

**MODEL FINANCIAL STATEMENTS FOR A  
COUNCIL-CONTROLLED ORGANISATION**

Te Motu Regional  
Economic  
Development Trust  
2006-07

Prepared under New Zealand  
equivalents to International  
Financial Reporting Standards

June 2007 version 1.0

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## FOREWORD

I am pleased to introduce to you the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) model financial statements for a council-controlled organisation (CCO).

Audit New Zealand's model financial statements highlight our profession's latest thinking in terms of meeting financial reporting and legislative requirements, and providing essential financial statement information.

### Focus

The financial statements in this model financial statement have been prepared especially to help guide a CCO in preparing its first set of NZ IFRS compliant financial statements. The financial statements included in this model are only part of what is required to be included in a CCO's annual report. The other legislative requirements for a CCO's annual report are set out in sections 67 to 69 of the Local Government Act 2002.

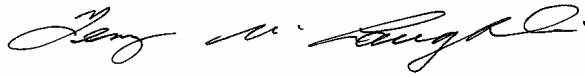
### Future updates

We will continue to update the model financial statements to reflect changes in NZ IFRS and evolving best practice in application of NZ IFRS to the CCO sector.

We would welcome any feedback on the application of this model in the CCO sector or any other comments that may assist in future updates of the model financial statements. If you have any feedback or comments on these model financial statements please pass these to your Audit New Zealand Manager or Director.

### Acknowledgements

I would like to thank the Audit New Zealand staff who have contributed to these model financial statements, particularly Brett Story, Stephen Lewis, and Robert Cox of our Technical Team.



Terry McLaughlin  
Executive Director  
June 2007

## Index to the financial statements

STATEMENT OF FINANCIAL PERFORMANCE” .....	8
STATEMENT OF CHANGES IN EQUITY .....	9
STATEMENT OF FINANCIAL POSITION .....	10
STATEMENT OF CASH FLOWS .....	11
NOTES TO THE FINANCIAL STATEMENTS .....	12
1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES .....	12
2 EXPLANATION OF TRANSITION TO NZ IFRS .....	16
3 OTHER REVENUE .....	19
4 GAINS .....	19
5 EMPLOYEE BENEFIT COSTS .....	19
6 FINANCE COSTS .....	20
7 OTHER EXPENSES .....	20
8 CASH AND CASH EQUIVALENTS .....	20
9 TRADE AND OTHER RECEIVABLES .....	21
10 INVENTORIES .....	22
11 INVESTMENTS .....	22
12 PROPERTY, PLANT AND EQUIPMENT .....	23
13 INTANGIBLE ASSETS .....	24
14 TRADE AND OTHER PAYABLES .....	24
15 PROVISIONS .....	25
16 EMPLOYEE BENEFIT LIABILITIES .....	25
17 BORROWINGS .....	26
18 RECONCILIATION OF EQUITY .....	27
19 RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FROM OPERATING ACTIVITIES .....	27
20 CAPITAL COMMITMENTS AND OPERATING LEASES .....	27
21 CONTINGENCIES .....	28
22 RELATED PARTY TRANSACTIONS .....	28
23 TRUSTEE FEES .....	29
24 EVENTS AFTER THE BALANCE SHEET DATE .....	29
25 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES .....	29
26 FINANCIAL INSTRUMENT RISKS .....	30

27	CAPITAL MANAGEMENT .....	30
28	EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET .....	31
29	PERFORMANCE INFORMATION.....	31
	SUBJECT INDEX .....	32
	OUR SERVICES.....	33
	OFFICE CONTACTS.....	33

## ABOUT THE MODEL FINANCIAL STATEMENTS

### Objective

The principal objective in producing the model is to guide a CCO in preparing its first NZ IFRS compliant financial statements.

The model financial statements have been prepared using a fictitious entity, Te Motu Regional Economic Development Trust (the Trust).

Although this model is based on a CCO that is a charitable trust, most of the model would apply equally to CCOs that are of a different legal nature (e.g incorporated societies or companies).

### Content

Included in the model is:

- Statement of financial performance,
- Statement of changes in equity,
- Statement of financial position,
- Statement of cash flows,
- Statement of accounting policies, and
- Notes to the financial statements.

The model is prepared on the basis that the Trust is a Public Benefit Entity for the purposes of NZ IFRS.

The model has not applied the differential reporting exemptions that may be available to qualifying entities under the differential reporting framework. Appendix A of the *Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards* details the full and partial exemptions available to qualifying entities.

The model does not include all the information that is required to be disclosed in a CCO's annual report by sections 67 to 69 of the Local Government Act 2002 (the LGA). In particular the model does not include the non-financial performance information required under section 68 of the LGA.

Not all of the accounting policies and notes will be applicable to a particular CCO. The model is not intended to cover all of the possible financial reporting issues that could arise in the sector. We have included in the model a range of accounting policies and notes, focusing on those that we would expect to occur commonly in the sector. CCOs that need to report on other matters not covered by this model may want to refer to the Local Government model financial statements available on the Audit New Zealand website, which provide a wider range of disclosures.

The model illustrates a possible financial statement format, for example the statement of financial performance has been prepared by classifying expenses based on the nature of the expenditure. Alternatively, expenses could be classified based on their function. This is just one example where there may be more than one way in disclosing the information required under NZ IFRS.

Entities will need to make choices about the accounting policies and presentation options appropriate for their circumstances.

The model does not address all the possible recognition and disclosure requirements of NZ IFRS. Entities should not use the model as a substitute for referring to individual NZ IFRS standards and interpretations applicable to their specific circumstances. Nor does it identify all possible NZ IFRS adjustments that may arise on transition to NZ IFRS.

We have included references to specific NZ IFRS standards in the left margin of the model and a subject index for easy searching.

### Standards not covered by the model

The model does not consider any recognition or disclosure requirements of the following standards:

- NZ IFRS 2 Shared-based Payment;
- NZ IFRS 3 Business Combinations;
- NZ IFRS 4 Insurance Contracts;
- NZ IFRS 6 Exploration for and Evaluation of Mineral Resources;
- NZ IFRS 8 Operating Segments;
- NZ IAS 11 Construction Contracts;
- NZ IAS 21 The Effects of Changes in Foreign Exchange Rates;
- NZ IAS 26 Accounting and Reporting by Retirement Benefit Plans;
- NZ IAS 27 Consolidated and Separate Financial Statements;

- . NZ IAS 28 Investment in Associates;
- . NZ IAS 29 Reporting in Hyperinflationary Economies;
- . NZ IAS 30 Disclosure in the Financial Statements of Banks and Similar Financial Institutions;
- . NZ IAS 31 Interests in Joint Ventures;
- . NZ IAS 33 Earnings per Share;
- . NZ IAS 34 Interim Financial Reporting;
- . NZ IAS 40 Investment Property; and
- . NZ IAS 41 Agriculture.

In addition, any standards, interpretations and amendments issued after May 2007 will not be reflected in this set of financial statements.

#### **NZ IFRS 7**

Application of *NZ IFRS 7 Financial Instruments: Disclosures* is mandatory for reporting periods that begin on or after 1 January 2007, which for a CCO is the year commencing 1 July 2007. We have elected to apply this standard early for the period beginning 1 July 2006 in accordance with the transitional provisions of the standard.

NZ IAS 1.8(b)

**STATEMENT OF FINANCIAL PERFORMANCE<sup>1,2,3</sup>**  
**FOR THE YEAR ENDED 30 JUNE 2007**

NZ IAS 1.88,104	Note	Actual 2007	Budget <sup>4</sup> 2007	Actual <sup>5</sup> 2006
NZ IAS 1.83	<b>Income</b>			
NZ IAS 1.81(a)	Council operating grants	1,395,000	1,407,000	1,200,000
NZ IAS 1.81(a)	Government grants	441,448	420,000	411,370
NZ IAS 18.35(b)i	Sale of goods	67,470	60,000	64,970
NZ IAS 18.35(b)iii	Interest	7,234	6,000	7,001
NZ IFRS 7.20(b)				
NZ IAS 1.81(a)	Other revenue	<u>3</u> 40,764	36,000	45,356
	Gains	<u>4</u> 7,284	-	-
	Total income	1,959,200	1,929,000	1,728,697
NZ IAS 1.83	<b>Expenses</b>			
	Advertising and marketing costs	473,987	470,000	369,351
	Employee benefit costs	<u>5</u> 929,098	917,000	823,849
	Depreciation and amortisation expense	<u>12 13</u> 82,923	81,000	84,220
NZ IAS 17.35(c)	Operating lease expense	212,340	210,000	204,647
NZ IAS 2.36(d)	Inventories	63,247	60,000	59,478
	Trustee fees	<u>23</u> 59,750	59,750	52,750
NZ IAS 1.81(b)	Finance costs	<u>6</u> 8,219	8,150	7,127
	Other expenses	<u>7</u> 108,955	123,100	110,747
	Total expenses	1,938,519	1,929,000	1,712,169
NZ IAS 1.81(f),82(b)	<b>Surplus/(deficit) attributable to the Trust</b>	<b>20,681</b>	<b>-</b>	<b>16,528</b>
NZ IAS 1 NZ 41.1	Explanations of significant variances against budget are detailed in note 28. <sup>4</sup>			

*The accompanying notes form part of these financial statements.*

<sup>1</sup> The terms statement of financial performance, statement of financial position, and surplus/deficit are appropriate equivalents to NZ IFRS terminology.

<sup>2</sup> Where there are discontinued operations, NZ IAS 1.81(e) requires disclosure of the total of post tax profit or loss of discontinued operations and the post tax gain or loss recognised on the measurement to fair value less costs to sell on the disposal of the assets or disposal group(s) constituting the discontinued operation.

<sup>3</sup> The statement of financial performance has been prepared using the nature of expense classification. Alternatively entities may choose to present expenses based on the function of expense. Refer to NZ IAS 1.88.

<sup>4</sup> NZ IAS 1 NZ 41.1 requires an entity that has published prospective financial information, other than that expressed solely in general terms, to present a comparison of the prospective financial information with the actual financial results being reported. Explanations for major variances shall be given.

<sup>5</sup> NZ IAS 1.36 requires comparative information to be disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information shall also be included for narrative information when it is relevant to an understanding of the current period's financial statements.

NZ IAS 1.8(c)

**STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 30 JUNE 2007**

		Actual 2007	Budget 2007	Actual 2006
NZ IAS 1.104	Note			
	<b>Balance at 1 July</b>	512,052	512,052	432,324
NZ IAS 1.96(a)	Surplus/(deficit) for the year	20,681	-	16,528
NZ IAS 1.96(c)	Total recognised income /(expense) for the year ended 30 June attributable to the Trust	532,733	512,052	448,852
NZ IAS 1.97(a)	Capital contribution	-	-	63,200
	<b>Balance at 30 June</b>	<b>532,733</b>	<b>512,052</b>	<b>512,052</b>

*The accompanying notes form part of these financial statements.*

NZ IAS 1.8(a)

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007

NZ IAS 1.104

NZ IAS 1.71

	Note	Actual 2007	Budget 2007	Actual 2006
<b>Assets</b>				
<b>Current assets</b>				
NZ IAS 1.68(i)	8	212,183	244,150	127,400
NZ IAS 1.68(h)	9	52,309	74,597	109,563
		21,457	-	8,748
NZ IAS 1.68(g)	10	155,350	152,100	146,270
NZ IAS 1.68(d)	11	121,000	121,000	119,700
		562,299	591,847	511,681
<b>Total current assets</b>				
<b>Non-current assets</b>				
NZ IAS 1.68(a)	12	205,744	208,300	207,544
NZ IAS 1.68(c)	13	24,000	24,000	39,000
		229,744	232,300	246,544
<b>Total non-current assets</b>				
<b>Total assets</b>		<b>792,043</b>	<b>824,147</b>	<b>758,225</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
NZ IAS 1.68(j)	14	157,672	219,850	152,627
NZ IAS 1.68(k)	15	35,238	35,100	34,266
NZ IAS 1.69	16	18,270	17,320	16,187
NZ IAS 1.68(l)	17	10,000	8,350	10,000
		221,180	280,620	213,080
<b>Total current liabilities</b>				
<b>Non-current liabilities</b>				
NZ IAS 1.69	16	9,130	8,725	8,093
NZ IAS 1.68(l)	17	29,000	22,750	25,000
		38,130	31,475	33,093
<b>Total non-current liabilities</b>				
<b>Total liabilities</b>		<b>259,310</b>	<b>312,095</b>	<b>246,173</b>
<b>Net Assets</b>		<b>532,733</b>	<b>512,052</b>	<b>512,052</b>
<b>Trust equity</b>				
NZ IAS 1.75(e)	18	83,200	83,200	83,200
NZ IAS 1.75(e)	18	449,533	428,852	428,852
NZ IAS 1.68(p)		532,733	512,052	512,052
<b>Total equity attributable to the Trust</b>		<b>532,733</b>	<b>512,052</b>	<b>512,052</b>

The accompanying notes form part of these financial statements.

NZ IAS 1.8(d)

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007

NZ IAS 1.104	Note	Actual 2007	Budget 2007	Actual 2006
NZ IAS 7.10	<b>Cash flows from operating activities</b>			
NZ IAS 7 NZ 14.1,18	Council operating grants	1,395,000	1,407,000	1,200,000
NZ IAS 7 NZ 14.1,18	Government grants	441,448	420,000	411,370
NZ IAS 7.31	Interest received	6,008	6,000	6,987
NZ IAS 7.18	Receipts from other revenue	155,708	123,250	144,008
NZ IAS 7.14	Payments to suppliers and employees	(1,855,542)	(1,865,000)	(1,619,702)
NZ IAS 7.31	Interest paid	(1,478)	(1,250)	(1,017)
	Goods and services tax (net)	(29,316)	-	(16,987)
	Net cash from operating activities	<u>111,828</u>	<u>90,000</u>	<u>124,659</u>
NZ IAS 7.10	<b>Cash flows from investing activities</b>			
NZ IAS 7.16(b)	Proceeds from sale of property, plant and equipment	9,768	-	-
NZ IAS 7.16	Proceeds from sale of investments	330,000	320,000	340,000
NZ IAS 7.16(a)	Purchase of property, plant and equipment	(33,200)	(40,000)	(45,200)
NZ IAS 7.16	Acquisition of investments	(331,300)	(310,000)	(365,000)
	Net cash from investing activities	<u>(24,732)</u>	<u>(30,000)</u>	<u>(70,200)</u>
NZ IAS 7.10	<b>Cash flows from financing activities</b>			
	Capital contribution	-	-	63,200
NZ IAS 7.17(c)	Proceeds from borrowings	-	-	-
NZ IAS 7.17(d)	Repayment of borrowings	(5,000)	(5,000)	-
	Net cash from financing activities	<u>(5,000)</u>	<u>(5,000)</u>	<u>63,200</u>
	<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>	82,096	55,000	117,659
	Cash, cash equivalents and bank overdrafts at the beginning of the year	127,400	189,150	9,741
	<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<u><b>209,496</b></u>	<u><b>244,150</b></u>	<u><b>127,400</b></u>

NZ IAS 7 NZ 24.1

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

*The accompanying notes form part of these financial statements.*

NZ IAS 1.8(e)

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Statement of significant accounting policies for the year ended 30 June 2007<sup>6,7,8</sup>

#### Reporting Entity

NZ IAS 1.126(a) Te Motu Regional Economic Development Trust (the Trust) is a charitable trust<sup>9</sup> incorporated in New Zealand under the Charitable Trusts Act 1957 and is domiciled in New Zealand. The Trust is controlled by Te Motu Regional Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Board of Trustees.

NZ IAS 1 NZ 13.1(b)  
 NZ IAS 1.126(b) The primary objective of the Trust is to encourage, promote and support the establishment and growth of business investment and employment opportunities within the region, rather than making a financial return. Accordingly, the Trust has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

NZ IAS 1.46(a)-(c)  
 NZ IAS 10.17 The financial statements of the Trust are for the year ended 30 June 2007. The financial statements were authorised for issue by the Board of Trustees on the 28 September 2007.

#### Basis of preparation

NZ IAS 1 NZ 13.1(a) The financial statements of the Trust have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

NZ IAS 1 NZ 13.1(d),105(a) These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

This is the first set of financial statements prepared using NZ IFRS and comparatives for the year ended 30 June 2006 have been restated to NZ IFRS accordingly. Reconciliations of equity and surplus/(deficit) for the year ended 30 June 2006 under NZ IFRS to the balances reported in the 30 June 2006 financial statements are detailed in note 2.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2005 for the purposes of the transition to NZ IFRS.

NZ IAS 1.108(a) The financial statements have been prepared on a historical cost basis.

NZ IAS 1.46 (d),(e) The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Trust is New Zealand dollars.

NZ IAS 8.30 *Standards and interpretations issued but not yet effective*

Any standards, interpretations, and amendments applicable to the Trust that have been issued, but are not yet effective, have been adopted in preparing the financial statements. In particular the Trust has early adopted NZ IFRS 7 and its consequential amendments to NZ IAS 1.

NZ IAS 18.35(a) **Revenue**

NZ IAS 18.9 Revenue is measured at the fair value of consideration received.

#### Grants

NZ IAS 20.39(b) Grants received from the Te Motu Regional Council are the primary source of funding to the Trust and are restricted for the purposes of the Trust meeting its objectives as specified in the trust deed. The Trust also receives other government assistance for specific purposes, and these grants usually contain restrictions on their use.

NZ IAS 20.39(a) Council, government and non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants received in advance, and recognised as revenue when

<sup>6</sup> The going concern concept is assumed when preparing financial statements. If management is aware of conditions or events that cast doubt over the ability to continue as a going concern, those facts shall be disclosed. If the financial statements are not prepared on a going concern basis that fact shall also be disclosed as required by NZ IAS 1.23.

<sup>7</sup> NZ IAS 1.108(b) requires entities to disclose all accounting policies that are relevant to an understanding of the financial statements.

<sup>8</sup> NZ IAS 1.126 requires the following information to be included in the annual report, it does not necessarily have to be in the financial statements: domicile and legal form, country of incorporation, address of its registered office, description of operations, principal activities, name of parent and ultimate parent of the group.

<sup>9</sup> As Te Motu Regional Economic Development Trust is a charitable trust it is not subject to limitations on its life by law. Under New Zealand law trusts that are not charitable may be restricted to a finite number of years before they must be wound up. The financial statements of trusts with a finite life may have some significant differences to this model as the trust "equity" may need to be accounted for as a liability.

conditions of the grant are satisfied.

*Other revenue*

NZ IAS 18.14 Products held for sale are recognised when a product is sold to the customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

NZ IAS 16 NZ 15.1 Where a physical asset is donated or vested in the Trust for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in the Trust are recognised as revenue when control over the asset is obtained.

NZ IAS 18.30(a) Interest income is recognised using the effective interest method.

Good practice Volunteer services received are not recognised as revenue or expenditure as the Trust is unable to reliably measure the fair value of the services received.

**Advertising costs**

NZ IAS 38.69(c) Advertising costs are expensed when the related service has been rendered.

**Borrowing costs**

NZ IAS 23.9,29(a) Borrowing costs are recognised as an expense in the period in which they are incurred.

**Income Tax**

Good practice The Trust has been granted Charitable status by the Inland Revenue Department, and therefore is exempt from income tax.

**Leases**

*Finance leases*

NZ IAS 17.4 A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

NZ IAS 17.20 At the commencement of the lease term, the Trust recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

NZ IAS 17.27 The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Trust will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

*Operating leases*

NZ IAS 17.4,33 An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

NZ SIC 15.5 Lease incentives received are recognised in the statement of financial performance over the lease term as an integral part of the total lease expense.

**Cash and cash equivalents**

NZ IAS 7.46 Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings as a current liability in the statement of financial position.

NZ IFRS 7.21

**Trade and other receivables**

NZ IAS 39.43 Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

NZ IAS 39.46(a)

NZ IAS 39.63 A provision for impairment of receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

NZ IAS 2.36(a)

**Inventories**

NZ IAS 2 NZ 9.1 Inventories held for distribution that are not supplied on a commercial basis are measured at the lower of cost and current replacement cost.

NZ IAS 2.9

Inventories held for sale on a commercial basis are valued at the lower of cost and net realisable value.

NZ IAS 2.36(a)

The cost of the inventory is determined using the first-in first-out method.

NZ IAS 2.34	The write down from cost to current replacement cost or net realisable value is recognised in the statement of financial performance.						
NZ IFRS 7.21	<b>Investments</b>						
NZ IAS 39.43	Investments in bank deposits are initially measured at fair value plus transaction costs.						
NZ IAS 39.46(a) NZ IAS 39.56	After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.						
NZ IAS 39.58 NZ IAS 39.63	At each balance sheet date the Trust assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the statement of financial performance.						
	<b>Property, plant and equipment</b>						
NZ IAS 16.73(a)	Property, plant and equipment are shown at cost, less accumulated depreciation and impairment losses.						
NZ IAS 16.7	<i>Additions</i> The cost 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 associated with the item will flow to the Trust and the cost of the item can be measured reliably.						
NZ IAS 16 NZ 15.1	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 when control over the asset is obtained.						
NZ IAS 16.68 NZ IAS 16.71	<i>Disposals</i> Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance.						
NZ IAS 16.12,13	<i>Subsequent costs</i> Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.						
NZ IAS 16.73(b),(c)	<i>Depreciation<sup>10</sup></i> Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:						
	<table border="0"> <tr> <td>Furniture and fittings</td> <td>5 years (20%)</td> </tr> <tr> <td>Computer equipment</td> <td>3 to 5 years (20% to 33%)</td> </tr> <tr> <td>Motor vehicles</td> <td>5 years (20%)</td> </tr> </table>	Furniture and fittings	5 years (20%)	Computer equipment	3 to 5 years (20% to 33%)	Motor vehicles	5 years (20%)
Furniture and fittings	5 years (20%)						
Computer equipment	3 to 5 years (20% to 33%)						
Motor vehicles	5 years (20%)						
NZ IAS 16.51	The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.						
	<b>Intangible assets</b>						
	<i>Software acquisition</i>						
NZ IAS 38.4	Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.						
NZ IAS 38.28,66,67	Costs associated with maintaining computer software are recognised as an expense when incurred.						
NZ SIC 32.8	Costs associated with the development and maintenance of the Trust's website are recognised as an expense when incurred.						
	<i>Amortisation</i>						
NZ IAS 38.97 NZ IAS 38.118(a),(b) NZ IAS 38.118(d)	Computer software licenses are amortised on a straight-line basis over their estimated useful life of 3 years. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of. The amortisation charge for each period is recognised in the statement of financial performance.						
	<b>Impairment of non-financial assets</b>						
NZ IAS 36.9 NZ IAS 36.18	Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.						

<sup>10</sup> The useful lives and depreciation rates that have been listed above are only illustrative. Each entity will need to set these based on their specific circumstances.

<p>NZ IAS 36 NZ 6.1                  NZ IAS 36.22</p>	<p>Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the trust would, if deprived of the asset, replace its remaining future economic benefits or service potential.</p>
<p>NZ IAS 36.60</p>	<p>If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the statement of financial performance.</p>
<p>NZ IAS 37.85</p>	<p><b>Employee benefits</b></p>
<p>NZ IAS 19.10</p>	<p><i>Short-term benefits</i></p> <p>Employee benefits that the Trust expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.</p> <p>These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.</p> <p>The Trust recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent the Trust anticipates it will be used by staff to cover those future absences.</p>
	<p><i>Long-term benefits</i></p>
<p>NZ IAS 19.126-131</p>	<p>Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:</p> <ul style="list-style-type: none"> <li>• likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and</li> <li>• the present value of the estimated future cash flows. A discount rate of 7.8% and an inflation factor of 2.7% were used. The discount rate is based on the weighted average of interest rates for Government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.</li> </ul>
<p>NZ IAS 37.85</p>	<p><b>Provisions</b></p>
<p>NZ IAS 37.14</p>	<p>The Trust recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.</p>
<p>NZ IAS 37.45</p>	<p>Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.</p>
<p>NZ IFRS 7.21</p>	<p><b>Borrowings</b></p>
<p>NZ IAS 39.43                  NZ IAS 39.46(a)</p>	<p>Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.</p>
	<p><b>Good and Service Tax (GST)</b></p>
<p>NZ IAS 1.108</p>	<p>All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.</p> <p>The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.</p> <p>The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.</p> <p>Commitments and contingencies are disclosed exclusive of GST.</p>
<p>NZ IAS 1 NZ 41.1</p>	<p><b>Budget figures</b></p> <p>The budget figures are those approved by the Trustees at the beginning of the year in the statement of intent. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Trust for the preparation of the financial statements.</p>

NZ IAS 1.116

**Critical accounting estimates and assumptions**

In preparing these financial statements the Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Leasehold restoration provision*

An analysis of the Trust's exposure surrounding the leasehold restoration provision is disclosed in Note 15.

*Property, plant and equipment useful lives and residual values*

At each balance date the Trust reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Trust to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Trust, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of financial performance, and carrying amount of the asset in the statement of financial position. The Trust minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programs;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The Trust has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 12.

NZ IAS 1.113

**Critical judgements in applying the Trust's accounting policies**

The Trustees must exercise their judgement when recognising grant income to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each grant contract.

**2 Explanation of transition to NZ IFRS**

NZ IFRS 1.13,26

**Transition to NZ IFRS**

The Trust's financial statements for the year ended 30 June 2007 are the first financial statements that comply with NZ IFRS. The Trust has applied NZ IFRS 1 in preparing these financial statements. The Trust's transition date is 1 July 2005 and the opening NZ IFRS balance sheet has been prepared at that date. The Trust's NZ IFRS adoption date is 1 July 2006.

In preparing these financial statements in accordance with NZ IFRS 1, the Trust has applied the mandatory exceptions and certain optional exemptions from full retrospective application of NZ IFRS.

**Exemptions from full retrospective application elected by the Trust**

NZ IFRS 1.13

The Trust has not applied any optional exemptions to full retrospective application of NZ IFRS.

NZ IFRS 1.26(c)

The only mandatory exception from retrospective application that applies to the Trust is the requirement for estimates under NZ IFRS at 1 July 2005 and 30 June 2006 being consistent with estimates made for the same date under previous NZ GAAP.

NZ IFRS 1.39(a)  
NZ IFRS 1.11

**Reconciliation of Trust equity<sup>11</sup>**

The following table shows the changes in Trust equity, resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 July 2005 and 30 June 2006.

	Note	1 July 2005			30 June 2006		
		Previous NZ GAAP	Effect on transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect on transition to NZ IFRS	NZ IFRS
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	a	4,741	5,000	9,741	67,400	60,000	127,400
Trade and other receivables	b	95,994	31,075	127,069	77,563	32,000	109,563
Prepayments		11,826	-	11,826	8,748	-	8,748
Inventories		168,048	-	168,048	146,270	-	146,270
Investments	a	85,692	(5,000)	80,692	179,700	(60,000)	119,700
<b>Total current assets</b>		<b>366,301</b>	<b>31,075</b>	<b>397,376</b>	<b>479,681</b>	<b>32,000</b>	<b>511,681</b>
<b>Non-current assets</b>							
Property, plant and equipment	c	284,644	(51,500)	233,144	246,544	(39,000)	207,544
Intangible assets	c	-	51,500	51,500	-	39,000	39,000
<b>Total non-current assets</b>		<b>284,644</b>	<b>-</b>	<b>284,644</b>	<b>246,544</b>	<b>-</b>	<b>246,544</b>
<b>Total assets</b>		<b>650,945</b>	<b>31,075</b>	<b>682,020</b>	<b>726,225</b>	<b>32,000</b>	<b>758,225</b>
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Trade and other payables		167,411	-	167,411	152,627	-	152,627
Provisions		28,728	-	28,728	34,266	-	34,266
Employee benefit liabilities	d	10,200	4,987	15,187	10,357	5,830	16,187
Borrowings	e	11,000	(1,000)	10,000	11,000	(1,000)	10,000
<b>Total current liabilities</b>		<b>217,339</b>	<b>3,987</b>	<b>221,326</b>	<b>208,250</b>	<b>4,830</b>	<b>213,080</b>
<b>Non-current liabilities</b>							
Employee benefit liabilities		6,948	-	6,948	8,093	-	8,093
Borrowings	e	39,000	(17,578)	21,422	39,000	(14,000)	25,000
<b>Total non-current liabilities</b>		<b>45,948</b>	<b>(17,578)</b>	<b>28,370</b>	<b>47,093</b>	<b>(14,000)</b>	<b>33,093</b>
<b>Total liabilities</b>		<b>263,287</b>	<b>(13,591)</b>	<b>249,696</b>	<b>255,343</b>	<b>(9,170)</b>	<b>246,173</b>
<b>Net Assets</b>		<b>387,658</b>		<b>432,324</b>	<b>470,882</b>		<b>512,052</b>
<b>Equity</b>							
Contributed capital		20,000	-	20,000	83,200	-	83,200
Retained surpluses	b,d,e	367,658	44,666	412,324	387,682	41,170	428,852
<b>Total equity attributable to the Trust</b>		<b>387,658</b>		<b>432,324</b>	<b>470,882</b>		<b>512,052</b>

<sup>11</sup> NZ IFRS 1.6 does not require an entity to present its opening NZ IFRS balance sheet in its first NZ equivalents to IFRS financial statements.

**Explanatory notes – Reconciliation of equity**

*a. Cash and cash equivalents and investments*

Those term deposits with maturities less than three months have been reclassified as cash and cash equivalents.

*b. Trade and other Receivables*

Under previous NZ GAAP the Trust applied a general provision for doubtful debts to all debtors over 90 days old. NZ IFRS requires the Trust to measure the provision for doubtful debts based on objective evidence that the Trust will not be able to collect the amounts owing. The impact of this change has been a reduction in the provision for doubtful debts.

*c. Property, plant and equipment and intangible assets*

Computer software has been reclassified as an intangible asset.

*d. Sick leave*

Sick leave was not recognised as a liability under previous NZ GAAP. NZ IAS 19 requires the Trust to recognise employees' unused sick leave entitlement that can be carried forward at balance date, to the extent the Trust anticipates it will be used by staff to cover future absences.

*e. Borrowings*

Under previous NZ GAAP loans at below market interest rates were recognised at the original loan principal amount, less any loan repayments made. NZ IAS 39 requires loans to be initially recognised at fair value and subsequently measured at amortised cost. In accordance with NZ IAS 39 loans at below market interest rates have been valued at the net present value of expected future repayments, using market interest rates for instruments with a similar credit rating as the discount factor. The effect of this has been a reduction in the loan carrying value.

NZ IFRS 1.39(b)

NZ IFRS 1.11

**Reconciliation of surplus for the year ending 30 June 2006**

The following table shows the changes in the Trust surplus, resulting from the transition from previous NZ GAAP to NZ IFRS for the year ending 30 June 2006.

	Note	Previous NZ GAAP	Effect on transition to NZ IFRS	NZ IFRS
<b>Income</b>				
Council operating grants		1,200,000	-	1,200,000
Government grants		411,370	-	411,370
Sale of goods		64,970	-	64,970
Interest		7,001	-	7,001
Other revenue		45,356	-	45,356
Total income		1,728,697	-	1,728,697
<b>Expenses</b>				
Advertising and marketing costs		369,351	-	369,351
Employee benefit costs	a	823,529	320	823,849
Depreciation and amortisation expense		84,220	-	84,220
Operating lease expense		204,647	-	204,647
Inventories		59,478	-	59,478
Trustee fees		52,750	-	52,750
Finance costs	b	3,549	3,578	7,127
Other expenses	c	114,496	(3,749)	110,747
Total expenses		1,712,020	149	1,712,169
<b>Surplus/(deficit) attributable to the Trust</b>		<b>16,677</b>		<b>16,528</b>

**Explanatory notes - Reconciliation of surplus**

*a. Employee benefit costs*

This represents the increase in the sick leave provision, which was not recognised under previous NZ GAAP.

*b. Finance costs*

Under NZ IFRS loans at nil interest are subsequently measured at amortised cost using the effective interest method. The effective interest method allocates interest expense over the life of the loan to the statement of financial performance. No interest was recognised on loans at nil interest under previous NZ GAAP.

*c. Other expenses*

This movement is attributed to the change in the measurement basis of the provision for doubtful debts on transition to NZ IFRS, which has impacted on the movement in the provision for doubtful debts recognised in the statement of financial performance.

NZ IFRS 1.40

**Statement of cash flows**

On transition to NZ IFRS the statement of cash flows for the year ended 30 June 2006 presents the increase and decrease in short term deposits with maturities of 4 – 12 months on a gross rather than a net basis and short term deposits with maturities less than 3 months are now included as part of cash and cash equivalents. This change and the reclassification of some term deposits to cash and cash equivalents has impacted on the statement of cash flows for the year ended 30 June 2006 as follows:

- The net decrease in short term deposits of \$25,000 has changed to a gross increase of \$365,000 and gross decrease of \$340,000.
- The amount of cash and cash equivalents, including bank overdraft, has increased from \$67,400 to \$127,400.

There have been no other material adjustments to the statement of cash flows for the year ended 30 June 2006, on transition to NZ IFRS.

NZ IAS 1.86

**3 Other revenue**

	<b>Actual 2007</b>	<b>Actual 2006</b>
Other grants received	27,750	27,130
Donated assets	9,780	11,350
Other	3,234	6,876
<b>Total other revenue</b>	<b>40,764</b>	<b>45,356</b>

**4 Gains**

NZ IFRS 5.41

The Trust disposes motor vehicles when they reach a pre-determined mileage. During the period 2 motor vehicles were disposed of through auction and a gain of \$7,284 was recognised from disposal of these vehicles. There were no asset disposals in 2006.

NZ IAS 1.86

**5 Employee benefit costs**

NZ IAS 19.46

	<b>Actual 2007</b>	<b>Actual 2006</b>
Salaries and wages	902,578	799,775
Employer contributions to multi-employer defined benefit plans	23,400	21,250
Increase/(decrease) in employee benefit liabilities	3,120	2,824
<b>Total employee benefit costs</b>	<b>929,098</b>	<b>823,849</b>

NZ IAS 1.86

## 6 Finance costs

		<b>Actual 2007</b>	<b>Actual 2006</b>
	Interest on bank overdraft	1,478	1,017
	Interest on Council borrowings using the effective interest rate	4,000	3,578
NZ IFRS 7.20(b)	Total interest on financial liabilities not at fair value through profit and loss	5,478	4,595
NZ IAS 37.84(e)	Discount unwinding on provisions (note 15)	2,741	2,532
	Total finance costs	<u>8,219</u>	<u>7,127</u>

NZ IAS 1.86

## 7 Other expenses<sup>12</sup>

		<b>Actual 2007</b>	<b>Actual 2006</b>
	<i>Fees to auditor:</i>		
NZ IAS 1 NZ 94.1 (a)(i)	Audit fees for financial statement audit	15,000	13,000
NZ IAS 1 NZ 94.1 (a)(i)	Audit fees for NZ IFRS transition	5,500	2,000
NZ IAS 1 NZ 94.1 (a)(ii)	Audit related fees for assurance and related services <sup>13</sup>	-	-
NZ IAS 1 NZ 94.1 (a)(iii)	Fees for tax services <sup>13</sup>	4,500	4,200
NZ IAS 1 NZ 94.1 (a)(iv)	Fees for other services <sup>13</sup>	-	-
NZ IAS 1 NZ 94.2	Donations <sup>14</sup>	1,000	1,000
NZ IFRS 7.20(e)	Impairment of receivables (note 9)	24,901	42,832
NZ IAS 38.126	Website development expenses	1,620	1,879
NZ IAS 1.86	Other	56,434	45,836
	Total other expenses	<u>108,955</u>	<u>110,747</u>

NZ IAS 1 NZ 94.1 (a)(iii) The auditor completed an assurance engagement over the Trust's compliance with FBT and GST requirements.

NZ IAS 7.45

## 8 Cash and cash equivalents

		<b>Actual 2007</b>	<b>Actual 2006</b>
	Cash at bank and on hand	192,003	108,300
NZ IAS 7.7	Short-term deposits maturing three months or less from date of acquisition	20,180	19,100
	Total cash and cash equivalents	<u>212,183</u>	<u>127,400</u>
NZ IAS 7.8	Bank overdrafts (note 17)	2,687	-
	Net cash, cash equivalents and bank overdrafts for the purposes of the statement of cash flows.	<u>209,496</u>	<u>127,400</u>

NZ IFRS 7.25,29(a) The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

<sup>12</sup> NZ IAS 1.86 requires that when items of expense (and income) are material, their nature and amount shall be disclosed separately.

<sup>13</sup> NZ IAS 1.94.1 requires the nature of the services to be disclosed for assurance and related services, tax services, and all other non-audit services provided by the auditor.

<sup>14</sup> In the context of reporting by a Trust, donations are interpreted as per their common usage, that is, discretionary charitable gifts, and should exclude any grants made in terms of a Trust's normal funding programme that seek to achieve the objectives of the Trust.

NZ IAS 1.74

## 9 Trade and other receivables

	<b>Actual 2007</b>	<b>Actual 2006</b>
Gross trade and other receivables	76,099	150,713
NZ IFRS 7.20(e) Less provision for impairment	(23,790)	(41,150)
Total trade and other receivables	<u>52,309</u>	<u>109,563</u>

NZ IFRS 7. 25,29(a)

The carrying value of receivables approximates their fair value.

NZ IFRS 7.36(d)

The carrying amount of receivables that are past due, but not impaired, whose terms have been renegotiated is \$16,745 (2006 \$32,300).

NZ IFRS 7.37(a)

As at 30 June 2007 and 2006, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	<b>2007</b>			<b>2006</b>		
	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>
Not past due	25,113	(3,569)	21,544	49,735	(6,173)	43,562
Past due 0-30 days	16,742	(5,234)	11,508	33,157	(9,053)	24,104
Past due 31-60 days	11,415	(4,282)	7,133	22,607	(7,406)	15,201
Past due 61-90 days	9,132	(5,948)	3,184	18,086	(10,288)	7,798
Past due > 91 days	13,697	(4,757)	8,940	27,128	(8,230)	18,898
Total	<u>76,099</u>	<u>(23,790)</u>	<u>52,309</u>	<u>150,713</u>	<u>(41,150)</u>	<u>109,563</u>

NZ IFRS 7.37(b)

The provision for impairment has been calculated based on expected losses for the Trust's pool of debtors. Expected losses have been determined based on an analysis of the Trust's losses in previous periods, and review of specific debtors.

Those specific debtors that are insolvent are fully provided for. As at 30 June 2007 the Trust has identified 3 debtors (2006 2) totaling \$15,000 (2006 \$25,480) that are insolvent.

NZ IFRS 7.16

Movements in the provision for impairment of receivables are as follows:

	<b>Actual 2007</b>	<b>Actual 2006</b>
Balance at 1 July	41,150	40,540
NZ IFRS 7.20(e) Additional provisions made during the year(note 7)	24,901	42,832
Receivables written off during period	(42,261)	(42,222)
Balance at 30 June	<u>23,790</u>	<u>41,150</u>

NZ IAS 2.36(b)

## 10 Inventories

		<b>Actual 2007</b>	<b>Actual 2006</b>
NZ IAS 2.37	Items held for resale	51,780	38,170
NZ IAS 2.37	Publications for distribution	103,570	108,100
	Total inventories	<u>155,350</u>	<u>146,270</u>

NZ IAS 2 NZ 6.1(a) The carrying amount of inventories held for distribution that are measured at current replacement cost as at 30 June 2007 totaled \$6,000 (2006 \$4,005).

NZ IAS 2 NZ 36.1(b)  
NZ IAS 2 NZ 36.1(d),(e) The write-down of inventories held for distribution amounted to \$2,766 (2006 \$nil), while reversals of write-downs amounted to \$nil. (2006 \$654). The reversals were caused by [provide reason for the reversal of the write-down].

NZ IAS 2.36(e),(f) The write-down of commercial inventories amounted to \$6,978 (2006 \$nil), while reversals of write-downs amounted to \$1,453. (2006 \$nil). The reversals were caused by [provide reason for the reversal of the write-down].

NZ IAS 2.36(h) No inventories are pledged as security for liabilities; however some inventories are subject to retention of title clauses.

## 11 Investments

Investments are represented by short-term deposits which have maturities greater than three months from the date of acquisition.

NZ IFRS 7.34

*Maturity analysis and effective interest rates of investments*

The maturity dates and weighted average effective interest rates for short-term deposits are as follows:

	<b>Actual 2007</b>	<b>Actual 2006</b>
Short-term deposits with maturities of 4–6 months (average maturity 145 days) <i>weighted average effective interest rate</i>	71,000 7.9% pa	74,700 7.3% pa
Short-term deposits with maturities of 6–9 months (average maturity 195 days) <i>weighted average effective interest rate</i>	50,000 8.2% pa	45,000 7.8% pa

NZ IFRS 7.25,29(a)

The carrying amounts of investments approximate their fair value.

NZ IFRS 7.40

If interest rates on investments at 30 June 2007 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the surplus/deficit by \$587 (2006 \$535).

## 12 Property, plant and equipment

NZ IAS 16.73

	Furniture and Fittings	Computer Equipment	Motor Vehicles	Total
<b>Cost</b>				
Balance at 1 July 2005	155,800	84,800	229,744	470,344
Additions	40,200	5,000	-	45,200
Disposals	(33,000)	(18,000)	-	(51,000)
Balance at 30 June 2006	163,000	71,800	229,744	464,544
Balance at 1 July 2006	163,000	71,800	229,744	464,544
Additions	23,200	10,000	-	33,200
Disposals	-	-	(83,884)	(83,884)
Balance at 30 June 2007	186,200	81,800	145,860	413,860
<b>Accumulated depreciation and impairment losses</b>				
Balance at 1 July 2005	108,540	58,660	70,000	237,200
Depreciation expense	15,200	15,520	41,000	71,720
Impairment losses	-	-	-	-
Disposals	(33,000)	(18,920)	-	(51,920)
Balance at 30 June 2006	90,740	55,260	111,000	257,000
Balance at 1 July 2006	90,740	55,260	111,000	257,000
Depreciation expense	14,702	15,221	38,000	67,923
Impairment losses	-	-	-	-
Disposals	-	(35,407)	(81,400)	(116,807)
Balance at 30 June 2007	105,442	35,074	67,600	208,116
<b>Carrying amounts</b>				
At 1 July 2005	47,260	26,140	159,744	233,144
At 30 June and 1 July 2006	72,260	16,540	118,744	207,544
At 30 June 2007	80,758	46,726	78,260	205,744

### 13 Intangible assets<sup>15</sup>

NZ IAS 38.118		<b>Actual 2007</b>	<b>Actual 2006</b>
	<b>Acquired computer software</b>		
	<b>Cost</b>		
	Balance at beginning of year	54,000	54,000
	Additions	-	-
	Disposals	-	-
	Balance at year-end	<u>54,000</u>	<u>54,000</u>
	<b>Accumulated amortisation and impairment losses</b>		
	Balance as at beginning of year	15,000	2,500
	Depreciation expense	15,000	12,500
	Impairment losses	-	-
	Disposals	-	-
	Balance at year-end	<u>30,000</u>	<u>15,000</u>
	<b>Carrying amounts</b>		
	As at beginning of year	39,000	51,500
	At year-end	24,000	39,000

### NZ IAS 1.74 14 Trade and other payables

	<b>Actual 2007</b>	<b>Actual 2006</b>
Trade payables	26,130	43,090
Grants received in advance	51,562	32,317
Accrued expenses	45,780	44,120
Other payables	34,200	33,100
Total trade and other payables	<u>157,672</u>	<u>152,627</u>

NZ IFRS 7.25, 29(a) Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

NZ IAS 20.39(c) Grants received in advance relate to funding received for the provision of specific economic development services and projects where conditions of the grant have not yet been satisfied.

<sup>15</sup> NZ IAS 38.118 requires entities to distinguish between internally generated intangible assets and other intangible assets. For example, internally developed software shall be distinguished from acquired software.

## 15 Provisions<sup>16</sup>

		<b>Actual 2007</b>	<b>Actual 2006</b>
	<b>Leasehold restoration provision</b>		
NZ IAS 37.84(a)	Balance at 1 July	34,266	28,728
NZ IAS 37.84(b) NZ IAS 1.87(b)	Additional provisions made during the year	-	3,006
NZ IAS 37.84(c)	Amounts used during the year	(1,769)	-
NZ IAS 37.84(d) NZ IAS 1.87(b),(g)	Unused amounts reversed during the year	-	-
NZ IAS 37.84(e)	Discount unwinding (note 6)	2,741	2,532
NZ IAS 37.84(a)	Balance at 30 June	<u>35,238</u>	<u>34,266</u>

NZ IAS 37.85  
 NZ IAS 1.116

The Trust is required to make good the premises it leases at expiry of the lease term, which is April 2011, however it can vacate the premises at the lease renewal date of April 2008. The Trust anticipates it will require further floor capacity in the future for increased personnel numbers, therefore new premises are likely to be required or additional floor space secured. In reporting the restoration liability the Trust has assumed it will vacate and make good the premises at the lease renewal date of April 2008, as it is highly unlikely it will be able to secure additional floor space within the existing building. This assessment has been made from discussions with the lessor.

The Trust will be discussing its options further with the existing lessor and it is expected the final course of action will be decided by December 2007.

NZ IAS 1.74

## 16 Employee benefit liabilities

NZ IAS 19.131

	<b>Actual 2007</b>	<b>Actual 2006</b>
Accrued salaries and wages	2,300	2,100
Annual leave	11,450	10,150
Long service leave	5,500	4,300
Retirement gratuities	2,000	1,900
Sick leave	6,150	5,830
<b>Total employee benefit liabilities</b>	<u><b>27,400</b></u>	<u><b>24,280</b></u>
Comprising:		
Current	18,270	16,187
Non-current	9,130	8,093
<b>Total employee benefit liabilities</b>	<u><b>27,400</b></u>	<u><b>24,280</b></u>

<sup>16</sup> Disclosure of comparative figures for provisions is good practice and is not required under NZ IAS 37.84.

## 17 Borrowings

		Actual 2007	Actual 2006
NZ IAS 1.63	<b>Current</b>		
	Bank overdraft	2,687	-
	Loan from Te Motu Regional Council	7,313	10,000
	Total current borrowings	10,000	10,000
NZ IAS 1.51,52	<b>Non-current</b>		
	Loan from Te Motu Regional Council	29,000	25,000
	Total non-current borrowings	29,000	25,000
NZ IFRS 7.31	<b>Loan from Te Motu Regional Council</b>		
	The Trust's loan from Te Motu Regional Council with a face value of \$55,000 (2006 \$60,000) is issued at a nil interest rate.		
NZ IFRS 7.31	<b>Security</b>		
	The loan from Te Motu Regional Council is unsecured.		
NZ IAS 7.50(a)	The bank overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$10,000 (2006 \$10,000). There are no restrictions on the use of this facility.		
	<b>Refinancing</b>		
NZ IAS 1.67(a)	Subsequent to balance date, the Trust refinanced \$5,000 of the current portion of the loan from Te Motu Regional Council. The loan was refinanced for a five-year period. The new loans were at fixed rates of interest of 7.5%.		
NZ IFRS 7.34, 7.39(a)	<b>Maturity analysis and effective interest rates<sup>17</sup></b>		
	The following is a maturity analysis of the Trust's borrowings. <sup>18</sup> There are no early repayment options.		
	<b>2007</b>		<b>Loans</b>
	Less than one year		7,500
	<i>weighted average effective interest rate (8.3%)</i>		
	Later than one year but not more than five years		32,500
	<i>weighted average effective interest rate (8.9%)</i>		
	Later than five years		15,000
	<i>weighted average effective interest rate (8.9%)</i>		
	<b>2006</b>		<b>Loans</b>
	Less than one year		11,000
	<i>weighted average effective interest rate (8.24%)</i>		
	Later than one year but not more than five years		29,000
	<i>weighted average effective interest rate (8.9%)</i>		
	Later than five years		20,000
	<i>weighted average effective interest rate (8.9%)</i>		
NZ IFRS 7.25	<b>Fair values of borrowings</b>		
	The fair values of non-current borrowings are \$27,895 (2006 \$23,395).		
NZ IFRS 7.27(a)	The fair values are based on cash flows discounted using a rate based on the market borrowing rate of 9.5% (2006 9.3 %)		
NZ IFRS 7.25,29(a)	The carrying amounts of borrowings repayable within one year approximate their fair value.		

<sup>17</sup> NZ IFRS 7 requires the amounts disclosed in the maturity analysis to be prepared using undiscounted cash flows.

<sup>18</sup> The time bands used are the same as those used for finance lease disclosures. The application guidance to NZ IFRS 7 suggests a more detailed analysis for the amounts repayable within one year, but it is up to the entity to determine the most appropriate bands.

## 18 Reconciliation of equity

		<b>Actual 2007</b>	<b>Actual 2006</b>
	<b>Contributed capital</b>		
NZ IAS 1.97(c)	Balance at 1 July	83,200	20,000
NZ IAS 1.97(a)	Capital contribution	-	63,200
NZ IAS 1.97(c)	Balance at 30 June	<u>83,200</u>	<u>83,200</u>
	<b>Retained surpluses</b>		
NZ IAS 1.97(b)	Balance at 1 July	428,852	412,324
NZ IAS 1.97(b)	Surplus/(deficit) for the year	20,681	16,528
NZ IAS 1.97(b)	Balance at 30 June	<u>449,533</u>	<u>428,852</u>

## 19 Reconciliation of net surplus/ (deficit) after tax to net cash from operating activities

		<b>Actual 2007</b>	<b>Actual 2006</b>
NZ IAS 7 NZ 20.1	<b>Surplus/(deficit) after tax</b>	20,681	16,528
	<b>Add/(less) non-cash items:</b>		
	Depreciation and amortisation expense	82,923	84,220
	Donated assets income	(9,780)	(11,350)
	<b>Add/(less) items classified as investing or financing activities:</b>		
	(Gains)/losses on disposal of property, plant and equipment	(7,284)	-
	<b>Add/(less) movements in working capital items:</b>		
	Trade and other receivables	38,340	17,506
	Inventories	(9,080)	21,778
	Trade and other payables	5,045	(14,784)
	Provisions	972	5,538
	Employee benefits	2,009	2,145
	Prepayments	(12,709)	3,078
	<b>Net cash from operating activities</b>	<u>111,828</u>	<u>124,659</u>

## 20 Capital commitments and operating leases

		<b>Actual 2007</b>	<b>Actual 2006</b>
NZ IAS 16.74(c)	<b>Capital commitments</b>		
	Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	42,478	-

**Operating leases as lessee**

NZ IAS 17.35(a) The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	<b>Actual 2007</b>	<b>Actual 2006</b>
NZ IAS 17.35(a)(i) Not later than one year	180,547	210,047
NZ IAS 17.35(a)(ii) Later than one year and not later than five years	40,489	36,784
NZ IAS 17.35(a)(iii) Later than five years	12,512	16,444
Total non-cancellable operating leases	<u>233,548</u>	<u>263,275</u>

NZ IAS 17.35(d)(ii) A significant portion of the total non-cancellable operating lease amount relates to the lease of part of an office building. The lease expires in April 2011, with an option to vacate the premises at the lease renewal date of April 2008. As disclosed in note 15 the Trust has assumed it will vacate the premises at the lease renewal date of April 2008. The Trust does not have the option to purchase the asset at the end of the lease term.

NZ IAS 17.35(d)(iii) There are no restrictions placed on the Trust by any of its leasing arrangements.

**21 Contingencies**

**Contingent liability**

NZ IAS 37.86(a),(b) The Trust has one legal proceeding against it in relation to a personal grievance claim (2006 nil). The potential liability to the Trust, if the claim is successful, is \$25,000. The probable outcome of the personal grievance will not be known until legal proceedings progress further.

**Contingent assets**

NZ IAS 37.89 The Trust has no contingent assets (2006 nil).

**22 Related party transactions**

NZ IAS 24.12 The Trust was settled by Te Motu Regional Council and receives a significant amount of operating grants from the Council to deliver its objectives as specified in the Trust deed. The Te Motu Regional Council is the ultimate controlling party of the Trust.

NZ IAS 24.17,18 *The following transactions were carried out with related parties during the year:<sup>19</sup>*

**Te Motu Regional Council**

Purchase of goods and services of \$42,478 (2006 \$32,045) from the Council on normal commercial terms. The total amount of operating grants received from the Council is disclosed in the statement of financial performance. There were no outstanding balances at balance date (2006 \$nil).

Capital contributions of \$nil (2006 \$63,200) were received from the Council.

**Key Management Personnel**

Purchase of advertising services of \$82,500 (2006 \$43,478) from Cool Company, a company in which Trustee 1 is the sole shareholder, on normal commercial terms. At balance date there was \$21,074 owing (2006 nil).

Purchase of goods and services of \$nil (2006 \$24,479) from City Development Company, which Trustee 3's husband is a board member, on normal commercial terms. There were no outstanding balances at balance date (2006 \$1,247).

NZ IAS 24.17(c),(d) No provision has been required, nor any expense recognised for impairment of receivables from related parties (2006 \$nil).

<sup>19</sup> Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated, NZ IAS 24.21.

NZ IAS 24.16	<b>Key management personnel compensation</b>		
		<b>Actual</b>	<b>Actual</b>
		<b>2007</b>	<b>2006</b>
NZ IAS 24.16(a)	Salaries and other short-term employee benefits	421,127	401,981
NZ IAS 24.16(b)	Post-employment benefits	-	-
NZ IAS 24.16(c)	Other long-term benefits	12,000	3,000
NZ IAS 24.16(d)	Termination benefits	-	-
NZ IAS 24.16	Total key management personnel compensation	433,127	404,981

Good practice Key management personnel include all Trustees, the Chief Executive and the other 3 members of the Trust's management team.<sup>20</sup>

Good practice **23 Trustee fees<sup>21</sup>**

		<b>Actual</b>	<b>Actual</b>
		<b>2007</b>	<b>2006</b>
	Trustee 1	20,000	15,000
	Trustee 2	17,000	15,000
	Trustee 3	12,000	12,000
	Trustee 4	5,750	5,750
	Trustee 5	5,000	5,000
	Total Trustees' fees	59,750	52,750

**24 Events after the balance sheet date**

NZ IAS 10.19,21 There were no significant events after the balance sheet date.

**25 Categories of financial assets and liabilities<sup>22</sup>**

NZ IFRS 7.8 The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

		<b>Actual</b>	<b>Actual</b>
		<b>2007</b>	<b>2006</b>
NZ IFRS 7.8(c)	<i>Loans and receivables</i>		
	Cash and cash equivalents (note 8)	212,183	127,400
	Trade and other receivables (note 9)	52,309	109,563
	Investments (note 11)	121,000	119,700
	Total loans and receivables	385,492	356,663
NZ IFRS 7.8(f)	<i>Financial liabilities measured at amortised cost</i>		
	Trade and other payables (note 14)	157,672	152,627
	Bank overdraft (note 17)	2,687	-
	Unsecured loans from Te Motu Regional Council (note 17)	36,313	35,000
	Total financial liabilities measured at amortised cost	196,672	187,627

<sup>20</sup> This disclosure provides useful information to readers as to who are key management personnel.

<sup>21</sup> The actual names of Trustees' will need to be included in this disclosure.

<sup>22</sup> If any financial assets or liabilities have been categorised into any of the other NZ IAS 39 categories then an analysis of the assets and liabilities in those other categories is also required. The other NZ IAS 39 categories are: available for sale, held to maturity, and fair value through profit and loss.

## 26 Financial instrument risks

NZ IFRS 7.33 The Trust has policies to manage the risks associated with financial instruments. The Trust is risk averse and seeks to minimise exposure from its treasury activities. The Trust has established Borrowing and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

### Market risk

The interest rates on the Trust's investments are disclosed in note 11 and on the Trust's borrowings in note 17.

#### *Fair value interest rate risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Trust's exposure to fair value interest rate risk is limited to its borrowings and short-term bank deposits.

#### *Cash flow interest rate risk*

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Trust to cash flow interest rate risk.

The Trust's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements.

The Trust currently has no variable interest rate debt or investments.

#### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust is not exposed to currency risk, as it does not enter into foreign currency transactions.

### 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.

Due to the timing of its cash inflows and outflows, the Trust invests surplus cash with registered banks. The Trust's Investment policy limits the amount of credit exposure to any one institution.

The Trust has processes in place to review the credit quality of customers prior to the granting of credit.

NZ IFRS 7.36(a) The Trust's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash equivalents (note 8), investments (note 11) and trade receivables (note 9). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

NZ IFRS 7.37(c)

NZ IFRS 7.36(c) The Trust has no significant concentrations of credit risk, as it has a large number of credit customers and only invests funds with registered banks with specified credit ratings.

NZ IFRS 7.33,39(b)

### Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Trust aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Trust maintains a target level of investments that must mature within specified timeframes.

The Trust manages its borrowings in accordance with its Borrowing policy.

NZ IFRS 7.34(a),39(a) The maturity profiles of the Trust's interest bearing investments and borrowings are disclosed in notes 11 and 17 respectively.

## 27 Capital management

NZ IAS 1.124A The Trust's capital is its equity, which comprises Trust capital and retained surpluses. Equity is represented by net assets.

The Trust deed requires the Board of Trustees to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently. The Trust's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing the Trust's equity is to ensure the Trust effectively achieves its objectives and purpose, whilst remaining a going concern.

## 28 Explanation of significant variances against budget

NZ IAS 1 NZ 41(1)

Explanations for significant variations from the Trust's budgeted figures in the 2006/2007 statement of intent are as follows:

### Statement of financial performance

There are no significant variances against the prospective statement of financial performance.

### Statement of changes in equity

There are no significant variances against the prospective statement of changes in equity.

### Statement of financial position

Trade and other payables is \$62,000 below budget. The conditions for the regional rugby sevens annual tournament grant were not expected to be satisfied by the balance sheet date, therefore the grant received was expected to be recorded in the financial statements as a liability, grants received in advance. The conditions of the \$50,000 grant were satisfied in June 2007, at which time the grant was recognised as revenue.

### Statement of cash flows

There are no significant variances against the prospective statement of cash flows.

## 29 Performance information

Performance information has not been included in the model.

Section 68 of the Local Government Act 2002 (LGA 2002) requires a report on the operations of a CCO to contain information that is necessary to enable an informed assessment of the operations of that organisation and its subsidiaries, including:

- (i) a comparison of the performance of the organisation and its subsidiaries with the statement of intent; and
- (ii) an explanation of any material variances between that performance and the statement of intent.

Section 69 of the LGA 2002 requires the auditor to issue an audit report on the CCO's "performance targets and other measures by which performance was judged in relation to that organisation's objectives".

## SUBJECT INDEX

Accounting policies		Effective interest rates	22, 26
Advertising costs	13	Employee benefit costs	19
Basis of preparation	12	Equity	27
Borrowing costs	13	Events after the balance date	29
Borrowings	15	Explanation of transition to NZ IFRS	16
Budget figures	15	Fair value interest rate risk	30
Cash and cash equivalents	13	Finance costs	20
Critical accounting estimates and assumptions	16	Intangible assets	24
Critical judgements in applying accounting policies	16	Interest rate risk	30
Employee benefit liabilities	15	Inventories	22
Goods and services tax	15	Key management personnel	28
Finance leases	13	Liquidity risk	30
Impairment of non-financial assets	14	Long service leave	25
Income tax	13	Maturity analysis	22, 26
Intangible assets	14	Operating leases	27
Inventories	13	Performance information	31
Investments	14	Post balance date events	29
Operating leases	13	Property, plant and equipment	23
Property, plant and equipment	14	Provisions	25
Provisions	15	Reconciliation to net surplus	27
Reporting entity	12	Related party transactions	28
Revenue	12	Retained earnings	27
Trade and other receivables	13	Sick leave	25
Annual leave	25	Statement of accounting policies	12
Auditor remuneration	20	Statement of cash flows	11
Borrowings	26	Statement of changes in equity	9
Capital commitments	27	Statement of financial performance	8
Capital management	30	Statement of financial position	10
Cash and cash equivalents	20	Term deposits	22
Cash flow interest rate risk	30	Trade and other payables	24
Categories of financial assets and liabilities	29	Trade and other receivables	21
Computer software	24	Trustee Fees	29
Contingencies	28	Variances against budget	31
Credit risk	30		
Currency risk	30		

## OUR SERVICES

As well as audits of annual reports and long term council community plans, Audit New Zealand is an experienced and trusted provider of audit and assurance services to public sector organisations. Our core strengths include provision of assurance services over:

- Asset management;
- Contract management;
- Project management;
- Tendering and procurement; and
- Taxation.

We can also assist organisations with review and assurance services, for governance arrangements, risk management practices, performance management and reporting, and sensitive and discretionary expenditure.

You benefit from an extraordinary knowledge pool that has been carefully developed over many years through intensive networking and long term relationships. Our track record is proof of the excellence of our work and the strength of the relationships we have developed across a diverse portfolio of sectors.

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