

TSB COMMUNITY TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

**TSB Community Trust
Financial Statements Contents
For the year ended 31 March 2014**

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**TSB Community Trust
Trust Directory
For the year ended 31 March 2014**

Settlement:	30 May 1988
Principal Place of Business:	64 - 66 Vivian Street New Plymouth
Discretionary Beneficiaries:	As per the Trust Deed
Trustees:	Hayden Wano - Chairperson Ainsley Luscombe Jenny Gellen Kura Denness Te Aroha Hohaia Harry Bayliss Mary Bourke Brent Schumacher Kelly Marriner Keryn Broughton
Bankers:	TSB Bank New Plymouth
Solicitors:	Govett Quilliam New Plymouth
Auditors:	KPMG Wellington
Accountants:	Staples Rodway Taranaki Limited P O Box 146 New Plymouth

TSB Community Trust
Statement of Comprehensive Income
For the year ended 31 March 2014

	Note	2014 \$	2013 \$
Revenue			
Interest	2	960,743	919,933
Dividend from TSB Bank Limited		<u>10,200,000</u>	<u>11,025,000</u>
		11,160,743	11,944,933
Expenditure			
Audit fees - statutory audit		15,079	13,310
Other audit fees		-	-
Depreciation		27,618	25,955
Grants		7,225,496	10,467,183
Personnel	12	381,378	309,521
Trustee honoraria	12	96,241	100,705
Trustee expenses		15,639	15,534
Other expenses		<u>317,956</u>	<u>209,164</u>
		8,079,407	11,141,372
Net profit for year	11	3,081,336	803,561
Comprehensive income			
Net comprehensive income		<u>-</u>	<u>-</u>
Total Comprehensive Income		<u><u>3,081,336</u></u>	<u><u>803,561</u></u>

These financial statements are to be read in conjunction with the notes on pages 7 to 22.

TSB Community Trust
Statement of Changes in Equity
For the year ended 31 March 2014

	Share Capital	Reserve Fund (Note 10)	Retained Earnings	Total Equity
	\$	\$	\$	\$
Balance at 1 April 2013	10,000,100	7,888,475	16,062,670	33,951,245
Net profit after tax	-	-	3,081,336	3,081,336
Other comprehensive income	-	-	-	-
Total comprehensive income for period	<u>-</u>	<u>-</u>	<u>3,081,336</u>	<u>3,081,336</u>
Transfer to (from)	<u>-</u>	<u>417,071</u>	<u>(417,071)</u>	<u>-</u>
Balance at 31 March 2014	<u>10,000,100</u>	<u>8,305,546</u>	<u>18,726,935</u>	<u>37,032,581</u>

	Share Capital	Reserve Fund (Note 10)	Retained Earnings	Total Equity
	\$	\$	\$	\$
Balance at 1 April 2012	10,000,100	7,485,963	15,661,621	33,147,684
Net profit after tax	-	-	803,561	803,561
Other comprehensive income	-	-	-	-
Total comprehensive income for period	<u>-</u>	<u>-</u>	<u>803,561</u>	<u>803,561</u>
Transfer to (from)	<u>-</u>	<u>402,512</u>	<u>(402,512)</u>	<u>-</u>
Balance at 31 March 2013	<u>10,000,100</u>	<u>7,888,475</u>	<u>16,062,670</u>	<u>33,951,245</u>

These financial statements are to be read in conjunction with the notes on pages 7 to 22.

TSB Community Trust
Statement of Financial Position
As at 31 March 2014

	Note	2014 \$	2013 \$
Current Assets			
Cash and cash equivalents	3	898,875	2,724,936
Trade and other receivables	4	7,114,538	7,911,629
Investments	6	<u>12,400,000</u>	<u>11,495,000</u>
		20,413,413	22,131,565
Non-Current Assets			
Investments	6	16,550,000	16,250,000
Property, plant and equipment	7	114,266	118,497
Intangible assets	8	<u>52,571</u>	<u>9,212</u>
		<u>16,716,837</u>	<u>16,377,709</u>
Total Assets		<u>37,130,250</u>	<u>38,509,274</u>
Current Liabilities			
Trade and other payables	5	97,669	4,558,029
Trust Equity			
Trust capital	9	10,000,100	10,000,100
Retained earnings		18,726,935	16,062,670
Reserve fund	10	<u>8,305,546</u>	<u>7,888,475</u>
		<u>37,032,581</u>	<u>33,951,245</u>
Total Liabilities and Equity		<u>37,130,250</u>	<u>38,509,274</u>

These financial statements have been issued for and on behalf of the Trustees by:

.....Chairperson 15 July 2014
.....Trustee 15 July 2014

These financial statements are to be read in conjunction with the notes on pages 7 to 22.

TSB Community Trust
Statement of Cash Flows
For the year ended 31 March 2014

	Note	2014 \$	2013 \$
Cash Flow from Operating Activities			
Cash was provided from			
Interest income		961,959	969,945
Dividend income		11,025,000	10,720,000
Received from customers		(344)	1,496
		<u>11,986,615</u>	<u>11,691,441</u>
Cash was applied to:			
Operating expenses		(814,934)	(648,678)
Grants paid		(11,725,996)	(5,967,183)
		<u>(12,540,930)</u>	<u>(6,615,861)</u>
Net Cash Flow from Operating Activities	11	(554,315)	5,075,580
Cash Flow from Investing Activities			
Cash was applied to:			
Increase in investment securities		(1,205,000)	(2,750,000)
Property, plant and equipment purchased		(23,387)	(13,954)
Intangible assets purchased		(43,359)	(9,212)
		<u>(1,271,746)</u>	<u>(2,773,166)</u>
Net Cash Flow from Investing Activities		(1,271,746)	(2,773,166)
Net increase/(decrease) in cash		(1,826,061)	2,302,414
Cash and cash equivalents at start of year		2,724,936	422,522
Cash and cash equivalents at end of year	3	<u>898,875</u>	<u>2,724,936</u>
Represented by:			
Petty cash		396	174
TSB Bank cheque account		528,083	2,433,286
TSB Bank reserve interest account		370,396	291,476
	3	<u>898,875</u>	<u>2,724,936</u>

These financial statements are to be read in conjunction with the notes on pages 7 to 22.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

1. Statement of Accounting Policies

Reporting Entity

TSB Community Trust is a public benefit entity domiciled in New Zealand. It was established by trust deed dated 30 May 1988 and adopted a revised deed on 8 February 2001. The nature of the Trust's operations is investment and application of the Trust funds for charitable purposes.

The financial statements of TSB Community Trust comply with the requirements of the Trust Deed and the Community Trust Act 1999.

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

The financial statements were approved by the Trustees on 15 July 2014.

Change in Accounting Policies

The TSB Community Trust has applied NZ IFRS 13 Fair Value Measurement in the preparation of these financial statements. Adoption of this standard has not resulted in any material change to the TSB Community Trust's reported result or financial position.

Standards and Interpretations Not Yet Adopted

New amendments to standards and interpretations of standards have been issued by the External Reporting Board that are not yet effective in the preparation of these financial statements:

IAS 32 Financial Instruments Presentation: Offsetting Financial Assets and Liabilities. This standard is effective for annual reporting periods beginning on or after 1 January 2014.

IFRS 9 Financial Instruments. It is the intention of the IASB to replace IAS 39 with IFRS 9. The IASB have tentatively decided that this standard will be effective for annual reporting periods beginning on or after 1 January 2017.

The External Reporting Board are developing and issuing several new suites of standards to facilitate the implementation of the Accounting Standards Framework for Public Benefit Entities (PBE's). TSB Community Trust will be required to adopt the NZ IFRS PBE standards from 1 April 2015 applying to the year ended 31 March 2016.

Basis of Preparation

The financial statements are prepared on the historical cost basis. The 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 transaction or other events is reported.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

1. Statement of Accounting Policies (continued)

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars and are rounded to the nearest whole dollar.

Specific Accounting Policies

The following is a summary of the significant accounting policies adopted by the trust in the preparation of these financial statements.

a) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Trust and that the revenue can be reliably measured. The principal sources of revenue are interest and dividends.

Interest revenue is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividends are recognised on an accrual basis when the Trust's right to receive payment has been established.

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call and other short term highly liquid investments which are subject to insignificant risks of changes in value.

c) Financial Instruments

Investments are recognised on trade date where purchase of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

At balance date the Trust had the following categories of financial assets.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

1. Statement of Accounting Policies (continued)

(i) Held-to-Maturity

Bonds with fixed or determinable payments and fixed maturity dates that the Trust has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Government bonds, fixed rate notes and floating rate bonds are designated as held-to-maturity investments and are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective interest basis.

(ii) Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate. Bank deposits of more than 3 months duration are included in this classification.

Effective Interest Method

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 (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial asset.

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 financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, 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.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

1. Statement of Accounting Policies (continued)

(ii) Loans and Receivables (continued)

With the exception of available for sale equity investments, 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 that 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.

Derecognition of Financial Assets

The Trust derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Trust neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Trust recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Trust retains substantially all the risks and rewards of ownership of a transferred financial asset, the Trust continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(iii) Available for Sale Equity Instruments

In respect of available for sale equity instruments, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

(iv) Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities. There were no financial liabilities at balance date that were designated as fair value through profit and loss.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

1. Statement of Accounting Policies (continued)

(iv) Financial Liabilities (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense of 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.

Derecognition of Financial Liabilities

The Trust derecognises financial liabilities when, and only when, the Trust's obligations are discharged, cancelled or they expire.

d) Impairment of Financial Assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each statement of financial position 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 certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Trust's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

e) Goods and Services Tax (GST)

The financial statements have been prepared on a GST inclusive basis as the Trust is not registered for GST.

f) Taxation

The Trust is exempt from income tax under section CW52 of the Income Tax Act (2007).

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

1. Statement of Accounting Policies (continued)

g) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

The cost amount of property, plant and equipment less the estimated residual value is depreciated over their useful lives on a straight line basis. The range of useful lives of the asset classes are:

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each balance date.

Assets are reviewed for indications of impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Any impairment loss or write-down is recognised in the income statement as an expense.

h) Intangible Assets

Intangible assets are recognised at cost and amortised on a straight-line basis over their estimated useful lives, from the date that they are available for use. Costs that are directly attributable to the database, an intangible development project, are initially recognised at cost.

i) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to the reporting date.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

1. Statement of Accounting Policies (continued)

j) Grants

Grants are approved for payment if the grant application meets the specified criteria. They are recognised as expenditure when the specified criteria for the grant has been met. Grants approved that have not met the specified criteria are recognised as contingent liabilities.

k) Critical Accounting Estimates, Assumptions and Judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the relevant accounting policy or in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from 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 revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Trust has exercised judgement in determining the categorisation of financial assets and liabilities and the recognition of grants payable. The categories and measurement of these items are disclosed in paragraph (c) and the carrying values in note 13. The criteria used to determine whether or not a grant is a payable or contingent liability is disclosed in paragraph (j). Grants payable are included within trade and other payables in the statement of financial position. The carrying value of grants payable at 31 March 2014 was \$Nil (2013: \$4,500,000) and the value of contingent liabilities in relation to grants has been disclosed in note 15.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

2. Interest	2014	2013
	\$	\$
Bank deposits	788,783	748,981
Held to maturity investments	<u>171,960</u>	<u>170,952</u>
	<u><u>960,743</u></u>	<u><u>919,933</u></u>
3. Cash and Cash Equivalents		
Petty cash	396	174
TSB Bank cheque account	528,083	2,433,286
TSB Bank reserve interest account	<u>370,396</u>	<u>291,476</u>
	<u><u>898,875</u></u>	<u><u>2,724,936</u></u>
4. Trade and Other Receivables		
Dividend receivable	6,850,000	7,675,000
Accrued interest	234,913	236,129
Accounts receivable	<u>29,625</u>	<u>500</u>
	<u><u>7,114,538</u></u>	<u><u>7,911,629</u></u>
5. Trade and Other Payables		
Grants payable	-	4,500,000
Employee entitlements	30,157	27,979
Accounts payable	<u>67,512</u>	<u>30,050</u>
	<u><u>97,669</u></u>	<u><u>4,558,029</u></u>
6. Investments		
Current		
Loans and receivables carried at amortised cost:		
TSB Bank Limited term deposits	<u>12,400,000</u>	<u>11,495,000</u>
	<u><u>12,400,000</u></u>	<u><u>11,495,000</u></u>
Non Current		
Loans and receivables carried at amortised cost:		
TSB Bank Limited term deposits	3,550,000	3,250,000
Held-to-maturity investments carried at amortised cost:		
Solid Energy Limited Fixed Rate Notes	1,000,000	1,000,000
Mighty River Power Ltd Floating Rate Bonds	2,000,000	2,000,000
Investments in subsidiaries carried at cost:		
Shares In TSB Bank Limited	<u>10,000,000</u>	<u>10,000,000</u>
	<u><u>16,550,000</u></u>	<u><u>16,250,000</u></u>

The Trust acknowledges the uncertainty of the future of Solid Energy Limited. The Trust considers it's holding in Solid Energy Limited Fixed Rate Notes not to be impaired at balance date.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

7. Property, Plant & Equipment

2014	Building Fit Out \$	Furniture & Fittings \$	Other Fixed Assets \$	Total \$
Cost				
Opening balance	95,965	23,607	196,998	316,570
Additions	-	6,703	16,684	23,387
Closing balance	<u>95,965</u>	<u>30,310</u>	<u>213,682</u>	<u>339,957</u>
Depreciation				
Opening balance	(20,693)	(17,488)	(159,892)	(198,073)
Depreciation	(6,573)	(1,197)	(19,848)	(27,618)
Closing balance	<u>(27,266)</u>	<u>(18,685)</u>	<u>(179,740)</u>	<u>(225,691)</u>
Closing net book value				
Balance as at 1 April 2013	<u>75,272</u>	<u>6,119</u>	<u>37,106</u>	<u>118,497</u>
Balance as at 31 March 2014	<u>68,699</u>	<u>11,625</u>	<u>33,942</u>	<u>114,266</u>
2013	Building Fit Out \$	Furniture & Fittings \$	Other Fixed Assets \$	Total \$
Cost				
Opening balance	95,965	23,607	183,044	302,616
Additions	-	-	13,954	13,954
Closing balance	<u>95,965</u>	<u>23,607</u>	<u>196,998</u>	<u>316,570</u>
Depreciation				
Opening balance	(14,120)	(16,648)	(141,350)	(172,118)
Depreciation	(6,573)	(840)	(18,542)	(25,955)
Closing balance	<u>(20,693)</u>	<u>(17,488)</u>	<u>(159,892)</u>	<u>(198,073)</u>
Closing net book value				
Balance as at 1 April 2012	<u>81,845</u>	<u>6,959</u>	<u>41,694</u>	<u>130,498</u>
Balance as at 31 March 2013	<u>75,272</u>	<u>6,119</u>	<u>37,106</u>	<u>118,497</u>

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

8. Intangible Assets

2014	Database Project \$	Total \$
Cost		
Opening balance	9,212	9,212
Additions	<u>43,359</u>	<u>43,359</u>
Closing balance	<u><u>52,571</u></u>	<u><u>52,571</u></u>
Closing net book value		
Balance as at 1 April 2013	<u>9,212</u>	<u>9,212</u>
Balance as at 31 March 2014	<u><u>52,571</u></u>	<u><u>52,571</u></u>
2013	Database Project \$	Total \$
Cost		
Opening balance	-	-
Additions	<u>9,212</u>	<u>9,212</u>
Closing balance	<u><u>9,212</u></u>	<u><u>9,212</u></u>
Closing net book value		
Balance as at 1 April 2012	<u>-</u>	<u>-</u>
Balance as at 31 March 2013	<u><u>9,212</u></u>	<u><u>9,212</u></u>

The database project is in progress. The cost of the database will be amortised over a finite life upon completion of the project.

9. Trust Capital

	2014 \$	2013 \$
Trust capital	100	100
Equity	<u>10,000,000</u>	<u>10,000,000</u>
	<u><u>10,000,100</u></u>	<u><u>10,000,100</u></u>

Equity comprises 20,000,000 fully paid shares at 50 cents each gifted to the TSB Community Trust.

10. Reserve Fund

The reserve fund has been established as a contingency fund against fluctuations in the TSB Bank Limited annual dividends. This fund shall be sufficient to meet approximately two years operating costs, multi-year commitments for all years and annual grants for two years.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

11. Reconciliation of Net Surplus with Net Cash Flow from Operating Activities

	2014	2013
	\$	\$
Net Surplus	3,081,336	803,561
Add back		
Depreciation	27,618	25,955
	<u>3,108,954</u>	<u>829,516</u>
Add/(deduct)		
(inc)/decrease in trade and other receivables	797,091	(253,493)
inc/(decrease) in trade and other payables	(4,460,360)	4,499,557
	<u>(554,315)</u>	<u>5,075,580</u>

12. Related Parties

Subsidiary

During the year the Trust received dividend and interest income from and invested funds with its wholly-owned subsidiary, TSB Bank Limited, as follows:

	2014	2013
	\$	\$
Dividend income	10,200,000	11,025,000
Interest income	788,783	748,981

The amounts outstanding at balance date were:

Dividends receivable	6,850,000	7,675,000
Interest receivable	186,341	189,347
Term deposits	15,950,000	14,745,000

Donations to Related Interests

Donations paid	1,178,032	6,116,200
Donations pledged (donations approved but the distribution is subject to the donees' meeting certain conditions)	346,500	538,000
Amounts outstanding at balance date	-	-
	<u>1,524,532</u>	<u>6,654,200</u>

The above related interests have been compiled based on a broad definition of related interests that would include, not just where trustees are members of the board of a community organisation, but also where the trustee is a member of the club/association, may in the past have been associated or has family members who are associated with the community organisation. Such conflicts are disclosed by the trustees and during consideration of any grants, connected trustees excuse themselves from such decisions.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

12. Related Parties (continued)

	2014	2013
	\$	\$
Key Management Compensation		
Short term employees benefits	381,378	309,521
Short term trustee benefits	<u>96,241</u>	<u>100,705</u>
	<u><u>477,619</u></u>	<u><u>410,226</u></u>

There were no long term benefits associated with key employees or trustees.

13. Financial Instruments

Exposure to interest rate, credit, and liquidity risks arise in the normal course of the Trust's business.

Market Risk

Interest Rate Risk

Interest rate risk is the risk that the value of the Trust's assets and liabilities will fluctuate due to changes in market interest rates. The Trust is exposed to interest rate risk primarily through its cash balances and investments. Management actively review exposure.

As at balance date the Trust had the following assets and liabilities exposed to interest rate risk:

	2014	2013
	\$	\$
Cash and cash equivalents	898,875	2,724,936

Sensitivity Analysis

If interest rates on cash balances and investments moved by +/- 0.5%, the Trust's income from its cash balances and investments could be higher or lower by \$109,236 (2013: \$101,991). This sensitivity is based on the average cash balances and investments held at month end throughout the year. There has been no change to the method of calculation from previous periods.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

13. Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Trust will encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due.

The Trust's policy for management of liquidity and interest rate risk is to vary the amount and duration of its investments, taking into consideration the grant cycles and operational needs of the Trust. The Trust manages its risk by monitoring investments on an ongoing basis.

The following tables detail the remaining contractual maturity for the Trust's non derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities on the earliest date on which the Trust can expect to receive cash inflows or outflows. The table includes both interest and principal cash flows.

2014	Effective Interest Rate %	Less than 1 Year \$	1 - 5 Years \$	Total \$
Financial assets				
Cash	2.75 - 4%	898,875	-	898,875
Investments	3.25 - 5.7%	12,400,000	6,550,000	18,950,000
Receivables		7,114,538	-	7,114,538
Total financial assets		20,413,413	6,550,000	26,963,413
Financial liabilities				
Payables		67,512	-	67,512
Total financial liabilities		67,512	-	67,512
2013	Effective Interest Rate %	Less than 1 Year \$	1 - 5 Years \$	Total \$
Financial assets				
Cash	2.75 - 4%	2,724,936	-	2,724,936
Investments	3.25 - 5.7%	11,495,000	3,250,000	14,745,000
Receivables		7,911,629	-	7,911,629
Total financial assets		22,131,565	3,250,000	25,381,565
Financial liabilities				
Payables		4,530,050	-	4,530,050
Total financial liabilities		4,530,050	-	4,530,050

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13. Financial Instruments (continued)

Credit Risk

Credit risk is the risk that the counterparty to a transaction with the Trust will fail to discharge its obligations, causing the Trust to incur a financial loss. Financial instruments which potentially subject the Trust to credit risk principally consist of cash and cash equivalents, loans and receivables and investments. The Trust manages its exposure to credit risk on an ongoing basis.

The Trust has a significant concentration of credit risk with the TSB Bank Ltd. The Trust's policy is to keep investments with the TSB Bank Ltd conditional upon the bank's credit rating remaining at a predetermined level. The Trust manages its credit risk by maintaining a reserve fund in order to maintain the level of grants paid in the event that income decreases.

Maximum exposures to credit risk at balance date are the carrying amounts of financial assets in the statement of financial position.

No financial assets are past due or impaired.

Fair Value

Cash and cash equivalents, receivables, payables and investments are recorded at their carrying values that are a reasonable approximation of their fair values. They are an approximation of fair value as they represent the amounts that would be converted to cash inflows and outflows had they crystallised at balance date.

The estimated fair values of financial instruments that differ from carrying values are as follows:

	Carrying Amount 2014	Fair Value 2014	Carrying Amount 2013	Fair Value 2013
	\$	\$	\$	\$
Held-to-Maturity Investments	<u>3,000,000</u>	<u>3,109,663</u>	<u>3,000,000</u>	<u>3,032,520</u>

The Trust applies a level 2 criteria of the fair value hierarchy in determining the fair value of its financial instruments. The fair value is determined using the inputs for the asset or liability that are not based on observable market data.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

14. Capital Management

The Trust's capital consists of equity, retained earnings and reserve fund. The Trust manages its capital by effectively managing income and expenses, assets and liabilities and investments to ensure it achieves its charitable objectives and purpose. As a part of this process the Trust maintains a minimum reserve fund of \$8,305,546 (2013: \$7,888,475) that is invested in NZ investment securities and bank deposits. The Trust has no externally imposed requirements.

15. Contingent Liabilities

	2014	2013
	\$	\$
Grants approved but the distribution is subject to the donees' meeting certain conditions	2,277,988	3,604,197
Multi-year commitments	<u>2,522,036</u>	<u>875,811</u>
	<u><u>4,800,024</u></u>	<u><u>4,480,008</u></u>

16. Commitments

The trust has no material capital commitments at balance date (2013: \$Nil).

	2014	2013
	\$	\$
The trust has non cancelable operating leases for buildings of:		
Less than 1 year	21,998	18,166
Between 1 and 5 years	<u>-</u>	<u>-</u>
	<u><u>21,998</u></u>	<u><u>18,166</u></u>
Lease expense for the period	<u><u>19,822</u></u>	<u><u>19,822</u></u>

Current lease term is 2 years expiring 25 March 2016 with a right to renew on a year by year basis. Rent reviews are biennial with the next being 25 March 2016.

17. Subsequent Events

There were no material events subsequent to balance date (2013: \$Nil).

18. Separate Financial Statements

The Trust has prepared these separate financial statements to provide more relevance to users, as the size and presentation of the consolidated financial statements does not facilitate a meaningful comparison of the Trust's results by those users.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2014

18. Separate Financial Statements (continued)

The Trust has 100% ownership of the TSB Bank Limited, a company incorporated in New Zealand. The Trust holds 100% of the voting power.

The investment is accounted for at cost.

The consolidated financial statements of the Trust can be obtained from the Trust Manager, PO Box 667, New Plymouth or by telephoning (06) 769-9471.

19. Publishing Requirements

A comprehensive list itemising all recipients was published in the Taranaki Daily News on the following dates:

Month 1	15 April 2013
Month 2	7 June 2013
Month 3	12 July 2013
Month 4	12 August 2013
Month 5	29 August 2013
Month 6	11 October 2013
Month 7	6 November 2013
Month 8	11 December 2013
Month 9 & 10	17 February 2014
Month 11	15 April 2014
Month 12	7 April 2014

A copy of the list of grants is available to anyone upon request from the Trust's office, PO Box 667, New Plymouth.

Independent auditor's report

To the Trustees of the TSB Community Trust

Report on the financial statements

We have audited the accompanying financial statements of the TSB Community Trust ("the Trust") on pages 3 to 22. The financial statements comprise the statement of financial position as at 31 March 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Trust.

Opinion

In our opinion the financial statements on pages 3 to 22:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards (NZ IFRS); and
- give a true and fair view of the financial position of the Trust as at 31 March 2014 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by TSB Community Trust as far as appears from our examination of those records.

16 July 2014
Wellington