



# New Zealand Gazette

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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, 2010**

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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, 2010.

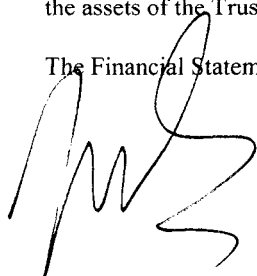
The Trustees are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Trust and Group as at 31 March, 2010 and the results of their operations and cash flows for 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.

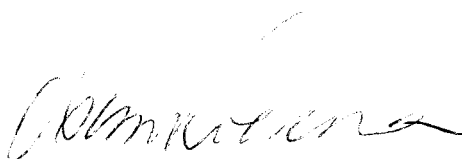
The Trustees believe that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Trust and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

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

03/08/10

103/08/10

**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the Year Ended 31 March, 2010**

	Notes	Group 2010 \$000	Group 2009 \$000	Parent 2010 \$000	Parent 2009 \$000
Sales		1,790	-	-	-
Dividends		18	28	-	-
Interest	2	645	893	48	113
Gains/(losses) from change in fair value of managed funds		33,875	(14,206)	33,875	(14,206)
Gains/(losses) from change in fair value of other investments recognised at FVTPL		80	(211)	-	-
		-----	-----	-----	-----
		36,408	(13,496)	33,923	(14,093)
Share of Associates Earnings		(87)	(68)	-	-
Gains/(loss) on revaluation of property, plant and equipment		-	(8)	-	(8)
Other income		22	80	4	-
<b>Expenses:</b>					
Cost of sales		823	-	-	-
Depreciation		101	58	47	49
Bad debts		179	-	-	-
Fund managers fees		735	681	735	681
Trustees fees	27	209	196	209	196
Directors fees		67	65	-	-
Employee entitlements		987	565	429	398
Administration expenses	3	760	756	433	658
Impairment provision/(reversal) on investments carried at amortised cost		(238)	500	-	-
Loss on sale of investments		84	-	-	-
Other expenses		325	-	-	-
		-----	-----	-----	-----
Operating surplus/(deficit) before grants		32,311	(16,313)	32,074	(16,083)
Grants	4	12,397	7,617	12,397	7,617
		-----	-----	-----	-----
Net surplus/(deficit) before taxation		19,914	(23,930)	19,677	(23,700)
Taxation expense	5	4	159	-	-
		-----	-----	-----	-----
<b>Net surplus/(deficit) after taxation</b>		<b>\$19,910</b>	<b>\$(24,089)</b>	<b>\$19,677</b>	<b>\$(23,700)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		-----	-----	-----	-----
<b>Total comprehensive income/(deficit) for the year</b>		<b>\$19,910</b>	<b>\$(24,089)</b>	<b>\$19,677</b>	<b>\$(23,700)</b>
		-----	-----	-----	-----
<b>Total comprehensive income/(deficit) is attributed to:</b>					
Equity holders of the parent		19,908	(24,089)		
Minority interest	12	2	-		
		-----	-----		
		<b>\$19,910</b>	<b>\$(24,089)</b>		
		-----	-----		

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, 2010**

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 1 April, 2008	158,460	-	24,547	(5,855)	-	-	177,152
Net surplus/(deficit) after taxation	-	-	-	-	-	(24,089)	(24,089)
Revaluation of land/buildings	-	-	-	-	-	-	-
Transfer to/(from) reserves	-	570	5,935	(30,594)	-	24,089	-
	-----	-----	-----	-----	-----	-----	-----
Balance at 31 March, 2009	\$158,460	\$570	\$30,482	\$(36,449)	\$Nil	\$Nil	\$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
	-----	-----	-----	-----	-----	-----	-----
<b>Parent</b>							
Balance at 1 April, 2008	158,460	-	49,588	(30,290)	-	-	177,758
Net deficit after taxation	-	-	-	-	-	(23,700)	(23,700)
Revaluation of land/buildings	-	-	-	-	-	-	-
Transfer to/(from) reserves	-	570	5,935	(30,205)	-	23,700	-
	-----	-----	-----	-----	-----	-----	-----
Balance at 31 March, 2009	\$158,460	\$570	\$55,523	\$(60,495)	\$Nil	\$Nil	\$154,058
	-----	-----	-----	-----	-----	-----	-----
Net surplus/(deficit) after taxation	-	-	-	-	-	19,677	19,677
Revaluation of land/buildings	-	-	(32)	-	-	-	(32)
Transfer to/(from) reserves	-	-	4,212	15,465	-	(19,677)	-
	-----	-----	-----	-----	-----	-----	-----
Balance at 31 March, 2010	\$158,460	\$570	\$59,703	\$(45,030)	\$Nil	\$Nil	\$173,703
	-----	-----	-----	-----	-----	-----	-----

The financial statements should be read with the accompanying notes.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At 31 March, 2010**

	Notes	2010 \$000	Group 2009 \$000	2010 \$000	Parent 2009 \$000
<b>Current Assets</b>					
Cash and cash equivalents		415	891	137	390
Accounts receivable	10	420	204	46	44
Inventories	11	212	-	-	-
Prepayments		7	7	7	7
Taxation refund due	5	53	-	-	-
<b>Total current assets</b>		1,107	1,102	190	441
<b>Non-Current Assets</b>					
Investment in Managed Funds	15	177,345	155,125	177,345	155,125
Investment in Associate accounted for using the equity method	17	103	406	-	-
Investment in Subsidiary	18	-	-	8,248	8,248
Investments Other	14	6,634	6,489	230	189
Goodwill	13	32	-	-	-
Trust advances	16	1,769	1,768	1,769	1,768
Property, plant and equipment	20	1,241	1,018	921	997
Database development	9	108	31	108	31
<b>Total non-current assets</b>		187,232	164,837	188,621	166,358
<b>Total assets</b>		188,339	165,939	188,811	166,799
<b>Current Liabilities</b>					
Bank overdraft		44	-	-	-
Accounts payable		480	423	259	289
Other creditors		2	-	126	-
Accruals		18	-	-	-
Employee entitlements		49	-	11	-
Grants committed not paid	8	8,685	11,598	8,685	11,598
		9,278	12,021	9,081	11,887
<b>Non-current Liabilities</b>					
Grants committed not paid	8	6,027	854	6,027	854
<b>Total liabilities</b>		15,305	12,875	15,108	12,741
<b>NET ASSETS</b>		\$173,034	\$153,064	\$173,703	\$154,058
<b>Funds Employed</b>					
Trust capital	6	158,460	158,460	158,460	158,460
Reserves	7	14,479	(5,396)	15,243	(4,402)
Equity attributable to equity holders of parent		172,939	153,064	173,703	154,058
Minority Interest	12	95	-	-	-
<b>TOTAL FUNDS EMPLOYED</b>		\$173,034	\$153,064	\$173,703	\$154,058

The financial statements should be read with the accompanying notes.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**STATEMENT OF CASHFLOWS**  
**For the Year Ended 31 March, 2010**

	Notes	Group 2010 \$000	Group 2009 \$000	Parent 2010 \$000	Parent 2009 \$000
<b>Cashflows from Operating Activities</b>					
Cash was provided from (applied to):					
Receipts from customers		1,719	-	-	-
Interest and dividends		655	7,885	50	7,071
Payments to suppliers and employees		(2,535)	-	(889)	-
Other expenses		(1,389)	(2,314)	(937)	(1,880)
Grants paid		(10,137)	(9,709)	(10,137)	(9,709)
		-----	-----	-----	-----
<b>Net cash in (out) flows from Operating Activities</b>	22	(11,687)	(4,138)	(11,913)	(4,518)
		-----	-----	-----	-----
<b>Cashflows from Investment Activities</b>					
Cash was provided from (applied to):					
Managed Funds		11,655	5,203	11,655	5,203
Investments in listed equities		-	(323)	-	-
Investments in unlisted equities		(2,184)	(25)	-	-
Advances to third parties		1,048	(482)	-	-
Short term deposits		934	(249)	85	(140)
Investment in Associates		-	20	-	-
Investment in preference shares		(25)	-	-	-
Net cash outflow on acquisition of subsidiary		(133)	-	-	-
Trust advances		-	(99)	-	(99)
Property, plant and equipment		(51)	(81)	(3)	(51)
Database development		(77)	(6)	(77)	(6)
		-----	-----	-----	-----
<b>Net cash in (out) from Investing Activities</b>		11,167	3,958	11,660	4,907
		-----	-----	-----	-----
<b>Cashflows from Financing</b>					
Cash was provided from (applied to):					
		-	-	-	-
		-----	-----	-----	-----
<b>Net cash in (out) from Financing Activities</b>		-	-	-	-
		-----	-----	-----	-----
<b>Net increase/(decrease) in Cash held</b>		(520)	(180)	(253)	389
Add cash at beginning of year		891	1,071	390	1
		-----	-----	-----	-----
<b>Total Cash Balance at End of Year</b>		\$371	\$891	\$137	\$390
		-----	-----	-----	-----
Represented by:					
Cash and cash equivalents		415	891	137	390
Bank Overdraft		(44)	-	-	-
		-----	-----	-----	-----
		\$371	\$891	\$137	\$390
		-----	-----	-----	-----

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, 2010**

**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, 2010 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 subsidiary Invest South Holdings Limited. 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, 2010**

**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.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March, 2010**

**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.

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 is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increased is credited to the 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.

Sale of Goods

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.

Dividend & Interest Revenue

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.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March, 2010**

**g) 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 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 COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March, 2010**

**g) Financial Assets & Liabilities (cont)**

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.

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.



**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March, 2010**

**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).

**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**

In the current year, the Group has adopted NZ IAS 1 *Presentation of Financial Statements* (revised 2007) which is applicable for annual reporting periods beginning on or after 1 January, 2009. Initial application of this standard did not affect any of the amounts recognised in the financial statements, but changed the presentation of the Statement of Comprehensive Income and Statement of Changes in Equity. There was no change in accounting policy relating to recognition or measurement due to the initial adoption of this standard.

**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.

Initial application of these standards and interpretations is not expected to affect any of the amounts recognised in the financial report, but may change the presentation and disclosures presently made in relation to the Group's financial report. They will be adopted in the period in which they become mandatory.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March, 2010**

**2. INTEREST**

	<b>Group</b>		<b>Parent</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Short term deposits	89	171	4	27
Advances to third parties	512	636	-	-
Trust advances	44	86	44	86
	-----	-----	-----	-----
	\$645	\$893	\$48	\$113
	-----	-----	-----	-----

**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	33	19	29
Other services	4	3	4	3
	-----	-----	-----	-----
	\$45	\$36	\$23	\$32
	-----	-----	-----	-----

The auditor of the Group is Deloitte.

**4. GRANTS**

Committed and payable in the current year	4,299	6,770	4,299	6,770
Committed and not payable until future years	8,098	127	8,098	127
Grants previously recognised as loans (i)	-	720	-	720
	-----	-----	-----	-----
	\$12,397	\$7,617	\$12,397	\$7,617
	-----	-----	-----	-----

(i) During the prior year the Trustees agreed to an \$800,000 loan previously advanced to the Southland Indoor Leisure Centre Charitable Trust being written off, at the rate of \$80,000 per annum for each of the next 10 years. This principal write-off, together with a cash grant of \$80,000 per annum, and forgiveness of the interest that can be charged on the loan under the terms of the loan agreement with the Southland Indoor Leisure Centre Charitable Trust, makes up the Trust's agreed annual funding contribution to Stadium Southland. This arrangement means that certain conditional elements of the lending arrangement are unlikely to be invoked and as such the Trust does not expect to recover the amount loaned. As such the outstanding balance on the loan was recognised as a grant in the prior year.

(ii) During the year the Trustees resolved that any unspent portion of the approved Grants budget for the 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 \$4,000 (2009: \$159,000) and the taxation refund due of \$53,000 (2009: \$Nil) relates to the subsidiary entities.

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

**THE COMMUNITY TRUST OF SOUTHLAND**  
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**6. TRUST CAPITAL**

	<b>Group</b>		<b>Parent</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Opening and closing balance	158,460	158,460	158,460	158,460
	-----	-----	-----	-----
	\$158,460	\$158,460	\$158,460	\$158,460
	-----	-----	-----	-----

**7. RESERVES**

Capital Maintenance Reserve	34,662	30,482	59,703	55,523
Grants Maintenance Reserve	(20,753)	(36,448)	(45,030)	(60,495)
Unspent Grants Budget Reserve	570	570	570	570
	-----	-----	-----	-----
	\$14,479	\$(5,396)	\$15,243	\$(4,402)
	-----	-----	-----	-----

**8. GRANTS COMMITTED NOT PAID**

Commitments of \$14,712,000 (2009: \$12,452,000) exist for grants which will be distributed from either capital or future income sources in future years.

	<b>Group</b>		<b>Parent</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Balance at 1 April, 2009	12,452	14,544	12,452	14,544
Grants approved in current year	13,279	7,349	13,279	7,349
Grants paid in current year	(10,137)	(8,859)	(10,137)	(8,859)
Grants withdrawn	(876)	(744)	(876)	(744)
Change in present value	(6)	162	(6)	162
	-----	-----	-----	-----
	\$14,712	\$12,452	\$14,712	\$12,452
	-----	-----	-----	-----

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

	<b>Group</b>		<b>Parent</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Year ending 31 March, 2010	-	11,598	-	11,598
Year ending 31 March, 2011	8,685	657	8,685	657
Year ending 31 March, 2012	2,983	157	2,983	157
Year ending 31 March, 2013	1,022	20	1,022	20
Year ending 31 March, 2014	1,022	20	1,022	20
Year ending 31 March, 2015	1,000	-	1,000	-
	-----	-----	-----	-----
	\$14,712	\$12,452	\$14,712	\$12,452
	-----	-----	-----	-----

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 all of the 12 Community Trusts. Database Development costs are the Group's share of the preliminary costs incurred on this joint project until 31 March 2010.

**THE COMMUNITY TRUST OF SOUTHLAND**  
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	<b>Group</b>		<b>Parent</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>10. ACCOUNTS RECEIVABLE</b>				
Trade receivables	420	204	46	44
Allowance for doubtful debts	-	-	-	-
	-----	-----	-----	-----
	\$420	\$204	\$46	\$44
	-----	-----	-----	-----

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	192	-	-	-
Finished goods	20	-	-	-
	-----	-----	-----	-----
	\$212	\$Nil	\$Nil	\$Nil
	-----	-----	-----	-----

**12. MINORITY INTEREST**

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

**13. GOODWILL**

**Gross carrying amount**

Balance at beginning of financial year	-	-	-	-
Additional amounts recognised from business combinations occurring during the period	32	-	-	-
	-----	-----	-----	-----
	\$32	\$Nil	\$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 30 June 2010, management have determined that there is no evidence of impairment of any of the cash generating units containing goodwill.



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**NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS**  
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**14. INVESTMENTS OTHER**

		<b>Group</b>		<b>Parent</b>	
	<b>Interest Rate</b>	<b>2010 \$000</b>	<b>2009 \$000</b>	<b>2010 \$000</b>	<b>2009 \$000</b>
Investments in listed equities	(i)	279	283	126	-
Investments in unlisted equities	(ii)	2,368	394	-	-
Advances to third parties	(iii)	3,105	3,911	-	-
Short term deposits	(iv)	882	1,901	104	189
		-----	-----	-----	-----
		\$6,634	\$6,489	\$230	\$189
		-----	-----	-----	-----

**(i) Investment in listed entities**

Perpetual Preference Shares					
- South Canterbury Finance	9.42%	126	210	126	-
Pacific Edge Biotechnology Limited		153	73	-	-
		-----	-----	-----	-----
		\$279	\$283	\$126	\$Nil
		-----	-----	-----	-----

**(ii) Investments in un-listed entities**

Areograph Limited		303	219	-	-
IZON Limited		250	150	-	-
Back Country Foods Limited Preference Shares		-	25	-	-
Fiordland Lobster Company		2,000	-	-	-
Less impairment provision		(185)	-	-	-
		-----	-----	-----	-----
		\$2,368	\$394	\$Nil	\$Nil
		-----	-----	-----	-----

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

<b>(iii) Advances to third parties</b>		3,185	4,411	-	-
Less impairment provision		(80)	(500)	-	-
		-----	-----	-----	-----
		\$3,105	\$3,911	\$Nil	\$Nil
		-----	-----	-----	-----

Advances to third parties are at interest rates between 13% and 13.5% (2009: 11.85% and 13.50%).

		<b>Group</b>		<b>Parent</b>	
	<b>Interest Rate</b>	<b>2010 \$000</b>	<b>2009 \$000</b>	<b>2010 \$000</b>	<b>2009 \$000</b>
<b>(iv) Short term deposits</b>					
Westpac on call	3.00%	104	189	104	189
SBS	4.65%	626	599	-	-
National Bank	4 - 4.2%	152	1,113	-	-
		-----	-----	-----	-----
		\$882	\$1,901	\$104	\$189
		-----	-----	-----	-----

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS**  
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**15. MANAGED FUNDS**

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

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

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 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
<b>Total</b>	<b>\$20</b>	<b>\$16,599</b>	<b>\$13,579</b>	<b>\$154</b>	<b>\$23,926</b>	<b>\$16,375</b>	<b>\$55,453</b>	<b>\$51,239</b>	<b>\$177,345</b>

The fair value of the Managed Funds investments as at 31 March 2009 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		13,462			13,962				27,424
Overseas Equities	12,962		11,658						24,620
NZ Fixed Interest								39,878	39,878
Overseas Fixed Interest							50,108		50,108
Property Equities					4,787				4,787
Foreign Exchange contracts	-	-	-		-		-	(432)	(432)
Cash								8,740	8,740
<b>Total</b>	<b>\$12,962</b>	<b>\$13,462</b>	<b>\$11,658</b>	<b>\$Nil</b>	<b>\$18,749</b>	<b>\$Nil</b>	<b>\$50,108</b>	<b>\$48,186</b>	<b>\$155,125</b>

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

**THE COMMUNITY TRUST OF SOUTHLAND**  
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**16. TRUST ADVANCES**

Loan balances outstanding at 31 March, 2010 were as follows:

	<b>Group</b>		<b>Parent</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Bluff Healthy Homes	10	10	10	10
Southland Outdoor Stadium Trust	750	750	750	750
Southland Rural Fire Authority	30	40	30	40
Invercargill Artificial Sport Surface Trust	97	97	97	97
Northern Southland Medical Trust	50	50	50	50
Otautau Community Health Trust	12	15	12	15
Troopers Memorial Corner Charitable Trust - Yule House	140	150	140	150
Wyndham Rest Home	100	100	100	100
Edendale Vintage Machinery Club	80	80	80	80
Borland Lodge (i)	401	376	401	376
Arrowtown Trust	100	100	100	100
	-----	-----	-----	-----
	\$1,769	\$1,768	\$1,769	\$1,768
	-----	-----	-----	-----

(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**

<b>Name</b>	<b>Percentage Held</b>		<b>Balance Date</b>	<b>Principal Activity</b>
	<b>2010</b>	<b>2009</b>		
Bush Road Limited	30%	30%	31 March	Vegetable processor
Back Country Foods Limited (i)	Note 19	42%	31 March	Freeze dried food producer

(i) During the year the Invest South Holdings Limited, a subsidiary of Community Trust of Southland increased in its investment in Back Country Foods Limited to 80%, refer Note 19.

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

	<b>2010</b>	<b>Group</b>
	<b>\$000</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>
<b>Statement of Financial Position</b>		
Total Assets	1,990	2,777
Total Liabilities	1,717	1,697
Net Assets	273	1,080
Group's share of net assets of associates	103	406
<b>Statement of Comprehensive Income</b>		
Total Revenue	4,061	5,919
Total Profit/(loss) for the period	(291)	(258)
Group's share of associates profits/(losses)	(87)	(68)

**THE COMMUNITY TRUST OF SOUTHLAND**  
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**17. INVESTMENT IN ASSOCIATES (cont)**

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

	<b>2010</b>	<b>Group</b>
	<b>\$000</b>	<b>2009</b>
		<b>\$000</b>
Opening balance	406	494
Reclassification as a subsidiary	(216)	-
Share of profits of associates	(87)	(68)
Share of dividends	-	(20)
Closing balance	<u>103</u>	<u>406</u>

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

**18. INVESTMENT IN SUBSIDIARIES**

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

**19. ACQUISITION OF BUSINESSES**

On 23 June 2009, Invest South Holdings Limited purchased 17% of the Ordinary shares in Back Country Foods Limited for \$84,000, taking its total shareholding to 59%. On 10 August 2009, Invest South Holdings purchased a further 21% of Back Country Foods for consideration of \$105,000 and the remaining 25,000 preference shares for \$25,000. This brought the total shareholding in Back Country Foods Limited to 80%.

**THE COMMUNITY TRUST OF SOUTHLAND**  
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**19. ACQUISITION OF BUSINESSES (cont)**

Financial information in respect of the net assets acquired on acquisition of Back Country Foods Limited is set out below:

	<b>Back Country Foods Limited</b>		
	<b>Book Value</b>	<b>Fair value adjustment</b>	<b>Total fair value on acquisition</b>
<b>Net Assets Acquired</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current assets:</b>			
Cash and cash equivalents	56	-	56
Accounts receivable	209	-	209
Taxation refund due	10	-	10
Inventories	123	-	123
<b>Non-current assets:</b>			
Property, Plant and equipment	313	-	313
<b>Current liabilities:</b>			
Bank overdraft	-	-	-
Accounts payable	(111)	-	(111)
Current tax liabilities	-	-	-
Other creditors	(3)	-	(3)
Accruals	(6)	-	(6)
Shareholder advances	(19)	-	(19)
Preference shares	(50)	-	(50)
Interest bearing loans	(56)	-	(56)
Net assets	<u>466</u>	<u>-</u>	<u>466</u>
Goodwill on acquisition			32
Minority Interest			<u>(93)</u>
Total consideration			405
Less investment in prior years recognised as investment in associate			<u>(216)</u>
Consideration paid in cash			189
Less cash and equivalents acquired			<u>(56)</u>
Net cash outflow on acquisition			<u>133</u>

The contribution to net surplus for the year attributable to the purchase of Back Country Foods Limited was \$9,098.

Further details of the business acquired is disclosed in Note 18.

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**20. PROPERTY, PLANT & EQUIPMENT**

	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Furniture</b>	<b>Motor</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>&amp; Fittings</b>	<b>Vehicles</b>	<b>\$000</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Group</b>						
Cost or Revaluation at 1 April, 2008	280	858	246	158	85	1,627
Additions/Revaluations	20	-	22	5	73	120
Disposals/Revaluations	-	(28)	(4)	-	(54)	(86)
Cost or Valuation at 31 March, 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
Accumulated depreciation at 1 April, 2008	-	213	201	150	49	613
Depreciation	-	17	14	2	25	58
Disposals	-	-	-	-	(28)	(28)
Accumulated depreciation at 31 March, 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
Net book value 31 March, 2009	\$300	\$600	\$49	\$11	\$58	\$1,018
Net book value 31 March, 2010	\$350	\$500	\$287	\$61	\$43	\$1,241
<b>Parent</b>						
Cost or Revaluation at 1 April, 2008	280	858	229	154	85	1,606
Additions/Revaluations	20	-	9	5	45	79
Disposals/Revaluations	-	(28)	-	-	(54)	(82)
Cost or Valuation at 31 March, 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
Accumulated depreciation at 1 April, 2008	-	213	184	147	49	593
Depreciation	-	17	14	2	16	49
Disposals	-	-	-	-	(36)	(36)
Accumulated depreciation at 31 March, 2009	-	230	198	149	29	606
Depreciation	-	18	12	1	17	48
Disposals	-	-	-	-	-	-
Accumulated depreciation at 31 March, 2010	-	248	210	150	46	654
Net book value 31 March, 2009	\$300	\$600	\$40	\$10	\$47	\$997
Net book value 31 March, 2010	\$350	\$500	\$32	\$9	\$30	\$921

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**21. CAPITAL COMMITMENTS**

Commitments of up to \$750,000 (2009: \$600,000) exist for Trust Advances which Trustees have approved, but which had not been drawn down as at balance date. The approved advances are as follows:

	<b>Group</b>		<b>Parent</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
South Catlins Environment and Development Trust	750	600	750	600
	-----	-----	-----	-----
	750	\$600	750	\$600
	-----	-----	-----	-----

A commitment of \$115,000 has been made as the Community Trust of Southland's commitment to a combined Community Trusts' national database project. As at balance date \$108,000 of this commitment had been paid.

**22. RECONCILIATION WITH OPERATING SURPLUS**

	<b>Group</b>		<b>Parent</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Net surplus/(deficit) after taxation	19,910	(24,089)	19,677	(23,700)
<b>Add (less) movement in working capital</b>				
(Increase)/decrease in accounts receivable	(216)	615	(2)	690
(Increase)/decrease in inventory	(212)	-	-	-
(Increase)/decrease in prepayments and tax refund due	(53)	(5)	-	(7)
Increase/(decrease) in accounts payable	57	121	(30)	67
Increase/(decrease) in other creditors and accruals	20	-	-	-
Increase/(decrease) in employee entitlements	49	-	11	-
Increase/(decrease) in grants committed not paid	2,260	(2,091)	2,259	(2,091)
Deduct/(add) items reclassified as investing activities	240	-	-	-
	-----	-----	-----	-----
	2,145	\$(1,360)	2,238	\$(1,341)
	-----	-----	-----	-----
<b>Add (less) movement in non-cash items</b>				
Gains/(losses) from change in fair value investments	(33,875)	20,609	(33,875)	20,475
Depreciation	101	49	47	50
Gains/(losses) from investments at FVTPL	(80)	-	-	-
Impairment/(reversal) on investments carried at amortised cost	(238)	-	-	-
Other	263	7	-	(580)
Revaluation of property, plant and equipment	-	8	-	8
Share of associate's earnings	87	68	-	-
Movement in NPV of loans	-	169	-	169
	-----	-----	-----	-----
	(33,742)	\$20,910	\$(33,828)	\$20,122
	-----	-----	-----	-----
<b>Add (less) items classified as investing/financing activities</b>				
Loan repayment by way of grant approval	-	401	-	401
	-----	-----	-----	-----
<b>Net cash in/(out) flows from operating activities</b>	<b>\$(11,687)</b>	<b>\$(4,138)</b>	<b>\$(11,913)</b>	<b>\$(4,518)</b>
	-----	-----	-----	-----

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March, 2010**

**23. KEY MANAGEMENT PERSONNEL**

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

	<b>Group</b>		<b>Parent</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Short term employee benefits	337	330	185	163
	-----	-----	-----	-----
	\$337	\$330	\$185	\$163
	-----	-----	-----	-----

**24. 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.



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**24. FINANCIAL INSTRUMENTS (Cont.)**

Currency Risk

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

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

Equity Price Risk

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

**Credit Risk Management**

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

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

**Liquidity Risk Management**

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

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

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS**  
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**24. FINANCIAL INSTRUMENTS (Cont.)**

**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% (2007: 5.4%) 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	10%
New Zealand Cash	5%
	-----
	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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**24. FINANCIAL INSTRUMENTS (Cont.)**

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

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

31 March 2010	Interest Rate Risk		Foreign Exchange Risk		Equity Price Risk	
	-1%	+1%	-10%	+10%	-10%	+10%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Net Surplus/(Deficit)	\$4,360	\$(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

31 March 2009	Interest Rate Risk		Foreign Exchange Risk		Equity Price Risk	
	-1%	+1%	-10%	+10%	-10%	+10%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Net Surplus/(Deficit)	\$4,096	\$(4,096)	\$3,904	\$(3,194)	\$(5,783)	\$5,783
Total Funds Employed	\$4,096	\$(4,096)	\$3,904	\$(3,194)	\$(5,783)	\$5,783

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

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

US\$	50%
Euros	30%
Yen	20%

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

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS**  
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**24. 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.

	<b>Less than 1 year</b>	<b>1-2 Years</b>	<b>2-3 Years</b>	<b>More than 3 years</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2010</b>					
Accounts payable	480	-	-	-	480
Grants committed not paid	8,685	1,583	1,022	2,022	13,312
	<u>\$9,165</u>	<u>\$1,583</u>	<u>\$1,022</u>	<u>\$2,022</u>	<u>\$13,792</u>
<b>2009</b>					
Accounts payable	423	-	-	-	423
Grants committed not paid	11,598	677	167	45	12,485
	<u>\$12,021</u>	<u>\$677</u>	<u>\$167</u>	<u>\$45</u>	<u>\$12,908</u>

**25. RELATED PARTY TRANSACTIONS**

**Transactions with Key Management Personnel**

Key management declared interests in relation to organisations that received grants totalling \$64,188 (2009: \$65,887) 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 \$7,578,073 (2009: \$2,616,229) 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 purchased preference shares in South Canterbury Finance from Invest South Holdings Limited at market value. A loss of \$84,000 was incurred by Invest South Holdings Limited on this transaction. \$126,000 was outstanding at balance date (2009: \$Nil).

In 2009, the Trustees paid in capital of \$500,000 to Invest South Holdings Limited.

**26. CONTINGENT LIABILITY**

Invest South Holdings Limited, a subsidiary of Community Trust of Southland has provided a guarantee to National Bank of \$150,000 for its subsidiary, Back Country Foods Limited.

**THE COMMUNITY TRUST OF SOUTHLAND**  
**NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 March, 2010**

**27. TRUSTEE FEES**

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

		<b>Meetings Attended</b>	<b>Fees 2010 \$000</b>	<b>Fees 2009 \$000</b>
Tracy Hicks		48	38	25
Alison Broad		44	22	24
Peter Redpath	(retired 1 September 2009)	13	8	19
Wayne Harpur		32	17	19
Raewynne Evans		37	19	19
Neil Wyeth	(retired 1 September 2009)	13	9	18
Trish Lindsay		43	22	20
Joan Kiernan		28	16	17
Craig Robins		40	19	16
Linette Sinclair		43	21	19
Toni Green	(appointed 1 September 2009)	17	9	-
Robin Campbell	(appointed 1 September 2009)	17	9	-
			-----	-----
			\$209	\$196
			-----	-----

*A list of all distributions of income and capital approved by The Community Trust of Southland during the year ended 31 March 2010 is available, on request, from the trust's office at 62 Don Street (PO Box 1646), Invercargill.*

**AUDIT REPORT****TO THE TRUSTEES OF THE COMMUNITY TRUST OF SOUTHLAND**

We have audited the financial statements on pages 3 to 28. The financial statements provide information about the past financial performance and financial position of the Community Trust of Southland and group as at 31 March, 2010. This information is stated in accordance with the accounting policies set out on pages 7 to 12.

**Board of Trustees' Responsibilities**

The Board of Trustees is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Community Trust of Southland and group as at 31 March, 2010 and of the results of operations and cash flows for the year ended on that date.

**Auditors' Responsibilities**

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Trustees.

**Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Trustees in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Trust and group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in the Community Trust of Southland or any of its subsidiaries.

**Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Community Trust of Southland as far as appears from our examination of those records; and
- the financial statements on pages 3 to 28 :
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of the Community Trust of Southland and group as at 31 March, 2010 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 3 August, 2010 and our unqualified opinion is expressed as at that date.

Chartered Accountants  
DUNEDIN, NEW ZEALAND