150
Waihpai Rowing Club	31	-	31	-
Sport Southland	27	-	-	-
	<u>\$1,667</u>	<u>\$1,875</u>	<u>\$1,584</u>	<u>\$1,816</u>

Loans are interest free with the exception of the loan to Borland Lodge which incurs interest at a fixed rate of 6.5% which is capitalised to the loan.

Current Portion	542	-	542	-
Non-Current Portion	1,125	1,875	1,042	1,816
	<u>\$1,667</u>	<u>\$1,875</u>	<u>\$1,584</u>	<u>\$1,816</u>

**18. INVESTMENT IN ASSOCIATES**

Associates	Percentage Held		Balance Date	Principal Activity	Consolidated Carrying Amount	
	2012	2011			2012	2011
					\$	\$
Bush Road Limited	30%	30%	31 March	Vegetable Processors and Wholesalers	113	-
Taha Asia Pacific Limited	32%	-	31 March	Dross Recycling	2,073	-

All entities are incorporated in New Zealand.

**Interests in associates**

*Movements in carrying amounts*

Shares at cost	2,000	113	-	-
Impairment	-	(113)	-	-
Reversal of an Impairment	113	-	-	-
Share of total recognised revenues and expenses	73	-	-	-
	<u>\$2,186</u>	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$Nil</u>
Balance at 31 March 2012				

**THE COMMUNITY TRUST OF SOUTHLAND**  
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**19. INVESTMENT IN SUBSIDIARIES**

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

The subsidiary is incorporated in New Zealand.

<b>Subsidiaries</b>	<b>Percentage Held</b>	<b>Balance Date</b>	<b>Principal Activity</b>
Southland Community Trust Charities Limited	100%	31 March	Distribution of grants to charitable organisations
Invest South Holdings Limited (formerly Invest South Limited)	100%	31 March	Debt funding and equity investments
Invest South GP Limited	100%	31 March	Management company
Invest South Limited Partnership	100%	31 March	Asset Management
Back Country Foods Limited	80%	31 March	Freeze dried food producer

**20. PROPERTY, PLANT & EQUIPMENT**

	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Furniture &amp; Fittings</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Group</b>						
Cost or Valuation at 31 March 2010	350	748	507	219	104	1,928
Additions/Revaluations	25	-	131	38	126	320
Disposals/Revaluations	-	(7)	(4)	-	(74)	(85)
Cost or Valuation at 31 March 2011	<u>375</u>	<u>741</u>	<u>634</u>	<u>257</u>	<u>156</u>	<u>2,163</u>
Additions/Revaluations	-	-	57	13	25	97
Disposals/Revaluations	(15)	(6)	(41)	-	(22)	(84)
Cost or Valuation at 31 March 2012	<u>360</u>	<u>735</u>	<u>652</u>	<u>270</u>	<u>159</u>	<u>2,176</u>
Accumulated depreciation at 31 March 2010	-	248	220	158	61	687
Depreciation	-	18	58	37	30	143
Disposals	-	-	-	-	(55)	(55)
Accumulated depreciation at 31 March 2011	<u>-</u>	<u>266</u>	<u>278</u>	<u>195</u>	<u>36</u>	<u>775</u>
Depreciation	-	20	73	7	30	130
Disposals	-	-	(17)	-	(18)	(36)
Accumulated depreciation at 31 March 2012	<u>-</u>	<u>286</u>	<u>334</u>	<u>201</u>	<u>48</u>	<u>868</u>
Net book value 31 March 2011	<u>\$375</u>	<u>\$475</u>	<u>\$356</u>	<u>\$62</u>	<u>\$120</u>	<u>\$1,388</u>
Net book value 31 March 2012	<u>\$360</u>	<u>\$449</u>	<u>\$318</u>	<u>\$70</u>	<u>\$111</u>	<u>\$1,308</u>

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2012**

**20. PROPERTY, PLANT & EQUIPMENT (Cont'd)**

	Land \$000	Buildings \$000	Equipment \$000	Furniture & Fittings \$000	Motor Vehicles \$000	Total \$000
<b>Parent</b>						
Cost or Valuation at 31 March 2010	350	748	242	159	76	1,575
Additions/Revaluations	25	-	41	2	75	143
Disposals/Revaluations	-	(7)	-	-	(74)	(81)
Cost or Valuation at 31 March 2011	375	741	283	161	77	1,637
Additions/Revaluations	-	-	4	7	-	11
Disposals/Revaluations	(15)	(6)	(21)	-	-	(42)
Cost or Valuation at 31 March 2012	360	735	266	168	77	1,606
Accumulated depreciation at 31 March 2010	-	248	210	150	46	654
Depreciation	-	18	15	2	17	52
Disposals	-	-	-	-	(56)	(56)
Accumulated depreciation at 31 March 2011	-	266	225	152	7	650
Depreciation	-	20	17	2	15	55
Disposals	-	-	-	-	-	-
Accumulated depreciation at 31 March 2012	-	286	242	154	23	705
Net book value 31 March 2011	\$375	\$475	\$58	\$9	\$70	\$987
Net book value 31 March 2012	\$360	\$449	\$24	\$14	\$54	\$901

The March 2012 valuation of freehold land and buildings was completed by Chadderton Valuation, an independent valuer (the March 2011 valuation was also completed by Chadderton Valuation). Revaluations take place annually.

**21. KEY MANAGEMENT PERSONNEL**

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

	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Short term employee benefits	341	334	191	185
	<u>\$341</u>	<u>\$334</u>	<u>\$191</u>	<u>\$185</u>

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2012

**22. RECONCILIATION WITH OPERATING SURPLUS**

	<b>Group</b>		<b>Parent</b>	
	<b>2012 \$000</b>	<b>2011 \$000</b>	<b>2012 \$000</b>	<b>2011 \$000</b>
Net surplus/(deficit) after taxation	(7,385)	791	2,991	6,412
<b>Add (less) movement in working capital</b>				
(Increase)/decrease in accounts receivable	134	(4)	(18)	31
(Increase)/decrease in inventory	(23)	(8)	-	-
(Increase)/decrease in prepayments and tax refund due	(13)	(82)	20	(50)
Increase/(decrease) in accounts payable	(51)	(20)	48	(46)
Increase/(decrease) in other creditors and accruals	(8)	105	-	-
Increase/(decrease) in employee entitlements	51	12	23	6
Increase/(decrease) in grants committed not paid	2,651	(312)	(2,754)	(1,437)
	<u>2,741</u>	<u>(\$309)</u>	<u>(2,681)</u>	<u>(\$1,496)</u>
<b>Add (less) movement in non-cash items</b>				
Gains/(losses) from change in fair value investments	3,412	(12,051)	3,412	(12,051)
Depreciation	130	118	55	51
Bad Debts	2	-	-	-
Gains/(losses) from investments at FVTPL	(1,171)	111	(1,171)	-
Impairment on investments/advances	181	-	-	226
Other	(1)	14	-	15
Share of associate's earnings	(73)	-	-	-
Loss on Sale of Investments	107	-	-	-
	<u>2,587</u>	<u>(\$11,808)</u>	<u>2,296</u>	<u>(\$11,759)</u>
<b>Net cash outflows from operating activities</b>	<u>(\$2,057)</u>	<u>(\$11,326)</u>	<u>(\$2,606)</u>	<u>(\$6,843)</u>

**23. FINANCIAL INSTRUMENTS**

**Financial Risk Management**

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

**Market Risk**

The Trust'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 Trust's exposure to market risks or in the manner it manages and measures the risk.



**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2012**

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

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
- to operate a widely diversified portfolio of investments

**Fair Value Interest Rate Risk**

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

**Equity Price Risk**

The Trust is exposed to equity price risk. This arises from Managed Funds held by the Trust and classified as financial assets at fair value through profit and loss.

**Credit Risk Management**

Credit risk is the risk that a third party will default on its obligation to the Trust, causing the Trust 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 eight 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 financial advisers prior to making its investment allocations and placement decisions.

**Liquidity Risk Management**

Liquidity risk is the risk that the Trust 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 Trust aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Trust 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.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2012**

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

**Capital Risk Management**

The Group's objectives when managing Trust 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 Trust consists of Trust 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 Group'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 Group. Trustees further agreed that over the long term the net assets of the Group would not be allowed to reduce to a level below the inflation-adjusted real value of this Trust Capital.

The Trustees have adopted an investment strategy with a targeted long term real annual rate of return of 5.5% 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 \$8.5 million in 2007 dollar terms, inflation-adjusted each year thereafter. 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 Trustees recognise that for a number of reasons this might not always be achievable and that there will inevitably 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 of:

Australasian Equities	20%
Overseas Equities	20%
New Zealand Fixed Interest	20%
Overseas Fixed Interest	25%
Property	5%
Unlisted Equities	5%
New Zealand Cash	5%
	<hr/>
	100%
	<hr/>

**Capital Maintenance Reserve**

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

**Grants Maintenance Reserve**

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

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2012**

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

The following table details the Group's sensitivity to certain risks as follows:

- Interest rate risk +/- movement in interest rates of 100 basis points
- Foreign exchange +/- movement in foreign exchange rates of 10%
- Equity price risk +/- in equity prices of 10%

31 March 2012	Interest Rate Risk		Foreign Exchange Risk		Equity Price Risk	
	-1%	+1%	-10%	+10%	-10%	+10%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net Surplus/(Deficit)	\$4,246	(\$4,246)	\$4,982	(\$4,076)	(\$7,422)	(\$7,422)
Total Funds Employed	\$4,246	(\$4,246)	\$4,982	(\$4,076)	(\$7,422)	(\$7,422)

31 March 2011	Interest Rate Risk		Foreign Exchange Risk		Equity Price Risk	
	-1%	+1%	-10%	+10%	-10%	+10%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net Surplus/(Deficit)	\$3,906	\$(3,906)	\$5,627	\$(4,604)	\$(7,813)	\$7,813
Total Funds Employed	\$3,906	\$(3,906)	\$5,627	\$(4,604)	\$(7,813)	\$7,813

The above sensitivity analysis has been prepared based on the following assumptions:

1. The assets and liabilities as at year end remain the same throughout the ensuing year.
2. Each of the sensitivities is performed in isolation.
3. For the purposes of assessing foreign exchange risk, it has been assumed that the offshore equity investments held by the Trust are domiciled in the following currencies:

US\$	50%
Euros	30%
Yen	20%

The Trust's offshore fixed interest investments are fully hedged, and therefore no foreign exchange risk exists in respect of those investments.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2012**

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

**Liquidity & Interest Risk tables - Financial Liabilities**

The following tables detail the Group's remaining undiscounted contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Trust can be required to pay. The table includes both principal and interest cash flows.

	<b>Less than 1 year \$'000</b>	<b>1-2 Years \$'000</b>	<b>2-3 Years \$'000</b>	<b>More than 3 years \$'000</b>	<b>Total \$'000</b>
<b>2012</b>					
Accounts payable	409	-	-	-	409
Grants committed not paid	10,946	4,267	1,806	-	17,019
	<u>11,355</u>	<u>4,267</u>	<u>1,806</u>	<u>-</u>	<u>17,428</u>

	<b>Less than 1 year \$'000</b>	<b>1-2 Years \$'000</b>	<b>2-3 Years \$'000</b>	<b>More than 3 years \$'000</b>	<b>Total \$'000</b>
<b>2011</b>					
Accounts payable	460	-	-	-	460
Grants committed not paid	10,289	1,772	1,322	1,250	14,633
	<u>\$10,749</u>	<u>\$1,772</u>	<u>\$1,322</u>	<u>\$1,250</u>	<u>\$15,093</u>

**24. TRUSTEE FEES**

Trustee meeting fees and honoraria are set by the Minister of Finance, and were paid to Trustees as follows:

	<b>Meetings Attended</b>	<b>Fees 2012 \$000</b>	<b>Fees 2010 \$000</b>
Tracy Hicks	47	31	33
Alison Broad	50	20	21
Wayne Harpur	46	14	15
Raewynne Evans	41	15	18
Trish Lindsay	49	21	21
Joan Kiernan	46	17	16
Craig Robins	41	17	19
Linette Sinclair	49	19	21
Toni Green	42	13	15
Robin Campbell	50	16	15
		<u>\$183</u>	<u>\$194</u>

**25. CONTINGENCIES**

There are no contingent liabilities or contingent assets relating to the Group at 31 March 2012 (2011: Nil).

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2012**

**26. CAPITAL COMMITMENTS**

Commitments of up to \$600,000 (2011: \$635,000) exist for Trust Advances which Trustees have approved, but which had not been drawn down as at balance date. The approved advances are as follows:

	<b>Group</b>		<b>Parent</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
South Catlins Environment and Development Trust	600	600	600	600
Sport Southland	-	35	-	-
	<u>\$600</u>	<u>\$635</u>	<u>\$600</u>	<u>\$600</u>

**27. OPERATING LEASE COMMITMENTS**

The Group leases premises.

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

	<b>Group</b>		<b>Parent</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current within one year	32,500	32,500	-	-
Later than one year but not later than five years	130,000	130,000	-	-
Later than five years	32,500	65,000	-	-
	<u>\$195,000</u>	<u>\$227,500</u>	<u>\$Nil</u>	<u>\$Nil</u>

**28. EVENTS OCCURRING AFTER BALANCE DATE**

There have been no significant subsequent events that affect these financial statements (2011: \$Nil).

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2012

**29. RELATED PARTY TRANSACTIONS**

**Transactions with Key Management Personnel**

Key management declared interests in relation to organisations that received grants totalling \$424,776 as detailed below (2011: \$197,338) during the year. Interests were declared when these grants were considered and key management took no part in deliberations relating to organisations they had an interest in.

There are no outstanding balances at balance date.

		<b>2012</b>
J Prendergast	Philanthropy New Zealand	2,772
	Sacred Heart School	688
	St Josephs School	592
	St Marys Primary School	890
	St Patricks School	1,912
	St Patricks School Nightcaps	180
	St Peters College	17,013
	St Teresas School Bluff	256
	St Theresas School	1,229
	St Thomas School	329
	Tertiary Scholarships	348,500
	Verdon College	3,390
	YMCA of Invercargill Charitable Trust	47,025
	<b>TOTAL</b>	<b>424,776</b>

**Transactions with Trustees**

Trustees declared interests in relation to organisations that received grants totalling \$2,429,313 as detailed below (2011:3,404,308) during the year. Interests were declared when these grants were considered and Trustees took no part in deliberations relating to organisations they had an interest in.

There are no outstanding balances at balance date.

T Hicks	Citizens Advice Bureau Gore	3,185
	Community Networking Trust (Eastern Southland) Inc	60,000
	East Gore Primary School	792
	Eastern Southland Gallery	51,254
	Gore & Districts Community Youth Worker Trust	5,000
	Gore & Districts Senior Citizens Club (Choir Section)	684
	Gore Branch of NZ Society of Genealogists	1,000
	Gore Cancer Support Group	500
	Gore District Council	8,750
	Gore District Historical Society	1,752
	Gore High School	3,954
	Gore Main School	1,158
	Gore Multi Sports Centre Charitable Trust	16,021
	Gore Operatic Society	7,500

	Gore Parents Centre	2,189
	Gore Pipe Band	500
	Gore Santaland	3,500
	Gore Southern Shears Committee	4,184
	Gore Womens Refuge	27,852
	HETTANZ Southland	640
	Hokonui Pioneer Park	10,000
	Kaiwera Pukerau Playgroup	800
	Mataura & Districts Marae	7,500
	Mataura Clay Target Club	3,500
	Mataura Kilties Pipe Band	3,000
	Mataura Primary School	17,630
	Mataura Youth Centre Trust	5,000
	National Wetland Trust of New Zealand	3,000
	Royal NZ Plunket Society - Mataura	1,750
	Royal NZ Society for the Prevention of Cruelty to Animals Gore	10,460
	Southern REAP	25,000
	Southland Regional Heritage Committee	39,227
	Sport Southland	10,000
	St Peters College	17,013
	Venture Southland	415,595
	Venture Southland Creative Southland	63,659
	Waikaka Public Hall Society	8,000
	Waimea Plains Railways Trust	10,000
	West Gore School	1,386
	TOTAL	852,935
A Broad	Murihiku Young Parents Learning Centre Trust	300
	Southland Art Foundation	36,575
	Southland Mature Employment Charitable Trust	15,000
	TOTAL	51,875
T Lindsay	Chamber Music NZ Inc (Southland Branch)	20,000
	Invercargill Blues Rugby Club	7,955
	Netball Southland	10,000
	Southland Womens Club Inc	18,500
	TOTAL	56,455
L Sinclair	Gore Womens Refuge	27,852
	Rape and Abuse Support Centre Southland	30,000
	Riverton Senior Citizens Association	1,580
	St Josephs School	592
	St Patricks School Nightcaps	180
	St Teresas School Bluff	256
	TOTAL	60,460
R Campbell	Epilepsy Association of New Zealand Incorporated	11,167
	Lochiel School	962

	New Zealand Council of Christian Social Services	5,000
	Presbyterian Support Southland	135,645
	Southland Asthma Society	15,000
	Southpoint Counselling Service	3,000
	Venture Southland	415,595
	Venture Southland Creative Southland	63,659
	TOTAL	650,028
W Harpur	Southland disability Enterprises Ltd	50,000
	Southland Multiple Sclerosis Society	24,480
	Southland Musicians Club	5,000
	Southland Womens Club Inc	18,500
	Southland Workers Educational Association Inc	45,693
	Te Wharekura o Arowhenua	3,653
	Venture Southland	415,595
	Venture Southland Creative Southland	63,659
	TOTAL	626,580
R Evans	Riverton Community Arts Centre Charitable Trust	540
	Southland Regional Heritage Committee	39,227
	Southland Sports Car Club	15,000
	TOTAL	54,767
T Green	Invercargill Musical Theatre	37,607
	Marist Rugby Football Club	15,000
	Otatara School	1,084
	TOTAL	53,691
J Kiernan	Rotary Club of Invercargill East Charitable Trust	10,000
	Rotary Club of Invercargill North Charitable Trust	12,522
	TOTAL	22,522
	TOTAL	2,429,313

### Transactions with subsidiaries

During the year, The Community Trust of Southland received \$6,414,195 through the intercompany account. At 31 March 2012 the Southland Community Trust Charities Limited owed \$514,195 to the Community Trust of Southland. In 2011 the Community Trust of Southland owed the Southland Community Trust Charities Ltd \$5,900,000. At 31 March 2012 The Community Trust of Southland owed \$127,315 to Invest South Limited Partnership (2011: \$127,315). The Community Trust of Southland is also owed \$961,263 from Invest South Holdings Ltd (2011: \$961,263).

### Transactions between subsidiaries

Invest South GP Limited is the general partner to Invest South Limited Partnership. During the year, Invest South Limited Partnership paid a management fee to Invest South GP Limited of \$307,728 (2011: \$320,322). At 31 March 2012 Invest South GP Limited was due \$11,500 (2011: \$5,892). During the year Invest South Limited Partnership had paid for services and goods totalling \$35,520 on behalf of Invest South GP Limited. At 31 March 2012 Invest South GP Limited owed Invest South Limited Partnership \$37,788 (2011: Nil).



**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March 2012**

**29. RELATED PARTY TRANSACTIONS (Cont'd)**

Invest South Holdings Limited is owned 100% by The Community Trust of Southland. During the year Invest South Holdings Limited had paid a management fee to Invest South GP Limited of \$35,450. At 31 March 2012 Invest South GP Limited was due \$48,872 (2011: Nil) from Invest South Holdings Limited. At 31 March 2012 Invest South GP Limited owed Invest South Holdings Limited \$24,532 (2011: \$52,464).

On 1 April 2010, Invest South Limited Partnership purchased the investment in unlisted equities (note 13(i)) and the advances to third parties (note 13(ii)) from Invest South Holdings Limited. The assets were transferred at cost for \$7,655,157. At 31 March 2012 Invest South Limited Partnership owed \$7,371,796 to Invest South Holdings Limited (2011: \$6,890,066).

During the year Invest South Limited Partnership advanced \$10,500 to Bush Road Limited. At 31 March 2012 Bush Road Limited owed \$52,500 to Invest South Limited Partnership (2011: \$42,000).

During the year Back Country Foods Limited paid Peak Consulting Limited \$8,150 for accounting services. Peter Carnahan is a Director/Shareholder of this Company. At March 2012 there were no amounts outstanding (2011: Nil).

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions



## ***Independent Auditors' Report*** to the Trustees of The Community Trust of Southland

### ***Report on the Financial Statements***

We have audited the financial statements of The Community Trust of Southland ("the Trust") on pages 3 to 33, which comprise the statements of financial position as at 31 March 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Trust and the Group. The Group comprises the Trust and the entities it controlled at 31 March 2012 or from time to time during the financial year.

### ***Trustees Responsibility for the Financial Statements***

The Trustees are responsible for the preparation and fair presentation of financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal controls as the Trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Trust's and the Group's preparation of financial statements that present fairly the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditors we have no relationship with, or interests in, The Community Trust of Southland or any of its subsidiaries and associates.



***Opinion***

In our opinion, the financial statements on pages 3 to 33 present fairly, in all material respects, the financial position of the Trust and Group as at 31 March 2012, and their financial performance and cash flows for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.

***Restriction of Distribution or Use***

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

*Priewakehu Leepes*

Chartered Accountants  
2 August 2012

Dunedin