

TSB Community Trust

Financial Statements

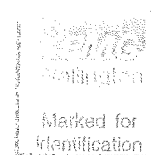
For the year ended 31 March 2016

TSB Community Trust
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For the year ended 31 March 2016

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**TSB Community Trust
Trust Directory
For the year ended 31 March 2016**

Settlement	30 May 1988	
Principal Place of Business	21 Dawson Street New Plymouth	
Discretionary Beneficiaries	As per the Trust Deed	
Trustees	Hayden Wano (Chairperson) Kelly Marriner (Deputy Chairperson) Harry Bayliss Jennifer Gellen Mary Bourke Te Aroha Hohaia Ainsley Luscombe Brent Schumacher Keryn Broughton Harvey Dunlop – Appointed May 2015	
Accountants	Staples Rodway Taranaki Limited New Plymouth	
Auditors	KPMG Wellington	
Bankers	TSB Bank New Plymouth	
Solicitors	Govett Quilliam New Plymouth	Buddle Findlay Wellington



TSB Community Trust
Statement of Comprehensive Revenue and Expenses
For the year ended 31 March 2016

	Note	2016 \$	2015 \$
Revenue from Exchange Transactions			
Dividend income	6	<u>3,375,002</u>	<u>5,030,000</u>
Total Revenue from Exchange Transactions		3,375,002	5,030,000
Expenses			
Audit fees		22,000	11,200
Depreciation and amortisation	8	114,351	22,430
Grants		8,664,984	7,663,805
Personnel		494,025	426,300
Consultancy fees		56,118	10,767
Restructure		-	229,391
Trustee honoraria		110,698	111,000
Trustee expenses		22,727	48,789
Loss on disposal of assets		75,915	-
Other operating expenses	7	<u>351,975</u>	<u>270,572</u>
Total Expenses		9,912,793	8,794,244
Net Surplus from Finance Activities	9	<u>905,190</u>	<u>1,064,253</u>
Operating Surplus/(Deficit) before Impairment		(5,632,601)	(2,699,991)
Reversal of Impairment Losses/(Impairment Losses)	10	256,485	(1,000,000)
Surplus/(Deficit) for the year		<u>(5,376,116)</u>	<u>(3,699,991)</u>
Other Comprehensive Revenue and Expenses		-	-
Total Comprehensive Revenue and Expenses for the year		<u>(5,376,116)</u>	<u>(3,699,991)</u>

These financial statements have been issued for and on behalf of the Trustees on 15 June 2016 by:

 Chairperson  Trustee



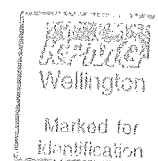
TSB Community Trust
Statement of Changes in Net Assets
For the year ended 31 March 2016

	Trust Capital (Note 21) \$	Reserve Fund (Note 20) \$	Retained Earnings \$	Total Equity \$
Balance at 1 April 2015	10,000,100	7,731,718	15,600,772	33,332,590
Profit for the period	-	-	(5,376,116)	(5,376,116)
Other comprehensive revenue and expenses	-	-	-	-
Total comprehensive revenue and expenses	<u>-</u>	<u>-</u>	<u>(5,376,116)</u>	<u>(5,376,116)</u>
Transfer to / (from) reserves in the year	-	676,660	(676,660)	-
Balance as at 31 March 2016	<u><u>10,000,100</u></u>	<u><u>8,408,378</u></u>	<u><u>9,547,996</u></u>	<u><u>27,956,474</u></u>
Balance at 1 April 2014	10,000,100	8,305,546	18,726,935	37,032,581
Profit for the period	-	-	(3,699,991)	(3,699,991)
Other comprehensive revenue and expenses	-	-	-	-
Total comprehensive revenue and expenses	<u>-</u>	<u>-</u>	<u>(3,699,991)</u>	<u>(3,699,991)</u>
Transfer to / (from) reserves in the year	-	(573,828)	573,828	-
Balance as at 31 March 2015	<u><u>10,000,100</u></u>	<u><u>7,731,718</u></u>	<u><u>15,600,772</u></u>	<u><u>33,332,590</u></u>



**TSB Community Trust
Statement of Financial Position
As at 31 March 2016**

	Note	2016 \$	2015 \$
Current Assets			
Cash and cash equivalents	11	923,621	758,140
Receivables from exchange transactions	12	191,181	1,643,765
Other financial assets	16	<u>14,165,000</u>	<u>15,645,000</u>
Total Current Assets		15,279,802	18,046,905
Non-Current Assets			
Property, plant & equipment	14	558,165	92,996
Intangible assets	15	155,580	156,917
Other financial assets	16	1,971,435	5,230,000
Investment in related parties	13	<u>10,100,000</u>	<u>10,000,000</u>
Total Non-Current Assets		12,785,180	15,479,913
Total Assets		<u>28,064,982</u>	<u>33,526,818</u>
Current Liabilities			
Payables under exchange transactions	17	56,130	45,924
Accruals		28,851	112,814
Employee entitlements	18	<u>23,527</u>	<u>35,490</u>
Total Liabilities		108,508	194,228
Equity			
Trust capital	21	10,000,100	10,000,100
Retained earnings		9,547,996	15,600,772
Reserve fund	20	<u>8,408,378</u>	<u>7,731,718</u>
		27,956,474	33,332,590
Total Liabilities and Equity		<u>28,064,982</u>	<u>33,526,818</u>



TSB Community Trust
Statement of Cash Flows
For the year ended 31 March 2016

	Note	2016 \$	2015 \$
Cash Flows from Operating Activities			
<i>Cash was provided from/(applied to):</i>			
Dividends received		4,755,000	10,500,000
Interest received		942,826	1,035,400
Grants paid		(8,664,984)	(7,634,178)
Operating expenses		(526,577)	(479,484)
Payments to employees		(505,988)	(420,967)
Payments to trustees		(110,698)	(111,000)
Net cash from/(used in) operating activities	23	<u>(4,110,421)</u>	<u>2,889,771</u>
Cash Flows from Investing Activities			
<i>Cash was provided from/(applied to):</i>			
Proceeds from maturing investments		5,030,000	-
Purchase of investments		-	(2,925,000)
Purchase of property, plant and equipment		(568,302)	(1,160)
Purchase of intangible assets		(85,796)	(104,346)
Purchase of subsidiaries		(100,000)	-
Net cash from/(used in) investing activities		<u>4,275,902</u>	<u>(3,030,506)</u>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		165,481	(140,735)
Cash and cash equivalents at end of the year	11	<u>758,140</u>	<u>898,875</u>
		<u>923,621</u>	<u>758,140</u>

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016

1. Reporting Entity

These financial statements comprise the financial statements of TSB Community Trust (the "Trust") for the year ended 31 March 2016. The Trust is domiciled in New Zealand and registered under the Charitable Trust Act 1999.

The nature of the Trust's operations is investment and application of the Trust funds for community benefit. The Trust has been established to carry on activities for the exclusive benefit of the community within Taranaki.

The financial statements were authorised for issue by the Trustees on 15 June 2016.

2. Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Tier 1 Public Benefit Entity (PBE) Reporting Standards as issued by the New Zealand External Reporting Board (XRB). They comply with New Zealand equivalents to International Public Sector Accounting Standards (NZ IPSAS) and other applicable Financial Reporting Standards as appropriate to Public Benefit Entities.

These financial statements are the first financial statements presented in accordance with Tier 1 PBE Accounting Standards and PBE FRS 46 First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs has been applied. There has been no accounting impact on transition to Tier 1 PBE Accounting Standards.

The financial statements of the Trust comply with PBE Standards. The Trust is deemed a public benefit entity for financial reporting purposes, as the Trust's primary objective is to provide services to the community for social benefit and has been established with a view to supporting that primary objective rather than a financial return.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for assets and liabilities that have been measured at fair value. The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

(c) Presentation currency

The financial statements are presented in New Zealand dollars. All numbers are rounded to the nearest dollar.

(d) Comparatives

The comparative financial period is 12 months. Comparatives have been reclassified from that reported in the 31 March 2015 financial statements where appropriate to ensure consistency with the presentation of the current year's position and performance.

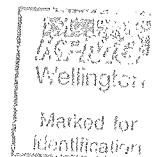
The net asset position and net surplus or deficit reported in comparatives is consistent with previously authorised financial statements.

(e) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year. The impact of new and amended standards and interpretations applied in the year was limited to additional note disclosures.

(f) New standards and amendments issued but not yet adopted

At the date of authorisation of these financial statements, certain new PBE Standards and amendments to existing standards have been published but are not yet effective, and have not been adopted early by the Trust. 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 Trust's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements.



TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016

3. Summary of Significant Accounting Policies

The accounting policies of the Trust have been applied consistently to all years presented in these financial statements.

The significant accounting policies used in the preparation of these financial statements are summarised below:

(a) 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 an insignificant risk of changes in value.

(b) Debtors and Other Receivables

Trade debtors and other receivables are measured at their costs less any impairment losses.

An allowance for impairment is established where there is objective evidence the Trust will not be able to collect all amounts due according to the original terms of the receivable.

(c) Creditors and Other Payables

Trade creditors and other payables are stated at cost.

(d) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Additions and Subsequent Costs

Subsequent costs and the cost of replacing part of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the Trust and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the acquisition date.

All repairs and maintenance expenditure is charged to surplus or deficit in the year in which the expense is incurred.

Disposals

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits or service potential are expected from its use or disposal.

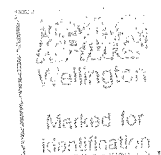
When an item of property, plant or equipment is disposed of, the gain or loss recognised in the surplus or deficit is calculated as the difference between the net sale proceeds and the carrying amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is reclassified to accumulated funds.

Depreciation

The cost amount of property, plant and equipment less the estimated residual value is depreciated over their useful lives on a straight line basis. Depreciation is recognised as an expense in the reported surplus or deficit. The following depreciation estimated useful lives have been used:

Furniture and fittings	4 – 14 years
Information technology (IT)	2 – 5 years
Leasehold improvements	4 – 14 years
Other fixed assets	2 – 14 years



TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016

3. Summary of Significant Accounting Policies (continued)

(d) Property, Plant and Equipment (continued)

The residual values, useful life, and depreciation methods of property, plant and equipment 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.

(e) Intangibles

Intangible assets acquired separately are initially recognised at cost.

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

Intangible Assets with Finite Useful Lives

Intangible assets acquired by the Trust which have finite useful lives, are measured at cost less accumulated amortisation and any impairment losses.

Amortisation is recognised on a straight-line basis over the estimated useful life of the asset, from the date they are available for use and expensed in the reported surplus or deficit for the year.

The following amortisation estimated useful lives have been applied to each class of intangible assets:

Database	2.5 years
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Residual values and useful lives are assessed at each reporting date.

Intangible assets with finite useful lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Disposals

Gains or losses on de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in the surplus or deficit for the year.

(f) Impairment of Non-Financial Assets

Impairment of Cash Generating Units

At each reporting date, the Trust assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Trust estimates the asset's recoverable amount. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. An asset's or CGU's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

Where the carrying amount of an asset or the cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised immediately in surplus or deficit.



TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016

3. Summary of Significant Accounting Policies (continued)

(f) Impairment of Non-Financial Assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Trust estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit.

Impairment of Non-cash Generating Units

Financial assets 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.

Impairment losses are recognised immediately in surplus or deficit.

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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

(g) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments are comprised of trade debtors and other receivables, cash and cash equivalents, investments and trade creditors and other payables.

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised initially at fair value, net of transaction costs attributable to the acquisition, except for those carried at fair value through surplus or deficit, which are measured at fair value.

Financial assets and financial liabilities are recognised when the reporting entity becomes a party to the contractual provisions of the financial instrument.

Derecognition of Financial Instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or if the Trust transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016

3. Summary of Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

Subsequent Measurement of Financial Assets

The subsequent measurement of financial assets depends on their classification, which is primarily determined by the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition into one of three categories defined below, and re-evaluates this designation at each reporting date.

All financial assets except for those classified as fair value through profit or loss are subject to review for impairment at least at each reporting date. Different criteria to determine impairment are applied to each category of financial assets, which are described below.

The classification of financial instruments into one of the three categories below, determines the basis for subsequent measurement and whether any resulting movements in value are recognised in the reported surplus and deficit or other comprehensive revenue and expense.

(i) Loan and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Trust's cash and cash equivalents, trade debtors and most other receivables fall into this category of financial instruments.

After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

(ii) Held to Maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Trust has the intention and ability to hold them until maturity. The Trust currently holds investments designated into this category.

Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in surplus or deficit.

(iii) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Trust's available-for-sale financial assets include certain other equity investments.

Equity investments are measured at cost less any impairment charges, where the fair value cannot currently be estimated reliably.

All other available-for-sale financial assets are measured at fair value. Gains and losses are recognised in other comprehensive revenue and expenses and reported within the "available-for-sale revaluation reserve" within equity, except for impairment losses which are recognised in the surplus or deficit for the year.

**TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016**

3. Summary of Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive revenue and expenses is reclassified from the equity reserve to the surplus or deficit and presented as a reclassification adjustment within other comprehensive revenue and expenses.

Interest income or dividends on available-for-sale financial assets are recognised in the surplus or deficit.

Available-for-sale financial instruments are reviewed at each reporting date for objective evidence that the investment or a group investment is impaired. Objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Subsequent Measurement of Financial Liabilities

Trade payables and other borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

(h) Employee Entitlements

Short-term Employee Benefits

Employee benefits, previously earned from past services that the Trust expects to be settled within 12 months of reporting date are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken at the reporting date.

(i) Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Trust and revenue can be reliably measured. Revenue is measured at the fair value of consideration received.

The Trust assesses its revenue arrangements against specific criteria to determine if it is acting as the principal or agent in a revenue transaction. In an agency relationship only the portion of revenue earned on the Trust's own account is recognised as gross revenue in the Statement of Comprehensive Revenue and Expenses.

The following specific recognition criteria must be met before revenue is recognised:

Revenue from Non-exchange Transactions

A non-exchange transaction is where the Trust either receives value from another entity without directly giving approximate equal value in exchange, or gives value to another entity without directly receiving approximate equal value in exchange.

Where non-exchange revenue is received with conditions attached, the asset is recognised with a matching liability. As the conditions are satisfied the liability is decreased and revenue recognised. When non-exchange revenue is received with restrictions attached, but no requirements to return the asset if not deployed as specified, then revenue is recognised on receipt.

Interest Income

Interest income 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.

Dividend Income

Dividend income is recognised on an accrual basis when the Trust's right to receive payment has been established.

TSB
Wellington

Booked for

**TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016**

3. Summary of Significant 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 criterion for the grant has been met. Grants approved that have not met the specified criteria are recognised as contingent liabilities.

(k) Income Tax

The Trust is exempt from income tax under section CW 52 of the Income Tax Act 2007.

(l) Goods and Services Tax (GST)

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

4. Significant Accounting Judgements, Estimates, and Assumptions

The preparation of financial statements in conformity with NZ IPSAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant judgements estimates and assumptions is provided in the relevant accounting policy or provided in the relevant note disclosure.

The estimates and underlying assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Estimates are subject to ongoing review and actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in future years affected.

The following are significant management judgements in applying the accounting policies of the Trust that have a significant effect on the financial statements:

Impairment

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to the future events and circumstances.

Recognition of Grants Payable

The criteria used to determine whether or not a grant is a payable or contingent liability is disclosed in paragraph 3 (j). There are no grants payable at year end (2015: Nil).

5. Capital Management Policy

The Trust's capital is its equity, being the net assets represented by retained earnings and other equity reserves. The primary objective of the Trust's capital management policy is to ensure adequate capital reserves are maintained in order to support its activities. 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 (Note 20) that is invested in New Zealand investment securities and bank deposits.

6. Dividend Income

	2016 \$	2015 \$
TSB Bank Limited	2	5,030,000
TSB Group Limited	<u>3,375,000</u>	<u>-</u>
	<u>3,375,002</u>	<u>5,030,000</u>



TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016

7. Other Operating Expenses

	2016	2015
	\$	\$
Accounting costs	35,696	25,530
General expenses	137,270	159,117
Rent under operating leases	43,532	21,789
Facility and office expenses	51,050	33,351
Relocation costs	25,521	-
IT costs	58,906	30,785
	<u>351,975</u>	<u>270,572</u>

8. Depreciation and Amortisation

	2016	2015
	\$	\$
Depreciation of property, plant and equipment	27,218	22,430
Amortisation of intangibles	87,133	-
	<u>114,351</u>	<u>22,430</u>

9. Net Surplus from Finance Activities

	2016	2015
	\$	\$
<i>Finance income:</i>		
Interest income on term investments	716,393	901,086
Interest income on held to maturity investments	188,797	163,167
<i>Total Finance Income</i>	<u>905,190</u>	<u>1,064,253</u>
Net Surplus from Finance Activities	<u>905,190</u>	<u>1,064,253</u>

10. Reversal of Impairment Losses/(Impairment Losses)

	2016	2015
	\$	\$
Solid Energy Limited	256,485	(1,000,000)
	<u>256,485</u>	<u>(1,000,000)</u>

In 2015 the Trust acknowledged the uncertainty of the future of Solid Energy Limited (SENZ). The Trust considered its holding in Solid Energy Limited Fixed Rate Notes to be impaired and recognised the impairment of the \$1,000,000 carrying value of this investment. Subsequent to the approval by creditors of the SENZ Deed of Company Arrangement on 17 September 2015, the Trust has recognised a new restructured asset and reversed a portion of the previously recognised provision.

11. Cash and Cash Equivalents

	2016	2015
	\$	\$
Cash at bank and in hand	923,621	758,140
	<u>923,621</u>	<u>758,140</u>

The carrying amount of cash and cash equivalents approximates their fair value.

Cash at bank earns interest at floating rates on a daily deposit basis.



TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016

12. Receivables from Exchange Transactions

	2016	2015
	\$	\$
Dividends receivable	1	1,380,000
Related party receivables	480	-
Interest receivable	190,700	263,765
	<u>191,181</u>	<u>1,643,765</u>

Trade debtors and other receivables are non-interest bearing. Therefore the carrying value of trade debtors and other receivables approximates its fair value.

At balance date, all overdue receivables have been assessed for impairment and appropriate allowances made. All receivables are subject to credit risk exposure. The maximum exposure to credit risk at the reporting date is the carrying amount receivables as disclosed above. The Trust does not hold any collateral as security.

13. Investment in Related Parties

	2016	2015
	\$	\$
Shares in TSB Group Limited	10,099,999	-
Shares in TSB Bank Limited	1	10,000,000
	<u>10,100,000</u>	<u>10,000,000</u>

14. Property, Plant and Equipment

Movements for each class of property, plant and equipment are as follows:

	Building Fit Out	IT	Furniture & Fittings	Other Fixed Assets	Total
	\$	\$	\$	\$	\$
2016					
<i>Gross carrying amount</i>					
Opening balance	95,965	-	30,310	214,842	341,117
Other additions	440,990	56,836	68,270	2,206	568,302
Disposals	(95,965)	-	(24,270)	(93,104)	(213,339)
Closing balance	<u>440,990</u>	<u>56,836</u>	<u>74,310</u>	<u>123,944</u>	<u>696,080</u>
<i>Accumulated depreciation and impairment</i>					
Opening balance	(33,839)	-	(20,022)	(194,259)	(248,120)
Depreciation for the year	(4,763)	(12,686)	(1,110)	(8,659)	(27,218)
Impairment charge	-	-	-	-	-
Disposals	36,030	-	15,512	85,881	137,423
Closing balance	<u>(2,572)</u>	<u>(12,686)</u>	<u>(5,620)</u>	<u>(117,037)</u>	<u>(137,915)</u>
Carrying amount 31 March	<u>438,418</u>	<u>44,150</u>	<u>68,690</u>	<u>6,907</u>	<u>558,165</u>



TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016

14. Property, Plant and Equipment (continued)

	Building Fit Out	Furniture & Fittings	Other Fixed Assets	Total
	\$	\$	\$	\$
2015				
<i>Gross carrying amount</i>				
Opening balance	95,965	30,310	213,682	339,957
Other additions	-	-	1,160	1,160
Disposals	-	-	-	-
Closing balance	<u>95,965</u>	<u>30,310</u>	<u>214,842</u>	<u>341,117</u>
<i>Accumulated depreciation and impairment</i>				
Opening balance	(27,266)	(18,685)	(179,740)	(225,691)
Depreciation for the year	(6,573)	(1,337)	(14,520)	(22,430)
Impairment charge	-	-	-	-
Disposals	-	-	-	-
Closing balance	<u>(33,839)</u>	<u>(20,022)</u>	<u>(194,260)</u>	<u>(248,121)</u>
Carrying amount 31 March	<u>62,126</u>	<u>10,288</u>	<u>20,582</u>	<u>92,996</u>

15. Intangible Assets

Movements for each class of intangible assets are as follows:

	Database \$	Total \$
2016		
<i>Gross carrying amount</i>		
Opening balance	156,917	156,917
Additions	85,796	85,796
Closing balance	<u>242,713</u>	<u>242,713</u>
<i>Accumulated amortisation and impairment</i>		
Opening balance	-	-
Current year amortisation	(87,133)	(87,133)
Closing balance	<u>(87,133)</u>	<u>(87,133)</u>
Carrying amount 31 March	<u>155,580</u>	<u>155,580</u>
2015		
<i>Gross carrying amount</i>		
Opening balance	52,571	52,571
Additions	104,346	104,346
Closing balance	<u>156,917</u>	<u>156,917</u>
<i>Accumulated amortisation and impairment</i>		
Opening balance	-	-
Closing balance	-	-
Carrying amount 31 March	<u>156,917</u>	<u>156,917</u>

The database project was in progress at the end of the 2015 financial year. The database went live on 1 April 2015. The cost of the database is amortised over a finite life from 1 April 2015 of 2.5 years.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016

16. Other Financial Assets	2016	2015
	\$	\$
<i>Current assets</i>		
<i>Loans and receivables</i>		
Term investments	7,845,000	13,645,000
Reserve investments	<u>4,320,000</u>	<u>2,000,000</u>
	12,165,000	15,645,000
<i>Held-to-maturity investments</i>		
Floating rate bonds in Mighty River Power	2,000,000	-
	<u>14,165,000</u>	<u>15,645,000</u>
<i>Total current other financial assets</i>		
<i>Non-current assets</i>		
<i>Loans and receivables</i>		
Reserve investments	1,680,000	3,230,000
<i>Held-to-maturity investments</i>		
Floating rate bonds in Mighty River Power	-	2,000,000
Investment in Solid Energy Limited restructured asset	<u>291,435</u>	<u>-</u>
	291,435	2,000,000
	<u>1,971,435</u>	<u>5,230,000</u>
<i>Total non-current other financial assets</i>		

17. Payables under Exchange Transactions	2016	2015
	\$	\$
<i>Current</i>		
Accounts payable	<u>56,130</u>	<u>45,924</u>
	56,130	45,924

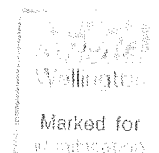
Accounts payable are non-interest bearing and normally settled on 30 day terms; therefore their carrying amount approximates their fair value.

18. Employee Entitlements	2016	2015
	\$	\$
Annual leave entitlements	<u>23,527</u>	<u>35,490</u>
	23,527	35,490

Employee entitlements represent the Trust's obligation to its current and former employees that are expected to be settled within 12 months of balance date. These consist of accrued holiday pay entitlements at the reporting date.

19. Operating Leases		
Operating leases are held for premises used for office space.		
Non-cancellable operating leases are payable as follows:	2016	2015
	\$	\$
Less than one year	65,784	51,320
Between one and five years	263,136	328,900
More than five years	<u>87,712</u>	<u>87,707</u>
	416,632	467,927

The lease entered into commenced on 31 July 2015. The term is for seven years expiring 31 July 2022 with two rights of renewal on a five yearly basis. Rent reviews are annual.



**TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016**

20. Reserve Fund

The reserve fund has been established as a contingency fund against fluctuation in the TSB Group Limited annual dividends. This fund shall be sufficient to meet approximately two years' operating costs, multi-year commitments for all years, and operational grants for two years. The balance at 31 March 2016 is \$8,408,378 (2015: \$7,731,718).

21. Trust Capital

	2016	2015
	\$	\$
Trust capital	100	100
Equity	<u>10,000,000</u>	<u>10,000,000</u>
	<u>10,000,100</u>	<u>10,000,100</u>

Equity comprises 20,000,000 fully paid shares at 50 cents each.

22. Financial Instruments

(a) Financial instrument risk management

The Trust has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Trust is exposed to market risk through their use of financial instruments and specifically to interest rate risk, and certain other price risks, which result from both its operating and investing activities.

The Trust has a series of policies to manage the risk associated with financial instruments. Policies have been established which do not allow transactions that are speculative in nature to be entered into and the Trust are not actively engaged in the trading of financial instruments. As part of this policy, limits of exposure have been set and are monitored on a regular basis.

(i) Credit risk

Credit risk is the risk that a third party will default on its obligation to the Trust, causing the Trust to incur a 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 continuously monitors defaults of customers and counterparties, and incorporates this information into its credit risk controls. The Trust manages its exposure to credit risk on an ongoing basis.

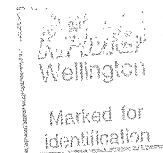
The Trust has a significant concentration of credit risk with TSB Bank Limited. The Trust's policy is to keep investments with the TSB Bank Limited conditional upon the bank's credit rating remaining at a predetermined level.

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

(ii) Liquidity risk

Liquidity risk represents the Trust's ability to meet its contractual obligations as they fall due. The Trust manages liquidity risk by managing cash flows.

The Trust's policy for management of liquidity 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 Trust considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Trust's existing cash resources and trade receivables significantly exceed the current cash outflow requirements.



TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016

22. Financial Instruments (continued)

The Trust's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

2016	Carrying Amounts	Total Contractual Cash-flows	Contractual Cash-flow Maturities				
			0 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Later than 5 years
Non-derivative Financial Liabilities							
Trade creditors and other payables	108,508	108,508	108,508	-	-	-	-
Total	108,508	108,508	108,508	-	-	-	-

2015	Carrying Amounts	Total Contractual Cash-flows	Contractual Cash-flow Maturities				
			0 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Later than 5 years
Non-derivative Financial Liabilities							
Trade creditors and other payables	194,228	194,228	194,228	-	-	-	-
Total	194,228	194,228	194,228	-	-	-	-

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(iv) Interest rate risk

Interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates.

The Trust is exposed to interest rate risk primarily on its interest bearing financial assets. Management actively review exposure to interest rate risk. The Trust's interests in bonds and term investments all pay fixed interest rates and the interest risk exposure is considered immaterial.

Interest rate risk profile

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2016 \$	2015 \$
<i>Fixed Interest Instruments</i>		
Financial assets	15,060,056	19,633,140
Total	<u>15,060,056</u>	<u>19,633,140</u>
<i>Variable Rate Instruments</i>		
Financial assets	2,000,000	2,000,000
Total	<u>2,000,000</u>	<u>2,000,000</u>



TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016

23. Reconciliation of Cash Flows from Operating Activities

	2016	2015
	\$	\$
Surplus/(deficit) for the year	(5,376,116)	(3,699,991)
<i>Add/(deduct) non-cash items</i>		
Depreciation and amortisation	114,351	22,430
Reversal of impairment losses/(impairment losses)	(256,485)	1,000,000
Loss on disposal of assets	75,916	-
Other non-cash items	(34,951)	-
<i>Add/(deduct) movements in working capital</i>		
Decrease in dividends receivable	1,379,998	5,470,000
Decrease in other receivables	72,586	773
Increase/(decrease) in creditors and other payables	(73,757)	91,226
Increase/(decrease) in employee entitlements	(11,963)	5,333
Net cash flows from/ (used in) operating activities	<u>(4,110,421)</u>	<u>2,889,771</u>

24. Contingent Assets and Contingent Liabilities

The Trust has no material contingent assets (2015: Nil).

	2016	2015
	\$	\$
<i>Contingent Liabilities</i>		
Contingent grants	4,281,533	3,305,476
Multi-year commitments	<u>2,635,000</u>	<u>693,900</u>
	<u>6,916,533</u>	<u>3,999,376</u>

Contingent grants are donations approved but the distribution is subject to the donees meeting certain conditions.

25. Commitments

Capital commitments

There is no capital expenditure contracted for at the end of the reporting period but not yet incurred. (2015: \$Nil).

26. Events after the Reporting Date

Subsequent to the year-end TSB Group Limited declared a dividend of \$9.475m payable to TSB Community Trust.

TSB Community Trust
Notes to the Financial Statements
For the year ended 31 March 2016

27. Related Party Transactions

Related party transactions arise when an entity or person has the ability to significantly influence the financial and operating policies of the Trust.

The Trust has a related party relationship with its Trustees and other key management personnel.

The Trust is the ultimate parent of TSB Group Limited. TSB Group Limited is a majority shareholder of TSB Bank Limited. The Trust holds various term investments with TSB Bank Limited. TSB Group Limited also owns 100% of shares in TSB Group Capital Limited. TSB Group Capital Limited owns 100% of shares in TSB Group Investments Limited. TSB Group Investments Limited has an investment in associate, Fisher Funds Management Limited.

Transactions with related parties

The following transactions were carried out with related parties:

	2016	2015
	\$	\$
a) Receipts		
TSB Group Limited	21,334	-
TSB Group Limited – Dividend income	3,375,000	-
TSB Bank Limited - Dividend income	-	5,030,000
TSB Bank Limited - Interest income	716,393	901,086
TSB Group Capital Limited	21,333	-
TSB Group Investments Limited	21,333	-
	<u>4,155,393</u>	<u>5,931,086</u>

For part of the year TSB Community Trust was paying invoices that related to all entities in the group from one central bank account. The costs were recovered through TSB Group Limited with no interest charged.

TSB Community Trust recovers a portion of staff costs from entities within the group for the support functions provided on an annual basis at an agreed total amount that is estimated at the beginning of each year. This is recovered through TSB Group Limited.

	2016	2015
	\$	\$
b) Expenses		
Other related parties - Grants	830,820	563,184
Other related parties - Services	66,741	1,450
	<u>897,561</u>	<u>564,634</u>

During the year a number of grants have been paid by TSB Community Trust to various community organisations where key management has a position which is considered to be part of the control of the benefiting organisation.

Services were received during the year from entities which had a member of TSB Community Trust key management in a position which was considered to be a position of control.

	2016	2015
	\$	\$
c) Donations to Related Interest		
Donations paid	2,350,622	1,858,524
Donations pledged	322,500	150,000
	<u>2,673,122</u>	<u>2,008,524</u>

The above related interests have been compiled based on a broad definition of related interests that would include, not just where key management are members of the board of a community organisation, but also where a trustee or staff member 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 2016**

27. Related Party Transactions (continued)

d) Year end balances with related parties

	2016	2015
	\$	\$
<i>Receivables from related parties:</i>		
Receivables – TSB Group Limited	481	-
Receivables – TSB Bank Limited	190,700	1,643,765
Term investments – TSB Bank Limited	13,845,000	18,875,000
	<u>14,036,181</u>	<u>20,518,765</u>

The receivables from related parties arise from dividends and interest receivable at year end. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2015: Nil).

e) Key management personnel compensation

The Trust has a related party relationship with its key management personnel. Key management personnel include the Trust's Board of Trustees, and the Leadership team. There are 10 appointed Trustees on the Trust's Board.

Key management personnel compensation includes the following expense:

	2016	2015
	\$	\$
Salaries – Leadership team	<u>301,317</u>	<u>202,888</u>
Number of full time equivalent individuals recognised as key management personnel:	2.9	2
Trustees honoraria	<u>110,698</u>	<u>111,000</u>

28. 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.

The Trust has 100% ownership of TSB Group 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.

29. Publishing Requirements

A comprehensive list itemising all recipients will be published in a supplementary report in the Taranaki Daily News in August 2016.

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

TSB COMMUNITY TRUST
Wellington
Marked for
2016



Independent auditor's report

To the Trustees of TSB Community Trust

We have audited the accompanying financial statements of TSB Community Trust ("the Trust") on pages 3 to 22. The financial statements comprise the statement of financial position as at 31 March 2016, the statements of comprehensive revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Trustees as a body. Our audit work has been undertaken so that we might state to the Trust's trustees those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust's Trustees as a body of work, for our audit work, this report or any or any of the opinions we have formed.

Trustees' responsibility for the financial statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Not-For-Profit)) 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) and International Standards on Auditing. 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 and fair presentation of the financial statements 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 generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of TSB Community Trust as at 31 March 2016 and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards (Not-For-Profit).

A handwritten signature of the KPMG firm, written in a cursive style.

15 June 2016
Wellington