

Model Financial Statements  
**Te Motu Regional Economic  
Development Trust**  
2008/09

Prepared under New Zealand equivalents  
to International Financial Reporting Standards

May 2009 version 2.0

Audit New Zealand  
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Wellington

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## **FOREWORD**

I am pleased to introduce to you the 2009 update to 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 model financial statements have been updated to reflect current good practice and learnings from our review, and audit, of the first NZ IFRS financial statements. The updates to the model are explained on pages 6 and 7.

The model financial statements have been prepared especially to help guide a CCO in preparing 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 good 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.



Stephen Walker  
Executive Director  
May 2009

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## ABOUT THE MODEL FINANCIAL STATEMENTS

### Objective

The principal objective in producing the model is to guide a CCO in preparing 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).

The model is prepared on the basis that the Trust is a public benefit entity for the purposes of NZ IFRS.

### Updates to the model

The tables below explain the updates to the model. These are grouped into financial instrument changes and other changes. The page numbers below refer to the 30 June 2009 model.

#### *Financial instrument disclosure changes*

Although NZ IFRS 7 *Financial Instruments: Disclosures* (NZ IFRS 7) was applied in the prior model, we have made significant changes to the financial instrument disclosures in this update. The changes to financial instrument disclosures reflect increased practical knowledge developed in the application of the NZ IFRS 7 disclosure requirements, and the evolving good practice that has been generated from application by early adopters.

It is important to highlight that there may be more than one way of presenting the information required by NZ IFRS 7, and the extent of certain disclosure requirements will depend on the materiality of risks arising from financial instruments. Councils will need to consider the most appropriate presentation, and the extent of disclosures, based on their particular facts and circumstances.

Page number	Note number	Description of change
12	1	We have highlighted that the recent amendment to NZ IAS 32, <i>Puttable Financial Instruments and Obligations Arising on Liquidation</i> , may permit limited life Trust's "equity" to be presented as "equity" if certain conditions are satisfied. Prior to this amendment, a limited life Trust's "equity" may have been classified as a liability.
14	1	The accounting policy for debtors and other receivables has been expanded to provide information on the indicators that a receivable may be impaired and when a receivable is written-off against the provision for impairment.
15	1	An accounting policy for creditors and other payables has been added.
18	8	Note 8 Debtors and other receivables: Further information on those receivables that are collectively or individually impaired has been inserted as required by the NZ IFRS 7 credit risk disclosures.
26	25	Sensitivity analysis: A disclosure has been included explaining why a sensitivity analysis has not been presented for market risks.
26	25	Credit quality of financial assets: Information has been disclosed about the credit quality of financial assets that are neither overdue or impaired, which demonstrates one way the requirements of NZ IFRS 7.36(c) could be met.
27	25	Liquidity risk: A table has been inserted presenting the contractual maturity analysis for all financial liabilities in a single table.

*Other changes*

Page number	Note number	Description of change
		The NZ IFRS 1 <i>First-time Adoption of NZ IFRS</i> (NZ IFRS 1) transitional disclosures required to be disclosed in an entity's first NZ IFRS financial statements have not been included in the updated model. There is no requirement to disclose the NZ IFRS 1 transitional disclosures in reporting periods subsequent to the first financial statements prepared under NZ IFRS.
9,23		Statement of changes in equity: The updated model demonstrates the required adjustment to opening retained earnings on the initial adoption of the amendment to NZ IAS 2 <i>Inventories</i> .
12	1	Changes in accounting policies: A narrative has been inserted explaining the initial adoption of the amendment to NZ IAS 2 <i>Inventories</i> .
12	1	Standards, amendments, and interpretations issued that are not yet effective and not early adopted: Information on those relevant standards, amendments, and interpretations that have not been early adopted has been updated.
19	9	Inventories: The note has been amended to reflect the revised accounting policy for inventory held for distribution (as required by the amended NZ IAS 2). This includes disclosing the basis for determining the loss in service potential for inventories held for distribution.
27	26	Reclassification of expenses: A note explaining a reclassification of the presentation of expenses has been included to give guidance on how NZ IAS 1.38 may be applied.

**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 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.

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 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting 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 Investments in Associates;
- NZ IAS 29 Reporting in Hyperinflationary Economies;
- 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 January 2009 will not be reflected in this set of financial statements.

## STATEMENT OF FINANCIAL PERFORMANCE<sup>1,2,3,4</sup> FOR THE YEAR ENDED 30 JUNE 2009

NZ IAS 1.8(b) NZ IAS 1.104	Note	Actual 2009	Budget <sup>5</sup> 2009	Actual <sup>6</sup> 2008
<b>Income</b>				
NZ IAS 1.81(a)		1,395,000	1,407,000	1,200,000
NZ IAS 1.81(a)		441,448	420,000	411,370
NZ IAS 18.35(b)i		67,470	60,000	64,970
NZ IAS 18.35(b)iii NZ IFRS 7.20(b)		7,234	6,000	7,001
NZ IAS 1.81(a)	<u>2</u>	40,764	36,000	45,356
NZ IAS 1.83	<u>3</u>	7,284	0	0
NZ IAS 1.83		<b>1,959,200</b>	<b>1,929,000</b>	<b>1,728,697</b>
<b>Expenses</b>				
NZ IAS 1.91	<u>4</u>	929,098	917,000	823,849
NZ IAS 1.91	<u>26</u>	473,987	470,000	369,351
NZ IAS 1.91	<u>11, 12</u>	82,923	81,000	84,220
NZ IAS 17.35(c)		212,340	210,000	204,647
NZ IAS 2.36(d)		63,247	60,000	59,478
NZ IAS 1.81(b)	<u>5</u>	8,219	8,150	7,127
NZ IAS 1.91	<u>22</u>	59,750	59,750	52,750
NZ IAS 1.91	<u>6</u>	108,955	123,100	110,747
NZ IAS 1.83		<b>1,938,519</b>	<b>1,929,000</b>	<b>1,712,169</b>
NZ IAS 1.81(f),82(b)		<b>20,681</b>	<b>0</b>	<b>16,528</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

NZ IAS 1.8(c) NZ IAS 1.104	Note	Actual 2009	Budget 2009	Actual 2008
<b>Balance at 1 July as previously reported</b>		507,052	512,052	427,324
NZ IAS 1.96(d)		5,000	0	0
<b>Restated balance</b>		512,052	512,052	427,324
NZ IAS 1.96(a)		20,681	0	16,528
NZ IAS 1.96(c)		532,733	512,052	443,852
NZ IAS 1.97(a)		0	0	63,200
	<u>17</u>	<b>532,733</b>	<b>512,052</b>	<b>507,052</b>

NZ IAS 1 NZ 41.1 Explanations of major variances against budget are detailed in note 28.

*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 IFRS terminology as outlined in the foreword to NZ IAS 1.

<sup>2</sup> Where there are discontinued operations, NZ IAS 1.81(e) requires presentation of a single amount comprising 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, NZ 92.1.

<sup>4</sup> NZ IAS 1.85 prohibits any items of income or expense being presented as extraordinary items either on the face of the statement of financial performance or in the notes.

<sup>5</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>6</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.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

NZ IAS 1.8(a) NZ IAS 1.71,104	Note	Actual 2009	Budget 2009	Actual 2008
<b>Assets</b>				
<b>Current assets</b>				
NZ IAS 1.68(f)	<a href="#">7</a>	212,183	244,150	127,400
NZ IAS 1.68(h)	<a href="#">8</a>	52,309	74,597	109,563
NZ IAS 1.68(d)	<a href="#">10</a>	121,000	121,000	119,700
		21,457	0	3,748
NZ IAS 1.68(g)	<a href="#">9</a>	155,350	152,100	146,270
		<i>Total current assets</i>	562,299	591,847
		562,299	591,847	506,681
<b>Non-current assets</b>				
NZ IAS 1.68(a)	<a href="#">11</a>	205,744	208,300	207,544
NZ IAS 1.68(c)	<a href="#">12</a>	24,000	24,000	39,000
		<i>Total non-current assets</i>	229,744	246,544
		229,744	232,300	246,544
		<b>Total assets</b>	<b>792,043</b>	<b>824,147</b>
		792,043	824,147	753,225
<b>Liabilities</b>				
<b>Current liabilities</b>				
NZ IAS 1.68(j)	<a href="#">13</a>	157,672	219,850	152,627
NZ IAS 1.68(l)	<a href="#">14</a>	10,000	8,350	10,000
NZ IAS 1.69	<a href="#">15</a>	18,270	17,320	16,187
NZ IAS 1.68(k)	<a href="#">16</a>	35,238	35,100	34,266
		<i>Total current liabilities</i>	221,180	213,080
		221,180	280,620	213,080
<b>Non-current liabilities</b>				
NZ IAS 1.68(l)	<a href="#">14</a>	29,000	22,750	25,000
NZ IAS 1.69	<a href="#">15</a>	9,130	8,725	8,093
		<i>Total non-current liabilities</i>	38,130	33,093
		38,130	31,475	33,093
		<b>Total liabilities</b>	<b>259,310</b>	<b>246,173</b>
		259,310	312,095	246,173
		<b>Net Assets</b>	<b>532,733</b>	<b>507,052</b>
		532,733	512,052	507,052
<b>Trust equity</b>				
NZ IAS 1.75(e)	<a href="#">17</a>	83,200	83,200	83,200
NZ IAS 1.75(e)	<a href="#">17</a>	449,533	428,852	423,852
NZ IAS 1.68(p)		<b>Total equity</b>	<b>532,733</b>	<b>507,052</b>
		532,733	512,052	507,052

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

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009

NZ IAS 1.8(d) NZ IAS 1.104	Note	Actual 2009	Budget 2009	Actual 2008
NZ IAS 7.10		<b>Cash flows from operating activities</b>		
NZ IAS 7.14,18		1,395,000	1,407,000	1,200,000
NZ IAS 7.14,18		441,448	420,000	411,370
NZ IAS 7.31		6,008	6,000	6,987
NZ IAS 7.14,18		155,708	123,250	144,008
NZ IAS 7.14,18		(1,855,542)	(1,865,000)	(1,619,702)
NZ IAS 7.31		(1,478)	(1,250)	(1,017)
		(29,316)	0	(16,987)
	<a href="#">18</a>	111,828	90,000	124,659
		<b>Cash flows from investing activities</b>		
NZ IAS 7.10,16		9,768	0	0
NZ IAS 7.16(b)		330,000	320,000	340,000
NZ IAS 7.16(f)		(33,200)	(40,000)	(45,200)
NZ IAS 7.16(a)		(331,300)	(310,000)	(365,000)
NZ IAS 7.16(e)		(24,732)	(30,000)	(70,200)
		<b>Cash flows from financing activities</b>		
NZ IAS 7.10,17		0	0	63,200
NZ IAS 7.17(c)		0	0	0
NZ IAS 7.17(d)		(5,000)	(5,000)	0
		(5,000)	(5,000)	63,200
		82,096	55,000	117,659
		127,400	189,150	9,741
	<a href="#">7</a>	209,496	244,150	127,400

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.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Statement of significant accounting policies for the year ended 30 June 2009<sup>7,8,9</sup>

#### REPORTING ENTITY

- NZ IAS 1.126(a) Te Motu Regional Economic Development Trust (the Trust) is a charitable trust<sup>10</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 1.126(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.
- NZ IAS 1 NZ 13.1(b) 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(b),(c) The financial statements of the Trust are for the year ended 30 June 2009. The financial statements were authorised for issue by the Board of Trustees on the 28 September 2009.
- NZ IAS 10.17

#### BASIS OF PREPARATION

##### Statement of compliance

- 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) 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.

##### Measurement base

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

##### Functional and presentation currency

- 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 NZ 31.1 **Changes in accounting policies**

With the exception of the initial application of the NZ IAS 2 *Inventories* (NZ IAS 2) amendment that is explained below, the Trust's accounting policies have been applied consistently to all periods presented in these financial statements.

- NZ IAS 8.28 In November 2007 the Accounting Standards Review Board approved an amendment to NZ IAS 2, which requires public benefit entities to measure inventory held for distribution at cost, adjusted when applicable for any loss of service potential. Prior to the amendment, public benefit entities were required to measure inventories held for distribution at the lower of cost and current replacement cost.

- NZ IAS 2 NZ 42 Application of the amendment became mandatory for reporting periods beginning on or after 1 January 2008. The necessary adjustment for the change in accounting policy is required to be made against opening retained earnings at 1 July 2008, and accordingly comparative information is not restated. Refer to the reconciliation of retained surpluses in note 17 for the adjustment recognised at 1 July 2008.

##### Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and are relevant to the Trust include:

- NZ IAS 1 *Presentation of Financial Statements (revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (issued 2004)* and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately

<sup>7</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, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern (NZ IAS 1.23).

<sup>8</sup> NZ IAS 1.108(b) requires entities to disclose all accounting policies that are relevant to an understanding of the financial statements.

<sup>9</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 registered office, description of operations, principal activities, name of parent and ultimate parent of the group.

<sup>10</sup> Because 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. A recent amendment to NZ IAS 32, *Puttable Financial Instruments and Obligations Arising on Liquidation*, may permit a limited life trust's "equity" to be presented as equity if certain conditions are satisfied. Limited life trusts should refer to this amendment and seek professional advice where appropriate.

from transactions with owners. The revised standard gives the Trust the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Trust intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

- NZ IAS 23 *Borrowing Costs (revised 2007)* replaces NZ IAS 23 *Borrowing Costs (issued 2004)* and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction, or production of a qualifying asset. In October 2008, the mandatory adoption of NZ IAS 23 (revised 2007) by public benefit entities was deferred pending the completion of the Financial Reporting Standard Board's research project into the application of NZ IAS 23 (revised 2007) by public benefit entities. The Trust has elected to defer the adoption of the revised NZ IAS 23. Accordingly, all borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset continue to be recognised as an expense.

NZ IAS 1.108(b)	<b>SIGNIFICANT ACCOUNTING POLICIES</b>
NZ IAS 18.35(a)	<b>Revenue</b>
NZ IAS 18.9	Revenue is measured at the fair value of consideration received.
	<b>Grants</b>
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's 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 conditions of the grant are satisfied.
	<b>Other revenue</b>
NZ IAS 18.14	Products held for sale are recognised when a product is sold to the customer.
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 income. Assets vested and the associated income are recognised when control over the asset is obtained.
NZ IAS 18.30(a)	Interest income is recognised using the effective interest rate 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.
NZ IAS 1.110	<b>Advertising costs</b>
NZ IAS 38.69(c)	Advertising costs are expensed when the related service has been rendered.
NZ IAS 23.9,29(a)	<b>Borrowing costs</b>
	Borrowing costs are recognised as an expense in the period in which they are incurred.
NZ IAS 1.110	<b>Income Tax</b>
Good practice	The Trust has been granted Charitable status by the Inland Revenue Department, and therefore is exempt from income tax.
NZ IAS 1.110	<b>Leases</b>
	<i>Finance leases</i>
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. The finance charge is recognised in the statement of financial performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.
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.
	<i>Operating leases</i>
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.

NZ IAS 7.46	<p><b>Cash and cash equivalents</b></p> <p>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.</p> <p>Bank overdrafts are shown within borrowings as a current liability in the statement of financial position.</p>						
NZ IFRS 7.21 NZ IAS 39.43 NZ IAS 39.46(a) NZ IAS 39.63	<p><b>Debtors and other receivables</b></p> <p>Debtor and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.</p> <p>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. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the receivable is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of an impaired receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).</p>						
NZ IAS 2.36(a) NZ IAS 2 NZ 9.1	<p><b>Inventories</b></p> <p>Inventories held for distribution that are not supplied on a commercial basis are measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.</p>						
NZ IAS 2.9	Inventories held for sale on a commercial basis are valued at the lower of cost and net realisable value. The cost of the inventory is determined using the first-in first-out method.						
NZ IAS 2.34	The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the statement of financial performance in the period of the write-down.						
NZ IFRS 7.21 NZ IAS 39.43 NZ IAS 39.46(a)	<p><b>Investments</b></p> <p>Investments in bank deposits are initially measured at fair value plus transaction costs (if any).</p> <p>After initial recognition investments in bank deposits are measured at amortised cost using the effective interest rate method, less any provision for impairment. The indicators and the accounting for impairment of bank deposits is the same as explained above for debtors and other receivables.</p>						
NZ IAS 1.110 NZ IAS 16.73(a) NZ IAS 16.7	<p><b>Property, plant and equipment</b></p> <p>Property, plant and equipment is shown at cost, less accumulated depreciation and impairment losses.</p> <p><i>Additions</i></p> <p>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.</p>						
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	<p><i>Disposals</i></p> <p>Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the statement of financial performance.</p>						
NZ IAS 16.12,13	<p><i>Subsequent costs</i></p> <p>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.</p>						
NZ IAS 16.73(b),(c)	<p><i>Depreciation<sup>11</sup></i></p> <p>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:</p> <table border="0" style="margin-left: 40px;"> <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.						

<sup>11</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.

NZ IAS 1.110	<b>Intangible assets</b>
	<i>Software acquisition</i>
NZ IAS 38.27,28	Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
	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 because the website is primarily for promoting the Trust's services.
NZ IAS 38.15,29,67	Staff training costs are recognised as an expense when incurred.
	<i>Amortisation</i>
NZ IAS 38.97	Computer software licenses are amortised on a straight-line basis over their estimated useful life of 3 years.
NZ IAS 38.118(a),(b)	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.
NZ IAS 38.118(d)	
NZ IAS 1.110	<b>Impairment of property, plant and equipment and intangible assets</b>
NZ IAS 36.9	Property, plant and equipment and intangible assets are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. 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.
NZ IAS 36.18	
NZ IAS 36 NZ 6.1	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.
NZ IAS 36.22	
NZ IAS 36.60	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 impairment loss is recognised in the statement of financial performance.
NZ IFRS 7.21	<b>Creditors and other payables</b>
NZ IAS 39.43	Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.
NZ IAS 39.47	
NZ IAS 1.110	<b>Employee entitlements</b>
NZ IAS 19.10	<i>Short-term entitlements</i>
	Entitlements 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.
	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.
	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.
	<i>Long-term entitlements</i>
NZ IAS 19.126-131	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:
	<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.</li> </ul>
	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.
NZ IAS 1.110	<b>Provisions</b>
NZ IAS 37.14	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.
NZ IAS 37.45	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.
NZ IFRS 7.21	<b>Borrowings</b>
NZ IAS 39.43	Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest rate method.
NZ IAS 39.47	

NZ IAS 1.110 **Good and Service Tax (GST)**  
 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.  
 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.  
 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.  
 Commitments and contingencies are disclosed exclusive of GST.

NZ IAS 1 NZ 41.1 **Budget figures**  
 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.

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 of 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 16.

*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 11.

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 Other revenue

NZ IAS 1.103(c)	Actual 2009	Actual 2008
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>

## 3 Gains

NZ IFRS 5.41 The Trust disposes of motor vehicles when they reach a pre-determined mileage. During the period two 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 2008.

#### 4 Personnel costs

NZ IAS 1.103(c)		Actual 2009	Actual 2008
	Salaries and wages	902,578	799,775
NZ IAS 19.46	Employer contributions to defined contribution plans	23,400	21,250
	Increase/(decrease) in employee entitlements	3,120	2,824
	<b>Total personnel costs</b>	<b>929,098</b>	<b>823,849</b>

Employer contributions to defined contribution plans include contributions to Kiwisaver.

#### 5 Finance costs

NZ IAS 1.103(c)		Actual 2009	Actual 2008
	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)	<i>Total interest expense</i>	5,478	4,595
NZ IAS 37.84(e)	Discount unwinding on provisions (note 16)	2,741	2,532
	<b>Total finance costs</b>	<b>8,219</b>	<b>7,127</b>

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

NZ IAS 1.103(c)		Actual 2009	Actual 2008
	Fees to auditor:		
NZ IAS 1 NZ 94.1 (a)(i)	• audit fees for financial statement audit	20,500	15,000
NZ IAS 1 NZ 94.1 (a)(ii)	• audit related fees for assurance and related services <sup>13</sup>	4,500	4,200
NZ IAS 1 NZ 94.2	Donations <sup>14</sup>	1,000	1,000
NZ IFRS 7.20(e)	Impairment of receivables (note 8)	24,901	42,832
NZ IAS 38.126	Website development expenses	1,620	1,879
	Other expenses	56,434	45,836
	<b>Total other expenses</b>	<b>108,955</b>	<b>110,747</b>

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

#### 7 Cash and cash equivalents

NZ IAS 7.45		Actual 2009	Actual 2008
	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	212,183	127,400
NZ IAS 7.8	Bank overdrafts (note 14)	(2,687)	0
	<b>Net cash, cash equivalents, and bank overdrafts for the purposes of the statement of cash flows</b>	<b>209,496</b>	<b>127,400</b>

NZ IFRS 7.25,29(a) The carrying value of cash at bank and 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 NZ 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.

## 8 Debtors and other receivables

NZ IAS 1.75(b)	Actual 2009	Actual 2008
Gross debtors and other receivables	76,099	150,713
Less provision for impairment	(23,790)	(41,150)
<b>Total debtors and other receivables</b>	<b>52,309</b>	<b>109,563</b>

### *Fair value*

NZ IFRS 7.25,29(a) Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of debtors and other receivables approximates their fair value.

### *Impairment*

NZ IFRS 7.36(d) The carrying amount of receivables that would otherwise be past due or impaired whose terms have been renegotiated is \$16,745 (2008 \$32,300).

NZ IFRS 7.37(a) The status of receivables as at 30 June 2009 and 2008 are as follows:

	2009			2008		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	25,113	0	25,113	49,735	0	49,735
Past due 1-30 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	(8,326)	5,371	27,128	(14,403)	12,725
<b>Total</b>	<b>76,099</b>	<b>(23,790)</b>	<b>52,309</b>	<b>150,713</b>	<b>(41,150)</b>	<b>109,563</b>

NZ IFRS 7.37(b) The provision for impairment has been calculated based on a review of significant debtor balances and a collective assessment of all debtors (other than those determined to be individually impaired) for impairment. The collective impairment assessment is estimated on the basis of historical loss experience of the Trust's debtors.

	Actual 2009	Actual 2008
Individual impairment	15,000	25,480
Collective impairment	8,790	15,670
<b>Total provision for impairment</b>	<b>23,790</b>	<b>41,150</b>

Individually impaired receivables have been assessed as impaired because of the significant financial difficulties being experienced by the debtor and Trust management concluding that it is remote that the overdue amounts will be recovered.

NZ IFRS 7.16 Movements in the provision for impairment of receivables are as follows:

	Actual 2009	Actual 2008
Balance at 1 July	41,150	40,540
Additional provisions made during the year (note 6)	24,901	42,832
Receivables written-off during period	(42,261)	(42,222)
<b>Balance at 30 June</b>	<b>23,790</b>	<b>41,150</b>

NZ IFRS 7.36(b),37(c) The Trust holds no collateral or other credit enhancements for financial instruments that give rise to credit risk, including those instruments that are overdue or impaired.

## 9 Inventories

NZ IAS 2.36(b)		Actual 2009	Actual 2008
	Items held for resale	51,780	38,170
	Publications for distribution	103,570	108,100
	<b>Total inventories</b>	<b>155,350</b>	<b>146,270</b>

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

### *Inventories held for distribution*

NZ IAS 2 NZ 36.1(b) The write-down of inventories held for distribution because of a loss in service potential amounted to \$10,766 (2008 \$nil), while reversals of write-downs amounted to \$nil (2008 \$nil).

NZ IAS 2 NZ 36.1(c),(d)

NZ IAS 2 NZ 36.1(e) The loss in service potential of inventories held for distribution is determined on the basis of obsolescence.

### *Commercial inventories*

NZ IAS 2.36(e),(f) The write-down of commercial inventories amounted to \$6,978 (2008 \$nil), while reversals of write-downs amounted to \$nil (2008 \$nil).

## 10 Investments

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

### *Impairment*

There are no impairment provisions for investments. No investments are either past due or impaired (2008 nil).

### *Fair value*

NZ IFRS 7.25,29(a) The carrying amounts of investments approximate their fair value.

NZ IFRS 7.34(a)

### *Maturity analysis and effective interest rates of investments*

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

	Actual 2009	Actual 2008
Term deposits with maturities of 4–6 months	71,000	74,700
<i>weighted average effective interest rate</i>	7.9% pa	7.3% pa
Term deposits with maturities of 6–9 months	50,000	45,000
<i>weighted average effective interest rate</i>	8.2% pa	7.8% pa
<b>Total investments</b>	<b>121,000</b>	<b>119,700</b>

## 11 Property, plant and equipment

NZ IAS 16.73<sup>15</sup>

	Furniture and fittings	Computer equipment	Motor vehicles	Total
<b>Cost</b>				
Balance at 1 July 2007	155,800	84,800	229,744	470,344
Additions	40,200	5,000	0	45,200
Disposals	(33,000)	(18,000)	0	(51,000)
Balance at 30 June 2008	163,000	71,800	229,744	464,544
Balance at 1 July 2008	163,000	71,800	229,744	464,544
Additions	23,200	10,000	0	33,200
Disposals	0	0	(83,884)	(83,884)
Balance at 30 June 2009	186,200	81,800	145,860	413,860
<b>Accumulated depreciation and impairment losses</b>				
Balance at 1 July 2007	108,540	58,660	70,000	237,200
Depreciation expense	15,200	15,520	41,000	71,720
Impairment losses	0	0	0	0
Disposals	(33,000)	(18,920)	0	(51,920)
Balance at 30 June 2008	90,740	55,260	111,000	257,000
Balance at 1 July 2008	90,740	55,260	111,000	257,000
Depreciation expense	14,702	15,221	38,000	67,923
Impairment losses	0	0	0	0
Disposals	0	(35,407)	(81,400)	(116,807)
Balance at 30 June 2009	105,442	35,074	67,600	208,116
<b>Carrying amounts</b>				
At 1 July 2007	47,260	26,140	159,744	233,144
At 30 June and 1 July 2008	72,260	16,540	118,744	207,544
At 30 June 2009	80,758	46,726	78,260	205,744

NZ IAS 16.74(a)

There are no restrictions over the title of the Trust's property, plant equipment, nor is any property, plant and equipment pledged as security for liabilities.

<sup>15</sup> This is just one way of presenting the reconciliation required by NZ IAS 16. An alternative presentation can be found in Note 17 of the Local Government Model Financial Statements.

## 12 Intangible assets<sup>16</sup>

NZ IAS 38.118		Actual 2009	Actual 2008
	<b>Acquired computer software</b>		
	<b>Cost</b>		
	Balance at 1 July	54,000	54,000
	Disposals	0	0
	Balance at 30 June	54,000	54,000
	<b>Accumulated amortisation and impairment losses</b>		
	Depreciation expense	15,000	2,500
	Impairment losses	0	0
	Disposals	0	0
	Balance at 30 June	30,000	15,000
	<b>Carrying amounts</b>		
	As at 1 July	39,000	51,500
	At 30 June	24,000	39,000

NZ IAS 38.122(d) There are no restrictions over the title of the Trust's intangible assets, nor are any intangible assets pledged as security for liabilities.

## 13 Creditors and other payables

NZ IAS 1.74, 103(c)		Actual 2009	Actual 2008
	Creditors	26,130	43,090
	Grants received in advance	51,562	32,317
	Accrued expenses	45,780	44,120
	Other payables	34,200	33,100
	<b>Total creditors and other payables</b>	<b>157,672</b>	<b>152,627</b>

NZ IFRS 7.25, 29(a) Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors 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.

## 14 Borrowings

NZ IAS 1.103(c)		Actual 2009	Actual 2008
	<b>Current</b>		
	Bank overdraft	2,687	0
	Loan from Te Motu Regional Council	7,313	10,000
	<i>Total current borrowings</i>	10,000	10,000
	<b>Non-current</b>		
	Loan from Te Motu Regional Council	29,000	25,000
	<i>Total non-current borrowings</i>	29,000	25,000

<sup>16</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.

## 14 Borrowings (continued)

### *Loans from Te Motu Regional Council*

NZ IFRS 7.31	The loans from Te Motu Regional Council, with a face value of \$55,000 (2008 \$60,000), are issued at a nil interest rate.
	<i>Security</i>
NZ IFRS 7.31	The loans from Te Motu Regional Council are 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 (2008 \$10,000). There are no restrictions on the use of this facility.
NZ IFRS 7.25	<i>Fair value</i>
	The fair value of non-current borrowings is \$27,895 (2008 \$23,395).
NZ IFRS 7.27(a)	The fair value is based on cash flows discounted using a rate based on the market borrowing rate at the balance date of 9.5% (2008 9.3%).
NZ IFRS 7.25,29(a)	The carrying amounts of borrowings repayable within one year approximate their fair value.

## 15 Employee entitlements

NZ IAS 1.103(c)		<b>Actual</b>	<b>Actual</b>
		<b>2009</b>	<b>2008</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
	<i>Total employee entitlements</i>	<b>27,400</b>	<b>24,280</b>
	Comprising:		
	Current	18,270	16,187
	Non-current	9,130	8,093
	<b>Total employee entitlements</b>	<b>27,400</b>	<b>24,280</b>

A weighted average discount rate of 5.8% (2008 7.4%) and an inflation factor of 1.7% (2008 2.7%) were used in calculating the long-service leave retirement gratuities liabilities.

## 16 Provisions<sup>17</sup>

NZ IAS 37.84		<b>Actual</b>	<b>Actual</b>
		<b>2009</b>	<b>2008</b>
	<b>Leasehold restoration provision</b>		
	Balance at 1 July	34,266	28,728
	Additional provisions made during the year	0	3,006
	Amounts used during the year	(1,769)	0
	Unused amounts reversed during the year	0	0
	Discount unwinding (note 5)	2,741	2,532
	<b>Balance at 30 June</b>	<b>35,238</b>	<b>34,266</b>

NZ IAS 37.85	The Trust is required to make good the premises it leases at expiry of the lease term, which is April 2013.
NZ IAS 1.116	However, the Trust can vacate the premises at the lease renewal date of April 2010. 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 2010, as it is highly unlikely it will be able to secure additional floor space within the existing building. This assessment has been made after 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 2009.

<sup>17</sup> Disclosure of comparative figures for provisions is good practice and is not required under NZ IAS 37.84.

**17 Equity**

	Actual 2009	Actual 2008
NZ IAS 1.97(c)	<b>Contributed capital</b>	
	83,200	20,000
NZ IAS 1.97(a)	Balance at 1 July	
	0	63,200
	Capital contribution	
	83,200	83,200
	<i>Balance at 30 June</i>	
NZ IAS 1.97(b)	<b>Retained surpluses</b>	
	423,852	407,324
	Balance at 1 July as previously reported	
	5,000	0
	Adjustment on initial application of amended NZ IAS 2	
	428,852	407,324
	Restated balance	
	20,681	16,528
	Surplus/(deficit) for the year	
	449,533	423,852
	<i>Balance at 30 June</i>	
	<b>532,733</b>	<b>507,052</b>
	<b>Total equity</b>	

**18 Reconciliation of net surplus/ (deficit) after tax to net cash from operating activities**

NZ IAS 7 NZ 20.1	Actual 2009	Actual 2008
	20,681	16,528
	<b>Surplus/(deficit)</b>	
	<b>Add/(less) non-cash items:</b>	
	82,923	84,220
	Depreciation and amortisation expense	
	(9,780)	(11,350)
	Donated assets income	
	<b>Add/(less) items classified as investing or financing activities:</b>	
	(7,284)	0
	(Gains)/losses on disposal of property, plant and equipment	
	<b>Add/(less) movements in working capital items:</b>	
	42,940	17,506
	Debtors and other receivables	
	(9,080)	21,778
	Inventories	
	5,045	(14,784)
	Creditors and other payables	
	972	5,538
	Provisions	
	3,120	2,145
	Employee entitlements	
	(17,709)	3,078
	Prepayments	
	<b>111,828</b>	<b>124,659</b>
	<b>Net cash from operating activities</b>	

## 19 Capital commitments and operating leases

	Actual 2009	Actual 2008
<b>Capital commitments</b>		
NZ IAS 16.74(c) Property, plant and equipment	42,478	0
NZ IAS 38.122(e) Intangible assets	0	0

### 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:

	Actual 2009	Actual 2008
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
<b>Total non-cancellable operating leases</b>	<b>233,548</b>	<b>263,275</b>

NZ IAS 17.35(d) 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 2013, with an option to vacate the premises at the lease renewal date of April 2010. As disclosed in note 16 the Trust has assumed it will vacate the premises at the lease renewal date of April 2010. The Trust does not have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on the Trust by any of its leasing arrangements.

## 20 Contingencies

### Contingent liability

NZ IAS 37.86(a),(b) The Trust has one legal proceeding against it in relation to a personal grievance claim (2008 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 (2008 nil).

## 21 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>18</sup>*

### Te Motu Regional Council

The Trust has an outstanding loan at a nil interest rate of \$36,313 (2008 \$35,000) with the Council. Interest expense of \$4,000 (2008 \$3,578) has been recognised in the statement of financial performance for this loan. Purchase of goods and services of \$42,478 (2008 \$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. With the exception of the Council loan, there are no other outstanding balances at balance date (2008 \$nil). Capital contributions of \$nil (2008 \$63,200) were also received from the Council.

### Key Management Personnel

Purchase of advertising services of \$82,500 (2008 \$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 (2008 \$nil). Purchase of goods and services of \$nil (2008 \$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 (2008 \$1,247).

NZ IAS 24.17(c),(d) No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2008 \$nil).

<sup>18</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).

## 21 Related party transactions (continued)

### Key management personnel compensation

		Actual 2009	Actual 2008
NZ IAS 24.16(a)	Salaries and other short-term employee benefits	421,127	401,981
NZ IAS 24.16(b)	Post-employment benefits	0	0
NZ IAS 24.16(c)	Other long-term benefits	12,000	3,000
NZ IAS 24.16(d)	Termination benefits	0	0
NZ IAS 24.16	<b>Total key management personnel compensation</b>	<b>433,127</b>	<b>404,981</b>

Good practice Key management personnel include all Trustees, the Chief Executive, and the other 3 members of the Trust's management team.<sup>19</sup>

## 22 Trustee fees<sup>20</sup>

	Actual 2009	Actual 2008
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
<b>Total Trustee fees</b>	<b>59,750</b>	<b>52,750</b>

## 23 Events after the balance sheet date

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

## 24 Categories of financial instruments<sup>21</sup>

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

	Actual 2009	Actual 2008
<b>Loans and receivables</b>		
Cash and cash equivalents	212,183	127,400
Debtors and other receivables	52,309	109,563
Investments	121,000	119,700
NZ IFRS 7.8(c) <i>Total loans and receivables</i>	<b>385,492</b>	<b>356,663</b>
<b>Financial liabilities at amortised cost</b>		
Creditors and other payables	157,672	152,627
Bank overdraft	2,687	0
Unsecured loans from Te Motu Regional Council	36,313	35,000
NZ IFRS 7.8(f) <i>Total financial liabilities measured at amortised cost</i>	<b>196,672</b>	<b>187,627</b>

<sup>19</sup> This disclosure provides useful information to readers as to who are key management personnel.

<sup>20</sup> The actual names of Trustees will need to be included in this disclosure.

<sup>21</sup> If any financial assets or liabilities have been categorised into any of the other NZ IAS 39 categories the total of the assets and liabilities in those other categories is also required to be disclosed. The other NZ IAS 39 categories are: available for sale, held to maturity, and fair value through profit and loss.

## 25 Financial instrument risks

NZ IFRS 7.31	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.
NZ IFRS 7.33(a),(b)	<p><b>Market risk</b></p> <p><i>Fair value interest rate risk</i></p> <p>Fair value interest rate risk is the risk that the fair 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 fixed interest borrowings and bank deposits. However, because these borrowings and bank deposits are not accounted for at fair value, fluctuations in interest rates do not have an impact on the surplus/deficit of the Trust or the carrying amount of the financial instruments recognised in the statement of financial position.</p> <p><i>Cash flow interest rate risk</i></p> <p>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.</p> <p>The Trust's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements as investments mature.</p> <p>The Trust currently has no variable interest rate financial instruments.</p> <p><i>Currency risk</i></p> <p>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.</p> <p><i>Sensitivity analysis</i></p>
NZ IFRS 7.40	For financial instruments held at the balance date, the Trust has no exposure to market risks on those financial instruments that give rise to an impact on the surplus/deficit and equity. <sup>22</sup>
NZ IFRS 7.33(a),(b)	<p><b>Credit risk</b></p> <p>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, which gives rise to credit risk. The Trust's investment policy also limits the amount of credit exposure to any one registered bank at 40% of total term deposits.</p> <p>The Trust has processes in place to review the credit quality of customers prior to the granting of credit.</p>
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 7), financial asset investments (note 10) and debtors and other receivables (note 8).
NZ IFRS 7.36(c), IG23-IG25	<p>Cash at bank and term deposits are held with financial institutions that have a current Standard's and Poor's credit rating of AA or greater.</p> <p>The Trust's debtors are mostly from Te Motu District Council, government entities, and small business in the Te Motu Region.</p>
NZ IFRS 7.34(c)	The Trust has no significant concentrations of credit risk, as it has a large number of credit customers and limits have been established that restrict the maximum amount of funds that can be invested in a single registered bank.
NZ IFRS 7.33,39(b)	<p><b>Liquidity risk</b></p> <p>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.</p> <p>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.</p>

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<sup>22</sup> Entities are required to disclose a sensitivity analysis for each type of market risk (e.g. currency, interest rate, and equity price) it is exposed to at the balance date showing how profit or loss and equity would have been affected by changes in the relevant market risk variable that were reasonable possibly at that date. For example, a sensitivity analysis would be required for borrowings at floating interest rates, or financial asset investments that are measured at fair value.

## 25 Financial instrument risks (continued)

### *Contractual maturity analysis of financial liabilities*

NZ IFRS 7.39(a)

The table below analyses the Trust's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.<sup>23</sup>

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2009</b>						
Creditors and other payables	157,672	157,672	157,672	0	0	0
Bank overdraft	2,687	2,687	2,687	0	0	0
Unsecured loan	36,313	55,000	8,000	0	27,000	20,000
<b>Total</b>	<b>196,672</b>	<b>215,359</b>	<b>168,359</b>	<b>0</b>	<b>27,000</b>	<b>20,000</b>
<b>2008</b>						
Creditors and other payables	152,627	152,627	152,627	0	0	0
Unsecured loan	35,000	60,000	11,000	0	29,000	20,000
<b>Total</b>	<b>187,627</b>	<b>212,627</b>	<b>163,627</b>	<b>0</b>	<b>29,000</b>	<b>20,000</b>

## 26 Reclassification of expenditure

NZ IAS 1.38

In previous years advertising and marketing costs have been included in other expenses in the statement of financial performance.

This year these costs have been shown separately on the face of the statement of financial performance. As a result \$369,351 of advertising and marketing costs have been reclassified from other expenses to advertising and marketing costs in the 2007/08 comparative information.

This change has been made to align the presentation of the financial statements with the Trusts 2008/09 statement of intent budget figures and reflects the growing proportion of costs associated with advertising and marketing that the Trust incurs.

## 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 2008/09 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

Creditors 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 2009, 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.

<sup>23</sup> NZ IFRS 7 does not prescribe the time bands to use. Entities will need to exercise their judgement in determining the appropriate time bands to use when presenting the maturity analysis.

## **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".

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## 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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