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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, 2011

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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, 2011.

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, 2011 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
24 /08/2011	24 /08 /2011

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 March, 2011

	Notes	Group		Parent	
					Restated*
		2011	2010	2011	2010
		$000	$000	$000	$000
Sales		2,079	1,790	-	-
Dividends		83	18	3	-
Interest	2	452	645	48	48
Gains/(losses) from change in fair value of managed funds		12,051	33,875	12,051	33,875
Gains/(losses) from change in fair value of other investments recognised at FVTPL		(111)	80	-	-
		14,554	36,408	12,102	33,923
Share of Associates Earnings		-	(87)	-	-
Other income		9	22	4	4
Expenses:					
Cost of sales		1,013	823	-	-
Depreciation		118	101	51	47
Bad debts		47	179	-	-
Fund managers fees		754	735	754	735
Trustees fees	26	194	209	194	209
Directors fees		78	67	-	-
Employee entitlements		1,097	987	459	429
Administration expenses	3	857	760	697	777
Impairment provision/(reversal) on investments carried at amortised cost		7	(238)	-	-
Loss on sale of investments		-	84	-	-
Other expenses		97	325	-	-
Operating surplus/(deficit) before grants		10,301	32,311	9,951	31,730
Grants	4	9,404	12,397	3,539	4,091
Net surplus/(deficit) before taxation		897	19,914	6,412	27,639
Taxation expense	5	105	4	-	-
Net surplus/(deficit) after taxation		792	19,910	6,412	27,639
Other comprehensive income		-	-	-	-
Total comprehensive income/(deficit) for the year		$792	$19,910	$6,412	$27,639

Total comprehensive income/(deficit) is attributed to:

	Notes	Group 2011	Group 2010
Equity holders of the parent		762	19,908
Minority interest	12	30	2
		$792	$19,910

* Refer Note 27

The financial statements should be read with the accompanying notes.

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 March, 2011

Group	Trust Capital $000	Unspent Grants Budget Reserve $000	Capital Maintenance Reserve $000	Grants Maintenance Reserve $000	Minority Interest $000	Other $000	Total $000
Balance at 1 April, 2009	158,460	570	30,482	(36,449)	-	-	153,063
Net surplus/(deficit) after taxation	-	-	-	-	2	19,908	19,910
Revaluation of land/buildings	-	-	(32)	-	-	-	(32)
Transfer to/(from) reserves	-	-	4,212	15,696	-	(19,908)	-
Minority interest in acquired subsidiary	-	-	-	-	93	-	93
Balance at 31 March, 2010	$158,460	$570	$34,662	$(20,753)	$95	$Nil	$173,034
Net surplus/(deficit) 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	$158,460	$570	$38,984	$(24,295)	$125	$Nil	$173,844

Parent	Trust Capital $000	Unspent Grants Budget Reserve $000	Capital Maintenance Reserve $000	Grants Maintenance Reserve $000	Minority Interest $000	Other $000	Total $000
Balance at 1 April, 2009 (restated*)	158,460	570	55,523	(81,101)	-	-	133,452
Net surplus/(deficit) after taxation	-	-	-	-	-	27,639	27,639
Revaluation of land/buildings	-	-	(32)	-	-	-	(32)
Transfer to/(from) reserves	-	-	4,212	23,427	-	(27,639)	-
Balance at 31 March, 2010 (restated*)	$158,460	$570	$59,703	$(57,674)	$Nil	$Nil	$161,059
Net surplus/(deficit) 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	$158,460	$570	$64,025	$(55,566)	$Nil	$Nil	$167,489

* Refer Note 27

The financial statements should be read with the accompanying notes.

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENT OF FINANCIAL POSITION
As At 31 March, 2011

	Notes	Group 2011 $000	Group 2010 $000	Parent 2011 $000	Parent Restated* 2010 $000
Current Assets					
Cash and cash equivalents		677	415	30	126
Accounts receivable	10	424	420	15	46
Inventories	11	220	212	-	-
Prepayments		9	7	7	7
GST refund due		88	-	50	-
Taxation refund due	5	-	53	-	-
Other receivable		45	-	-	-
Total current assets		1,463	1,107	102	179
Non-Current Assets					
Investment in Managed Funds	15	176,371	177,345	176,371	177,345
Investment in Associate accounted for using the equity method	17	-	103	-	-
Investment in Subsidiary	18	-	-	1	-
Investments Other	14	7,592	6,634	374	230
Goodwill	13	32	32	-	-
Trust advances	16	1,875	1,769	1,816	1,707
Property, plant and equipment	19	1,388	1,241	987	921
Database development	9	171	108	171	108
Total non-current assets		187,429	187,232	179,720	180,311
Total assets		188,892	188,339	179,822	180,490
Current Liabilities					
Bank overdraft		3	44	-	-
Accounts payable		460	480	214	259
Current tax liabilities	5	54	-	-	-
Other creditors		19	2	-	126
Accruals		52	18	-	-
Employee entitlements		61	49	17	11
Advance to subsidiary	24	-	-	4,939	10,436
Grants committed not paid	8	10,289	8,685	7,147	6,644
		10,938	9,278	12,317	17,476
Non-current Liabilities					
Grants committed not paid	8	4,111	6,027	16	1,955
Total liabilities		15,049	15,305	12,333	19,431
NET ASSETS		173,843	$173,034	$167,489	$161,059
Funds Employed					
Trust capital	6	158,460	158,460	158,460	158,460
Reserves	7	15,258	14,479	9,029	2,599
Equity attributable to equity holders of parent		173,718	172,939	167,489	161,059
Minority Interest	12	125	95	-	-
TOTAL FUNDS EMPLOYED		$173,843	$173,034	$167,489	$161,059

* Refer Note 27

The financial statements should be read with the accompanying notes.

THE COMMUNITY TRUST OF SOUTHLAND
STATEMENT OF CASHFLOWS
For the Year Ended 31 March, 2011

	Notes	Group 2011 $000	Group 2010 $000	Parent 2011 $000	Parent Restated* 2010 $000
Cashflows from Operating Activities					
Cash was provided from (applied to):					
Receipts from customers		2,037	1,719	4	-
Interest and dividends		535	655	82	50
Payments to suppliers and employees		(3,091)	(2,535)	(1,005)	(898)
Other expenses		(1,091)	(1,389)	(948)	(937)
Grants paid		(9,716)	(10,137)	(4,976)	(5,967)
Net cash in (out) flows from Operating Activities	21	(11,326)	(11,687)	(6,843)	(7,752)
Cashflows from Investment Activities					
Cash was provided from (applied to):					
Managed Funds		13,025	11,655	13,025	11,655
Investments in listed equities		-	-	-	-
Investments in unlisted equities		(2,093)	(2,184)	-	-
Advances to third parties		605	1,048	-	-
Short term deposits		519	934	(102)	85
Investment in associates/subsidiaries		-	-	(1)	-
Investment in preference shares		-	(25)	-	-
Net cash outflow on acquisition of subsidiary		-	(133)	-	-
Trust advances		(106)	-	(109)	-
Property, plant and equipment		(258)	(51)	(143)	(3)
Database development		(63)	(77)	(63)	(77)
Net cash in (out) from Investing Activities		11,629	11,167	12,607	11,660
Cashflows from Financing					
Cash was provided from (applied to):		-	-	-	-
Introduced capital in subsidiary		-	-	(5,860)	(4,169)
Net cash in (out) from Financing Activities		-	-	(5,860)	(4,169)
Net increase/(decrease) in Cash held		303	(520)	(96)	(261)
Add cash at beginning of year		371	891	126	387
Total Cash Balance at End of Year		$674	$$371	$30	$126
Represented by:					
Cash and cash equivalents		677	415	30	126
Bank Overdraft		(3)	(44)	-	-
		674	371	30	126

* Refer Note 27

The financial statements should be read with the accompanying notes.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 March, 2011

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

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 financial statements represented are those for the Community Trust of Southland group ("Group"). The Group consists of The Community Trust of Southland its wholly owned subsidiary companies and the Trust's interest in associates.

The financial statements comply with the Financial Reporting Act 1993 and the Community Trusts Act 1999.

Statement of Compliance

The 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.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial assets which are stated at their fair value.

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.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 March, 2011 and the comparative information presented in these financial statements for the year ended 31 March, 2009.

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 if the revisions affects only that period or in the period of the revision and future periods of the revision affects both current and future periods.

The following are the critical judgements and key sources of estimate uncertainty:

- Assessing fair value of Investments held at fair value through profit or loss
- Assessing impairment of Investments held at amortised cost.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

a) Basis 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. Control is achieved where the Trust has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Group Statement of Financial Performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 March, 2011

a) Basis of Consolidation (cont)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

b) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under NZ IFRS-3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with NZ IFRS-5 *Assets held for Sale and Discontinued Operations,* which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

c) Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but where there is no control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with NZ IFRS-5 *Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

d) Property, Plant & Equipment

Property, Plant and Equipment other than land and buildings is stated at cost, less accumulated depreciation, less accumulated impairment losses, less accumulated devaluations and plus accumulated revaluations.

Depreciation is charged so as to write off the cost or valuation 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 COMMUNITY TRUST OF SOUTHLAND
NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 March, 2011

d) Property, Plant & Equipment (cont.)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 in 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 in credited to the Statement of Financial Performance 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.

e) 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.

f) Revenue 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.

<u>Sale of Goods</u>

Income from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significance risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

<u>Dividend & Interest Revenue</u>

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

g) Financial Assets & Liabilities

<u>Investments</u>

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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 March, 2011

g) Financial Assets & Liabilities (cont.)

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 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.

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.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 March, 2011

g) Financial Assets & Liabilities (cont.)

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.

h) Currency Translation

Functional & Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency, rounded to the nearest dollar.

Transactions & Balances

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 Statement of Financial Performance.

i) 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.

j) 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).

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 March, 2011

k) Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and invested in money market instruments, net of outstanding bank overdrafts. The following terms are used in the statement of cash flows;

- operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities;
- investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents; and
- financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity

l) Standards and Interpretation Effective in the Current Period

There was no changes in accounting policy in the current period.

m) Standards and Interpretations in Issue Not Yet Adopted

At the date of the financial report, a number of standards and interpretations were in issue but not yet effective. The following are the new or revised Standard or Interpretations in issue that impact the entity and are not yet required to be adopted for periods ending on 31 March 2011:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS 9 'Financial Instruments'	1 January 2013	31 March 2014
*Revised NZ IFRS 9 'Financial Instruments'	1 January 2013	31 March 2014

*the revised NZ IFRS 9 adds guidance on the classification and measurement of financial liabilities and derecognition of financial instruments. The effective date remains the same as the previous version of NZ IFRS 9, with earlier adoption permitted.

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 March, 2011

2. INTEREST

	Group		Parent	
	2011	**2010**	**2011**	**2010**
	$000	**$000**	**$000**	**$000**
Short term deposits	45	89	4	4
Advances to third parties	363	512	-	-
Trust advances	44	44	44	44
	$452	$645	$48	$48

3. ADMINISTRATION EXPENSES

Included in Administration Expenses are the following:

Auditors fees:
Audit fees paid or payable to the auditors of the Trust are as follows:

Audit of the financial statements	41	41	29	23
Other services	17	4	8	4
	$58	$45	$37	$27

The auditor of the Group is Deloitte.

4. GRANTS

Committed and payable in the current year	8,588	4,299	3,523	2,136
Committed and not payable until future years	816	8,098	16	1,955
	$9,404	$12,397	$3,539	$4,091

(i) 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.

5. TAXATION

Taxation expense of $105,000 (2010: $4,000) and the taxation payable/ (refund) due of $54,000 (2010: $(53,000)) relates to the subsidiary entities.

The Community Trust of Southland is exempt from income tax with effect from 1 April, 2004.

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6. TRUST CAPITAL

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Opening and closing balance	$158,460	158,460	158,460	158,460
	$158,460	$158,460	$158,460	$158,460

7. RESERVES

	Group 2011	Group 2010	Parent 2011	Parent 2010
Capital Maintenance Reserve	38,984	34,662	64,025	59,703
Grants Maintenance Reserve	(24,295)	(20,753)	(55,566)	(57,674)
Unspent Grants Budget Reserve	570	570	570	570
	$15,258	$14,479	$9,029	$2,599

8. GRANTS COMMITTED NOT PAID

Commitments of $7,237,429 (2010: $6,133,432) exist for grants of the parent and $14,400,246 (2010: $14,712,000) for the group which will be distributed from either capital or income sources in future years.

	Group 2011	Group 2010	Parent 2011	Parent 2010
Balance at 1 April, 2010	14,712	12,452	8,599	10,475
Grants approved in current year	10,657	13,279	4,792	4,973
Grants paid in current year	(9,660)	(10,137)	(4,919)	(5,967)
Grants withdrawn	(1,240)	(876)	(1,166)	(876)
Change in present value	(69)	(6)	(69)	(6)
	$14,400	$14,712	$7,237	$8,599

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

	Group 2011	Group 2010	Parent 2011	Parent 2010
Year ending 31 March, 2011	-	8,685	-	6,644
Year ending 31 March, 2012	10,289	2,983	7,221	1,955
Year ending 31 March, 2013	1,721	1,022	16	-
Year ending 31 March, 2014	1,246	1,022	-	-
Year ending 31 March, 2015	1,144	1,000	-	-
	$14,400	$14,712	$7,237	$8,599

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.

9. 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 2011.

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	Group		Parent	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
10. ACCOUNTS RECEIVABLE				
Trade receivables	504	420	15	46
Allowance for doubtful debts	(80)	-	-	-
	$424	$420	$15	$46

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

11. INVENTORIES

Raw materials and packing	191	192	-	-
Finished goods	29	20	-	-
	$220	$212	$Nil	$Nil

12. MINORITY INTEREST

Opening balance at the beginning of the year	95	-	-	-
Acquired on acquisition of subsidiary	-	93	-	-
Share of profits for the year	30	2	-	-
Payment of dividends	-	-	-	-
Closing Balance	$125	$95	$Nil	$Nil

13. GOODWILL

Gross carrying amount				
Balance at beginning of financial year	32	-	-	-
Additional amounts recognised from business combinations occurring during the period	-	32	-	-
	$32	$32	$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.

During the year ended 31 March 2011, management have determined that there is no evidence of impairment of any of the cash generating units containing goodwill.

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14. INVESTMENTS OTHER

		Interest Rate	Group 2011 $000	Group 2010 $000	Parent 2011 $000	Parent 2010 $000
Investments in listed equities	(i)		168	279	168	126
Investments in unlisted equities	(ii)		4,533	2,368	-	-
Advances to third parties	(iii)		2,526	3,105	-	-
Short term deposits	(iv)		365	882	206	104
			$7,592	$6,634	$374	$230

	Interest Rate	Group 2011 $000	Group 2010 $000	Parent 2011 $000	Parent 2010 $000
(i) Investment in listed entities					
Perpetual Preference Shares					
- South Canterbury Finance	9.42%	-	126	-	126
Pacific Edge Biotechnology Limited		168	153	168	-
		$168	$279	$168	$126
(ii) Investments in un-listed entities					
Areograph Limited		393	303	-	-
IZON Limited		250	250	-	-
Rothbury Group Limited		2,000	-	-	-
Fiordland Lobster Company		2,000	2,000	-	-
Less impairment provision		(110)	(185)	-	-
		$4,533	$2,368	$Nil	$Nil

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

	Group 2011 $000	Group 2010 $000	Parent 2011 $000	Parent 2010 $000
(iii) Advances to third parties	2,580	3,185	-	-
Less impairment provision	(54)	(80)	-	-
	$2,526	$3,105	$Nil	$Nil

Advances to third parties are at interest rates between 13% and 13.5% (2010: 13% and 13.5%).

	Interest Rate	Group 2011 $000	Group 2010 $000	Parent 2011 $000	Parent 2010 $000
(iv) Short term deposits					
Westpac on call	3.00%	206	104	206	104
SBS	4.65%	-	626	-	-
National Bank	4 - 4.2%	159	152	-	-
		$365	$882	$206	$104

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

Group & Parent	Alliance Bernstein $000	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		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
Total	$0	$16,978	$14,436	$389	$24,721	$16,785	$52,058	$51,004	$176,371

The fair value of the Managed Funds investments as at 31 March 2010 was as follows:

Group & Parent	Alliance Bernstein $000	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		16,401		153	18,256				34,810
Overseas Equities			13,579			16,375			29,954
NZ Fixed Interest								41,261	41,261
Overseas Fixed Interest							37,991		37,991
Property Equities					5,499				5,499
Foreign Exchange contracts								(694)	(694)
Unsettled Trades	20						196	106	322
Cash		198		1	171		17,266	10,566	28,202
Total	$20	$16,599	$13,579	$154	$23,926	$16,375	$55,453	$51,239	$177,345

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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16. TRUST ADVANCES

Loan balances outstanding at 31 March, 2011 were as follows:

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Bluff Healthy Homes	3	10	3	10
Southland Outdoor Stadium Trust	750	750	750	750
Southland Rural Fire Authority	20	30	20	30
Invercargill Artificial Sport Surface Trust	96	96	96	96
Northern Southland Medical Trust	50	50	-	-
Otautau Community Health Trust	9	12	-	-
Troopers Memorial Corner Charitable Trust - Yule House	130	140	130	140
Wyndham Rest Home	100	100	100	100
Edendale Vintage Machinery Club	40	80	40	80
Borland Lodge (i)	427	401	427	401
Arrowtown Trust	100	100	100	100
South Catlins Environmental and Development Trust	150	-	150	-
	$1,875	$1,769	$1,816	$1,707

(i) All loans are repayable on demand. 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.

17. INVESTMENT IN ASSOCIATES

Name	Percentage Held 2011	Percentage Held 2010	Balance Date	Principal Activity
Bush Road Limited	30%	30%	31 March	Vegetable processor

Summarised financial information in respect of the Group's associates is set out below:

	Group	
	2011 $000	2010 $000
Statement of Financial Position		
Total Assets	1,860	1,990
Total Liabilities	1,392	1,717
Net Assets	468	273
Group's share of net assets of associates	81	103
Statement of Comprehensive Income		
Total Revenue	4,681	4,061
Total Profit/(loss) for the period	(299)	(291)
Group's share of associates profits/(losses)	(52)	(87)

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17. INVESTMENT IN ASSOCIATES (cont)

Movement in the carrying amount of the Group's investments in associates:

	Group	
	2011	**2010**
	$000	**$000**
Opening balance	103	406
Reclassification as a subsidiary	-	(216)
Share of profits of associates	-	(87)
Share of dividends	-	-
Impairment	(103)	-
Closing balance	$Nil	103

The Group's share of contingent liabilities of associates are disclosed in note 26.

18. INVESTMENT IN SUBSIDIARIES

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	80%	31 March	Freeze dried food producer

* Refer Note 27

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19. PROPERTY, PLANT & EQUIPMENT

	Land $000	Buildings $000	Equipment $000	Furniture & Fittings $000	Motor Vehicles $000	Total $000
Group						
Cost or Valuation at 1 April, 2009	300	830	264	163	104	1,661
Additions/Revaluations	50	-	42	-	-	92
Assets acquired on acquisition	-	-	244	56	13	313
Disposals/Revaluations	-	(82)	(43)	-	(13)	(138)
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	375	741	634	257	156	2,163
Accumulated depreciation at 1 April, 2009	-	230	215	152	46	643
Depreciation	-	18	15	6	24	63
Disposals	-	-	(10)	-	(9)	(19)
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	-	266	278	195	36	775
Net book value 31 March, 2010	$350	$500	$287	$61	$43	$1,241
Net book value 31 March, 2011	$375	$475	$356	$62	$120	$1,388
Parent						
Cost or Valuation at 1 April, 2009	300	830	238	159	76	1,603
Additions/Revaluations	50	18	4	-	-	72
Disposals/Revaluations	-	(100)	-	-	-	(100)
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
Accumulated depreciation at 1 April, 2009	-	230	198	149	29	606
Depreciation	-	18	12	1	17	48
Disposals	-	-	-	-	-	-
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
Net book value 31 March, 2010	$350	$500	$32	$9	$30	$921
Net book value 31 March, 2011	$375	$475	$58	$9	$70	$987

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20. CAPITAL COMMITMENTS

Commitments of up to $635,000 (2010: $750,000) 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:

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
South Catlins Environment and Development Trust	600	750	600	750
Sport Southland	35	-	35	-
	$635	$750	$635	$750

21. RECONCILIATION WITH OPERATING SURPLUS

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Net surplus/(deficit) after taxation	791	19,910	6,412	27,639
Add (less) movement in working capital				
(Increase)/decrease in accounts receivable	(4)	(216)	31	(2)
(Increase)/decrease in inventory	(8)	(212)	-	-
(Increase)/decrease in prepayments and tax refund due	(82)	(53)	(50)	-
Increase/(decrease) in accounts payable	(20)	57	(46)	(34)
Increase/(decrease) in other creditors and accruals	105	20	-	-
Increase/(decrease) in employee entitlements	12	49	6	11
Increase/(decrease) in grants committed not paid	(312)	2,260	(1,437)	(1,876)
Deduct/(add) items reclassified as investing activities	-	240	-	-
	$309	$2,145	$4,916	$25,738
Add (less) movement in non-cash items				
Gains/(losses) from change in fair value investments	(12,051)	(33,875)	(12,051)	(33,875)
Depreciation	118	101	51	47
Gains/(losses) from investments at FVTPL	111	(80)	-	-
Impairment/(reversal) on investments carried at amortised cost	-	(238)	226	338
Other	14	263	15	-
Share of associate's earnings	-	87	-	-
	$(11,808)	$(33,742)	$(11,759)	$(33,490)
Net cash in/(out) flows from operating activities	$(11,326)	$(11,687)	$(6,843)	$(7,752)

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22. KEY MANAGEMENT PERSONNEL

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

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Short term employee benefits	334	337	185	185
	$334	$337	$185	$185

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 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.

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23. FINANCIAL INSTRUMENTS (Cont.)

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.

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%
	100%

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23. FINANCIAL INSTRUMENTS (Cont.)

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 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 2011	$'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

	Interest Rate Risk		Foreign Exchange Risk		Equity Price Risk	
	-1%	+1%	-10%	+10%	-10%	+10%
31 March 2010	$'000	$'000	$'000	$'000	$'000	$'000
Net Surplus/(Deficit)	$4,360	$(4,360)	$4,756	$(4,290)	$(7,301)	$7,301
Total Funds Employed	$4,360	$(4,360)	$4,756	$(4,290)	$(7,301)	$7,301

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.

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23. FINANCIAL INSTRUMENTS (Cont.)

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.

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

	Less than 1 year $'000	1-2 Years $'000	2-3 Years $'000	More than 3 years $'000	Total $'000
2010					
Accounts payable	480	-	-	-	480
Grants committed not paid	10,388	1,583	1,022	2,022	15,015
	$10,868	$1,583	$1,022	$2,022	$15,495

24. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Key management declared interests in relation to organisations that received grants totalling $197,338 (2010: $64,188) 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.

Transactions with Trustees

Trustees declared interests in relation to organisations that received grants totalling $3,404,308 (2010: $7,578,073) 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.

Transactions with subsidiary

During the year the Trust advance of $835,000 to Invest South Holdings Limited.

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25. CONTINGENT LIABILITY

Invest South Limited Partnership, a subsidiary of Community Trust of Southland, has provided a guarantee to National Bank for the subsidiary, Back Country Foods Limited.

Invest South Holdings Limited, a subsidiary of Community Trust of Southland, has provided a guarantee to National Bank of $285,000 for the Associate, Bush Road Limited.

Invest South Holdings Limited, a subsidiary of Community Trust of Southland, has provided a guarantee to National Bank of $100,000 for the subsidiary of the Associate, South Island Fresh Foods Limited.

26. TRUSTEE FEES

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

		Meetings Attended	Fees 2011 $000	Fees 2010 $000
Tracy Hicks		47	33	38
Alison Broad		41	21	22
Peter Redpath	(retired 1 September 2009)	0	0	8
Wayne Harpur		33	15	17
Raewynne Evans		38	18	19
Neil Wyeth	(retired 1 September 2009)	0	0	9
Trish Lindsay		38	21	22
Joan Kiernan		33	16	16
Craig Robins		39	19	19
Linette Sinclair		45	21	21
Toni Green	(appointed 1 September 2009)	33	15	9
Robin Campbell	(appointed 1 September 2009)	33	15	9
			$194	$209

27. RESTATEMENT OF PARENT ENTITY

Subsequent to authorisation of the 2010 financial statements a correction was identified with respect to the parent entity reported figures. Previously the Trust had included the accounting transactions of subsidiary entity Southland Community Trust Charities Limited within the parent entity figures. The restated balance sheet at 1 April, 2009 is as follows:

	Parent 2009 $000
Current Assets	
Cash and cash equivalents	387
Accounts receivable	44
Prepayments	7
Total Current Assets	438
Non Current Assets	
Investment in Managed Funds	155,125
Investment other	189
Trust advances	1,703
Property, plant and equipment	997
Database development	31
Total Non Current Assets	158,045
Total Assets	$158,483

THE COMMUNITY TRUST OF SOUTHLAND
NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 March, 2011

27. RESTATED OF PARENT ENTITY (Cont.)

	Parent 2009 $000
Current Liabilities	
Accounts payable	289
Advance to subsidiary	14,267
Grants committed not paid	9,721
Total Current Liabilities	24,277
Non Current Liabilities	
Grants committed not paid	754
Total Liabilities	25,031
NET ASSETS	$133,452
Funds Employed	
Trust capital	158,460
Reserves	(25,008)
Total Funds Employed	$133,452

The restated parent entity figures reflect the removal of Southland Communities Charities Limited. Extracts from the Southland Community Charities financial statements which have been removed from the parent entity figures reported previously are as follows:

	Parent 2010 $000	Parent 2009 $000
Statement of Comprehensive Income		
Revenue	344	
Grants	(8,306)	
Total comprehensive income/(deficit) for the year	$(7,962)	
Statement of Financial Position		
Cash and cash equivalents	11	3
Advance to parent	10,417	14,267
Other advances	62	65
Investment in subsidiary	8,268	8,248
Total assets	18,758	22,583
Grants committed not paid		
- Current	4,072	1,877
- Term	2,042	100
Total Liabilities	6,114	1,977
Net Assets - Total Funds Employed	$12,644	$20,606

The restatement of the prior year parent financial statements does not impact the group reported figures.

Deloitte

INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF
COMMUNITY TRUST OF SOUTHLAND

Report on the Financial Statements

We have audited the financial statements of Community Trust of Southland and group on pages 3 to 27, which comprise the consolidated and separate statement of financial positions of Community Trust of Southland as at 31 March 2011, the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

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 and International Standards on Auditing (New Zealand). Those standards require that we comply with 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 auditor's 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 auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as 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.

Opinion

In our opinion, the financial statements on pages 3 to 27:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of Community Trust of Southland and group as at 31 March 2011, and their financial performance and cash flows for the year then ended.

Deloitte

Chartered Accountants
DUNEDIN, NEW ZEALAND

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