

**THE COMMUNITY TRUST OF MID & SOUTH
CANTERBURY INC**

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 MARCH 2017

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

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THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Trust Particulars

As at 31 March 2017

THE COMMUNITY TRUST OF MID AND SOUTH CANTERBURY INC was incorporated as a Charitable Trust in accordance with the provisions of the Trustee Banks Restructuring Act 1988. The purpose of the Community Trust is to provide charitable, cultural, philanthropic and recreational benefits to the community.

Trustees	Peter O'Leary (Chairperson); BCom, Dip.Bus.Admin Michelle Brett Raeleen de Joux Rex Whiting; Adv.Dip.Tchg Jenifer Strauss; BA LLB Maarten Dirkzwager; LLB (Hons) Jan Hide; RN (Deputy Chairperson) Karen Simpson Michele Keggenhoff; BSc (Hons) Rob Smith; BSc Dip.Tchg David Forman; LLB, BCom
Chief Executive Office	Elizabeth Shea; Dip Bus
Investment Advisor	Michael Chamberlain, MCA NZ Ltd, Auckland
Investment Managers	Forsyth Barr Nikko Asset Management PIMCO Elevation Capital
Custodians	BNP Paribas Public Trust
Accountants	HC Partners LP Chartered Accountants 39 George Street TIMARU
Auditor	Martin Wakefield Chartered Accountants 26 Canon Street Timaru 7910
Bankers	Westpac Bank, Timaru

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Chairperson's Report

For the Year Ended 31 March 2017

Highlights

- Donations Approved \$1.449 million
- Second Payment to our First Multi Year Funding Donation made the previous year
- Pleasing Returns from Investment Portfolio
- Investment Expansion to include Private Equity
- Community House Maintenance Plan Tasks accomplished

Financial Performance

The year end 31 March 2017 financial revenue was very pleasing, recording \$5.373m compared to the previous year \$3.258m. This result was bolstered by the positive capital market movement over the final quarter of the year, as up to that point the revenue total had only been tracking towards an average return. The figures equate to a return of 10.48% for 2017, compared to 6.53% for 2016.

Expenses in Investment Operations and Community House were in line with our budget and there were no unanticipated expenditure variations. The Board constantly reviews our expenditure levels and manage this aspect through the budgeting process.

The Financial Statements itemise and compare expenses 2017 and 2016 [Notes 6 & 10]. The reduction in Operating Expenses [Note 6] is due to the one-off nature of professional fees and the 25th Anniversary Project recorded in 2016. The expense increase in Community House [Note 10] is due to depreciation on new plant and planned maintenance.

Donations approved for the year totalled \$1.449m.

The surplus for the year is \$3.438m and advances the Trust Capital Account and total equity to \$57.065m compared to \$53.62m in the 2016 year.

The Statement of Changes in Equity gives a breakdown of the Capital Fund between initial capital, inflation reserve and general reserves. The surplus for the year is divided between inflation and general reserves. The trend set in recent years of lower inflation has meant the general reserve receives a good boost again this year and the reserve now stands at \$11.288m, which is 19.80 % of the total fund.

This General Reserves fund of \$11.288m is our shield against the unexpected and should allow the Community Trust to make donations at a consistent level in the future.

The Trustees are conscious of their guardianship role of the Capital Fund and the intergenerational concept attached to preserving the funding base for future years. With inflation taken into account the original fund would be \$46m in 2017.

The Community Trust completed its 2017/2018 budget early in 2017 and our expectation is that income returns should be in line with the 2017 year.

Last year a decision was made to extend our investment portfolio to include private equity (portfolios of investment in private companies) and this initial step into this sector is shown in Note 16 to the Financial Statements, with reference to the Waterman, Direct Capital and Pioneer Capital funds. This figure of \$478,808 will be added to as the opportunities arise.

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Chairperson's Report (Continued)

For the Year Ended 31 March 2017

Advice on investments is provided by our Investment Advisor Michael Chamberlain, of MCA Limited. They provide summarised monthly reports, comprehensive quarterly reports, assistance in the annual review of our Statement of Investment Policies and Objectives (SIPO) and reports on other investment related matters. The Board acknowledges the input of MCA into the overall management of the Community Trust's investment portfolio.

Accounting services are provided by Paul Wolffenbuttel of H C Partners L P and this professional advice is very much valued by the Board. This is the second year of Public Benefit Entity Tier 2 reporting and we acknowledge H C Partners' guidance in the transition to this new reporting status in our previous Annual Report and Financial Statements.

Community House

Community House Timaru has a book value of \$2.285m and this is recorded in the Statement of Financial Position in the non-current asset section. The Board does not look for a commercial rental return on this asset, but provides the building as a support base to the Timaru/South Canterbury organisations who work in the fields of health, welfare and education. The provision of good quality subsidised office space to these non-profit organisations is a good foundation for them to deliver services to their numerous clients. This year the licence to occupy document that covers the tenancy terms has been updated to cover the changes in legislation and especially the health and safety aspects. The building occupancy has been at near full capacity these past four years, showing there is a high demand for this type of office space in Timaru. At year end there were 21 full time tenants in Community House.

The operations of Community House are budgeted to do slightly better than break even as it is not a current policy of the Community Trust to cover a negative result. This year the surplus was only \$387 as there were increased costs in depreciation and maintenance compared to the previous year. The depreciation relates to the new air conditioning/heating plant installed last year and maintenance in accord with our longer term plan.

During the year the air conditioning/heating plant was extended to cover the "upstairs" offices and meeting rooms. The bright colours used in the painting programme and refurbished furniture placed in the communal area have uplifted the office environment.

A new front door was fitted and we acknowledge a contribution of \$2,086 from the Timaru District Council Heritage Fund.

Donations

The Community Trust approved in total \$1.449m in donations for the year and this is an increase of \$256,000 or 21.50% over 2016. Over the past five years the Trust has approved \$5.651m in donations averaging \$1.130m per year. This advance in donation approval is in line with the strengthening over recent years of the Community Trust's financial position.

233 donations were approved, 135 to organisations and 98 to schools, kindergartens and early learning centres. These donations cover organisations that have activities in the areas of community health and welfare, culture and heritage, sport and recreation, education, youth and the environment.

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Chairperson's Report (Continued)

For the Year Ended 31 March 2016

Major allocations approved this year were:

\$186,502	Mid and South Canterbury Schools, Kindergartens & ELCs
\$150,000	Seniorcare Geraldine Inc
\$100,000	South Canterbury Museum Development Trust
\$ 80,000	Te Aitarakihi Trust
\$ 75,000	Te Runanga O Arowhenua Society Inc
\$ 75,000	Methven Historical Society
\$ 40,000	Lake Tekapo Bright Stars Community Trust
\$ 40,000	Temuka and Districts Project Trust
\$ 30,000	Sport Canterbury – Mid and South Canterbury Offices
\$ 30,000	Wilson Street Baptist Church

In the 2016 year the Community Trust reported that we had approved the first multi-year funding donation covering three years for the YMCA to deliver their resiliency programme to students in our region's secondary schools. The second payment of \$50,000 was made during 2017 as the outcomes were on target. The funding of this donation was allocated in the 2016 financial year.

On-line applications are now an integral part of the Board's process of receiving applications and at the end of this financial year 150 applicant organisations were registered to use this on-line portal.

The donation budget for the 2017/2018 year has again been set at \$1.5m, the same as the previous year when the budget had been increased by \$300,000. The principles in determining outcomes to applications remains the same as Trustees base the criteria on the quality and or significance of the project to be funded to meet community needs.

Since the inception of the Community Trust 29 years ago the Trust has approved in total \$26.33m in donations.

Strategic Planning

In accord with recent practice, the Trustees and Staff hold an annual Strategic Planning/ Focus Day where time is taken to discuss strategy matters outside the parameters of the monthly Board meeting. The 2016 session agenda was to build on to the concepts introduced in 2015 and review what had been actioned. We also focussed on the issues around poverty in our district, social investments, collaboration and community needs.

1 of these matters are ongoing with our funding support to our community and we have a sub-committee exploring all avenues of "collaboration" to ensure we fully understand the roles of other organisations operating in our region.

The Community Trust has taken an active part in the formation of a South Canterbury Spaces and Places Plan where the objective is to identify and prioritise sport and recreation facility needs for the future - the local District Councils and Sport Canterbury are the lead participants.

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Chairperson's Report (Continued)

For the Year Ended 31 March 2016

Trustees

There was one change to the Board of Trustees during the year in that the Associate Minister of Finance appointed David Forman (Timaru) to replace Maarten Dirkzwager (Timaru) who retired following two terms as a Trustee and as chair of the Board's Finance and Investment Sub-committee. David Forman's appointment is for a four year term and commenced on 1 June 2016. We do acknowledge Maarten Dirkzwager's input to the Board in fulfilling his role of Trustee, and a huge thank you is extended in appreciation of his dedication.

To all the Trustees, thanks for the input to the Board's deliberations that move the Board forward in the desired direction.

The "in house" Annual General Meeting was held on 27 June 2016 in Methven, when a monthly Board meeting was scheduled outside the Timaru base. At this AGM Peter O'Leary was reappointed Chairperson and Jan Hide was re-appointed Deputy Chairperson.

Staff

The Community Trust Board functions very well in its governance role in the decision making process that is part and parcel of a working Trust delivering to the Mid and South Canterbury region. The staff input is a very valued part of the Board meetings as the timely reports collated and circulated ensure the Board make informed decisions.

The Board salutes the high standards that have been set and achieved by the staff.

The Chief Executive Officer Liz Shea very ably leads the staff team and is supported in her endeavours by the Community Relations Manager Clive Callow and the Office Administrator Sally Marsh. We appreciate the dedication to duties of these staff members and applaud their work ethic.

Peter O'Leary
Chairperson

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Statement of Comprehensive Revenue and Expense

For the Year Ended 31 March 2017

	Note	2017	2016
		\$	\$
<u>INVESTMENT OPERATIONS</u>			
Revenue			
Investment Income	2	5,372,717	3,257,809
Direct Investment Expenses	3	(198,604)	(207,514)
Gross Surplus		5,174,113	3,050,295
Administration Expenses	4	43,159	40,543
Standing Charges	5	14,724	13,299
Other Operating Expenses	6	254,286	271,065
Total Direct Investment Expenditure		312,169	324,907
Surplus for the Year from Investment Operations		4,861,944	2,725,388
<u>COMMUNITY HOUSE OPERATIONS</u>			
Revenue	7	148,046	147,624
Administration Expenses	8	17,198	17,958
Standing Charges	9	29,951	32,148
Other Operating Expenses	10	100,511	86,619
		147,660	136,725
Surplus for the Year from Community House Operations		387	10,899
<u>CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE</u>			
Surplus for the Year from Investment Operations		4,861,944	2,725,388
Surplus for the Year from Community House Operations		387	10,899
Gross Surplus for the Year from Continuing Operations		4,862,331	2,736,287
Donations Approved	11	(1,449,351)	(1,193,125)
Donations No Longer Required/Lapsed	12	24,546	16,471
Total Comprehensive Revenue and Expense for Year		3,437,525	1,559,633
Surplus Attributable to:			
Trust Capital Account		3,437,525	1,559,633
Total Comprehensive Revenue and Expense Attributable to:			
Trust Capital Account		3,437,525	1,559,633

These financial statements are to be read in conjunction with the accompanying notes. These statements have been audited.

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Statement of Changes in Net Assets/Equity

For the Year Ended 31 March 2017

	Notes	Initial Capital Fund	Inflation Reserve	General Reserves	Total equity
2017					
Balance at 1 April 2016		32,087,148	12,705,188	8,835,491	53,627,827
Profit/(loss) after income tax		-	985,431	2,452,094	3,437,525
Total comprehensive income		-	985,431	2,452,094	3,437,525
Balance at 31 March 2017		<u>32,087,148</u>	<u>13,690,619</u>	<u>11,287,585</u>	<u>57,065,352</u>
2016					
Balance at 1 April 2015		32,087,148	12,526,688	7,454,358	52,068,194
Share of Current Movement in Equity		-	178,500	1,381,133	1,559,633
Total comprehensive income		-	178,500	1,381,133	1,559,633
Balance at 31 March 2016		<u>32,087,148</u>	<u>12,705,188</u>	<u>8,835,491</u>	<u>53,627,827</u>

These financial statements are to be read in conjunction with the accompanying notes. These statements have been audited.

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Statement of Financial Position

For the Year Ended 31 March 2017

	Note	2017	2016
		\$	\$
Current Assets			
Cash and Cash Equivalents	13	4,704,480	3,440,571
Receivables (from exchange transactions)	14	90,239	81,962
Receivables (from non-exchange transactions)	14	8,778	7,857
		<u>4,803,497</u>	<u>3,530,390</u>
Non-Current Assets			
Property, Plant and Equipment	15	2,285,490	2,275,138
Investments at Fair Value through Profit and Loss	16	49,685,808	48,010,836
Available For Sale Financial Assets	16	485,493	25,013
		<u>52,456,792</u>	<u>50,310,987</u>
Total Assets		<u><u>57,260,289</u></u>	<u><u>53,841,377</u></u>
Current Liabilities			
Payables (from exchange transactions)	17	87,936	69,533
Payables (from non-exchange transactions)	18	107,000	144,017
		<u>194,936</u>	<u>213,550</u>
Total liabilities		<u>194,936</u>	<u>213,550</u>
Equity			
Trust Capital		53,627,827	52,068,194
Retained Earnings/Accumulated Losses		3,437,525	1,559,633
Total Equity		<u>57,065,352</u>	<u>53,627,827</u>
Total Liabilities and Equity		<u><u>57,260,289</u></u>	<u><u>53,841,377</u></u>

For and on behalf of the Board of Trustees:

Chairperson

Trustee

Date

Date

These financial statements are to be read in conjunction with the accompanying notes. These statements have been audited.

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Statement of Cash Flows

For the Year Ended 31 March 2017

	Note	2017	2016
		\$	\$
Cash Flows From Operating Activities			
Receipts from Operations		151,589	148,924
Payments to Suppliers and Employees		(436,076)	(460,245)
Management and Consultancy Fees		(182,590)	(226,621)
Donations		(1,471,822)	(1,200,637)
Net GST Refunds (Payments)		1,158	279
Net Cash Flows Generated by Operating Activities		(1,937,741)	(1,738,300)
Cash Flows from Investing Activities			
Proceeds on Sale of Financial Assets		1,228,045	83,332
Gain (Loss) on Conversion of Cash and Cash Equivalents		2,796	(3,933)
Dividends Received		1,141,857	1,271,179
Interest Received		1,337,442	999,190
Purchase of Property, Plant and Equipment		(29,683)	(46,117)
Purchase of Investments		(478,808)	-
Net Cash Flows Generated by Investing Activities		3,201,649	2,303,651
Net increase (decrease) in cash and cash equivalents held		1,263,908	565,351
Cash and cash equivalents at the beginning of the period		3,440,572	2,875,221
Cash and cash equivalents at the end of the period	13	4,704,480	3,440,572

These financial statements are to be read in conjunction with the accompanying notes. These statements have been audited.

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and forming part of the Financial Statements

For the Year Ended 31 March 2017

1 Statement of Accounting Policies

Reporting Entity

The Community Trust of Mid & South Canterbury is a Public Benefit Entity for Financial Reporting purposes in accordance with its governing legislation the Community Trusts Act 1999 s2.

The financial statements for the year ended 31 March 2017 were approved and authorised for issue by the Board of Trustees on 28th August 2017.

Reporting Period

The financial reports have been prepared for the period 1 April 2016 to 31 March 2017 and in accordance with the requirements of the Community Trusts Act 1999 s13.

Presentation Currency

These financial statements are presented in New Zealand dollars, rounded to the nearest dollar.

Financial Reporting Standards Applied

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"), applying PBE Accounting Standards (PBE IPSAS) Reduced Disclosure Regime as appropriate to public benefit entities that qualify for Tier 2 reporting. The Trust is considered a Public Benefit Entity as it meets the criteria specified as "having a primary objective to provide goods and/or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for financial return to equity holders".

PBE Accounting Standards Reduced Disclosure Regime

The Trust qualifies for Tier 2 as the Trust is not publically accountable and is not considered large as it falls below the expenditure threshold of \$30 million per year. All relevant reduced disclosure concessions have been taken.

The accounting principles recognised as appropriate for the measurement and reporting of the statement of comprehensive income and balance sheet on an historical cost basis are followed by the Trust, except that certain investments are disclosed at fair value.

Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the year.

The accounting principles recognised as appropriate for the measurement and reporting of the Statement of Financial Performance and Statement of Financial Position in the financial statements are prepared on the historical cost basis unless otherwise noted in a specific accounting policy.

(a) Assumptions and Estimation Uncertainties

The Trustees have not made any assumptions or estimations regarding future activities of the Community Trust of Mid and South Canterbury.

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of the Statement of Financial Performance and Statement of Financial Position have been applied:

(a) Revenue Recognition

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Trust, and measured at the fair value of consideration received or receivable.

(b) Dividend Income

Dividend Income is included in the Statement of Financial Performance when it is received.

(c) Donations

Donations, Special Projects and Community Loans are accounted for when they are approved for payment.

(d) Investments

Financial Assets at Fair Value through Profit or Loss

Investments held as managed funds are shown at market value. Net income, including unrealised gains or losses from holding such investments are recorded in the Statement of Financial Performance.

Shares in listed companies and managed funds qualify as financial assets at fair value through profit or loss because they are portfolio investments and derivative assets. They are initially recorded at cost and subsequently revalued to market bid price as a measure of fair value. Gains and losses are recorded in the Statement of Financial Performance.

Financial Assets Available For Sale

The investment in Te Kete Putea LP is not actively traded on an open market. It is held for operational as opposed to investments purposes and is carried at cost, less any impairment. It is non-derivative and classed available for sale.

(e) Trust Capital

Trust Capital is made up of:

Capital Fund - which records the Initial Capital Fund (being the realised value of Trust Bank Shares) together with a reserve calculated each year by applying the Consumer Price Index to the opening Capital Fund. The additional amount is allocated from Trust profit on an annual basis.

General Reserves - this recognises a general reserve intended to enable the Trustees to continue with distributions should the Trust incur a deficit in a particular income year.

(f) Depreciation

Depreciation has been calculated as follows using the Diminishing Value method:

Property, Plant, and Equipment	8% - 50%
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(g) Foreign Currencies

Transactions in foreign currencies are converted at spot rate at the date of the transaction or a rate approximating that rate.

At balance date, foreign monetary assets and liabilities are translated at the spot rate and movements, both realised and unrealised gains and losses, are recognised in the statement of financial performance.

(h) Vesting Employment Benefits

The Trust provides for holiday pay as a current liability, which is vesting to staff. Holiday pay is calculated as the maximum liability payable as at balance date.

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

(i) Fixed Assets

Items of Fixed Assets are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of Fixed Assets is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

All other repairs and maintenance are recognised as expenses in the Statement of Financial Performance in the financial period in which they are incurred.

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Cash Generating Assets

The Community Trust does not hold any cash generating assets. Assets are considered cash generating where their primary objective is to generate a commercial return.

Non Cash Generating Assets

Property, plant, and equipment and intangible assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an assets fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an assets carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

(j) Income Tax

The Trust is exempt from income tax in accordance with Section CW52 of the Income Tax Act 2007.

(k) Goods and Services Taxation (GST)

Revenues and expenses have been recognised in the financial statements exclusive of GST except that irrecoverable GST input tax has been recognised in association with the expense to which it relates. All items in the Statement of Financial Position are stated exclusive of GST except for receivables and payables which are stated inclusive of GST.

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

(l) Capital Commitments

The Community Trust of Mid and South Canterbury has uncalled capital commitments as follows:

	2017	2016
	\$	\$
Waterman Fund 3	1,181,250	-
Direct Capital Fund 5	1,491,594	-
Pioneer Capital Fund 3	1,380,586	-
	4,053,430	-

(m) Contingent Liabilities

There are no Contingent Liabilities as at 31 March 2017 (2016 : Nil).

(n) Contingent Assets

There are no Contingent Assets as at 31 March 2017 (2016 : Nil).

(o) Advances

There are no advances outstanding at Balance Date.

(p) Financial Instruments

The following table analyses Financial Instruments carried at fair value by valuation method. The different levels have been defined in Note (s).

	2017	2016
	\$	\$
<i>Level 1</i>		
Australasian Equities	13,320,158	11,863,594
	13,320,158	11,863,594
<i>Level 2</i>		
Global Equities	22,802,761	20,969,660
Global Fixed Interest	(618,609)	272,034
	22,184,152	21,241,694
<i>Level 3</i>		
Te Kete Putea Limited Partnership	6,686	25,013
Private Equity	10,631,958	10,759,216
Unlisted Property	4,028,348	4,146,342
	14,666,991	14,930,571

Credit Risk - 40% of the assets of the Trust are represented by debt investments and Current Account balances with Westpac Bank and through Managed Funds. The Trustees consider the risk of non-recovery of these investments at balance date to be within satisfactory guidelines.

The maximum exposure to credit risk of other financial instruments are:

	2017	2016
	\$	\$
Accounts Receivable	92,557	85,295
GST Refund Due	6,460	4,523
Managed Fund Equities	31,985,564	29,351,803
	32,084,581	29,441,621

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

(p) Financial Instruments (continued)

Currency Risk - The Trust is party, through its Managed Funds, to financial instruments with off Balance Sheet risk to reduce exposure to fluctuations in foreign currency exchange rates. Forward exchange contracts are entered into to hedge foreign currency transactions.

The Trust is also party through its Managed Funds, to financial instruments with off Balance Sheet risk to reduce exposure to fluctuations in foreign currency interest rates.

Interest Rate Risk - The following investments of the Trust are sensitive to changes in interest rate: Bank Call Accounts and Term Deposits, and various Managed Fund Investments.

(q) Rental

The Trust records an internal charge for "rental" between the Community Trust operating activity and the Community House to reflect the utilisation of the Community House for Community Trust activities.

The Rental for the year to 31 March 2017 totalled \$11,844 (2016 : \$11,844).

(r) Leases as Lessor

The Trust leases out premises and car parks on periodic licences. The future minimum rentals are as follows:

31 March 2018	\$90,193
31 March 2019	\$90,193

The licences have a duration of 12 months but can be cancelled by one months notice at any stage by either party. The anticipated minimum rentals are expected to stay at the same level as the current rentals due.

(s) Financial Assets at Fair Value Through Profit or Loss

The fair value of financial assets is classified by reference to the fair value hierarchy within *NZ IFRS7 Financial Instruments: Disclosures*

- Level 1: quoted prices (unadjusted) in active markets for identical assets.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices).
- Level 3: inputs for the asset that are not based on observable market data (unobservable data).

The Trust financial assets are classified as follows:

Level 1: Australasian Equities, New Zealand Fixed Interest and Cash

The Trust financial assets classified as Level 1 include its investments in Australasian equities, New Zealand fixed interest and cash. These financial assets are traded in active markets and their fair value is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Trust is the current bid price at close of business on balance date.

Level 2: Global Equities and Global Fixed Interest

The Trust investments in global equities and global fixed interest are held through units or shares in pooled funds. The units or shares are not traded on an active market but their values are derived from the quoted market value of the underlying equity or fixed interest securities. Therefore these investments are classified as Level 2.

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

(s) Financial Assets at Fair Value Through Profit or Loss (continued)

Level 3: Private Equity, Global Credit and Unlisted Property

The Trust classifies its investments in private equity, global credit and unlisted property as Level 3 financial assets. These investments are not traded in an active market and their fair value is determined by using valuation techniques in which one or more of the significant inputs is not based on observable market data.

The fair value of investments in private equity is determined internally by the fund manager, in accordance with NZ GAAP, and using valuation techniques including the discounted cash flow method and earnings multiples. The valuation relies on financial data of investee companies and estimates by management.

The fair value of unlisted property is based on external independent market valuation for investment properties. This valuation is dependent on management estimates of capitalisation and discount rates, inflows from rental income and maintenance requirements. Independent external valuations of projects under construction or refurbishment are also undertaken.

(t) Financial Instruments at Fair Value through Profit or Loss

Financial instruments are recognised if the Trust becomes a party to the contractual provisions of the instruments. Financial assets are initially measured at fair value plus transaction costs except for those classified as fair value through profit or loss which are initially measured at fair value. Financial assets are derecognised if the Trust's right to the cash flows from the financial assets expire or if the Trust transfers a financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date. Financial liabilities are derecognised if the Trust's obligations, specified in the contract, expire, are discharged or cancelled.

(u) Available for Sale Financial Assets

The fair value of TKPLP is determined using an appropriate valuation technique. As the valuation is not based on observable market data, the Trust classifies TKPLP as Level 3 within the fair value hierarchy of NZ IFRS7 Financial

(v) Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash balances and call deposits with a maturity of less than 90 days from 31 March 2017. The carrying value approximates their fair value.

(w) New IPSAS PBE Tier 2 standards and interpretations issued but not yet effective

A number of new standards and interpretations have been issued but are not yet effective for the current year-end. The reported results and financial position of the trust is not expected to change on adoption of these pronouncements as they do not result in any changes to the entity's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements.

The Trust does not intend to adopt any of the new pronouncements before their effective dates.

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2017

	Note	2017	2016
		\$	\$
INVESTMENT OPERATIONS			
2. REVENUE			
Revenue From Exchange Transactions:			
Portfolio Income (Realised Revenue)		3,857,744	2,097,179
Net Change in Fair Value of Financial Assets (Unrealised)		1,514,973	1,160,630
		5,372,717	3,257,809
3. DIRECT INVESTMENT EXPENSES			
Management Fees		121,068	133,296
Custodian Fees		47,510	47,555
Consultancy Fees		30,026	26,663
		198,604	207,514
4. ADMINISTRATION EXPENSES			
Accountancy and Advisory Fees		11,071	10,035
Advertising		9,573	8,576
Auditor's Fees		7,150	6,650
Postage, Tolls and Phone		5,856	6,606
Printing and Stationery		4,169	4,334
Sundry Administration Expenses		5,341	4,342
		43,159	40,543
5. STANDING CHARGES			
Rental	1(r)	11,844	11,844
Trustees Insurance		2,880	1,455
		14,724	13,299
6. OTHER OPERATING EXPENSES			
Conference Expenses		10,299	6,962
Depreciation : Plant & Equipment		4,816	5,669
General Professional Fees		4,291	16,870
Salary and Wages	6a	125,211	122,616
TKP Database Costs		9,015	9,523
Trustees & Staff Training		4,118	3,833
Trustees Travel		13,287	10,915
Trustees Honoraria & Meeting Expenses	6b	83,249	82,861
25th Anniversary Project		-	11,816
		254,286	271,065
6a. EMPLOYEE BENEFIT EXPENSE			
Salary and Wages expense includes the following Employee Benefit Expense:			
Defined Contribution Plans		2,878	2,812
		2,878	2,812
6b. PERSONNEL EXPENSES			
The Trust has a relationship with its key management personnel. Key management personnel includes the Trust's Board of Trustees and Senior Management. Key management personnel compensation includes the following expenses:			
Salaries		152,211	149,616
Trustee Honoraria		79,645	79,636
Trustee Meeting Expenses		3,604	3,225
		235,460	232,477

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2017

Note	2017	2016
	\$	\$
<u>COMMUNITY HOUSE OPERATIONS</u>		
7. REVENUE		
Revenue From Exchange Transactions:		
Sundry Rentals	10,874	14,074
Lease Rentals	101,824	101,554
Printing and Fax Charges Reimbursed	22,446	21,631
Carpark Rental	10,813	10,365
Sundry Income	3	-
Revenue From Non-Exchange Transactions:		
Donations	2,086	-
	148,046	147,624
8. ADMINISTRATION EXPENSES		
General Administration	7,500	8,622
Telephone & Tolls	9,698	9,336
	17,198	17,958
9. STANDING CHARGES		
Insurance	23,626	26,087
Rates	3,238	3,222
Security and Alarms	3,087	2,839
	29,951	32,148
10. OTHER OPERATING EXPENSES		
Cleaning	12,114	11,350
Depreciation : Land & Buildings	8,922	3,420
Depreciation : Plant & Equipment	5,594	2,040
Heating and Power	20,640	19,781
Loss on Sale of Fixed Assets	-	685
Low Value Assets < \$500	480	340
Maintenance	25,761	22,003
Salary & Wages	27,000	27,000
	100,511	86,619

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2017

	\$
11. DONATIONS APPROVED	DONATION
Albury Ice Hockey Association	3,000
Alzheimers Society S C Inc	5,000
Aoraki Multicultural Council	7,500
Aorangi South Canterbury Golf Association	10,000
Arthritis Foundation of New Zealand Inc	5,000
Ashburton Cadet Corps Assn	1,500
Ashburton Community Alcohol & Drug Service	4,000
Ashburton Golf Club	5,000
Ashburton Learning Centre	5,000
Ashburton Pony Club - Mill Creek Branch	894
Ashburton Range Users Association	5,000
Ashburton Senior Citizens Inc	5,000
Ashburton Youth Cafe Charitable Trust	8,000
Ashbury Croquet Club	1,600
Asthma New Zealand	5,000
Autism New Zealand Canterbury/West Coast Branch	5,500
Barnardos New Zealand	5,000
Birthright Canterbury Trust	4,975
Bushtown Waimate Inc	10,000
CanTeen Canterbury/West Coast	5,000
Canterbury Mens Centre	3,000
Canterbury West Coast Air Rescue Trust	5,000
CCS Disability Action	5,000
Citizens Advice Bureau S C Inc	10,000
Classic Action Motorcycle Sport	2,650
Community House Mid Canterbury Charitable Trust	5,000
Dementia Canterbury Inc.	5,000
Depression Support Network	5,000
English Language Partners NZ	10,000
Geraldine Academy of Performance and Art	4,000
Geraldine Arts & Plants Festival	3,000
Geraldine Bowling Club	5,000
Geraldine Historical Society Inc	15,000
Geraldine Pony Club	7,500
Geraldine Toy Library	3,270
Hampstead Rugby Club	11,750
Hearing Assn South Canterbury Inc	2,802
Highfield Mountainview Scout Group	1,700
Highfield Tennis Club	2,500
Hinds Playcentre	2,713
Hospice Mid-Canterbury Trust	8,000
K2 Youth Development Trust	20,000
Lake Tekapo Bright Stars Community Trust	40,000
Lake Tekapo Volunteer Fire Brigade	20,000
Lauriston Hall Committee	5,000
Learning For You S C	5,000
Life Education Trust Mid and South Canterbury	9,000
Lifeline NZ	5,000
Literacy South Canterbury Inc	5,000
Lyndhurst Community Society Inc	7,750
Mackenzie Alpine Trust	2,518
Mackenzie Community Enhancement Board	3,000
MacKenzie Toy Library	327
Mania-o-roto Scout District	1,000

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2017

	\$
11. DONATIONS APPROVED (Continued)	DONATION
Methven Golf Club Inc	5,000
Methven Historical Society (and Methven Public Library)	75,000
Methven Playcentre	1,000
Mid Canterbury Childrens Events and Activities Trust	1,000
Mid Canterbury Cricket Assn Inc	5,000
Mid Canterbury Newcomers Network Inc	5,000
Mid Canterbury Playcentre Assn Inc	10,000
Mid Canterbury Vintage Machinery Club Inc	15,000
Mt Somers/Steveley Playcentre	2,500
Muscular Dystrophy Assn Canterbury	6,000
National Heart Foundation	5,000
New Zealand Federation of Young Farmers Clubs Inc	10,000
Ngai Tahu Maori Rock Art Trust	8,625
Northdown Te Rangi Scout Group	1,500
NZ Council of Victim Support Groups Inc	5,000
Parent to Parent Greater Canterbury Region	2,150
Parkinsons Society South Canterbury	5,000
Pleasant Point Bowling Club Inc	2,500
Pleasant Point Scout Group	3,138
Presbyterian Support Upper South Island	4,000
Riverbridge Native Species Trust	3,000
Ronald McDonald House Charities New Zealand Trust	5,000
Royal NZ Plunket Society - Mid & South Canterbury	10,000
Royal Forest and Bird Protection Society	1,665
Scout Assn of New Zealand Geraldine	1,218
Seniorcare Geraldine Inc	150,000
Snow Sports NZ	1,000
South Canterbury Aviation Heritage Centre	1,000
South Canterbury Football Assn Inc	5,000
South Canterbury Hospice Inc	4,000
South Canterbury Indian Cultural Society	2,000
South Canterbury Museum Development Trust	100,000
South Canterbury Olympic Wrestling Club	4,440
South Canterbury Rugby Football Union Inc	5,000
South Canterbury Rugby Referees Assn	1,240
South Canterbury Savage Club Inc	8,000
South Canterbury Stroke Club	3,280
South Canterbury Women's Wellness Inc	2,500
South Rangitata Reserve Inc	5,000
Southern Alps Country Music Awards	3,000
Sport Canterbury - Mid and South Canterbury Offices	30,000
St Andrews Presbyterian Church Ashburton	13,889
St Mary's Church	2,157
Taki Rua Productions Society Inc.	2,500
Te Aitakihi Trust	80,000
Te Runanga O Arowhenua Society Inc	75,000
Temuka and Districts Project Trust	40,000
The Chris Ruth Centre Trust	10,000
The Multiple Sclerosis and Parkinsons Society of Canterbury Inc	5,000
The Salvation Army New Zealand Trust	7,000
The Salvation Army New Zealand Trust	10,000
The Victoria Trust	7,320

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2017

	\$
	DONATION
11. DONATIONS APPROVED (Continued)	
Timaru Budget Advisory Trust	15,000
Timaru Cadet Unit	9,985
Timaru City AFC	1,513
Timaru Community Patrol Inc	1,287
Timaru Group Riding for the Disabled	5,000
Timaru Parents Centre	922
Timaru Yacht and Power Boat Club Inc	3,000
Tinwald Golf Club	2,600
Twizel Basketball Association	4,597
Twizel Community Care Charitable Trust	5,000
Twizel Football	1,820
Victoria Park Scout Group	6,624
Volunteering Mid South Canterbury	15,000
Waihao Downs Tennis Club Inc	7,000
Waimate 50 Motorsport Inc	4,000
Waimate Amateur Swimming Club	3,600
Waimate Bowling Club Inc	791
Waimate Competitions Society Inc	1,000
Waimate Croquet Club Inc	2,680
Waimate Gymnastics Club	3,500
Waimate Historical Society Inc	3,960
Waimate Pistol Club	3,635
Waimate Swords Club	2,264
Wellington Museums Trust	500
West End Croquet Club	1,500
Wilson Street Baptist Church	30,000
Youth Institute of Ashburton District	6,000
Youthline Central South Island	5,000
Schools	170,502
Kindergartens	9,500
Early Learning Centres	6,500
	1,449,351
12. DONATIONS NO LONGER REQUIRED/LAPSED	
Mackenzie/Cave Hockey	480
Methven Preschool	500
Pro-Ject Waimate	19,309
SC Amateur Athletics Club	222
SC Microlight Club	3,000
Timaru Parents Centre	34
Waimate Competition Society	1,000
	24,546

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2017

Note	2017	2016
	\$	\$
13. CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents comprise cash balances and call deposits.		
Current Assets:		
Forsyth Barr Property Portfolio	47,276	106,281
Forsyth Barr Equities	639,245	55,459
Nikko AM NZ Cash Fund	2,923,001	1,463,272
Elevation Capital Cash Accounts	254,559	758,144
Elevation Capital Off-Shore Cash Accounts	787,873	1,023,253
Westpac Bank	52,527	34,161
	<u>4,704,480</u>	<u>3,440,570</u>
Current Liabilities:		
Cash and Cash Equivalents in the Statement of Cash Flows	<u>4,704,480</u>	<u>3,440,570</u>

There are no restrictions over any of the cash and cash equivalent balances held by the Trust.

14. RECEIVABLES

Receivables from Exchange Transactions

Nikko AM	2,345	-
Forsyth Barr Dividends	87,894	81,962
	<u>90,239</u>	<u>81,962</u>

Receivables from Non-Exchange Transactions

GST Refund Receivable	6,460	4,524
Donations Approved	2,318	3,333
	<u>8,778</u>	<u>7,857</u>

15. PROPERTY, PLANT AND EQUIPMENT

Group	Land and Buildings	Plant and Equipment Comm House	Plant and Equipment Trust	Total
Cost or Valuation				
<i>Balance as at 1 April 2016</i>	2,542,819	36,091	60,963	2,639,873
Additions (exchange)	-	25,816	3,867	29,683
Additions (non-exchange)	-	-	-	-
Disposals	-	-	-	-
Balance as at 31 March 2017	<u>2,542,819</u>	<u>61,907</u>	<u>64,830</u>	<u>2,669,556</u>
Accumulated Depreciation and Impairment				
<i>Balance as at 1 April 2016</i>	289,393	28,043	47,298	364,734
Depreciation	8,922	5,594	4,816	19,332
Impairment	-	-	-	-
Disposals	-	-	-	-
Balance as at 31 March 2017	<u>298,315</u>	<u>33,637</u>	<u>52,114</u>	<u>384,066</u>

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2017

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Land and Buildings	Plant and Equipment Comm House	Plant and Equipment Trust	Total
Cost or Valuation				
<i>Balance as at 1 April 2015</i>	2,496,702	44,204	63,013	2,603,919
Additions (exchange)	46,117	-	-	46,117
Additions (non-exchange)	-	-	-	-
Disposals	-	(8,078)	(2,050)	(10,128)
Balance as at 31 March 2016	2,542,819	36,126	60,963	2,639,908
Accumulated Depreciation and Impairment				
<i>Balance as at 1 April 2015</i>	285,973	33,668	43,444	363,085
Depreciation	3,420	2,039	5,668	11,127
Impairment	-	-	-	-
Disposals	-	(7,629)	(1,814)	(9,443)
Balance as at 31 March 2016	289,393	28,078	47,298	364,769
Net Book Value				
<i>As at 1 April 2015</i>	2,210,729	10,536	19,569	2,240,834
<i>As at 31 March 2016</i>	2,253,426	8,048	13,665	2,275,139
<i>As at 31 March 2017</i>	2,244,504	28,270	12,716	2,285,490

	Note	2017	2016
		\$	\$
16. OTHER INVESTMENTS AND DERIVATIVE ASSETS			
Assets:			
<i>Financial Instruments at Fair Value through Profit & Loss</i>	1(p)		
Forsyth Barr Property Portfolio		4,028,348	4,146,342
Nikko Asset Management NZ Bonds		10,631,958	10,759,216
Forsyth Barr NZ Equity		5,946,585	6,284,494
Forsyth Barr Australian Equity		6,894,766	5,579,090
PIMCO Global Strategy Fund		7,547,094	7,899,817
Elevation Capital Offshore Equity		15,255,666	13,069,843
BNP Paribas FX Account		(618,609)	272,034
		49,685,808	48,010,836
<i>Available-for-sale Financial Assets</i>			
Waterman Fund		318,750	-
Direct Capital Fund		16,078	-
Pioneer Capital Fund		143,980	-
Units : Te Kete Putea LP		6,686	25,013
		485,493	25,013
17. PAYABLES - EXCHANGE TRANSACTIONS			
Trade Payables from Exchange Transactions		60,003	24,995
Sundry Accruals		27,933	44,538
		87,936	69,533

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2017

	Note	2017	2016
		\$	\$
18. PAYABLES - NON-EXCHANGE TRANSACTIONS			
<i>Donations Approved not yet Paid Out:</i>			
Ashburton Operatic Society		-	40,000
Lake Tekapo Bright Stars Community Trust		40,000	-
Mackenzie/Cave Hockey Club		-	480
SC Microlight Club		-	3,000
Southern Alps Country Music Awards		3,000	-
Timaru Yacht & Power Boat Club		3,000	-
Waihao Downs Tennis Club		7,000	-
Waimate 50 Motorsport		4,000	-
YMCA SMC		50,000	100,000
National Applications		-	537
		107,000	144,017

19. Related Party Transactions

Trustees

The Trustees are associated with the following organisations:

2017

<i>Name</i>	<i>Organisation</i>	<i>Association</i>
Peter O'Leary	Ashburton Golf Club	Member
Rob Smith	Milford Asset Management	Family Connection
	Riverbridge Native Species	QEII Regional Representative
	Waimate Historical Society	Past Treasurer
	Royal Forest & Bird Protection	QEII Trust Member
	Waihao Downs Tennis Club	Business Connection
	Waimate Bowling Club	Family Connection
	Ngai Tahu Rock Art Trust	Professional Connection
Raeleen de Joux	South Rangitata Reserve	Family Connection
	Te Aitarakihi	Chairperson
	Highfield Tennis Club	Family Members
Michelle Brett	Ashburton Cadet Unit	Committee Member
	Geraldine Rugby Football Club	Family Connection
Jan Hide	Alzheimer's S C	Patron
Rex Whiting	Life Education Trust	Family Member Trustee
	Big Little Theatre Company	Family Connection
	Community House Mid Canterbury	Board Member
	Ashburton Golf Club	Member
David Forman	Bushtown Waimate	Business Connection
	SC Football Assn	Friendship Connection
	Sport Mid/SC	Committee Member
	Seniorcare Geraldine	Business Connection
	RNZ Plunket Society	Business Connection
Michele Keggenhoff	YMCA	Employee
	Life Education Trust	Family Member Employee
Karen Simpson	Mackenzie Alpine Trust	Family Connection
	Lake Tekapo Bright Stars Trust	Family Connection
Maarten Dirzkwager	Football S C	Player/Member
Jenifer Strauss	Temuka & Districts Project Trust	Business Partner is Chair

The above Trustees were absent from any decision making meetings involving their associated organisations.

THE COMMUNITY TRUST OF MID & SOUTH CANTERBURY INC

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2017

19. Related Party Transactions (Continued)

2016

<i>Name</i>	<i>Organisation</i>	<i>Association</i>
Peter O'Leary	Ashburton Golf Club Temuka St John	Member Ashburton Board Member
Rob Smith	Waimate Golf Club Waimate Rugby Club	Member Client
Raeleen de Joux	Peel Forest Outdoor Pursuits Hockey S C Riparian Trust	Client Previous Trustee - Current Player Family Connection
Michelle Brett	Aorangi Shooting Range Trust Order of St John SI Region Ashburton Cadet Unit	Family Connection Employee Committee Member
Jan Hide	Royal NZ Plunket Society MSC Alzheimer's S C Aoraki Multicultural Council	Board Member Patron Family Connection
Rex Whiting	S C Microlight Club Performing Arts Ashburton Royal NZ Plunket Society MSC	Family Connection Family Connection Family Connection
Michele Keggenhoff	Ashburton Golf Club YMCA	Member Employee
Maarten Dirzkwager	S C International Festival Football S C	Family Connection Player/Member

The above Trustees were absent from any decision making meetings involving their associated organisations.

Staff

The following staff members are associated with the following organisations:

2017

<i>Name</i>	<i>Organisation</i>	<i>Association</i>
Sally Marsh	S C Women's Wellness Centre Inc	Employee

The above employees were absent from any decision making meetings involving their associated organisations.

2016

<i>Name</i>	<i>Organisation</i>	<i>Association</i>
Sally Marsh	S C Women's Wellness Centre Inc	Employee

The above employees were absent from any decision making meetings involving their associated organisations.