

THE TRUST COMPANY CASH FUND

Annual Financial Report for the reporting period ended 31 May 2015
ARSN 093 105 358



**THE
TRUST
COMPANY**

Part of Perpetual *P*

The Trust Company Cash Fund

ARSN 093 105 358

Financial Report for the year ended 31 May 2015

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Directors' report

The directors of The Trust Company (RE Services) Limited (a wholly owned subsidiary of Perpetual Limited), the Responsible Entity of The Trust Company Cash Fund, present their report together with the financial report of The Trust Company Cash Fund ("the Scheme") for the year ended 31 May 2015 and the auditor's report thereon.

Responsible Entity

The Responsible Entity of The Trust Company Cash Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831). The Responsible Entity's registered office and principal place of business is Level 12, 123 Pitt Street, Sydney, NSW 2000.

Directors

The following persons held office as directors of the Trust Company (RE Services) Limited during the year or since the end of the year and up to the date of this report:

A Cannane (appointed 31 March 2011)
A O'Sullivan (appointed 7 March 2014, Alternate for C Green)
C Green (appointed 7 March 2014)
G Larkins (resigned 31 July 2015)
G Foster (appointed 31 July 2015)
J Hawkins (appointed 31 July 2015)
M Vainauskas (appointed 2 March 2015)

Principal activities

The Responsible Entity resolved to wind-up the Scheme in accordance with the terms of the Scheme's Constitution on 29 April 2015. The decision to wind-up the Scheme was deemed to be in the best interest of the unitholders. The wind-up is in the best interests of the unitholders as the Scheme is no longer sustainable due to declining funds under management and increasing indirect costs to run the Scheme. The wind-up commenced thereafter and the Scheme was formally wound up on 31 May 2015.

The Scheme did not have any employees during the year.

Review and results of operations

During the year, the Scheme continued to invest funds in accordance with the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

The performance of the Scheme, as represented by the results of its operations, was as follows:

	31 May 2015	31 May 2014
	\$	\$
Operating profit before finance costs attributable to unitholders	<u>4,961,283</u>	8,665,108
Distribution paid and payable	4,961,283	8,665,108

Unit price history

The Scheme is a \$1.00 stable fund.

The movement in units on issue in the Scheme during the year is disclosed in note 5 of the annual financial report.

The value of the Scheme's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in note 2 of the financial report.

Significant changes in state of affairs

The Responsible Entity resolved to wind-up the Scheme in accordance with the terms of the Scheme's Constitution on 29 April 2015. The Scheme wound up on 31 May 2015. As a result of the decision to wind up the Scheme, the financial statements for The Trust Company Cash Fund were prepared on a non going concern basis. There is no difference between this basis and preparing the financial statements on a going concern basis.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Scheme that occurred during the financial year under review.

Directors' report (continued)

Performance

The table below demonstrates the performance of the Scheme as represented by the total return, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total annual return is shown for the past five years to 31 May 2015 and assumes that all distributions were re-invested during that year. These are calculated in accordance with FSC Standard 6.0 Product Performance - calculation and presentation of returns.

	2015	2014	2013	2012	2011
Total Return% (per annum)	1.92%	2.25%	3.05%	4.27%	4.22%

Interest paid and payable on deposits during the twelve months ended 31 May 2015 represented an average return to unitholders investing for that full reporting year of 1.92% per annum compared to 2.25% per annum for the full preceding year. This decrease in return to unitholders reflects a lower average interest rate secured on investments over the year.

Likely developments and expected results of operations

The Scheme would up on 31 May 2015.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 May 2015.

Environmental regulation

The operations of the Scheme are not subject to any particular or significant environmental regulation under a Commonwealth, State or Territory Law.

Fees paid to and interests held in the Scheme by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its related parties out of Scheme property during the year are disclosed in note 7 of the financial report.

No fees were paid out of the Scheme property to the directors of the Responsible Entity during the year.

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 7 of the financial report.

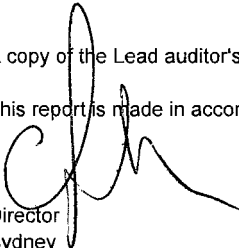
Indemnification of Officers of the Responsible Entity and Auditors

No insurance premiums are paid for out of the assets of the assets of the Scheme in regards to insurance cover provided to either the officers of The Trust Company (RE Services) Limited or the auditors of the Scheme. So long as the officers of The Trust Company (RE Services) Limited act in accordance with the Scheme's Constitution and the law, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditor of the Scheme are in no way indemnified out of the assets of the Scheme.

Lead auditor's independence declaration

A copy of the Lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors.


Director
Sydney
26 August 2015



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of The Trust Company (RE Services) Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 May 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
KPMG

Michael O Connell
Partner

Sydney

26 August 2015

The Trust Company Cash Fund
Statement of comprehensive income
For the year ended 31 May 2015

Statement of comprehensive income

		31 May 2015	31 May 2014
	Notes	\$	\$
Investment income			
Interest income		7,675,577	12,816,073
Total net investment income		<u>7,675,577</u>	<u>12,816,073</u>
Expenses			
Management fees		2,700,093	3,960,964
Auditor's remuneration	3	25,120	35,915
Other (income)/expenses		(10,919)	154,086
Total expenses		<u>2,714,294</u>	<u>4,150,965</u>
Operating profit		<u>4,961,283</u>	8,665,108
Finance costs attributable to unitholders			
Distributions to unitholders	4	4,961,283	8,665,108
Change in net assets attributable to unitholders (total comprehensive income)		<u>-</u>	<u>-</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

The Trust Company Cash Fund
Statement of financial position
As at 31 May 2015

Statement of financial position

	Notes	31 May 2015 \$	31 May 2014 \$
Assets			
Cash and cash equivalents	8	-	41,818,168
Investments held to maturity	6	-	297,879,063
Receivables		-	115,048
Total assets		<u>-</u>	<u>339,812,279</u>
Liabilities			
Distribution payable to unitholders of the Scheme	4	-	1,777,003
Audit remuneration payable		-	24,915
Payables		-	3,258,581
Total liabilities (excluding net assets attributable to unitholders)		<u>-</u>	<u>5,060,499</u>
Net assets attributable to unitholders - liability	5	<u>-</u>	<u>334,751,780</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

The Scheme's net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such the Scheme has no equity and no items of changes in equity have been presented for the current or comparative year.

The Trust Company Cash Fund
Statement of cash flows
For the year ended 31 May 2015

Statement of cash flows

	31 May	31 May
	2015	2014
Notes	\$	\$
Cash flows from operating activities		
Interest received	9,105,859	13,452,286
Reduced input tax credit received	245,544	292,469
Payment of expenses	<u>(3,052,130)</u>	<u>(4,438,112)</u>
Net cash inflow from operating activities	8(b) 6,299,273	9,306,643
Cash flows from investing activities		
Net cash flow to sell investments	296,513,537	88,401,608
Net cash inflow from investing activities	296,513,537	88,401,608
Cash flows from financing activities		
Net cash flow to unitholders	(337,892,692)	(101,311,694)
Distributions paid	<u>(6,738,286)</u>	<u>(9,571,497)</u>
Net cash outflow from financing activities	(344,630,978)	(110,883,191)
Net decrease in cash and cash equivalents held	(41,818,168)	(13,174,940)
Cash and cash equivalents at the beginning of the financial year	<u>41,818,168</u>	<u>54,993,108</u>
Cash and cash equivalents at the end of the financial year	8(a) -	41,818,168

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. General information

This financial report covers The Trust Company Cash Fund ("the Scheme") as an individual entity. The Scheme is a registered managed investment scheme under the *Corporations Act 2001*. The Scheme was constituted on 20 November 1984. The Scheme is domiciled in Australia.

The Responsible Entity of the Scheme is The Trust Company (RE Services) Limited ("the Responsible Entity"). The Responsible Entity's registered office is Level 12, 123 Pitt Street, Sydney, NSW, 2000.

The Responsible Entity resolved to wind-up the Scheme in accordance with the terms of the Scheme's Constitution on 29 April 2015. The decision to wind-up the Scheme was deemed to be in the best interest of the unitholders. The wind-up is in the best interests of the unitholders as the Scheme is no longer sustainable due to declining funds under management and increasing indirect costs to run the Scheme. The wind-up commenced thereafter and the Scheme was formally wound up on 31 May 2015.

The financial report was authorised for issue by the directors on 26 August 2015. The directors of the Responsible Entity have the power to amend and reissue the financial report.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Principles of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* in Australia.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The financial report is presented in Australian dollars, which is the Scheme's functional currency.

As the Scheme wound up on the 31 May 2015, the financial report for the Scheme is prepared on a non going concern basis. The financial statements are being prepared on the basis set out in the accounting policy notes. There is no difference between this basis and preparing the financial statements on a going concern basis. No additional provisions or liabilities have been recognised as a result of a possible orderly realisation as the Scheme does not incur any additional legal or contractual obligations.

Compliance with International Financial Reporting Standards

The financial report of the Scheme also complies with International Financial Reporting Standards ("IFRS") and interpretations as issued by the International Accounting Standards Board.

Use of estimates

The Scheme makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next reporting year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and accounts payable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(b) Change in accounting policy

The Scheme has adopted the following standard and amendment for the annual financial year commencing on 1 June 2014:

AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting

The adoption of AASB 2013-4 did not have any impact on the current year or any prior year and is not likely to affect future years.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 June 2014 that would be expected to have a material impact on the Scheme.

2. Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 May 2015 and will not be adopted by the Scheme.

(d) Financial instruments

(i) Classification

The Scheme's investments are categorised as follows:

- *Investments held to maturity*

Financial assets designated as held to maturity are non-derivative assets with fixed or determinable payments and a fixed maturity date that the Scheme has a positive intent and ability to hold to maturity.

- *Loans and receivables/payables*

Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. This category includes short-term receivables/payables.

(ii) Recognition/derecognition

The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investment has expired or the Scheme has transferred substantially all receipts and rewards of ownership.

(iii) Measurement

- *Investments held to maturity*

Investments held to maturity are measured at amortised cost using the effective interest method less any impairment.

- *Loans and receivables*

Loans and receivables are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each reporting date to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If, in a subsequent year, the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

2. Summary of significant accounting policies (continued)

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(e) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities. The units can be put back to the Scheme at any time for cash. The fair value of redeemable units is measured at the redemption amount that is payable at the reporting date if unitholders exercised their right to redeem units in the Scheme.

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(g) Investment income

Interest income is recognised in the statement of comprehensive income for all interest bearing financial instruments using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(d).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Scheme estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

(h) Expenses

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accruals basis.

(i) Income tax

Under current legislation, the Scheme is not subject to income tax as unitholders are presently entitled to the income of the Scheme, provided the taxable income of the Scheme is fully distributed either by way of cash or reinvestment.

Realised net capital losses cannot be distributed to unitholders but are carried forward by the Scheme to be offset against any realised capital gains in future years.

(j) Distributions

In accordance with the Scheme's Constitution, the Scheme fully distributes its distributable income to unitholders by way of cash or reinvestment. The distributions are payable quarterly each year in February, May, August and November. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(k) Goods and Services Tax ("GST")

The GST incurred on the cost of various services provided to the Scheme by third parties such as Responsible Entity's fees, has been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) hence Responsible Entity's fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the cash flow statement on a gross basis.

3. Auditor's remuneration

During the year, the following fees were paid for services provided by the auditor of the Scheme:

	31 May 2015	31 May 2014
	\$	\$
Audit and audit related services		
KPMG	25,120	-
Deloitte Touche Tohmatsu Australian Firm	-	36,000
Total remuneration for audit and audit related services	25,120	36,000

4. Distributions to unitholders

The distributions for the year were as follows:

	31 May 2015	31 May 2014
	\$	\$
Distributions paid - August	1,728,292	2,494,602
Distributions paid - November	1,500,044	2,187,034
Distributions paid - February	1,412,591	2,016,190
Distributions paid - May	320,356	190,279
Distributions payable - May	-	1,777,003
	4,961,283	8,665,108

5. Net assets attributable to unitholders

Movements in number of units and net assets attributable to unitholders during the year were as follows:

	31 May 2015 No.	31 May 2014 No.	31 May 2015 \$	31 May 2014 \$
Opening balance	334,751,780	437,206,439	334,751,780	437,206,439
Net applications/(redemptions)	(334,751,780)	(102,454,659)	(334,751,780)	(102,454,659)
Closing balance	-	334,751,780	-	334,751,780

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Scheme.

Capital risk management

The Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and daily redemptions at the discretion of unitholders. The Scheme paid the final return to unitholders and formally wound up on 31 May 2015.

6. Investments held to maturity

	31 May 2015	31 May 2014
	\$	\$
Financial assets		
Held to maturity assets:		
- Negotiable certificate of deposits	-	61,761,112
- Term deposits	-	236,117,951
	-	297,879,063

7. Related party transactions

Responsible Entity

The Responsible Entity of The Trust Company Cash Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831), a wholly owned subsidiary of Perpetual Limited (ACN 000 431 827).

The Scheme does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Scheme and this is considered the key management personnel.

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of The Trust Company (RE Services) Limited at anytime during the financial year or since the end of the year and up to the date of this report as follows:

A Cannane (appointed 31 March 2011)
A O'Sullivan (appointed 7 March 2014, Alternate for C Green)
C Green (appointed 7 March 2014)
G Larkins (resigned 31 July 2015)
G Foster (appointed 31 July 2015)
J Hawkins (appointed 31 July 2015)
M Vainauskas (appointed 2 March 2015)

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during or since the end of the financial year.

Key management personnel unitholdings

From time to time directors of the Responsible Entity, or their director related entities, may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors.

At 31 May 2015, no key management personnel held units in the Scheme (2014: nil).

Key management personnel loan disclosures

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their related entities at any time during the year.

Other transactions within the Scheme

Apart from those details disclosed in this note, no key management personnel have entered into any transactions with the Scheme during the financial year and there were no material balances involving key management personnel's interests outstanding at year end.

Responsible Entity's fees and other transactions

The Responsible Entity's fees are calculated in accordance with the Scheme's Constitution (as amended). The Responsible Entity's fee is 1.025% p.a. of the net asset value of the Scheme and is disclosed in the statement of comprehensive income.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Scheme and the Responsible Entity were as follows:

	31 May 2015	31 May 2014
	\$	\$
Responsible Entity's fees paid and payable directly by the Scheme	2,700,093	3,962,000
Fees payable to the Responsible Entity as at reporting date (included in sundry creditors and accruals)	-	20,000

7. Related party transactions (continued)

Related party unitholdings

The Trust Company (RE Services) Limited (a wholly owned subsidiary of Perpetual Limited), its related parties and other schemes managed by Perpetual Limited, held units in the Scheme as follows:

	No. of units held opening No	No. of units held closing No	Fair value of investment \$	Interest held %	Distributions paid/payable \$
31 May 2015					
The Trust Company Bond Fund	8,881,422	-	-	-	78,526
The Trust Company Philanthropy Fund	6,930,380	-	-	-	109,703
The Trust Company Australian Share Fund	1,375,171	-	-	-	15,413
The Trust Company Income Fund	1,010,635	-	-	-	5,300
The Trust Company Diversified Property Fund	946,107	-	-	-	4,790
The Trust Company Share Imputation Fund	878,754	-	-	-	13,403

During the year, the cash for all of the above Schemes was transferred to the Perpetual Cash Management Fund and they no longer held a position in the Scheme at the year end.

	No. of units held opening No	No. of units held closing No	Fair value of investment \$	Interest held %	Distributions paid/payable \$
31 May 2014					
The Trust Company Bond Fund	6,802,695	8,881,422	8,881,422	2.61	176,258
The Trust Company Philanthropy Fund	7,913,644	6,930,380	6,930,380	2.04	164,406
The Trust Company Australian Share Fund	2,955,450	1,375,171	1,375,171	0.40	54,281
The Trust Company Income Fund	1,608,551	1,010,635	1,010,635	0.30	17,620
The Trust Company Diversified Property Fund	1,785,929	946,107	946,107	0.28	27,116
The Trust Company Share Imputation Fund	976,484	878,754	878,754	0.26	43,823
Trust General Equity Fund VE8*	19,751	-	-	-	-
Permanent Australian Share Fund CTF4*	461,886	-	-	-	2,824
Equity Common Fund QE1*	297,471	-	-	-	2,309

* During the year, these schemes were terminated and no longer held a position in the Scheme at the year end.

8. Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	31 May 2015	31 May 2014
(a) Components of cash and cash equivalents		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the statement of financial position as follows:	\$	\$
Cash on hand	-	41,818,168
Total cash and cash equivalents	<u>-</u>	<u>41,818,168</u>
(b) Reconciliation of net cash inflow from operating activities to net operating profit		
	31 May 2015	31 May 2014
	\$	\$
Operating profit	4,961,283	8,665,108
(Decrease) / increase in payables	(92,293)	4,588
Increase in income receivable	1,430,283	636,947
Net cash inflow from operating activities	<u>6,299,273</u>	<u>9,306,643</u>

9. Financial risk management

The Scheme's investing activities exposed it to a variety of financial risks; market risk (including price risk and interest rate risk), credit risk and liquidity risk.

A risk management framework had been established by the Responsible Entity of the Scheme to define the obligations and regulatory requirements for the Scheme and minimise the risks in investment activities. This framework incorporated a regular assessment process to ensure procedures and controls adequately manage investment activities.

The investment activities of the Scheme were managed in accordance with the investment strategy specifically tailored for the Scheme's objectives. The strategy is approved by the Board of Directors of the Responsible Entity, and must comply with any authorised investments and management restrictions specified in the Scheme's Constitution.

This note presents information about the Scheme's exposure to each of the above risks. The Scheme uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, currency risk and price risk and ratings analysis for credit risk.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The potential market risks were currency risk, interest rate risk and price risk.

(i) Price risk

The Scheme was exposed to market price risk. The risk arises from investments held by the Scheme for which prices in the future are uncertain (other than arising from currency risk or interest rate risk).

The Scheme's asset managers aimed to manage the impact of market price risk through the use of consistent and carefully considered investment guidelines. Risk management techniques are used in the selection of investments. Investments are only purchased that meet investment criteria. Risk can be reduced by diversifying investments across several asset managers, markets, regions and different asset classes.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Scheme is exposed to cash flow interest rate risk on financial instruments with floating interest rates. Financial instruments with fixed interest rates expose the Scheme to fair value interest rate risk.

Investments can be made in bank accepted bills of exchange, term deposits and negotiable certificate of deposits issued by a bank and government guaranteed securities with a maturity date of two years or less. While liquid assets such as these are not guaranteed by The Trust Company (RE Services) Limited, they are regarded as one of the most secure asset classes.

The table below summarises the Scheme's exposure to interest rate risks. It includes the Scheme's assets and liabilities at fair values, categorised by the maturity dates together with the weighted average interest rate of the assets held at the year end date.

	Weighted average interest rate %	Floating interest rate \$'000	Fixed interest rate		Non- interest bearing \$'000	Total \$'000
			3 months or less \$'000	4 to 12 months \$'000		
31 May 2015						
Cash and cash equivalents	0.00	-	-	-	-	-
Fixed interest rate instruments	0	-	-	-	-	-
		-	-	-	-	-

9. Financial risk management (continued)

(ii) Interest rate risk (continued)

	Weighted average interest rate %	Floating interest rate \$	Fixed interest rate		Non- interest bearing \$	Total \$
			3 months or less \$	4 to 12 months \$		
31 May 2014						
Cash and cash equivalents	2.50	41,818,168	-	-	-	41,818,168
Fixed interest rate instruments	3.24	-	287,425,450	10,453,613	-	297,879,063
		41,818,168	287,425,450	10,453,613	0	339,697,231

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the year was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Scheme's net assets would be impacted as follows:

	As at 31 May 2015		As at 31 May 2014	
	Increased by 50 basis points \$	Decreased by 50 basis points \$	Increased by 50 basis points \$	Decreased by 50 basis points \$
	Net assets attributable to unitholders and profit before finance costs attributable to unitholders	-	-	1,698,486

These changes are calculated on an undiscounted basis. The analysis is performed on the same basis for 2015 and 2014.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from investments in debt securities. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

The Scheme has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as means of mitigating the financial risk of financial loss from default. The Scheme measures credit risk on a fair value basis.

The Scheme aims to manage risks by diversification, investing in quality securities and setting appropriate investment guidelines for the management of the Scheme's assets.

The credit quality of financial assets is managed by the Scheme using Standard & Poor's rating categories, in accordance with the investment mandate of the Scheme. The Scheme's exposure in each grade is monitored on a daily basis. This review process allows the Responsible Entity to assess the potential loss as a result of risks and take corrective action. The table below shows the credit quality by class of assets:

	A2 \$'000	A1 \$'000	A1+ \$'000
31 May 2015			
Fixed interest rate instruments	-	-	-
31 May 2014			
Fixed interest rate instruments	28,872,168	102,631,605	166,375,290

(c) Liquidity risk management

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due.

The following tables show the contractual maturities of financial liabilities, including interest payments where applicable:

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	More than 12 months \$'000
	31 May 2015			
Distribution payable	-	-	-	-
Payables	-	-	-	-
Net assets attributable to unitholders	-	-	-	-

9. Financial risk management (continued)

(c) Liquidity risk management (continued)

	Less than 1 month	1-3 months	3-12 months	More than 12 months
31 May 2014	\$	\$	\$	\$
Distribution payable	(1,777,003)	-	-	-
Payables	(3,283,496)	-	-	-
Net assets attributable to unitholders	(334,751,780)	-	-	-
	<u>(339,812,279)</u>	<u>-</u>	<u>-</u>	<u>-</u>

(d) Fair value measurement

The Scheme discloses fair value measurements by level of the following fair value hierarchy:

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

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on last traded prices at the end of the year without any deduction for estimated future selling costs. For the majority of financial assets and liabilities, information provided by the quoted market independent pricing services is relied upon for valuation.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. An active market is a market in which transactions for the financial asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. Quoted market prices or dealer quotes for similar instruments are used for debt securities held. The Scheme uses a variety of valuation methods and makes assumptions that are based on market conditions existing at the end of each year.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the year applicable for an instrument with similar terms and conditions. For other pricing models, inputs are based on market data at the end of the year.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions held. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The Scheme did not hold any financial instruments with fair value measurements using significant unobservable inputs during the year ended 31 May 2015 or 31 May 2014.

The tables below set out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at year end:

As at 31 May 2015	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Investments held to maturity	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

9. Financial risk management (continued)

(d) Fair value measurement (continued)

(ii) Fair value in an inactive or unquoted market (level 2 and level 3) (continued)

As at 31 May 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	-	297,879,063	-	297,879,063
Investments held to maturity	-	297,879,063	-	297,879,063

Transfers between levels

For the year ended 31 May 2015 and the year ended 31 May 2014, there have been no transfers between levels.

10. Events occurring after the reporting year

No other significant events have occurred since the end of the reporting year which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 31 May 2015 or on the results and cash flows of the Scheme for the year ended on that date.

11. Contingent assets and liabilities and or commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 May 2015 (2014: nil).

12. Wind-up

The Responsible Entity resolved to wind-up the Scheme in accordance with the terms of the Scheme's Constitution on 29 April 2015. The decision to wind-up the Scheme was deemed to be in the best interest of the unitholders. The wind-up is in the best interests of the unitholders as the Scheme is no longer sustainable due to declining funds under management and increasing indirect costs to run the Scheme. The wind-up commenced thereafter and the Scheme was formally wound up on 31 May 2015. A communication to members was issued on 29 April 2015.

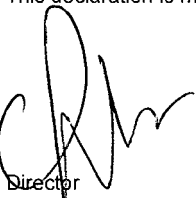
No other significant events have occurred since the statement of financial position end which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 31 May 2015 or on the results and cash flows of the Scheme for the year ended on that date.

Directors' declaration

In the opinion of the directors of The Trust Company (RE Services) Limited, the Responsible Entity of The Trust Company Cash Fund:

- (a) the financial statements and notes, set out on pages 5 to 18 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 31 May 2015 and of its performance for the financial year ended on that date; and
- (b) the financial report also complies with International Financial Reporting Standards as discussed in note 2(a).

This declaration is made in accordance with a resolution of the directors.



Director
Sydney
26 August 2015



Independent auditor's report to the unitholders of The Trust Company Cash Fund

Report on the financial report

We have audited the accompanying financial report of The Trust Company Cash Fund (the Scheme), which comprises the statement of financial position as at 31 May 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of The Trust Company (RE Services) Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Scheme's financial position and of its performance.

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



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

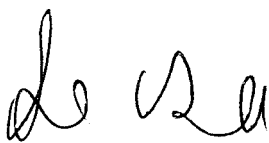
- (a) the financial report of The Trust Company Cash Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Scheme's financial position as at 31 May 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Basis of preparation

Without modifying our opinion, we draw attention to note 2(a) of the financial report which describes the basis of preparation. The financial report has been prepared on a non-going concern basis. Following a resolution to terminate the Scheme made by the Board of Directors of the Responsible Entity, The Trust Company Cash Fund is no longer considered a going concern.



KPMG



Michael O Connell
Partner

Sydney

26 August 2015

CONTACT US

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