SUPPLEMENT TO

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COMMUNITY TRUST OF SOUTHLAND

FINANCIAL STATEMENTS

PURSUANT TO SECTION 13 OF THE
COMMUNITY TRUSTS ACT 1999

THE COMMUNITY TRUST OF SOUTHLAND
FINANCIAL REPORT
For the Year Ended 31 March 2014

CONTENTS

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 2014.

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 2014 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

24 July 2014

Trustee

24 July 2014

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENTS OF COMPREHENSIVE INCOME
For the Year Ended 31 March 2014

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Sales (by subsidiary)		2,603	2,450	-	-
Dividends		4,786	7,705	4,572	7,320
Interest	3	2,890	3,127	3,073	3,050
Unrealised gains / (losses) from change in fair value of managed funds		(419)	10,483	(419)	10,483
Realised gains from change in fair value of managed funds		1,849	1,229	1,850	1,228
Other income		80	267	4	4
		11,789	25,261	9,080	22,085
Plus share of associates earnings		252	143	-	-
Less investing activity expenses	4	4,286	3,237	1,229	729
Net Surplus from Investing Activities		7,755	22,167	7,851	21,356
Trust expenses	4	1,209	1,255	1,209	1,255
Operating Surplus before Grants		6,546	20,912	6,642	20,101
Grants	5	4,289	6,482	1,745	2,549
Discount on interest free loans		(313)	360	(306)	350
Net Surplus before Taxation		2,570	14,070	5,203	17,202
Taxation expense	6	57	104	-	-
Net Surplus after Taxation		2,513	13,966	5,203	17,202
Other comprehensive income		-	22	-	22
Total Comprehensive Income for the Year		$2,513	$13,988	5,203	$17,224
Surplus is attributed to:					
Equity holders of the parent		2,455	13,859	5,203	17,202
Minority interest	12	58	107	-	-
		$2,513	$13,966	$5,203	$17,202
Total Comprehensive Income is attributed to:					
Equity holders of the parent		2,455	13,881	5,203	17,224
Minority interest	12	58	107	-	-
		$2,513	$13,988	$5,203	$17,224

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 2014

Group	Trust Capital	Unspent Grants Budget Reserve	Capital Maintenance Reserve	Grants Maintenance Reserve	Minority Interest	Other	Total
	$000	$000	$000	$000	$000	$000	$000
Balance at 31 March 2012	$158,460	$570	$39,159	($32,095)	$284	$Nil	$166,378
Net surplus after taxation	-	-	-	-	107	13,859	13,966
Revaluation of land/buildings	-	-	-	-	-	22	22
Minority interest adjustment			-	-	(103)	-	(103)
Transfer to/(from) reserves	-	(570)	846	13,605	-	(13,881)	-
Balance at 31 March 2013	$158,460	$Nil	$40,005	($18,490)	$288	$Nil	$180,263
Net surplus/(deficit) after taxation	-	-	-	-	58	2,455	2,513
Revaluation of land/buildings	-	-	-	-	-	-	-
Minority interest adjustment	-	-	-	-	(25)	-	(25)
Transfer to/(from) reserves	-	-	35,836	(33,381)	-	(2,455)	-
Balance at 31 March 2014	$158,460	$Nil	$75,841	($51,871)	$321	$Nil	$182,751

Parent

	Trust Capital	Unspent Grants Budget Reserve	Capital Maintenance Reserve	Grants Maintenance Reserve	Minority Interest	Other	Total
Balance at 31 March, 2012	$158,460	$570	$65,206	($53,813)	$Nil	$Nil	$170,423
Net surplus after taxation	-	-	-	-	-	17,203	17,203
Revaluation of land/buildings	-	-	-	-	-	22	22
Transfer to/(from) reserves	-	(570)	846	16,949	-	(17,225)	-
Balance at 31 March, 2013	$158,460	$Nil	$66,052	($36,864)	$Nil	$Nil	$187,648
Net (deficit) after taxation	-	-	-	-	-	5,203	5,203
Revaluation of land/buildings	-	-	-	-	-	-	-
Transfer to/(from) reserves	-	-	9,789	(4,586)	-	(5,203)	-
Balance at 31 March, 2014	$158,460	$Nil	$75,841	($41,450)	$Nil	$Nil	$192,851

The financial statements should be read with the accompanying notes.

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENTS OF FINANCIAL POSITION
As at 31 March 2014

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Current Assets					
Cash and cash equivalents		1,493	1,601	959	886
Accounts receivable	10	303	513	6	10
Inventories	11	430	394	-	-
Prepayments		10	9	10	9
GST refund due		39	32	15	15
Loan receivables	14	1,040	738	10	75
Taxation refund due	6	8	81	-	-
Deposit paid on asset		-	597	-	-
Total Current Assets		3,323	3,965	1,000	995
Non-Current Assets					
Investment in managed funds	16	180,832	179,082	180,832	179,082
Investment in associates	17	2,566	4,645	-	-
Investment in subsidiaries	18	-	-	-	-
Investment in listed equities	15	1,117	496	1,117	496
Investment in unlisted equities	15	4,987	5,345	107	125
Loan receivables	14	1,847	3,049	281	760
Related party advances	29	-	-	11,420	9,168
Goodwill	13	33	33	-	-
Intangibles		4	2	-	-
Property, plant and equipment	19	1,868	1,304	889	900
Total Non-Current Assets		193,254	193,956	194,646	190,531
Total Assets		196,577	197,921	195,646	191,526
Current Liabilities					
Accounts payable		252	740	60	36
Accruals		175	193	72	103
Employee entitlements		60	74	34	33
Grant obligations	9	9,715	10,189	1,451	1,843
Term loans	23	592	-	-	-
Total Current Liabilities		10,794	11,196	1,617	2,015
Non-current Liabilities					
Grant obligations	9	3,032	6,262	1,178	1,863
Term loans	23	-	200	-	-
Total Non-Current Liabilities		3,032	6,462	1,178	1,863
Total Liabilities		13,826	17,658	2,795	3,878
NET ASSETS		$182,751	$180,263	$192,851	$187,648
Funds Employed					
Trust capital	7	158,460	158,460	158,460	158,460
Reserves	8	23,970	21,515	34,391	29,188
Equity attributable to equity holders of parent		182,430	179,975	192,851	187,648
Minority interest	12	321	288	-	-
TOTAL FUNDS EMPLOYED		$182,751	$180,263	$192,851	$187,648

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 2014

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Cash Flows from Operating Activities					
Cash was provided from (applied to):					
Receipts from customers		2,683	2,717	4	4
Interest and dividends		7,887	10,608	7,650	10,405
Payments to suppliers and employees		(4,547)	(2,909)	(1,506)	(1,093)
Other expenses		(904)	(1,256)	(843)	(921)
Grants paid		(7,993)	(7,050)	(2,820)	(3,253)
Net Cash Outflows from Operating Activities	21	(2,874)	2,110	2,485	5,142
Cash Flows from Investment Activities					
Cash was provided from (applied to):					
Managed funds		(649)	2,559	(320)	2,968
Investments in unlisted equities		340	(739)	-	-
Investments in listed equities		(292)	-	(621)	(327)
Investment in associates/subsidiaries		1,970	(2,435)	(2,253)	(7,691)
Intangibles		(2)	-	-	-
Loan receivables		1,171	(411)	850	399
Property, plant and equipment		(761)	(103)	(68)	(15)
Deposit paid on asset		597	(597)	-	-
Net Cash Inflows from Investing Activities		2,374	(1,726)	(2,412)	(4,666)
Cash Flows to Financing					
Cash was provided from:					
Term loans		392	200	-	-
Net Cash Outflows from Financing Activities		392	200	-	-
Net Increase / (Decrease) in Cash held		(108)	584	73	476
Add cash at beginning of year		1,601	1,017	886	410
Total Cash Balance at End of Year		$1,493	$1,601	$959	$886
Represented by:					
Cash and cash equivalents		$1,493	$1,601	$959	$886

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 2014

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 1993 and the Community Trusts Act 1999.

These consolidated financial statements have been approved for issue by the Trustees on 24 July 2014.

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

The consolidated financial statements of the group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand International Financial Reporting Standards for Public Benefit Entities ('NZ IFRS PBE').

A new Accounting Standards Framework (incorporating a Tier structure and a separate suite of accounting standards for PBEs) has been issued by the External Reporting Board (XRB).

Under the new Accounting Standards Framework, The Community Trust of Southland will have to transition to the new Not-for-Profit Public Benefit Entities (NFP PBE) Standards that will be based mainly on International Public Sector Accounting Standards (IPSAS). The effective date for the new NFP PBE Standards is for reporting periods beginning on or after 1 April 2015. Therefore The Community Trust of Southland will have to prepare its financial statements in accordance with the new NFP PBE Standards for the first time for the annual period ending 31 March 2016.

The Community Trust of Southland has not been able to determine the impact of this transition as the new NFP PBE Standards are currently being developed by the XRB.

Due to the change in the Accounting Standards framework for PBEs, all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to PBEs as the XRB has effectively frozen the financial reporting requirements for PBEs until PBEs transition to the PBE Standards. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude PBEs from their scope.

(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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

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.

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 and Back Country Foods Ltd.

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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

(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 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 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.

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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

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.

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 or diminishing value method. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The following rates have been used:

Plant & machinery	7.5% - 76.2%
Office equipment	11.4% - 60%
Furniture & fittings	14.4% - 18%
Motor vehicles	25% - 30%

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 increase 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 the 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 2014

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

i) Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off as bad debts in the period in which they are identified. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the 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 and annual leave) to be settled within 12 months of the reporting date are recognised in employee entitlements in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

n) 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.

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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

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 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 Group 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 and investments.

'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.

Financial Assets at Fair Value through Profit or Loss

The Group 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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

s) Financial assets & liabilities (Cont'd)

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 Group 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.

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.

THE COMMUNITY TRUST OF SOUTHLAND
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For the Year Ended 31 March 2014

2. STATEMENT OF ACCOUNTING POLICIES (Cont'd)

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 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 standards first applied in the period

The group has adopted External reporting Standard A1 Accounting Standards framework (For-profit Entities Update) (XRB A1). XRB A1 outlines which suite of accounting standards public benefit entities must follow. The group is required to report in accordance with NZ IFRS PBE. There is no impact on the current or prior year financial statements of transitioning to the new Accounting Standards framework.

3. INTEREST

	Group		Parent	
	2014 $000	**2013 $000**	**2014 $000**	**2013 $000**
Cash and cash equivalents	24	40	14	11
Interest on advances	2,866	3,087	3,059	3,039
	$2,890	$3,127	$3,073	$3,050

4. INVESTING ACTIVITY AND TRUST EXPENSES

The presentation of the Statements of Comprehensive Income has been changed to separate the expenditure of running the Trust from the expenditure incurred by the Trust's subsidiaries that form part of the Trust's investing activities.

The breakdown of expenses into investing activity costs and Trust operating costs for the group for the year ended 31 March 2014 is as follows:

Group	**Note**	**Investing Activity Costs**	**Trust Operating Costs**	**Total Group 2014**
Opening inventory of subsidiary		394	-	394
Purchase of materials and consumables		793	-	793
Closing inventory of subsidiary		(430)	-	(430)
Trustees' fees	24	-	165	165
Directors' fees		76	-	76
Employee entitlements		1,364	582	1,946
Fund managers' fees		679	-	679
Depreciation/Amortisation		117	100	217
Bad debt – Southland Outdoor Stadium Trust		550	-	550
Loss on sale of investments		286	-	286
Audit of the financial statements - PricewaterhouseCoopers		26	23	49
Legal expenses		2	11	13
Administration expenses		429	328	757
		4,286	1,209	5,495

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

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 2013 is as follows:

Group	Note	Investing Activity Costs	Trust Operating Costs	Total Group 2013
Opening inventory of subsidiary		243	-	243
Purchase of materials and consumables		1,142	-	1,142
Closing inventory of subsidiary		(394)	-	(394)
Trustees' fees	24	-	192	192
Directors' fees		83	-	83
Employee entitlements		713	579	1,292
Fund managers' fees		729	-	729
Depreciation/Amortisation		73	100	173
Impairment provision on investments		99	-	99
Loss on sale of investments		-	-	-
Audit of the financial statements - PricewaterhouseCoopers		32	30	62
Legal expenses		7	(1)	6
Administration expenses		510	355	865
		3,237	1,255	4,492

The breakdown of expenses into investing activity costs and Trust operating costs for the parent for the year ended 31 March 2014 is as follows:

Parent	Note	Investing Activity Costs	Trust Operating Costs	Total Parent 2014
Opening inventory of subsidiary		-	-	-
Purchase of materials and consumables		-	-	-
Closing inventory of subsidiary		-	-	-
Trustees' fees	24	-	165	165
Directors' fees		-	-	-
Employee entitlements		-	582	582
Fund managers' fees		679	-	679
Depreciation/Amortisation		-	100	100
Bad debt – Southland Outdoor Stadium Trust		550	-	550
Loss on sale of investments		-	-	-
Audit of the financial statements - PricewaterhouseCoopers		-	23	23
Legal expenses		-	13	11
Administration expenses		-	328	341
		1,229	1,209	2,438

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

The breakdown of expenses into investing activity costs and Trust operating costs for the parent for the year ended 31 March 2013 is as follows:

Parent	Note	Investing Activity Costs	Trust Operating Costs	Total Parent 2013
Opening inventory of subsidiary		-	-	-
Purchase of materials and consumables		-	-	-
Closing inventory of subsidiary		-	-	-
Trustees' fees	24	-	192	192
Directors' fees		-	-	-
Employee entitlements		-	579	579
Fund managers' fees		729	-	729
Depreciation/Amortisation		-	100	100
Impairment provision on investments		-	-	-
Loss on sale of investments		-	-	-
Audit of the financial statements - PricewaterhouseCoopers		-	30	30
Legal expenses		-	(1)	(1)
Administration expenses		-	355	355
		729	1,255	1,984

5. GRANTS

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Committed and payable in the current year	4,852	5,544	2,229	2,410
Committed and not payable until future years	(563)	938	(484)	139
	$4,289	$6,482	$1,745	$2,549

6. TAXATION

a) Income tax recognised in profit or loss

	Group 2014	Group 2013	Parent 2014	Parent 2013
Current tax expense				
Current year	57	104	-	-
Total tax expense	$57	$104	$Nil	$Nil

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

	Group 2014	Group 2013	Parent 2014	Parent 2013
Net surplus before taxation	188	938	56	576
Income tax expense calculated at 28%	53	263	16	161
Income tax exemption on partnership	(16)	(162)	(16)	(161)
Tax effect of permanent differences	1	1	-	-
Tax effect of timing differences	1	1	-	-
Other adjustments – Share of associate	8	(40)	-	-
Inter-company dividend received	10	41	-	-
Total tax expense	$57	$104	$Nil	$Nil

THE COMMUNITY TRUST OF SOUTHLAND
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For the Year Ended 31 March 2014

6. TAXATION (continued)

b) Current tax assets and liabilities

Current tax assets				
Current tax refundable	$8	$81	$Nil	$Nil
Current tax liabilities				
Current tax payable	$Nil	$Nil	$Nil	$Nil

The Community Trust of Southland is exempt from income tax.

7. TRUST CAPITAL

	Group		Parent	
	2014 $000	**2013 $000**	**2014 $000**	**2013 $000**
Opening and closing balance	$158	$158	$158	158
	$158	$158	$158	$158

8. RESERVES

Capital maintenance reserve	76	40	76	66
Grants maintenance reserve	(52)	(18)	(41)	(37)
	$24	$22	$34	$29

9. GRANT OBLIGATIONS

Commitments of $16,450,358 (2013:$3,705,300) exist for grants of the Group and $3,705,300 (2013:$16,450,358) for the Parent which will be distributed from either capital or income sources in future years.

Balance at 1 April	16,451	17,019	3,706	4,409
Grants approved in current year	5,469	5,565	2,636	2,419
Grants paid in current year	(7,817)	(7,075)	(2,640)	(3,265)
Grants approved relating to future years	(819)	1,309	(685)	501
Grants withdrawn for current year	(34)	(20)	(25)	(8)
Grants withdrawn for prior years	(383)	(487)	(183)	(362)
Grant writeback Southland Outdoor Stadium Trust loan	(200)	-	(200)	-
Grant refunds	25	25	20	12
Change in present value	55	115	-	-
	$12,747	$16,451	$2,629	$3,706

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

Year ending 31 March 2013	-	10,189	-	1,843
Year ending 31 March 2014	9715	3,410	1,451	237
Year ending 31 March 2015	2,056	2,079	743	853
Year ending 31 March 2016	956	412	435	412
Year ending 31 March 2017	20	361	-	361
	$12,747	$16,451	$2,629	$3,706

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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
10. ACCOUNTS RECEIVABLE				
Trade receivables	303	513	6	10
Allowance for doubtful debts	-	-	-	-
	$303	$513	$6	$10

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.

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
11. INVENTORIES				
Raw materials and packing	383	363	-	-
Finished goods	47	31	-	-
	$430	$394	$Nil	$Nil
12. MINORITY INTEREST				
Opening balance at the beginning of the year	288	284	-	-
Share of profits for the year	58	107	-	-
Minority interest adjustment	(25)	(103)	-	-
Closing Balance	$321	$288	$Nil	$Nil
13. GOODWILL				
Gross carrying amount				
Balance at beginning of financial year	33	33	-	-
Impairment charge	-	-	-	-
	$33	$33	$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 Ltd.

During the year ended 31 March 2014, management have determined that there is no evidence of impairment of any of the cash generating units containing goodwill.

		Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
14. LOAN RECEIVABLES					
Loans		2,934	4,144	335	1,185
Impairment provision		(3)	(7)	-	-
Discount provision		(44)	(350)	(44)	(350)
		$2,887	$3,787	$291	$835
Loans to third parties		644	1,031	-	-
Loans to unlisted equity entities/associates and subsidiaries		1,887	1,852		-
Loans to community groups	(i)	356	904	291	835
		$2,887	$3,787	$291	$835

THE COMMUNITY TRUST OF SOUTHLAND
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For the Year Ended 31 March 2014

14. Loan Receivables (continued)

	Group		Parent	
	2014	**2013**	**2014**	**2013**
	$000	**$000**	**$000**	**$000**
Current portion	270	738	10	75
Non-current portion	2,617	3,049	281	760
	$2,887	$3,787	$291	$835

The loan receivables relate to lending activities carrying interest rates between 5% and 13%. A selection of the loans to entities where the Group is also a shareholder, do not earn interest.

(i) Loans to Community Groups

	Group 2014	Group 2013	Parent 2014	Parent 2013
Southland Outdoor Stadium Trust	-	750	-	750
Northern Southland Medical Trust	25	50	-	-
Otautau Community Health Trust	-	3	-	-
Troopers Memorial Corner Charitable Trust - Yule House	100	110	100	110
Wyndham & Districts Community Rest Home Incorporated	25	75	25	75
Arrowtown Trust	100	100	100	100
South Catlins Charitable Trust	110	150	110	150
Sport Southland	10	19	-	-
Gore & Districts Community Counselling Centre Incorporated	30	-	-	-
Discount Provision	(44)	(353)	(44)	(350)
	$356	$904	$291	$835

Loans are interest free. To comply with IFRS, all interest free loans have been discounted to present value at the market rate of 5.74%. This has resulted in $310,747 being recorded as income this year after $352,548 was expensed last year. This calculation will be re-calculated each year with the resulting gain/loss being returned through the statement of financial performance.

15(a). INVESTMENT IN UNLISTED EQUITIES

	Group 2014	Group 2013	Parent 2014	Parent 2013
IZON Limited	250	250	-	-
Impairment provision	(44)	(44)	-	-
	206	206	-	-
Areograph Limited	393	393	-	-
Impairment provision	(393)	(393)	-	-
	-	-	-	-
Fiordland Lobster Company Limited	2,000	2,000	-	-
Rothbury Group Limited	1,660	2,000	-	-
Waikaia Gold Limited	1,014	1,014	-	-
Waikaia Sheet Pile Ltd	-	-	-	-
Te Kete Putea Limited Partnership	107	125	107	125
	$4,987	$5,345	$107	$125

Investments in unlisted equities are shown at cost, as it is not possible to get a reliable fair value estimate. Shares in Te Kete Putea Ltd Partnership are being amortised over the estimated life of the partnership.

15(b). INVESTMENTS IN LISTED EQUITIES

	Group 2014	Group 2013	Parent 2014	Parent 2013
Pacific Edge Biotechnology Limited	1,117	496	1,117	496

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16. MANAGED FUNDS

The Group has funds with six investment managers (fund managers) at 31 March 2014 as follows:

- Direct Capital
- Elevation Capital Limited
- First New Zealand Capital
- Pacific Investment Management Company (PIMCO)
- Pioneer Capital Limited Partnership
- Tyndall Investment Management

The fair value of the managed funds investments as at 31 March 2014 was as follows:

Group & Parent	Elevation Capital $000	Direct Capital $000	First NZ Capital $000	Pioneer Capital $000	PIMCO $000	Tyndall Investment $000	Total $000
Australasian Equities	22,048	1,034		587			23,669
Overseas Equities	53,750						53,750
NZ Fixed Interest						41,114	41,114
Overseas Fixed Interest					41,482		41,482
Foreign Exchange contracts						830	830
Unsettled Trades						39	39
Cash	14,105		3			5,840	19,948
Total	$89,903	$1,034	$3	$587	$41,482	$47,823	$180,832

The fair value of the managed funds investments as at 31 March 2013 was as follows:

Group & Parent	AMP Capital $000	Capital International $000	Direct Capital $000	First NZ Capital $000	Franklin Templeton $000	PIMCO $000	Tyndall Investment $000	Total $000
Australasian Equities	36,777		884					37,661
Overseas Equities		14,925			16,669			31,594
NZ Fixed Interest							45,809	45,809
Overseas Fixed Interest						54,895		54,895
Property Equities	7,068							7,068
Foreign Exchange contracts							275	275
Unsettled Trades							76	76
Cash	1,087			16			601	1,704
Total	$44,932	$14,925	$884	$16	$16,669	$54,895	$46,761	$179,082

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.

THE COMMUNITY TRUST OF SOUTHLAND
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17. INVESTMENT IN ASSOCIATES

Associates	**Percentage Held**		**Balance Date**	**Principal Activity**	**Consolidated Carrying Amount**	
	2014	**2013**			**2014 $**	**2013 $**
Bush Road Limited	30%	30%	31 March	Vegetable Processors and Wholesalers	-	49
Taha Asia Pacific Limited	32%	32%	31 March	Dross Recycling	-	2,281
Benmore Salmon Ltd	49.85%	49.85%	31 March	Salmon Farm	2,566	2,315

All entities are incorporated in New Zealand.

Interests in Associates	**Group 2014 $000**	**Group 2013 $000**	**Parent 2014 $000**	**Parent 2013 $000**
Movements in carrying amounts				
Shares at cost	$2,494	$4,494	-	-
Opening balance	4,645	2,186	-	-
Acquisition of associates	-	2,380	-	-
Sale of associates during year	(2,000)	-		
Impairment	(49)	(64)	-	-
Reversal of share of associate earnings on sale	(282)	-	-	-
Share of total recognised revenues and expenses	252	143	-	-
Balance at 31 March 2014	$2,566	$4,645	$Nil	$Nil

On the 3 December 2013 the entire shareholding in Taha Asia Pacific Limited was sold for $2 million less legal fees of $4,641. The sale resulted in a $285,525 loss calculated as follows

2013 Carrying value	$2,280,884
Less sale of shares in Taha Asia Pacific Ltd	1,995,359
Less loss on sale of investment	285,525
2014 Carrying Amount	$ -

18. INVESTMENT IN SUBSIDIARIES

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

Subsidiaries are incorporated in New Zealand.

Subsidiaries	**Percentage Held**	**Balance Date**	**Principal Activity**
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	59.2%	31 March	Freeze dried food producer

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19. PROPERTY, PLANT & EQUIPMENT

	Land	Buildings	Equipment	Furniture & Fittings	Motor Vehicles	Total
	$000	$000	$000	$000	$000	$000
Group						
Cost or Valuation at 31 March 2012	360	735	966	270	159	2,490
Additions/Revaluations	-	22	117	18	-	157
Disposals/Revaluations	-	-	(238)	-	(2)	(240)
Cost or Valuation at 31 March 2013	360	757	845	288	157	2,407
Additions/Revaluations	-	-	654	48	77	779
Disposals/Revaluations	-	-	(5)	(3)	(34)	(42)
Cost or Valuation at 31 March 2014	360	757	1,494	333	200	3,144
Accumulated depreciation at 31 March 2012	-	286	648	200	48	1,182
Depreciation	-	22	94	8	30	154
Disposals	-	-	(232)	-	(1)	(233)
Accumulated depreciation at 31 March 2013	-	308	510	208	77	1,103
Depreciation	-	29	132	10	27	198
Disposals	-	-	(4)	(1)	(20)	(25)
Accumulated depreciation at 31 March 2014	-	337	638	217	84	1,276
Net book value 31 March 2013	$360	$450	$334	$80	$80	$1,304
Net book value 31 March 2014	$360	$420	$856	$116	$116	$1,868
Parent						
Cost or Valuation at 31 March 2012	360	735	266	168	77	1,606
Additions/Revaluations	-	22	61	-	-	83
Disposals/Revaluations	-	-	(169)	-	(2)	(171)
Cost or Valuation at 31 March 2013	360	757	158	168	75	1,518
Additions/Revaluations	-	-	7	2	77	87
Disposals/Revaluations	-	-	(2)	(1)	(34)	(37)
Cost or Valuation at 31 March 2014	360	757	163	169	118	1,568
Accumulated depreciation at 31 March 2012	-	286	242	154	23	705
Depreciation	-	22	41	2	16	81
Disposals	-	-	(166)	-	(1)	(167)
Accumulated depreciation at 31 March 2013	-	308	117	156	38	619
Depreciation	-	29	34	2	17	82
Disposals	-	-	(1)	(1)	(20)	(22)
Accumulated depreciation at 31 March 2014	-	337	150	157	35	679
Net book value 31 March 2013	$360	$450	$41	$12	$37	$900
Net book value 31 March 2014	$360	$420	$13	$12	$83	$889

The March 2013 valuation of freehold land and buildings was completed by Chadderton Valuation, an independent valuer (the March 2012 valuation was also completed by Chadderton Valuation).

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
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20. KEY MANAGEMENT PERSONNEL

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

	Group		Parent	
	2014 $000	2013 $000	2014 $000	2013 $000
Short term employee benefits	343	336	196	194
	$343	$336	$196	$194

21. RECONCILIATION WITH OPERATING SURPLUS

	Group		Parent	
	2014 $000	2013 $000	2014 $000	2013 $000
Net surplus/(deficit) after taxation	2,513	13,966	5,203	17,202
Add (less) movement in working capital				
(Increase)/decrease in accounts receivable	210	(223)	4	23
(Increase)/decrease in inventory	(36)	(151)	-	-
(Increase)/decrease in prepayments and tax refund due	72	(148)	-	-
Increase/(decrease) in accounts payable and GST	(497)	355	23	(213)
Increase/(decrease) in other creditors and accruals	(18)	143	(30)	103
Increase/(decrease) in employee entitlements	(14)	(38)	-	(7)
Increase/(decrease) in grants committed not paid	(3,703)	(570)	(1,075)	(704)
	(3,986)	(632)	(1,078)	(798)
Add (less) movement in non-cash items				
Gains/(losses) from change in fair value investments	419	(10,483)	(1,849)	(10,483)
Depreciation	215	172	100	99
Profit/(loss) on sale of fixed assets	-	-	(3)	-
Unrealised gains/(losses) from investments at FVTPL	(1,849)	(1,229)	418	(1,228)
Impairment on investments/advances	93	99	-	-
Share of associate's earnings	(252)	(143)	-	-
Loss on sale of associate	285	-	-	-
Discounted interest free loans	(313)	360	(306)	350
	(1,402)	(11,224)	(1,640)	(11,262)
Net Cash Outflows from Operating Activities	($2,874)	$2,110	$2,485	$5,142

THE COMMUNITY TRUST OF SOUTHLAND
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22. 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.

<u>Fair Value Interest Rate Risk</u>

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.

<u>Cash Flow Interest Rate Risk</u>

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.

<u>Currency Risk</u>

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.

<u>Equity Price Risk</u>

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 profit and loss.

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 six 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.

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22. FINANCIAL INSTRUMENTS (Cont'd)

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 objectives 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 5.5% (after inflation) of the Trust's capital value. Recognising that actual returns are likely to fluctuate from year to year, the Trust retains the variation from the target in trust funds so that in years when investment returns are less than the target sufficient funds are available to meet expenditure and make distributions. If the Trust fund falls below the value that needs to be maintained for the benefit of current and future generations the level of expenditure and distributions are reviewed by the Trust.

The Trust's present grants policy is to distribute annually as grants an amount equivalent to 3.5% 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	18%
Income – Overseas Bonds	22%
Growth – Listed Shares	38%
Growth – Unlisted Shares (private equity)	17%
	100%

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
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For the Year Ended 31 March 2014

22. 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%

	Interest Rate Risk		Foreign Exchange Risk		Equity Price Risk	
	-1%	+1%	-10%	+10%	-10%	+10%
31 March 2014	$'000	$'000	$'000	$'000	$'000	$'000
Net Surplus/(Deficit)	$3,294	($3,294)	$3,151	($6,844)	$8,612	($8,612)
Total Funds Employed	$3,294	($3,294)	$3,151	($6,844)	$8,612	($8,612)

	Interest Rate Risk		Foreign Exchange Risk		Equity Price Risk	
	-1%	+1%	-10%	+10%	-10%	+10%
31 March 2013	$'000	$'000	$'000	$'000	$'000	$'000
Net Surplus/(Deficit)	$4,353	($4,353)	$5,485	($4,487)	$8,683	($8,683)
Total Funds Employed	$4,353	($4,353)	$5,485	($4,487)	$8,683	$8,683

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. In 2013, the exact split of the unit trust shareholdings in overseas equities was unknown so it was assumed that they were domiciled in the following currencies;

   US$ 50%
   Euros 30%
   Yen 20%

   In 2014, with a change in investment strategy and investment managers, it is known exactly what shares and how much are held in each foreign currency and as such the calculation of the foreign exchange risk is based on the value of holdings in each currency at balance date multiplied by the exchange rate applicable to each currency at balance date.

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

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.

2014	Less than 1 year $'000	1-2 Years $'000	2-3 Years $'000	More than 3 years $'000	Total $'000
Accounts payable	252				252
Grants committed not paid	9714	2056	956	20	12,746
Term loan	140	140	140	210	630
	10,106	2,196	1,096	230	13,628

THE COMMUNITY TRUST OF SOUTHLAND
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22. FINANCIAL INSTRUMENTS (Cont'd)

	Less than 1 year $'000	1-2 Years $'000	2-3 Years $'000	More than 3 years $'000	Total $'000
2013					
Accounts payable	740	-	-	-	740
Grants committed not paid	10,189	3,410	2,079	773	16,451
Term loan	-	200	-	-	200
	10,929	3,610	2,079	773	17,391

Fair Value Hierarchy

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 profit and loss. 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. The three levels of fair value used in the table are defined below

Level 1 Quoted Market Value
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange or broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. Instruments in Level 1 comprise primarily of shares listed on the New Zealand and Australian Stock Exchanges.

Level 2 Observable Markets
The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Typically the types of equities in Level 2 are investments in unit trusts and fixed interest investments (bonds).

Level 3 Significant Non- Observable Inputs
If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Currently the only investments in this category are those held by Direct Capital and Pioneer 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.

THE COMMUNITY TRUST OF SOUTHLAND
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For the Year Ended 31 March 2014

In arriving at the fair value for the Pioneer Capital Portfolio, the Trust has used the fair value assessed by Pioneer Capital II Limited Partnership (Pioneer Capital). Pioneer Capital uses fair value to measure its financial instruments, such as debt and equity investments in portfolio companies. All of Pioneer Capital's equity investments held at balance date fall within Level 3. Pioneer Capital state that the valuation techniques used are appropriate in the circumstance given that the lowest significant level input for a Level 3 category is unobservable.

The financial statements for Pioneer Capital for the year ended 31 March 2014 have been audited by Ernst & Young. In the Audit report, Ernst Young's opinion is that the accounts complied with generally accepted accounting practice in New Zealand and present fairly, in all material aspects, the financial position, performance and cashflows for the period ended 31 March 2014.

Fair Value Movements
The following table details movements in the fair value of Level 3 financial instruments measured using significant non-observable inputs in relation to the investment in Direct Capital IV and Pioneer Capital.

	Group		Parent	
	2014	**2013**	**2014**	**2013**
	$000	**$000**	**$000**	**$000**
Opening balance	884	695	884	695
Net income recognised in the statement of financial performance	(38)	10	(38)	10
Total realised gains/(losses) recognised in the statement of financial performance	77	(42)	77	(42)
Total un-realised gains recognised in the statement of financial performance	50	182	50	182
Capital contribution	776	90	776	90
Capital distribution	(128)	(51)	(128)	(51)
Closing Balance	$1,621	$884	$1,621	$884

Total gains/(losses) included in the statement of financial performance in relation to those financial assets held as at 31 March.

Year ended 31 March	$89	$150	$89	$150

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

22. FINANCIAL INSTRUMENTS (Cont'd)

		Level 1 Quoted Market Price $000	Level 2 Observable Markets $000	Level 3 Significant Non- observable inputs $000	Total $000
Financial Assets at fair value through profit & loss					
2014					
Investment in Managed Funds					
Elevation Capital	Australasian Equities	22,048			22,048
	Overseas Equities	53,750			53,750
Pioneer Capital	Australasian Equities			587	587
Direct Capital	Australasian Equities			1,034	1,034
PIMCO	Overseas Fixed Interest		41,482		41,482
Tyndall Investment	NZ Fixed Interest		41,114		41,114
	Foreign Exchange Contracts		830		830
	Unsettled Trades		39		39
					-
Total Managed Funds held at fair value		75,798	83,465	1,621	160,884
Cash held with Fund Managers					19,948
Total Managed Funds					180,832
Investment in Listed Equities					
Pacific Edge Bio-technology		1,117			1,117
Total Financial assets held at fair value		76,915	83,465	1,621	162,001
2013					
Investment in Managed Funds					
AMP	Australasian Equities	36,777			36,777
	Property Equities	7,068			7,068
Capital International	Overseas Equities		14,925		14,925
Direct Capital	Australasian Equities			884	884
Franklin Templeton	Overseas Equities		16,669		16,669
PIMCO	Overseas Fixed Interest		54,895		54,895
Tyndall Investment	NZ Fixed Interest		45,809		45,809
	Foreign Exchange Contracts		275		275
	Unsettled Trades		76		76
Total Managed Funds held at fair value		43,845	132,649	884	177,378
Cash held with Fund Managers					1,704
Total Managed Funds					179,082
Investment in Listed Equities					
Pacific Edge Bio-technology		496			496
Total Financial assets held at fair value		44,341	132,649	884	177,874

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

23. TERM LOANS

Facility:	Term loan with fixed repayments
Maturity:	11 September 2018
Interest rate at balance date:	6.74% per annum
Repayments:	Interest & principal
Security:	Registered first ranking General Security agreement over Back Country Foods Ltd property and a specific security agreement from Back Country Foods Ltd over raw materials – unaudited

There are financial covenants with the ANZ Bank:
- Gearing, Effective Equity is equal to at least 50% of total tangible assets.
- Interest Cover, The ratio of Earnings before Interest and Taxation (EBIT) to Interest costs is not less than 2 to 1.

The Company's gearing at 31 March 2014 was 47% which is less than the required 50%. After balance date but before the financial statements were authorised for issue, the bank gave written representation that it intends to take no action under its securities in regards to this breach. The loan will continue to be repaid in accordance with the original terms and conditions. The company will continue to monitor these covenants in the future. As required by NZIAS1 the bank borrowings are shown as a current liability at balance date.

24. TRUSTEE FEES

Trustee fees are set by the Minister of Finance at a fixed annual amount. Fees paid to Trustees are as follows:

	2014 $000	2013 $000
Robin Campbell (retired July 13)	9	22
Joan Kiernan	20	20
Tracy Hicks	24	28
Alison Broad (retired Sept 12)	-	9
Wayne Harpur (retired Sept 12)	-	8
Raewynne Evans (retired July 13)	4	17
Trish Lindsay	14	19
Craig Robins	16	18
Linette Sinclair	14	18
Toni Green (retired July 13)	4	16
Richard Wason (commenced Oct 12)	16	9
Penny Simmonds (commenced Oct 12)	14	8
Stephen Bragg (commenced Aug 13)	10	-
Lindsay Wright (commenced Aug 13)	10	-
Trish Boyle (commenced Aug 13)	10	-
	$165	$192

25. CONTINGENCIES

There are no contingent liabilities or contingent assets relating to the Group at 31 March 2014 (2013: Nil).

26. CAPITAL COMMITMENTS

The Community Trust of Southland is committed to providing funds up to $2 million to Direct Capital, for new capital acquired. To date $1,024,790 of this amount has been drawn upon. Additionally $2 million is also committed to Pioneer Capital, for new capital acquisitions; to date $614,687 of this amount has been drawn upon.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

27. OPERATING LEASE COMMITMENTS

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

	Group		Parent	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Current within one year	40	33	-	-
Later than one year but not later than five years	-	130	-	-
Later than five years	-	-	-	-
	$40	$163	$Nil	$Nil

28. EVENTS OCCURING AFTER BALANCE DATE

There have been no significant subsequent events that affect these financial statements (2013: $Nil).

29. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Key management declared interests in relation to organisations that received grants totalling $ 174,126 as detailed below (2013: $185,673) 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.

		2014	**2013**
J Prendergast	Tertiary Scholarships	144,126	124,200
	Verdon College	-	3,696
	YMCA of Invercargill Charitable Trust	30,000	47,777
	Rotary Club of Invercargill North Charitable Trust	-	10,000
	TOTAL	**174,126**	**185,673**

Transactions with Trustees

Trustees declared interests in relation to organisations that received grants totalling $935,937 as detailed below (2013:$2,622,765) 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.

		2014	**2013**
T Hicks	Citizens Advice Bureau Gore	2,032	-
	Community Networking Trust	32,254	-
	Community Networking Trust (Eastern Southland) Inc	10,000	45,480
	Eastern Southland Basketball Association	5,055	
	Eastern Southland Pony Club	5,326	-
	Equestrian Sports New Zealand Inc (Southland Showjumping)	-	2,500
	Eventing Southland	10,000	-
	Gore & Districts Community Counselling Centre	5,000	5,000
	Gore & Districts Community Youth Worker Trust	-	5,000
	Gore & Districts Senior Citizens Club (Choir Section)	500	691
	Gore Community Committee of RNZFB	5,000	-
	Gore Contract Bridge Club Inc	-	4,500

T Hicks (cont)	Gore Dancesport Supporters Group	-	1,600
	Gore District Council	-	6,000
	Gore Health Ltd	30,000	-
	Gore Multi Sports Centre Charitable Trust	2,458	2,103
	Gore Operatic Society	7,568	-
	Gore Parents Centre	-	2,211
	Gore Southern Shears Committee	4,200	-
	Gore Toy Library	-	1,600
	Gore Volunteer Fire Brigade	-	4,000
	Gore Womens Refuge	27,378	27,000
	Hokonui Moonshine Museum Charitable Trust	-	3,000
	Ice Sports Southland	3,005	-
	Leadership Scholarship	1,500	-
	Longford Intermediate School	10,153	-
	Mataura & Districts Marae	5,000	-
	Mataura & Districts Senior Citizens	-	500
	Mataura Kilties Pipe Band	7,800	-
	Mataura Village Development	2,000	-
	Norman Jones Foundation	-	20,000
	Pukerau School	-	6,531
	Royal NZ Plunket Society - Mataura	-	1,645
	Royal NZ Society for the Prevention of Cruelty to Animals Gore	10,554	-
	Southern Equestrian Park Trust	1,000	-
	Southland Regional Heritage Committee	30,000	37,160
	Sport Scholarship	500	-
	St Peters College	30,000	-
	Venture Southland	1,200	398,825
	Venture Southland Creative Southland	57,000	-
	Waikaka School	-	10,000
	TOTAL	**306,483**	**585,346**
A Broad	Athletics Southland	-	3,075
(Retired Sept 12)	Riverton Community Arts Centre Charitable Trust	-	440
	Southland Art Foundation	-	37,160
	TOTAL	**-**	**40,675**
T Lindsay	Aspirations Scholarships	11,000	-
	Chamber Music NZ Inc (Southland Branch)	-	20,000
	Hillside Primary School	6,088	-
	Invercargill Summer Festival	12,000	-
	Mataura Kilties	7,800	-
	Murihiku Health Scholarship	-	1,000
	Rimu Home & School Committee	7,100	-
	RSPCA Southland Branch	10,000	-
	Southland Piping and Drumming Development Trust	18,315	-
T Lindsay	Shakespeare in the Park Charitable Trust	6,000	8,117
	St Josephs School	8,434	-

	St Peter's School	30,000	-
	Stadium Southland	-	2,500
	The Kai Tech Charitable Trust	-	40,000
	TOTAL	**116,737**	**71,617**
L Sinclair	Gore Womens Refuge	-	27,000
	Community Networking Trust	30,754	-
	Community Networking Trust (Eastern Southland) Inc	10,001	45,480
	CTOS School Leaver Scholarship	3,000	-
	Hokonui Runanga	8,000	-
	Nightcaps Community Medical Trust	4,000	-
	Ohai-Nightcaps Rugby Club	14,000	-
	Riverton Heritage & Tourist Centre Trust	2,000	5,000
	Riverton Senior Citizens Association	1,300	1,596
	St Peter's School	30,000	-
	YMCA of Invercargill Charitable Trust	-	47,777
	TOTAL	**103,055**	**126,853**
R Campbell	Barnardos NZ - Southland Area	45,000	52,645
(retired July 13)	Presbyterian Support Services Otago	-	2,000
	Presbyterian Support Southland	-	103,168
	RSPCA Southland Branch	10,000	-
	South Invercargill Urban Rejuvenation Charitable Trust	10,000	-
	Southland Regional Heritage Committee	-	37,160
	Venture Southland	-	418,825
	Venture Southland Creative Southland	-	56,500
	TOTAL	**65,000**	**670,298**
W Harpur	DisAbilities Resource Centre Southland	-	15,000
(retired Sept 12)	Southland Multiple Sclerosis Society	-	20,000
	TOTAL	**-**	**35,000**
R Evans	Oraka Aparima Runaka	-	3,700
(Retired July 13)	Southland Regional Heritage Committee	30,000	37,160
	TOTAL	**30,000**	**40,860**
T Green	Borland Lodge	-	10,000
(Retired July 13)	Cycling Southland	5,525	-
	Hockey Southland	9,830	-
	Invercargill Musical Theatre	38,552	-
	James Hargest College Junior Campus	600	-
	The Scout Association of New Zealand	-	5,000
	YMCA of Invercargill Charitable Trust	30,000	-
	TOTAL	**84,507**	**15,000**

J Kiernan	Queenstown Art Society	7,605	-
	Rotary Club of Invercargill North Charitable Trust	-	10,000
	TOTAL	**7,605**	**10,000**
C Robins	Netball Southland	-	200,000
	CTOS School Leaver Scholarship	3000	-
	TOTAL	**3000**	**200,000**
P Simmonds	Chamber of Commerce	3,000	-
	Cycling Southland	5,525	-
	Gore Health Ltd	30,000	-
	Hockey Southland	15,830	-
	Invercargill Artificial Sports Surface Charitable Trust	-	5,000
	Royal NZ Foundation for the Blind	34,855	-
	Sport Southland	750	-
	St Peter's School	30,000	-
	The Parenting Place	20,000	-
	Venture Southland	-	418,825
	Venture Southland Creative Southland	37,000	56,500
	Rugby Southland	-	256,791
	Shakespeare in the Park Charitable Trust	6,000	-
	Southland Basketball Association	-	70,000
	Water Safety NZ Inc	-	20,000
	TOTAL	**182,960**	**827,116**
L Wright	Sport Scholarship	1,500	-
(Commenced Aug 13)			
R Wason	Fiordland Community House	10,090	-
(Commenced Aug 13)	Talklink Trust	5,000	-
	Te Anau Presbyterian Church	20,000	-
	TOTAL	**35,090**	**-**
	OVERALL TOTAL	**935,937**	**2,622,765**

Transactions with subsidiaries

At 31 March 2014 the Southland Community Trust Charities Limited owed $10,462,909 to the Community Trust of Southland (2013 $8,209,595). At 31 March 2014 The Community Trust of Southland owed $Nil to Invest South Limited Partnership (2013: $127,315). The Community Trust of Southland is owed $956,445 from Invest South Holdings Ltd (2013:$956,445).

Transactions between subsidiaries

At 31 March 2014 Bush Road Limited owed $43,500 to Invest South Limited Partnership, however this was impaired to $0 for accounting purposes, (2013: $43,500).

Invest South Limited Partnership advanced Back Country Foods Ltd a further $205,832 during the year for the purchase of a fixed asset (2013: $205,832), the total owing of $411,664 was repaid during the year. Interest received on this loan for the year to 31 March 2014 was $13,661 (2013: $536).

THE COMMUNITY TRUST OF SOUTHLAND
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For the Year Ended 31 March 2014

Transactions between subsidiaries (continued)

Directors fees have been paid to Peak Consulting Ltd (P Carnahan) by Benmore Salmon Ltd $18,000 (2013 $18,000), of which $600 was owed at year end (2013: Nil), Waikaia Gold Ltd $20,000, (2013: $5,000) and Back Country Foods Ltd $7,200 (2013: $7,200). Peter Carnahan is a director on these companies. Additionally Back Country Foods Ltd paid Peak Consulting Ltd $937 for accounting services performed during the year (2013:$1,031).

Directors Fees have been paid to B Highsted (Director) from Back Country Foods Ltd $4,800 (2013: $4,800) and Benmore Salmon Ltd $12,000 (2013: $8,000). Brett Highsted is a director on these companies.

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 $287,902 (2013: $329,503). At 31 March 2014 Invest South GP Limited was due $92,509 (2013: $43,890) from Invest South Limited Partnership. At 31 March 2014 Invest South Limited Partnership owed $7,377,620 to Invest South Holdings Limited (2013: $7,376,735) and $2,313,267 to Southland Community Trust Charities Limited (2013: $5,137,435). Invest South Holdings Ltd owed Invest South GP Limited $60,216 (2013: $60,308). 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 Benmore Salmon, $255,025 (2013: $255,025), Waikaia Gold Ltd $1,521,000 (2013 $1,521,000), Waikaia Sheet Pile Ltd, $73,800 (2013 $Nil) and Areograph Ltd $40,000 (2013: $40,000). As from 1 April 2014, interest will be charged on the loan to Benmore Salmon, currently it is interest free. For the year ended 31 March 2014, interest of $2,214 has been charged on the Waikaia Sheet Pile loan (2013: Nil). The loans to Waikaia Gold Ltd and Areograph Ltd are interest free.

A loan of $95,667 (2013: $95,667) has also been advanced to Evanos Trust, a shareholder of Benmore Salmon Ltd. Interest of $4,777 has been charged on this loan for the year to 31 March 2014 (2013: $2,791). Additionally a loan of $126,409 has been advanced to B & K Crossan, shareholders & directors of Back Country Foods Ltd, (2013 $155,428), Interest for the year of $12,602 has been received on this loan (2013 $16,764).

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 2014 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.

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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 35, which comprise the statements of financial position as at 31 March 2014, the statements of comprehensive income, the 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 2014 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 and 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 and 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.

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Independent Auditors' Report

The Community Trust of Southland

Opinion

In our opinion, the financial statements on pages 3 to 35 present fairly, in all material respects, the financial position of the Trust and the Group as at 31 March 2014, and its financial performance and cash flows for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.

Restriction on Use of our Report

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 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.

PricewaterhouseCoopers

Chartered Accountants
24 July 2014

Dunedin

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