



# New Zealand Gazette

OF THURSDAY, 28 JUNE 2012

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## TSB COMMUNITY TRUST

### FINANCIAL STATEMENTS

PURSUANT TO SECTION 13 OF THE  
COMMUNITY TRUSTS ACT 1999

**TSB Community Trust**  
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**For the year ended 31 March 2012**

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**TSB Community Trust**  
**Trust Directory**  
**For the year ended 31 March 2012**

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 Ed Parker Alex Ballantyne Steve Corkill Marise James Harry Bayliss Mary Bourke Brent Schumacher Kelly Marriner Keryn Broughton	
Bankers:	TSB Bank New Plymouth	
Solicitors:	Billings New Plymouth	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 2012**

	Note	2012 \$	2011 \$
<b>Revenue</b>			
Interest	2	774,217	649,347
Dividend from TSB Bank Limited		<u>10,000,000</u>	<u>9,050,000</u>
		10,774,217	9,699,347
 <b>Expenditure</b>			
Audit fees - statutory audit		10,800	10,800
Other audit fees		4,265	2,956
Depreciation		22,644	29,555
Grants		5,413,159	6,295,154
Personnel	10	270,879	223,304
Trustee honoraria	10	62,877	71,944
Trustee expenses		14,840	12,935
Other expenses		<u>237,730</u>	<u>213,434</u>
		<u>6,037,194</u>	<u>6,860,082</u>
 <b>Net profit for year</b>	8	<b>4,737,023</b>	<b>2,839,265</b>
 <b>Comprehensive income</b>			
Net comprehensive income		<u>-</u>	<u>-</u>
 <b>Total Comprehensive Income</b>		<u><b>4,737,023</b></u>	<u><b>2,839,265</b></u>

These financial statements are to be read in conjunction with the notes on pages 7 to 21.

**TSB Community Trust**  
**Statement of Changes in Equity**  
**For the year ended 31 March 2012**

	<b>Share Capital \$</b>	<b>Reserve Fund \$</b>	<b>Retained Earnings \$</b>	<b>Total Equity \$</b>
Balance at 1 April 2011	10,000,100	6,603,000	11,807,561	28,410,661
Net profit after tax	-	-	4,737,023	4,737,023
Other comprehensive income	-	-	-	-
Total comprehensive income for period	<u>-</u>	<u>-</u>	<u>4,737,023</u>	<u>4,737,023</u>
Transfer to (from)	<u>-</u>	<u>882,963</u>	<u>(882,963)</u>	<u>-</u>
<b>Balance at 31 March 2012</b>	<b><u>10,000,100</u></b>	<b><u>7,485,963</u></b>	<b><u>15,661,621</u></b>	<b><u>33,147,684</u></b>
		Note 8		

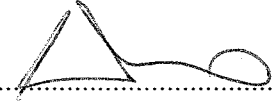

	<b>Share Capital \$</b>	<b>Reserve Fund \$</b>	<b>Retained Earnings \$</b>	<b>Total Equity \$</b>
Balance at 1 April 2010	10,000,100	5,000,000	10,571,296	25,571,396
Net profit after tax	-	-	2,839,265	2,839,265
Other comprehensive income	-	-	-	-
Total comprehensive income for period	<u>-</u>	<u>-</u>	<u>2,839,265</u>	<u>2,839,265</u>
Transfer to (from)	<u>-</u>	<u>1,603,000</u>	<u>(1,603,000)</u>	<u>-</u>
<b>Balance at 31 March 2011</b>	<b><u>10,000,100</u></b>	<b><u>6,603,000</u></b>	<b><u>11,807,561</u></b>	<b><u>28,410,661</u></b>
		Note 8		

These financial statements are to be read in conjunction with the notes on pages 7 to 21.

**TSB Community Trust**  
**Statement of Financial Position**  
**As at 31 March 2012**

	Note	2012 \$	2011 \$
<b>Current Assets</b>			
Cash and cash equivalents	3	422,522	614,295
Trade and other receivables	4	7,658,136	6,716,896
Investments	5	<u>11,995,000</u>	<u>9,006,000</u>
		20,075,658	16,337,191
<b>Non-Current Assets</b>			
Investments	5	13,000,000	13,000,000
Property, plant and equipment	6	<u>130,498</u>	<u>130,986</u>
		13,130,498	13,130,986
<b>Total Assets</b>		<u><b>33,206,156</b></u>	<u><b>29,468,177</b></u>
<b>Current Liabilities</b>			
Trade and other payables		58,472	1,057,516
<b>Trust Equity</b>			
Trust Capital	7	10,000,100	10,000,100
Retained Earnings	8	15,661,621	11,807,561
Reserve Fund	8	<u>7,485,963</u>	<u>6,603,000</u>
		33,147,684	28,410,661
<b>Total Liabilities and Equity</b>		<u><b>33,206,156</b></u>	<u><b>29,468,177</b></u>

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

 .....Chairperson      12 June 2012  
 .....Trustee      12 June 2012

These financial statements are to be read in conjunction with the notes on pages 7 to 21.

**TSB Community Trust**  
**Statement of Cash Flows**  
**For the year ended 31 March 2012**

	Note	2012 \$	2011 \$
<b>Cash Flow from Operating Activities</b>			
Cash was provided from:			
Interest income		754,973	462,589
Dividend income		9,080,000	10,950,000
RWT received		-	4,590
		9,834,973	11,417,179
Cash was applied to:			
Operating expenses		(603,015)	(532,862)
Grants paid		(6,412,575)	(6,678,118)
		<u>(7,015,590)</u>	<u>(7,210,980)</u>
<b>Net Cash Flow from Operating Activities</b>	<b>9</b>	<b>2,819,383</b>	<b>4,206,199</b>
<b>Cash Flow from Investing Activities</b>			
Cash was applied to:			
Increase in investment securities		(2,989,000)	(5,106,000)
Property, plant and equipment purchased		<u>(22,156)</u>	<u>(125,494)</u>
<b>Net Cash Flow from Investing Activities</b>		<b>(3,011,156)</b>	<b>(5,231,494)</b>
Net increase/(decrease) in cash		(191,773)	(1,025,295)
Cash and cash equivalents at start of year		<u>614,295</u>	<u>1,639,590</u>
<b>Cash and cash equivalents at end of year</b>		<b><u>422,522</u></b>	<b><u>614,295</u></b>
<b>Represented by:</b>			
Petty cash		41	153
TSB Bank cheque account		299,069	555,841
TSB Bank reserve interest account		<u>123,412</u>	<u>58,301</u>
		<b><u>422,522</u></b>	<b><u>614,295</u></b>

These financial statements are to be read in conjunction with the notes on pages 7 to 21.

**TSB Community Trust**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2012**

**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 12 June 2012.

**Change in Accounting Policies**

The accounting policies have been consistently applied to all periods presented unless otherwise stated.

**Standards and Interpretations Effective in the Current Period**

NZ IAS 24: Related Party Disclosures (revised 2009) - Effective 1 January 2011

FRS-44: New Zealand Additional Disclosures - Effective 1 July 2011

NZ IAS 26: Amendment to Accounting and reporting by Retirement Benefit Plans - Effective April 2011

NZ IFRS 7: Financial Instruments – Appendix E - Effective 1 April 2011

NZ IFRS 7: Amendment to Financial Instruments: Disclosure – Transfer of Financial Assets - Effective 1 July 2011

NZ IFRIC 14: Prepayments of a Minimum Funding Requirement - Effective 1 January 2011

None of these standards have had any impact on the Trust's accounting policies.

**TSB Community Trust**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2012**

**1. Statement of Accounting Policies (continued)**

**Improvements to NZ IFRSs**

NZ IFRS 7: Financial Instruments : Disclosures - Clarification of disclosures

NZ IAS 1: Presentation of Financial Statements - Clarification of statement of changes in equity

NZ IAS 34: Interim Financial Reporting - Significant events and transactions

NZ IFRIC 13: Customer Loyalty Programmes - Fair value of award credit

None of these improvements have had any impact on the financial statements.

**Standards and Interpretations Not Yet Adopted**

The following new standards are not yet effective and have not been applied in the preparation of these financial statements. Adoption of these standards will not have any significant impact on the Trust's reported profit or financial position.

NZ IFRS 9: Financial Instruments - Effective 1 January 2015

NZ IFRS 10: Consolidated Financial Statements - Effective 1 January 2013

NZ IAS 27: Separate Financial Statements (revised 2011) - Effective 1 January 2013

NZ IAS 28: Investments in Associates and Joint Ventures (revised 2011) - Effective 1 January 2013

NZ IFRS 12: Disclosure of Interests in Other Entities - Effective 1 January 2013

NZ IFRS 13: Fair Value Measurement - Effective 1 January 2013

NZ IAS 19: Employee Benefits (revised 2011) -Effective 1 January 2013

NZ IAS 12: Income Taxes – Deferred Tax: Recovery of Underlying Assets - Effective 1 January 2012

FRS-43: Amendments to Summary Financial Statements - Effective 1 January 2012

NZ IAS 1: Amendments to Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income - Effective 1 July 2012

**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.

**Presentation Currency and Rounding**

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

**TSB Community Trust**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2012**

**1. Statement of Accounting Policies (continued)**

**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 time 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 2012**

**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 2012**

**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 2012**

**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 for 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 2012**

**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:

· Building improvements	4 years
· Furniture and fittings	2-8 years
· Other fixed assets	2-10 years

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) 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 consolidated entity in respect of services provided by employees up to reporting date.

**i) 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.

**TSB Community Trust**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2012**

**1. Statement of Accounting Policies (continued)**

**j) 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 5. The criteria used to determine whether or not a grant is a payable or contingent liability is disclosed in paragraph (i). Grants payable are included within trade and other payables in the statement of financial position. The carrying value of grants payable at 31 March 2012 was \$Nil (2011: \$999,416) and the value of contingent liabilities in relation to grants has been disclosed in note 13.

**2. Interest**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Bank deposits	599,176	470,717
Held to maturity investments	<u>175,041</u>	<u>178,630</u>
	<u><u>774,217</u></u>	<u><u>649,347</u></u>

**3. Cash and Cash Equivalents**

Petty cash	41	153
TSB Bank cheque account	299,069	555,841
TSB Bank reserve interest account	<u>123,412</u>	<u>58,301</u>
	<u><u>422,522</u></u>	<u><u>614,295</u></u>

**TSB Community Trust**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2012**

	2012	2011		
	\$	\$		
4. Trade and Other Receivables				
Dividend receivable	7,370,000	6,450,000		
Accrued interest	286,140	266,896		
Accounts receivable	1,996	-		
	<u>7,658,136</u>	<u>6,716,896</u>		
5. Investments				
Current				
Loans and receivables carried at amortised cost:				
TSB Bank Limited term deposits	11,995,000	9,006,000		
	<u>11,995,000</u>	<u>9,006,000</u>		
Non Current				
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 carried at cost:				
Shares In TSB Bank Limited	10,000,000	10,000,000		
	<u>13,000,000</u>	<u>13,000,000</u>		
6. Property, Plant & Equipment				
	Building Fit Out \$	Furniture & Fittings \$	Other Fixed Assets \$	Total \$
2012				
Cost				
Opening balance	95,965	20,324	164,171	280,460
Additions	-	3,283	18,873	22,156
Closing balance	<u>95,965</u>	<u>23,607</u>	<u>183,044</u>	<u>302,616</u>
Depreciation				
Opening balance	(7,547)	(14,897)	(127,030)	(149,474)
Depreciation	<u>(6,573)</u>	<u>(1,751)</u>	<u>(14,320)</u>	<u>(22,644)</u>
Closing balance	<u>(14,120)</u>	<u>(16,648)</u>	<u>(141,350)</u>	<u>(172,118)</u>
Closing net book value				
Balance as at 1 April 2011	<u>88,418</u>	<u>5,427</u>	<u>37,141</u>	<u>130,986</u>
Balance as at 31 March 2012	<u>81,845</u>	<u>6,959</u>	<u>41,694</u>	<u>130,498</u>

**TSB Community Trust**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2012**

**6. Property, Plant & Equipment (continued)**

<b>2011</b>	<b>Building Fit Out \$</b>	<b>Furniture &amp; Fittings \$</b>	<b>Other Fixed Assets \$</b>	<b>Total \$</b>
<b>Cost</b>				
Opening balance	2,070	16,969	135,927	154,966
Additions	<u>93,895</u>	<u>3,355</u>	<u>28,244</u>	<u>125,494</u>
Closing balance	<u><u>95,965</u></u>	<u><u>20,324</u></u>	<u><u>164,171</u></u>	<u><u>280,460</u></u>
<b>Depreciation</b>				
Opening balance	(2,070)	(13,082)	(104,766)	(119,918)
Depreciation	<u>(5,477)</u>	<u>(1,815)</u>	<u>(22,264)</u>	<u>(29,556)</u>
Closing balance	<u><u>(7,547)</u></u>	<u><u>(14,897)</u></u>	<u><u>(127,030)</u></u>	<u><u>(149,474)</u></u>
<b>Closing net book value</b>				
Balance as at 1 April 2010	-	3,887	31,161	35,048
<b>Balance as at 31 March 2011</b>	<u><u>88,418</u></u>	<u><u>5,427</u></u>	<u><u>37,141</u></u>	<u><u>130,986</u></u>

**7. Trust Capital**

	<b>2012 \$</b>	<b>2011 \$</b>
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.

**8. 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 2012**

**9. Reconciliation of Net Surplus with Net Cash Flow from Operating Activities**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Net Surplus</b>	<b>4,737,023</b>	<b>2,839,265</b>
Add back		
Depreciation	22,644	29,555
	<u>4,759,667</u>	<u>2,868,820</u>
Add/(deduct)		
(inc)/decrease in trade and other receivables	(941,240)	1,717,829
inc/(decrease) in trade and other payables	(999,044)	(380,450)
	<u><u>2,819,383</u></u>	<u><u>4,206,199</u></u>

**10. 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:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Dividend income	10,000,000	9,050,000
Interest income	599,176	470,717

The amounts outstanding at balance date were:

Dividends receivable	7,370,000	6,450,000
Interest receivable	238,117	220,345
Short term deposits	11,995,000	9,006,000

**Donations to Related Interests**

Donations paid	1,081,350	1,840,300
Donations pledged (donations approved but the distribution is subject to the donees' meeting certain conditions)	335,000	15,900
Amounts outstanding at balance date	<u>-</u>	<u>91,140</u>
	<u><u>1,416,350</u></u>	<u><u>1,947,340</u></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

**TSB Community Trust**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2012**

**10. Related Parties (continued)**

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.

	2012 \$	2011 \$
<b>Key Management Compensation</b>		
Short term employees benefits	270,879	223,304
Short term trustee benefits	62,877	71,944
	<u>333,756</u>	<u>295,248</u>

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

**11. 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.

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 liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Trust can be required to pay. The table includes both interest and principal cash flows.

2012	0-6 Months \$	6-12 Months \$	1-2 Years \$	2-5 Years \$	Over 5 Years \$	Total \$
<b>Financial liabilities</b>						
Payables	(58,472)	-	-	-	-	(58,472)
<b>Total financial liabilities</b>	<u>(58,472)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,472)</u>

**TSB Community Trust**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2012**

**11. Financial Instruments (continued)**

2011	0-6 Months \$	6-12 Months \$	1-2 Years \$	2-5 Years \$	Over 5 Years \$	Total \$
<b>Financial liabilities</b>						
Payables	(1,057,513)	-	-	-	-	(1,057,513)
<b>Total financial liabilities</b>	<u>(1,057,513)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,057,513)</u>

**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 \$82,695. 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.

**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 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**

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

	Carrying Amount 2012 \$	Fair Value 2012 \$	Carrying Amount 2011 \$	Fair Value 2011 \$
Held-to-Maturity Investments	<u>3,000,000</u>	<u>3,306,660</u>	<u>3,000,000</u>	<u>3,104,400</u>

The carrying values for cash and cash equivalents and loans and receivables approximate their fair values as they are short term in nature.

**TSB Community Trust**  
**Notes to the Financial Statements**  
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**12. 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 \$7,485,963 (2011: \$6,603,000) that is invested in NZ investment securities and bank deposits. The Trust has no externally imposed requirements.

**13. Contingent Liabilities**

	<b>2012</b>	<b>2011</b>
	\$	\$
Grants approved but the distribution is subject to the donees' meeting certain conditions	2,239,681	1,672,500
Multi-year commitments	<u>1,100,000</u>	<u>1,170,000</u>
	<u><u>3,339,681</u></u>	<u><u>2,842,500</u></u>

**14. Commitments**

The trust has no material capital commitments at balance date (2011: \$Nil).

	<b>2012</b>	<b>2011</b>
	\$	\$
The trust has non cancellable operating leases for buildings of:		
Less than 1 year	19,818	17,901
Between 1 and 5 years	<u>18,166</u>	<u>35,803</u>
	<u><u>37,984</u></u>	<u><u>53,704</u></u>
Lease expense for the period	<u><u>18,299</u></u>	<u><u>16,620</u></u>

Current lease term is 3 years & 11 months expiring March 2014 with a right to renew for a further 3 years. Rent reviews are biennial with the first being 25 March 2012.

**15. Subsequent Events**

There were no material events subsequent to balance date.

**16. 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**  
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**16. 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.

**17. Publishing Requirements**

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

<b>1st quarter</b>	<b>18 May 2011</b>
<b>2nd quarter</b>	<b>2 December 2011</b>
<b>3rd quarter</b>	<b>25 January 2012</b>
<b>4th quarter</b>	<b>14 April 2012</b>

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 TSB Community Trust

#### Report on the financial statements

We have audited the accompanying financial statements of TSB Community Trust ("the Trust") on pages 3 to 21. The financial statements comprise the statement of financial position as at 31 March 2012, 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 21:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the Trust as at 31 March 2012 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.

A handwritten signature in black ink, appearing to read 'KPMG'.

12 June 2012  
Wellington