

Model Financial Statements
**Te Motu Regional Economic
Development Trust**
2010/11

Prepared under New Zealand equivalents
to International Financial Reporting Standards

June 2011 version 3.0

Audit New Zealand
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FOREWORD

I am pleased to introduce our 2011 update to our New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) model financial statements for council-controlled organisations (CCOs).

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 changes to NZ IFRS that apply to the 30 June 2011 financial statements. The main updates to the model are explained on page 5.

The model financial statements have been prepared especially to help guide CCOs to prepare financial statements that comply with NZ IFRS. The model may also assist in reducing the costs of preparing NZ IFRS-compliant financial statements and contribute to an efficient financial statement audit.

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.

These model financial statements can be downloaded from our website www.auditnz.govt.nz.

Future updates

We will continue to update these model financial statements to reflect changes in NZ IFRS and evolving good practice in applying NZ IFRS to CCOs.

We welcome any feedback on the application of this model to CCOs or any other comments that may help with future updates of the model financial statements. If you have any feedback or comments, please pass these to your Audit New Zealand Manager or Director.

Acknowledgements

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



Stephen Walker
Executive Director
June 2011

ABOUT THE MODEL FINANCIAL STATEMENTS

Objective

The main objective of this model is to guide CCOs in preparing financial statements that comply with NZ IFRS.

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

Although this model is based on a CCO that is a trust, most of the model would apply equally to CCOs that are of a different legal nature (for example, 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.

Main updates to the model

The table below explains the main updates to the model since it was previously published in 2009. Due to the time that has elapsed since the model was last updated, we have indicated the main changes to the model that are relevant for the first time for the 30 June 2011 financial statements and those that were first relevant to prior year financial statements.

Changes to the model financial statements that are relevant for the first time for the 30 June 2011 financial statements

Page number	Note number	Description of change
12	1	Changes in accounting policies – a narrative has been inserted explaining the early adoption of the amendments to NZ IFRS 7 <i>Financial Instruments: Disclosures</i> and the revised NZ IAS 24 <i>Related Party Disclosures</i> .
13	1	Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted – a narrative has been inserted for the new financial instruments standard NZ IFRS 9 <i>Financial Instruments</i> .
19	8	Credit risk disclosures – the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is no longer disclosed, as this disclosure requirement has been deleted from the revised NZ IFRS 7.

Changes to the model financial statements that were first relevant to prior year financial statements

Page number	Note number	Description
9	-	The previously presented statement of financial performance has been replaced with a statement of comprehensive income. A statement of comprehensive income is required to be prepared under the revised NZ IAS 1 <i>Presentation of Financial Statements</i> .
9	-	The previous items of "other revenue" and "gains" have been aggregated into a new item "other income" to simplify the presentation of income.
9,10,11,16 18	-	The income tax status of the Trust has been changed so that it is no longer a charitable organisation and that it is subject to income tax. Tax related balances and disclosures have been added to reflect the change in tax status.
10	-	The format of the statement of changes in equity has been updated to comply with the revised NZ IAS 1.
13	1	Borrowing costs – a disclosure has been added stating the CSE has elected to defer adoption of the revised NZ IAS 23 <i>Borrowing Costs (Revised 2007)</i> .
15	1	Borrowings – a narrative has been added explaining the criteria for classifying borrowings between current and non-current.
16	1	Employee entitlements – an accounting policy has been added for the current/non-current classification of employee entitlements.
23	14	Borrowings – information about loan covenants has been added.

Content

Included in the model are:

- a statement of comprehensive income;
- a statement of financial position;
- a statement of changes in equity;
- a statement of cash flows;
- a 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 Reporting Regime* details the full and partial exemptions available to qualifying entities.

The model does not include all the information that is required to be disclosed by sections 67 to 69 of the Local Government Act 2002 (the LGA) in a CCO's annual report. 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 each CCO. The model is not intended to cover all of the possible financial reporting issues that could arise 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 a CCO. For example, the statement of comprehensive income 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 of disclosing the information required under NZ IFRS.

While the model provides guidance on disclosure matters, it does not deal with the underlying accounting treatment.

CCOs 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, measurement, presentation, and disclosure requirements of NZ IFRS. CCOs should not use the model as a substitute for referring to individual NZ IFRS standards and interpretations applicable to their specific circumstances.

References to specific standards are provided in the left margin of the model and a subject index on page 29 for easy searching. References to NZ IFRS are sourced from the January 2011 NZ IFRS volumes.

Standards not covered by the model

The model does not include the recognition, measurement, presentation 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 *Financial 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 30 April 2011 are not included in the model financial statements.

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE
2011^{1,2,3,4}

NZ IAS 1.0(b) NZ IAS 1.113	Notes	Actual 2011	Budget ⁵ 2011	Actual ⁶ 2010
	Income			
NZ IAS 1.82(a)	Council operating grants	1,395,000	1,407,000	1,200,000
NZ IAS 1.82(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 IFRS 7.20(b)	Interest income	7,234	6,000	7,001
NZ IAS 1.82(a)	Other income	48,048	36,000	45,356
NZ IAS 1.85	<i>Total income</i>	1,959,200	1,929,000	1,728,697
	Expenditure			
NZ IAS 1.102	Personnel costs	929,098	917,000	823,849
	Advertising and marketing costs	473,987	470,000	369,351
	Depreciation and amortisation expense	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 consumed	63,247	60,000	59,478
NZ IAS 1.81(b)	Finance costs	8,219	8,150	7,127
	Trustee fees	59,750	59,750	52,750
	Other expenses	108,955	123,100	110,747
NZ IAS 1.85	<i>Total expenditure</i>	1,938,519	1,929,000	1,712,169
NZ IAS 1.82(f)	Surplus/(deficit) before tax	20,681	0	16,528
NZ IAS 1.82(d)	Income tax expense/(benefit)	0	0	0
NZ IAS 1.82(f)	Surplus/(deficit) after tax	20,681	0	16,528
NZ IAS 1.82(g)	Other comprehensive income	0	0	0
NZ IAS 1.82(i)	Total comprehensive income	20,681	0	16,528

NZ IAS 1 NZ 46.1 Explanations of major variances against budget are provided in note 27.

The accompanying notes form part of these financial statements.

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- ¹ Alternatively, a statement displaying components of the surplus/deficit (a statement of financial performance) directly followed by a second statement beginning with surplus/deficit and displaying components of other comprehensive income (a statement of comprehensive income) can be presented.
- ² NZ IAS 1.87 prohibits any items of income or expense being presented as extraordinary items either in the statement of comprehensive income or in the notes.
- ³ Where there are discontinued operations, NZ IAS 1.82(e) requires disclosure of the total of the post-tax surplus or deficit of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.
- ⁴ The statement of comprehensive income 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 1.103, NZ 103.1.
- ⁵ NZ IAS 1 NZ 46.1 requires an entity that has published prospective financial information (for example, forecast financial information published in a statement of intent), other than that expressed solely in general terms, to present a comparison of the prospective financial information with the actual financial results. Explanations for major variances shall be given.
- ⁶ NZ IAS 1.38 requires comparative information to be disclosed in respect of the previous year 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 year's financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

NZ IAS 1.10(a) NZ IAS 1.57,113	Notes	Actual 2011	Budget 2011	Actual 2010
Assets				
Current assets				
NZ IAS 1.60,66				
NZ IAS 1.54(i)	7	212,183	244,150	127,400
NZ IAS 1.54(h)	8	52,309	74,597	109,563
NZ IAS 1.54(d)	9	121,000	121,000	119,700
NZ IAS 1.55		21,457	0	3,748
NZ IAS 1.54(g)	10	155,350	152,100	151,270
NZ IAS 1.55		562,299	591,847	511,681
Non-current assets				
NZ IAS 1.60,66				
NZ IAS 1.54(a)	11	205,744	208,300	207,544
NZ IAS 1.54(c)	12	24,000	24,000	39,000
NZ IAS 1.55		229,744	232,300	246,544
NZ IAS 1.55		792,043	824,147	758,225
Liabilities				
Current liabilities				
NZ IAS 1.60,69				
NZ IAS 1.54(k)	13	157,672	219,850	152,627
NZ IAS 1.54(n)		0	0	0
NZ IAS 1.54(m)	14	10,000	8,350	10,000
NZ IAS 1.55	15	18,270	17,320	16,187
NZ IAS 1.54(l)	16	35,238	35,100	34,266
NZ IAS 1.55		221,180	280,620	213,080
Non-current liabilities				
NZ IAS 1.54(o)	6	0	0	0
NZ IAS 1.54(m)	14	29,000	22,750	25,000
NZ IAS 1.55	15	9,130	8,725	8,093
NZ IAS 1.55		38,130	31,475	33,093
NZ IAS 1.55		259,310	312,095	246,173
NZ IAS 1.55		532,733	512,052	512,052
Trust equity				
NZ IAS 1.54(r)				
NZ IAS 1.78(e)	17	83,200	83,200	83,200
NZ IAS 1.78(e)	17	449,533	428,852	428,852
NZ IAS 1.55		532,733	512,052	512,052

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

NZ IAS 1.10(c) NZ IAS 1.113	Note	Actual 2011	Budget 2011	Actual 2010
		512,052	512,052	432,324
<i>Comprehensive income</i>				
NZ IAS 1.106(d)		20,681	0	16,528
NZ IAS 1.106(d)		0	0	0
NZ IAS 1.106(a)		20,681	0	16,528
NZ IAS 1.106(d)		0	0	63,200
	17	532,733	512,052	512,052

NZ IAS 1 NZ 46.1

Explanations of major variances against budget are provided in note 27.

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Actual 2011	Budget 2011	Actual 2010
NZ IAS 1.10(d) NZ IAS 1.113				
NZ IAS 7.10,14,18		Cash flows from operating activities		
NZ IAS 7.14		1,395,000	1,407,000	1,200,000
NZ IAS 7.14		441,448	420,000	411,370
NZ IAS 7.31		6,008	6,000	6,987
NZ IAS 7.14(b)		155,708	123,250	144,008
NZ IAS 7.14(c),(d)		(1,855,542)	(1,865,000)	(1,619,702)
NZ IAS 7.31		(1,478)	(1,250)	(1,017)
NZ IAS 7.35		0	0	0
		(29,316)	0	(16,987)
	18	111,828	90,000	124,659
		Cash flows from investing activities		
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)
		Cash flows from financing activities		
NZ IAS 7.10,17		0	0	63,200
NZ IAS 7.17(a)		0	0	0
NZ IAS 7.17(c)		(5,000)	(5,000)	0
NZ IAS 7.17(d)		(5,000)	(5,000)	63,200
		82,096	55,000	117,659
		127,400	189,150	9,741
	7	209,496	244,150	127,400

NZ IAS 7 NZ 24.1 The GST (net) component of cash flows from operating activities reflects the net GST paid to and received from 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 and to be consistent with the presentation basis of the other primary financial statements.

NZ IAS 1 NZ 46.1 Explanations of major variances against budget are provided in note 27.

The accompanying notes form part of these financial statements.

NZ IAS 1.10(e)

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of accounting policies^{7,8}

REPORTING ENTITY

NZ IAS 1.138(a),(c)

Te Motu Regional Economic Development Trust (the Trust) is a trust 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 1.138(b)

NZ IAS 1 NZ 15.1(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 1.51(a),(b),(c)

NZ IAS 10.17

The financial statements for the Trust are for the year ended 30 June 2011, and were approved by the Board of Trustees on 28 September 2011.

BASIS OF PREPARATION

Statement of compliance

NZ IAS 1 NZ 15.1(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 generally accepted accounting practice in New Zealand (NZ GAAP).

NZ IAS 1 NZ 15.1(d)

The financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Measurement base

NZ IAS 1.117(a)

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

NZ IAS 1.51 (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\$).

Changes in accounting policies

NZ IAS 8 NZ 31.1

There have been no changes in accounting policies during the year.

Early adopted amendments and revisions to standards

The following amendments and revision to standards have been early adopted:

NZ IFRS 7.44L

- NZ IFRS 7 *Financial Instruments: Disclosures* – The effect of early adopting these amendments is the following information is no longer disclosed:
 - the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated; and
 - the maximum exposure to credit risk by class of financial instrument if the maximum credit risk exposure is best represented by their carrying amount.

NZ IAS 24.28

- NZ IAS 24 *Related Party Disclosures (Revised 2009)* – The early adoption of NZ IAS 24 has had no effect on related party disclosures.

⁷ 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.

⁸ NZ IAS 1.138 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 of the entity, country of incorporation of the entity, address of the entity's registered office, description of operations, principal activities, and name of parent and ultimate parent of the group.

- NZ IAS 8.30,31 **Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted**^{9,10}
- Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Trust, are:
- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2014. The Trust has not yet assessed the effect of the new standard and expects it will not be early adopted.

SIGNIFICANT ACCOUNTING POLICIES¹¹

- 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'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.
- Sales*
- NZ IAS 18.14 Products held for sale are recognised when a product is sold to the customer.
- Vested assets*
- NZ IAS 16 NZ 15.1 Where a physical asset is gifted to or vested in the Trust for nil or nominal consideration, the fair value of the asset received is recognised as income. Such income is recognised when control over the asset is obtained.
- Interest income*
- NZ IAS 18.30(a) Interest income is recognised using the effective interest method.
- Volunteer services*
- 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 1.117(b) **Advertising costs**
- NZ IAS 38.69(c) Advertising costs are expensed when the related service has been rendered.
- NZ IAS 1.117(b) **Borrowing costs**
- NZ The Trust has elected to defer adoption of the revised NZ IAS 23 *Borrowing Costs (Revised 2007)* in accordance with the transitional provisions of NZ IAS 23 that are applicable to public benefit entities. Consequently, all borrowing costs are recognised as an expense in the financial year in which they are incurred.

⁹ NZ IAS 8.31 requires entities that chose not to apply standards or interpretations issued but not yet effective to disclose this fact, including: the title of the Standard or Interpretation, the nature of the impending change or changes in accounting policy, the date by which application of the Standard or Interpretation is required, and the date at which the entity plans to apply the Standard or Interpretation; and either a discussion of the known impact of the new Standard or Interpretation on the entity in the initial year of application, or, where the impact is not known or reasonably estimatable, a statement to that effect.

¹⁰ Entities will also need to disclose information about those relevant standards, amendments, and interpretations that are issued after 30 April 2011.

¹¹ Entities are required to disclose all accounting policies that are relevant to an understanding of the financial statements (NZ IAS 1.117(b)).

NZ IAS 1.117(b)	Leases
	<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, finance leases are recognised 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 17.25	The finance charge is charged to the surplus or deficit 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 17.33	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 surplus or deficit over the lease term as an integral part of the total lease expense.
NZ IAS 7.46	Cash and cash equivalents
	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 presented within borrowings as a current liability in the statement of financial position.
NZ IFRS 7.21	Debtors and other receivables
NZ IAS 39.43	Debtor 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 a receivable is established when there is objective evidence that the Trust will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt 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 surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).
NZ IFRS 7.21	Investments
NZ IAS 39.43	Investments in bank deposits are initially measured at fair value plus transaction costs (if any).
NZ IAS 39.46(a)	After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest rate, less any provision for impairment. The indicators and the accounting for impairment of bank deposits is the same as explained for debtors and other receivables.
NZ IAS 2.36(a)	Inventories
NZ IAS 2 NZ 9.1,10.1	Inventories held for distribution in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential. The loss of service potential of inventory held for distribution is determined on the basis of obsolescence. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.
NZ IAS 2.9	Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.
NZ IAS 2.34, NZ 34.1	The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the year of the write-down.
NZ IAS 1.117	Property, plant, and equipment
NZ IAS 16.73(a)	Property, plant, and equipment is 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 only when it is probable that 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 initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value when control over the asset is obtained.
NZ IAS 16.4,68,71	<i>Disposals</i> Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are presented net in the surplus or deficit.
NZ IAS 16.7	<i>Subsequent costs</i> Costs incurred subsequent to initial acquisition are capitalised only when it is probable that service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.
NZ IAS 16.12,13	The costs of day-to-day servicing of property, plant, and equipment are recognised as an expense as they are incurred.
NZ IAS 16.73(b),(c)	<i>Depreciation</i> ¹² 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:
	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 are reviewed, and adjusted if applicable, at each financial year end.
NZ IAS 1.117(b)	Intangible assets
	<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.
NZ IAS 38.15,29,67	Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.
NZ SIC 32.8	Costs associated with development and maintenance of the Trust's website are recognised as an expense when incurred because the website is primarily used for promoting the Trust's services.
	<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 when the asset is disposed of. The amortisation charge for each year is recognised in surplus or deficit.
NZ IAS 1.117(b)	Impairment of property, plant, and equipment and intangible assets
NZ IAS 36.9	Property, plant, and equipment and intangible assets are reviewed for indicators of impairment as at each balance date. When there is an indicator of impairment, the asset's recoverable amount is estimated. 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 service potential of the asset is 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 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 surplus or deficit.
NZ IFRS 7.21	Creditors and other payables
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 IFRS 7.21	Borrowings
NZ IAS 39.43	Borrowings are initially recognised at their fair value plus transaction costs, if any. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.
NZ IAS 39.46(a)	

¹² The useful lives and depreciation rates that have been listed are only illustrative. Each entity will need to set these based on their specific circumstances.

NZ IAS 1.69	Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after balance date or if the borrowings are not expected to be settled within 12 months of balance date.
NZ IAS 1.117(b) NZ IAS 19.10	<p>Employee entitlements</p> <p><i>Short-term employee entitlements</i></p> <p>Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service 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, and sick leave.</p>
NZ IAS 19.14	<p>A liability for sick leave is recognised to the extent that 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 that it will be used by staff to cover those future absences.</p> <p><i>Long-term entitlements</i></p>
NZ IAS 19.126-131	<p>Employee benefits that are due to be settled beyond 12 months after the end of period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:</p> <ul style="list-style-type: none"> • 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 entitlement information; and • the present value of the estimated future cash flows. <p>Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.</p>
Good practice NZ IAS 1.69	<p><i>Presentation of employee entitlements</i></p> <p>Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.</p>
NZ IAS 1.117(b) NZ IAS 37.14	<p>Provisions</p> <p>A provision is recognised 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 expenditure 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>
NZ IAS 37.45	<p>Provisions are measured at the present value of the expenditure 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 in "finance costs".</p>
NZ IAS 1.117(b)	<p>Goods and services tax</p> <p>All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented 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 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 a net operating cash flow in the statement of cash flows.</p> <p>Commitments and contingencies are disclosed exclusive of GST.</p>
NZ IAS 1.117(b) NZ IAS 12.6 NZ IAS 12.5,46	<p>Income tax</p> <p>Income tax expense is the aggregate of current period movements in relation to both current and deferred tax.</p> <p>Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.</p>
NZ IAS 12.5	<p>Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.</p>
NZ IAS 12.47,51	<p>Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.</p>

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle the carrying amount of its assets and liabilities.

NZ IAS 12.24 Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

NZ IAS 12.58,61A Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to items recognised in other comprehensive income or equity.

Good practice

Budget figures

The budget figures are derived from the statement of intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board of Trustees in preparing these financial statements.

NZ IAS 1.125

Critical accounting estimates and assumptions¹³

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:

Estimating the leasehold restoration provision

An analysis of the Trust's exposure surrounding the leasehold restoration provision is disclosed in note 16.

Estimating useful lives and residual values of property, plant, and equipment

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 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 affect the depreciable amount of an asset, therefore affecting the depreciation expense recognised in the surplus or deficit and the asset's carrying amount. 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.

NZ IAS 1.122

Critical judgements in applying the Trust's accounting policies

Judgement is exercised 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.

NZ IAS 1.112(c)

2 Other income

	Actual 2011	Actual 2010
Other grants received	27,750	27,130
Donated assets	9,780	11,350
Net gain on sale of property, plant, and equipment	7,284	0
Other income	3,234	6,876
Total other income	48,048	45,356

NZ IFRS 5.41

The Trust disposes of motor vehicles when they reach a pre-determined mileage. 2 motor vehicles were disposed of during the year through auction for a net gain of \$7,284.

¹³ The examples provided are not intended to be exhaustive. Entities will need to consider their own circumstances to ensure that the disclosures required by NZ IAS 1 paragraphs 122 and 125 are relevant and complete.

NZ IAS 1.112(c) 3 Personnel costs		Actual 2011	Actual 2010
	Salaries and wages	902,578	799,775
NZ IAS 19.46	Defined contribution plan employer contributions	23,400	21,250
	Increase/(decrease) in employee entitlements	3,120	2,824
	Total personnel costs	929,098	823,849

Employer contributions to defined contribution plans include contributions to KiwiSaver.

NZ IAS 1.112(c) 4 Finance costs		Actual 2011	Actual 2010
	Interest on bank overdraft	1,478	1,017
NZ IFRS 7.20(b)	Interest on borrowings	4,000	3,578
NZ IAS 37.84(e)	Discount unwind on leasehold restoration provision	2,741	2,532
	Total finance costs	8,219	7,127

NZ IAS 1.112(c) 5 Other expenses¹⁴		Actual 2011	Actual 2010
NZ IAS 1 NZ 105.1(a)(i)	Audit fees for financial statement audit	20,500	15,000
NZ IAS 1 NZ 105.1(a)(ii)	Audit-related fees for assurance services ¹⁵	4,500	4,200
NZ IAS 1 NZ 105.2	Donations ¹⁶	1,000	1,000
NZ IFRS 7.20(e)	Impairment of receivables	24,901	42,832
NZ IAS 38.126	Website development expenses	1,620	1,879
	Other expenses	56,434	45,836
	Total other expenses	108,955	110,747

NZ IAS 1 NZ 105.1(a)(ii) Audit-related fees were for an assurance engagement over the Trust's compliance with FBT and GST requirements.

NZ IAS 1.112(c) 6 Income tax		Actual 2011	Actual 2010
	Components of income tax expense		
	Current tax	0	0
	Adjustments to current tax in prior years	0	0
	Deferred tax	0	0
	Income tax expense	0	0
	Relationship between income tax expense and accounting profit		
	Net surplus/(deficit) before tax	20,681	16,528
	Tax at 33%	6,825	5,454
	Plus/(less) tax effects of:		
	Non-taxable income	(621,720)	(546,480)
	Non-deductible expenditure	607,187	535,826
	Tax losses not recognised	7,708	5,200
	Income tax expense	0	0

¹⁴ NZ IAS 1.97 requires that, when items of expense and income are material, their nature and amount shall be disclosed separately.

¹⁵ NZ IAS 1 NZ 105.1 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.

¹⁶ 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.

6 Income tax (continued)

NZ IAS 12.81(e) The Trust has not recognised a deferred tax asset in relation to tax losses of \$45,060 (2010 \$21,700) and temporary differences of \$37,100 (2010 \$48,900).

7 Cash and cash equivalents

	Actual 2011	Actual 2010
Cash at bank and on hand	192,003	108,300
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
Bank overdrafts	(2,687)	0
Net cash and equivalents for the purposes of the statement of cash flows	209,496	127,400

NZ IFRS 7.25,29(a) The carrying value of cash and cash equivalents approximates their fair value.

8 Debtors and other receivables

	Actual 2011	Actual 2010
Gross debtors and other receivables	76,099	150,713
Provision for impairment	(23,790)	(41,150)
Total debtors and other receivables	52,309	109,563

Fair value

NZ IFRS 7.25,29(a) The carrying value of debtors and other receivables approximates their fair value.

Impairment

NZ IFRS 7.37(a) The ageing profile of receivables at year end is detailed below:

	2011			2010		
	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 > 90 days	13,697	(8,326)	5,371	27,128	(14,403)	12,725
Total	76,099	(23,790)	52,309	150,713	(41,150)	109,563

NZ IFRS 7.21 All receivables greater than 30 days in age are considered to be past due.

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 based on an analysis of past collection history and write-offs.

	Actual 2011	Actual 2010
Individual impairment	15,000	25,480
Collective impairment	8,790	15,670
Total provision for impairment	23,790	41,150

Individually impaired receivables are assessed as impaired due to 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 2011	Actual 2010
Balance at 1 July	41,150	40,540
Additional provisions made	24,901	42,832
Receivables written off	(42,261)	(42,222)
Balance at 30 June	23,790	41,150

NZ IAS 1.112(c)

9 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 (2010 \$nil).

Fair value

NZ IFRS 7.25,29(a)

The carrying amounts of investments approximate their fair value.

NZ IAS 2.36(b)

10 Inventories

	Actual 2011	Actual 2010
<i>Inventories held for distribution</i>		
Publications for distribution	103,570	108,100
<i>Commercial inventories</i>		
Items held for resale	51,780	43,170
Total inventories	155,350	151,270

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 (2010 \$nil), while reversals of write-downs amounted to \$nil (2010 \$nil).

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

Commercial inventories

NZ IAS 2.36(e),(f)

The write-down of commercial inventories amounted to \$6,978 (2010 \$nil), while reversals of write-downs amounted to \$nil (2010 \$nil).

NZ IAS 16.73

11 Property, plant, and equipment¹⁷

	Furniture and fittings	Computer equipment	Motor vehicles	Total
Cost				
Balance at 1 July 2009	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 2010	163,000	71,800	229,744	464,544
Balance at 1 July 2010	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 2011	186,200	81,800	145,860	413,860
Accumulated depreciation and impairment losses				
Balance at 1 July 2009	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 2010	90,740	55,260	111,000	257,000
Balance at 1 July 2010	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 2011	105,442	35,074	67,600	208,116
Carrying amounts				
At 1 July 2009	47,260	26,140	159,744	233,144
At 30 June and 1 July 2010	72,260	16,540	118,744	207,544
At 30 June 2011	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, and equipment; nor is any pledged as security for liabilities.

¹⁷ This is just one way of presenting the reconciliation required by NZ IAS 16 *Property, Plant and Equipment*.

NZ IAS 38.118

12 Intangible assets¹⁸

	Actual 2011	Actual 2010
Acquired computer software		
Cost		
Balance at 1 July	54,000	54,000
Additions	0	0
Disposals	0	0
Balance at 30 June	54,000	54,000
Accumulated amortisation and impairment losses		
Balance as at 1 July	15,000	2,500
Amortisation expense	15,000	12,500
Impairment losses	0	0
Disposals	0	0
Balance at 30 June	30,000	15,000
Carrying amounts		
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.

NZ IAS 1.77

13 Creditors and other payables

	Actual 2011	Actual 2010
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
Total creditors and other payables	157,672	152,627

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.

NZ IAS 1.77

14 Borrowings

	Actual 2011	Actual 2010
Current portion		
Bank overdraft	2,687	0
Loan from Te Motu Regional Council	7,313	10,000
<i>Total current portion</i>	10,000	10,000
Non-current portion		
Loan from Te Motu Regional Council	29,000	25,000
<i>Total non-current portion</i>	29,000	25,000

¹⁸ 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 (2010 \$60,000), are issued at a nil interest rate. There are no loan covenants attached to the loans.¹⁹

Security

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 (2010 \$10,000). There are no restrictions on the use of this facility.

NZ IFRS 7.25 *Fair value*

The fair value of non-current borrowings is \$25,895 (2010 \$22,395).

NZ IFRS 7.27(a) The fair value is calculated using a discounted cash flow method. This method discounts future loan repayments using market interest rates for an unsecured loan with similar credit quality and terms to maturity similar to maturity of the relevant loans. The weighted average discount rate used was 9.5% (2010 9.3%).

NZ IFRS 7.25,29(a) The carrying amounts of borrowings repayable within one year approximate their fair value.

NZ IAS 1.77

15 Employee entitlements

	Actual 2011	Actual 2010
Current portion		
Accrued salaries and wages	2,300	2,100
Annual leave	11,450	10,150
Sick leave	3,150	2,830
Long service leave and retirement gratuities	1,370	1,107
<i>Total current portion</i>	18,270	16,187
Non-current portion		
Long service leave and retirement gratuities	9,130	8,093
<i>Total non-current portion</i>	9,130	8,093
Total employee entitlements	27,400	24,280

A weighted average discount rate of 5.8% (2010 7.4%) and an inflation factor of 1.7% (2010 2.7%) were used in calculating the long service leave and retirement gratuity liabilities.

16 Provision²⁰

	Actual 2011	Actual 2010
Leasehold restoration provision		
Balance at 1 July	34,266	28,728
Additional provisions made	0	3,006
Amounts used	(1,769)	0
Unused amounts reversed	0	0
Discount unwind	2,741	2,532
Balance at 30 June	35,238	34,266

NZ IAS 37.85 The Trust is required to make good the premises it leases at expiry of the lease term, which is April 2015.
 NZ IAS 1.125 However, the Trust can vacate the premises at the lease renewal date of April 2012. 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 2012, 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 lessor and it is expected the final course of action will be decided by December 2011.

¹⁹ Information about loan covenants and whether these have been complied with during the financial year should be disclosed.

²⁰ Disclosure of comparative figures for provisions is good practice although not required (NZ IAS 37.84).

17 Equity

		Actual 2011	Actual 2010
NZ IAS 1.106(d)	Contributed capital		
	Balance at 1 July	83,200	20,000
	Capital contribution	0	63,200
	<i>Balance at 30 June</i>	83,200	83,200
NZ IAS 1.106(d)	Retained surpluses		
	Balance at 1 July	428,852	412,324
	Surplus/(deficit) for the year	20,681	16,528
	<i>Balance at 30 June</i>	449,533	428,852
	Total equity	532,733	512,052

NZ IAS 7 NZ 20.1

18 Reconciliation of net surplus/(deficit) to net cash flow from operating activities

		Actual 2011	Actual 2010
	Surplus/(deficit)	20,681	16,528
NZ IAS 7 NZ 20.2(a)	Add/(less) non-cash items		
	Depreciation and amortisation expense	82,923	84,220
	Donated assets income	(9,780)	(11,350)
NZ IAS 7 NZ 20.2(c)	Add/(less) items classified as investing or financing activities		
	(Gains)/losses on disposal of property, plant, and equipment	(7,284)	0
NZ IAS 7 NZ 20.2(b)	Add/(less) movements in statement of financial position items		
	Debtors and other receivables ²¹	42,940	17,506
	Inventories	(9,080)	21,778
	Creditors and other payables ²²	5,045	(14,784)
	Provision	972	5,538
	Employee entitlements	3,120	2,145
	Prepayments	(17,709)	3,078
	Net cash flow from operating activities	111,828	124,659

19 Capital commitments and operating leases

		Actual 2011	Actual 2010
	Capital commitments		
NZ IAS 16.74(c)	Property, plant, and equipment	42,478	0
NZ IAS 38.122(e)	Intangible assets	0	0
	Total capital commitments	42,478	0

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

²¹ Any debtors or accruals for the sale of property, plant, and equipment will need to be excluded when calculating this movement.

²² Any creditors and accruals for capital expenditure will need to be excluded when calculating this movement.

19 Capital commitments and operating leases (continued)

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 2011	Actual 2010
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	233,548	263,275

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 2015, with an option to vacate the premises at the lease renewal date of April 2012. As disclosed in note 16, the Trust has assumed it will vacate the premises at the lease renewal date of April 2012. 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 (2010 \$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 (2010 \$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:*²³

Te Motu Regional Council²⁴

The Trust has outstanding loans at a nil interest rate of \$36,313 (2010 \$35,000) with the Council. However, as the accounting policy requires initial discounting to present value and the use of an effective interest rate, an interest expense of \$4,000 (2010 \$3,578) has been recognised in the statement of comprehensive income for these loans.

Goods and services of \$42,478 (2010 \$32,045) were purchased from the Council on normal commercial terms. The total amount of operating grants received from the Council is disclosed in the statement of financial comprehensive income. With the exception of the Council loan, there are no other outstanding balances at balance date (2010 \$nil). Capital contributions of \$nil (2010 \$63,200) were also received from the Council.

Key management personnel

Advertising services of \$82,500 (2010 \$43,478) were purchased from Advertising Pro Limited, a company in which Trustee 1²⁵ is the sole shareholder, on normal commercial terms. At balance date, there was \$21,074 owing (2010 \$nil).

Goods and services of \$nil (2010 \$24,479) were purchased from City Development Limited, which Trustee 3's husband jointly controls, on normal commercial terms. There were no outstanding balances at balance date (2010 \$1,247).

NZ IAS 24.17(c),(d) No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2010 \$nil).

²³ 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).

²⁴ Where a CCO has many related party transactions with its controlling council and other council-related entities (for example, the controlling council's subsidiaries, associates, and jointly controlled entities), consideration should be given to the application of the disclosure concessions available by NZ IAS 24 paragraphs 25 and 26.

²⁵ The actual names of Trustees will need to be included in this disclosure.

21 Related party transactions (continued)

Key management personnel compensation

	Actual 2011	Actual 2010
NZ IAS 24.16(a)	421,127	401,981
NZ IAS 24.16(b)	22,127	22,000
NZ IAS 24.16(c)	12,000	3,000
NZ IAS 24.16(d)	0	0
NZ IAS 24.16	455,254	426,981

Good practice Key management personnel include all Trustees, the Chief Executive, and the other 3 members of the Trust's management team.²⁶

22 Trustee fees²⁷

	Actual 2011	Actual 2010
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 trustee fees	59,750	52,750

23 Events after the balance 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 refinanced at a commercially based fixed interest rate of 7.5%.

NZ IAS 10.19.21 There were no other significant events after the balance date.

24 Other financial instrument disclosures

24A Categories of financial instruments²⁸

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

	Actual 2011	Actual 2010
Loans and receivables		
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)	385,492	356,663
Financial liabilities at amortised cost		
Creditors and other payables	157,672	152,627
Bank overdraft	2,687	0
Loans from Te Motu Regional Council	36,313	35,000
NZ IFRS 7.8(f)	196,672	187,627

²⁶ Disclosing the composition of key management personnel provides useful contextual information to readers as to who are key management personnel.

²⁷ The actual names of Trustees will need to be included in this disclosure.

²⁸ If any financial assets or liabilities have been categorised into any of the other NZ IAS 39 *Financial Instruments: Recognition and Measurement* 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.

24B 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 financial instruments. 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>Market risk</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. The Trust does not actively manage its exposure to fair value interest rate risk. Because borrowings and bank deposits are not accounted for at fair value, fluctuations in interest rates do not affect the surplus or deficit of the Trust or their carrying amount.</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 presently 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 or deficit and equity. ²⁹
NZ IFRS 7.33(a),(b)	<p>Credit risk</p> <p>Credit risk is the risk that a third party will default on its obligation to the Trust, causing it to incur a loss.</p> <p>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. Cash at bank and term deposits are held with financial institutions that have a current Standard and Poor's credit rating of AA or greater.</p> <p>The Trust has processes in place to review the credit quality of customers prior to the granting of credit.</p> <p>The Trust's debtors are mostly from Te Motu District Council, government entities, and small businesses in the Te Motu Region.</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, debtors and other receivables, and investments.
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(c)	<p>Liquidity risk</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.</p> <p>The Trust mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.</p>

²⁹ Entities are required to disclose a sensitivity analysis for each type of market risk (for example, currency, interest rate, and equity price risk) 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 possible 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.

24B 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.³⁰

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
2011						
Creditors and other payables	157,672	157,672	157,672	0	0	0
Bank overdraft	2,687	2,687	2,687	0	0	0
Loan from Te Motu Regional Council	36,313	55,000	8,000	0	27,000	20,000
Total	196,672	215,359	168,359	0	27,000	20,000
2010						
Creditors and other payables	152,627	152,627	152,627	0	0	0
Loan from Te Motu Regional Council	35,000	60,000	11,000	0	29,000	20,000
Total	187,627	212,627	163,627	0	29,000	20,000

25 Reclassification of expenditure

NZ IAS 1.41

In previous years, advertising and marketing costs have been included in "other expenses" in the statement of comprehensive income. These costs are now shown separately on the face of the statement of comprehensive income. As a result, \$369,351 of advertising and marketing costs have been reclassified from "other expenses" to "advertising and marketing costs" in the comparative information.

This change in presentation has been made to align the presentation of the financial statements with the Trust's 2010/11 statement of intent budget figures and reflects the growing proportion of costs associated with advertising and marketing that the Trust incurs.

NZ IAS 1.134

26 Capital management

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 that the Trust effectively achieves its objectives and purpose, whilst remaining a going concern.

27 Explanation of major variances against budget

NZ IAS 1 NZ 46.1

Explanations for major variations from the Trust's budgeted figures in the 30 June 2011 statement of intent are as follows:

Statement of comprehensive income

There are no major variances against the prospective statement of comprehensive income.

Statement of changes in equity

There are no major 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 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 2011, at which time the grant was recognised as revenue.

Statement of cash flows

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

³⁰ NZ IFRS 7 does not prescribe the time bands to use. Entities will need to exercise judgement in determining the appropriate time bands to use when presenting the contractual maturity analysis.

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OUR SERVICES

Audit New Zealand has a unique position as a business unit of the Controller and Auditor-General (the Auditor-General). The core business of Audit New Zealand is carrying out annual audits across the New Zealand public sector. We are also an experienced, trusted, and independent provider of assurance services, in "real-time" or retrospectively. These services are provided under section 17 of the Public Audit Act 2001.

Our core strengths include provision of assurance services over:

- asset management;
- contract management;
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Our assurance services complement our audit work. Our independence and integrity are fundamental to us. You can be confident that our assurance work meets international standards of auditor independence.

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