

**Otago University Students' Association Incorporated**  
**Financial Statements**  
**for the year ended 31 December 2013**

# Otago University Students' Association Incorporated

## Financial statements for the year ended 31 December 2013

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# Otago University Students' Association Incorporated

## Directory

<b>President</b>	Francisco Hernandez
<b>Executive Officers</b>	Nicholas Tenci, Ruby Sycamore-Smith, Kamil Saifuddin, Jordan Taylor, Keir Russell - Resigned 31/12/2013, Rachael Davidson - Resigned 31/12/2013, Phillipa Benson - Resigned 31/12/2013, Lucy Gaudin - Resigned 31/07/2013, Zachariah Gawn - Resigned 31/12/2013, Blake Luff - Resigned 31/12/2013, Francisco Hernandez - Resigned 31/12/2013.
<b>General Manager</b>	Darel Hall
<b>Secretary</b>	Donna Jones
<b>Registered office</b>	University Union Building 640 Cumberland Street Dunedin
<b>Group Auditors</b>	PricewaterhouseCoopers PO Box 5848 Dunedin
<b>Solicitors</b>	Anderson Lloyd Lawyers Private Bag 1959 Dunedin
<b>Bankers</b>	ASB Business Banking Dunedin



## ***Independent Auditors' Report***

to the members of Otago University Students' Association Incorporated

### ***Report on the Financial Statements***

We have audited the financial statements of Otago University Students' Association Incorporated ("the Association") on pages 6 to 21, which comprise the statements of financial position as at 31 December 2013, the statements of financial performance, statements of movements in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Association and the Group. The Group comprises the Association and the entities it controlled at 31 December 2013 or from time to time during the financial year.

### ***Executive's Responsibility for the Financial Statements***

The Executive is responsible for the preparation and fair presentation of financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal controls as the Executive determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Association and the Group's preparation of financial statements that present fairly the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We have no relationship with, or interests in, Otago University Students' Association Incorporated or any of its subsidiaries other than in our capacities as auditors and providing accounting services. These services have not impaired our independence as auditors of the Association and the Group.



## ***Independent Auditors' Report*** Otago University Students' Association Incorporated

### ***Opinion***

In our opinion, the financial statements on pages 6 to 21 present fairly, in all material respects, the financial position of the Association and the Group as at 31 December 2013, and their financial performance and cash flows for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.

### ***Restriction of Distribution or Use***

This report is made solely to the Association's members, as a body. Our audit work has been undertaken so that we might state to the Association's members those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report or for the opinions we have formed.

*PricewaterhouseCoopers*

Chartered Accountants  
13 May 2014

Dunedin

**Otago University Students' Association Incorporated**  
**Financial Responsibility Statement**  
**For the year ended 31 December 2013**

The Executive is responsible for preparing the financial statements and ensuring that they comply with generally accepted accounting practice and give a true and fair view of the financial position of the Association and Group as at 31 December 2013 and the results of their operations and cash flows for the year ended on that date.

The Executive consider that the financial statements of the Parent and Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgement and estimates and that all relevant financial reporting and accounting standards have been followed.

The Executive believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Association and Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Executive considers that it has taken adequate steps to safeguard the assets of the Association and Group and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

**The Executive is pleased to present the financial statements of the Otago University Students' Association Incorporated for the year ended 31 December 2013.**

For and on behalf of the Executive.

President



Finance Officer



Date:

13/5/14

Date:

13/05/14

**Otago University Students' Association Incorporated**  
**Statements of Financial Performance**  
**For the year ended 31 December 2013**

		Group		Parent	
	Notes	2013 \$	2012 \$	2013 \$	2012 \$
Total Operating Revenue	4	9,208,491	9,399,235	4,350,795	4,789,821
Total Operating Expenses	5	<u>(8,683,024)</u>	<u>(8,762,669)</u>	<u>(3,630,404)</u>	<u>(3,384,257)</u>
Operating Surplus Before Income Tax		525,467	636,566	720,391	1,405,564
Income Tax Expense		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Surplus After Income Tax		<u>525,497</u>	<u>636,566</u>	<u>720,391</u>	<u>1,405,564</u>

These statements are to be read in conjunction with the Notes attached and the Independent Auditors' Report

**Otago University Students' Association Incorporated**  
**Statements of Movements in Equity**  
**For the year ended 31 December 2013**

	Note	Group		Parent	
		2013 \$	2012 \$	2013 \$	2012 \$
Opening Equity		13,617,082	12,980,516	13,056,856	11,651,292
Net Surplus for the Year		<u>525,467</u>	<u>636,566</u>	<u>720,391</u>	<u>1,405,564</u>
Total Recognised Revenue and Expenses for the Year		<u>525,467</u>	<u>636,566</u>	<u>720,391</u>	<u>1,405,564</u>
Closing Equity		<u>14,142,549</u>	<u>13,617,082</u>	<u>13,777,247</u>	<u>13,056,856</u>

These statements are to be read in conjunction with the Notes attached and the Independent Auditors' Report



**Otago University Students' Association Incorporated**  
**Statements of Financial Position**  
**As at 31 December 2013**

		Group		Parent	
Notes	2013	2012	2013	2012	
	\$	\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash on Hand	3,321	3,567	160	74	
Cash and Cash Equivalents	5,364,030	6,946,924	5,338,435	6,847,140	
Portfolio Investments	7 1,500,000	-	1,500,000	-	
Trade and Other Receivables	131,836	471,737	53,476	311,567	
Accrued Interest	113,771	48,863	113,771	48,863	
GST Receivable	38,333	-	38,333	-	
Prepayments	131,701	101,855	112,202	85,213	
Inventories	877,977	1,041,518	1,641	1,344	
<b>Total Current Assets</b>	<u>8,160,969</u>	<u>8,614,464</u>	<u>7,158,018</u>	<u>7,294,201</u>	
<b>Non Current Assets</b>					
Property, Plant and Equipment	8 5,497,881	4,326,233	4,932,362	3,763,559	
Investment in Associates	10 1,578,625	1,612,003	1,737,360	1,737,360	
Loan Receivables	11 19,018	11,518	19,018	11,518	
Intangible Asset - Trademark	1,218	1,387	-	-	
Investment in Subsidiaries	9 -	-	560,000	560,000	
<b>Total Non Current Assets</b>	<u>7,096,742</u>	<u>5,951,141</u>	<u>7,248,740</u>	<u>6,072,437</u>	
<b>Total Assets</b>	<u>15,257,711</u>	<u>14,565,605</u>	<u>14,406,758</u>	<u>13,366,638</u>	
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and Other Payables	879,254	412,994	470,194	59,707	
ANZ Bank Overdraft	30,133	125,829	-	-	
GST Payable	14,683	99,542	-	70,540	
Employee Entitlements	161,681	233,525	133,017	122,139	
Income in Advance	949	16,371	619	482	
Accruals	28,462	60,262	25,681	56,914	
<b>Total Current Liabilities</b>	<u>1,115,162</u>	<u>948,523</u>	<u>629,511</u>	<u>309,782</u>	
<b>Total Liabilities</b>	<u>1,115,162</u>	<u>948,523</u>	<u>629,511</u>	<u>309,782</u>	
<b>Net Assets</b>	<u>14,142,549</u>	<u>13,617,082</u>	<u>13,777,247</u>	<u>13,056,856</u>	
<b>EQUITY</b>					
Reserves	6 6,046,176	6,038,560	6,046,176	6,038,560	
Retained Earnings	8,096,373	7,578,522	7,731,071	7,018,296	
	<u>14,142,549</u>	<u>13,617,082</u>	<u>13,777,247</u>	<u>13,056,856</u>	
<b>Total Equity</b>	<u>14,142,549</u>	<u>13,617,082</u>	<u>13,777,247</u>	<u>13,056,856</u>	

These statements are to be read in conjunction with the Notes attached and the Independent Auditors' Report

**Otago University Students' Association Incorporated**  
**Statements of Cash Flows**  
**For the year ended 31 December 2013**

	Notes	Group		Parent	
		2013 \$	2012 \$	2013 \$	2012 \$
<b>Cash Flows from Operating Activities</b>					
<b>Cash was provided from</b>					
Receipts from Activities and Levies		9,443,775	9,185,424	4,276,214	4,007,477
Sale of Unipol Recreation Limited Shares		-	-	-	296,000
Interest Received		199,979	233,398	196,514	230,521
<b>Cash was disbursed to</b>					
Payments to Suppliers and Employers		(8,165,173)	(8,100,082)	(3,066,268)	(3,226,557)
<b>Net Cash Inflow from Operating Activities</b>	16	<u>1,478,581</u>	<u>1,318,740</u>	<u>1,406,460</u>	<u>1,307,441</u>
<b>Cash Flows from Investing Activities</b>					
<b>Cash was provided from</b>					
Repayments of Loans and Receivables		95,696	378,928	-	378,928
Proceeds from the Sale of Property, Plant and Equipment		1,225	227,039	1,225	227,039
<b>Cash was disbursed to</b>					
Purchase of Property, Plant and Equipment		(1,555,446)	(155,182)	(1,408,803)	(119,177)
Payments for Patents and Trademarks		-	(188)	-	-
Loan to Uni Sport New Zealand		(7,500)	-	(7,500)	-
Portfolio Investments	7	<u>(1,500,000)</u>	<u>-</u>	<u>(1,500,000)</u>	<u>-</u>
<b>Net Cash (Outflow) / Inflow from Investing Activities</b>		<u>(2,966,025)</u>	<u>450,597</u>	<u>(2,915,078)</u>	<u>486,790</u>
<b>Net (Decrease) Increase in Cash</b>		<u>(1,487,444)</u>	<u>1,769,337</u>	<u>(1,508,618)</u>	<u>1,794,231</u>
Add: Opening Cash Brought Forward		<u>6,824,662</u>	<u>5,055,325</u>	<u>6,847,213</u>	<u>5,052,983</u>
<b>Cash at End of Year</b>		<u>5,337,218</u>	<u>6,824,662</u>	<u>5,338,595</u>	<u>6,847,214</u>
<b>Cash Comprises</b>					
Cash on Hand		3,321	3,567	160	74
ANZ Bank borrowing		(30,133)	(125,829)	-	-
Cash and Cash Equivalents		<u>5,364,030</u>	<u>6,946,924</u>	<u>5,338,435</u>	<u>6,847,140</u>
		<u>5,337,218</u>	<u>6,824,662</u>	<u>5,338,595</u>	<u>6,847,214</u>

These statements are to be read in conjunction with the Notes attached and the Independent Auditors' Report

**Otago University Students' Association Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2013**

## **1 Summary of Significant Accounting Policies**

### **(a) Basis of Preparation**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### **Entities Reporting**

The financial statements for the "Parent" are for Otago University Students' Association Incorporated (Association) as a separate legal entity.

The consolidated financial statements for the "Group" are for the economic entity comprising Otago University Students' Association Incorporated, its subsidiaries and associates.

#### **Statutory Base**

The Association is incorporated under the Incorporated Societies Act 1908.

The subsidiaries and associates are companies registered under the Companies Act 1993. The Group is a reporting entity for the purposes of the Financial Reporting Act 1993, which they have fully complied with.

#### **Measurement Base**

The financial statements are prepared on the historical cost basis.

#### **Going Concern Assumption**

These financial statements have been prepared on a going concern basis.

#### **Presentation Currency**

These financial statements are presented in New Zealand Dollars and rounded to the nearest dollar.

#### **Accounting Policies**

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice

The Group is a qualifying entity within the Framework for Differential Reporting. The Group qualifies on the basis that they are not publicly accountable and are not large. The Group has taken advantage of all differential reporting concessions available to them except for FRS 10 Statements of Cash Flows and FRS 19 Accounting for Goods and Services Tax which the Group has complied with fully.

### **(b) Principles of Consolidation**

#### **(i) Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Otago University Students' Association Incorporated as at 31 December 2013 and the results of all subsidiaries for the year then ended. Otago University Students' Association Incorporated and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent controls another entity.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Parent. They are de-consolidated from the date that control ceases.

**Otago University Students' Association Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2013**

**1 Summary of Significant Accounting Policies (continued)**

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statements of financial performance.

**(ii) Associates**

Associates are all entities over which the Group has significant influence but not control, generally evidenced by holding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the Group by using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post acquisition profits or losses is recognised in the statements of financial performance. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the profit and loss component of the statements of financial performance.

**(c) Foreign Currency Translation**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of financial performance.

**(d) Revenue Recognition**

Revenue comprises the fair value of the sale of goods and services, net of Goods and Services Tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

**(i) Goods and Services**

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

**(ii) Interest Income**

Interest income is recognised on a time proportion basis using the effective interest method.

**(iii) Other Income**

Other income is recognised in the period in which it is earned.

**(iv) Grants**

Grants received are recognised in the statements of financial performance when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

**Otago University Students' Association Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2013**

**1 Summary of Significant Accounting Policies (continued)**

**(e) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(f) Property, Plant and Equipment**

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributed costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Parent and Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statements of financial performance during the financial period in which they are incurred. Land is not depreciated.

**(g) Depreciation**

Depreciation of property, plant and equipment, other than freehold land, is calculated to write off the cost of the assets over their estimated useful lives at the following rates:

Buildings	4% - 10% - Diminishing Value
Building Alterations	10% - Diminishing Value
Furniture and Fittings	10% - 50% - Diminishing Value
Plant and Equipment	7% - 67% - Diminishing Value
Motor Vehicle	26% - Diminishing Value

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statements of financial performance.

**(h) Buildings Work in Progress**

Buildings work in progress is stated at cost. Cost includes all expenses directly related to specific contracts. Building work in progress is not depreciated until commissioned.

**(i) Accounts Receivables**

Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Parent and Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

**(j) Investments**

Investments in subsidiaries and associates are recorded in the statements of financial position of the Parent at cost less impairment losses.

**Otago University Students' Association Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2013**

**1 Summary of Significant Accounting Policies (continued)**

**(k) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis. No inventories are specifically pledged as security for liabilities. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale and after allowances are made for obsolescence.

**(l) Impairment of Non-Financial Assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**(m) Accounts Payables**

Accounts payables and other payables represent liabilities for goods and services provided to the Parent and Group prior to the end of financial year which are unpaid at balance date. The amounts are unsecured and are usually paid within 30 days of recognition. Accounts payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

**(n) Employee Entitlements**

Liabilities for wages and salaries, including non monetary benefits, annual leave, to be settled within 12 months of the reporting date are recognised as current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

**(o) Goods and Services Tax (GST)**

The statements of financial performance have been prepared so that all components are stated exclusive of GST. All items in the statements of financial position are stated net of GST, with the exception of receivables and payable, which include GST invoiced.

**(p) Income tax**

The Parent and Group are exempt from tax under the Income Tax Act 2007. The Parent and Group are registered charities with the Charities Commission and have approved charitable status with the Inland Revenue Department.

**(q) Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**(r) Portfolio Investments**

All portfolio investments are financial instruments designated at fair value through profit or loss on initial recognition. The investments are those that are managed and their performance evaluated on a fair value basis in accordance with the Association's and Group investment strategy. The Association's and Group policy is for the Investment Manager to evaluate the information about those financial investments on a fair value basis together with other financial related information.

The Association's and Group recognise financial assets on the date that they become part to the contractual agreement. All portfolio investments have expired or the Association has transferred substantially all of the risks and rewards of ownership.

Subsequent to initial recognition all financial assets are measured at fair value. Gain or losses arising from the change in these fair values are included in the statements of financial performance.

The fair values of financial assets that are traded in active markets are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price.

**Otago University Students' Association Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2013**

## **1 Summary of Significant Accounting Policies (continued)**

### **(s) Leases**

Operating leases are leases in which a significant portion of the risks and rewards are retained by the lessor. Lease payments are recorded as expenses in the statements of financial performance.

### **(t) Statements of Cash Flows**

The Statements of Cash Flows are prepared exclusive of Goods and Services Tax (GST), which is consistent with the method used in the statements of financial performance. Cash and cash equivalents comprise cash on hand and demand deposits, and other short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and includes all call borrowing such as bank overdrafts used by the trust as part of their day-to-day cash management.

'Operating activities' represents all transactions and other events that are not investing or financing activities, and includes receipts and repayments of occupancy advances.

'Investing activities' are those activities relating to the acquisition and disposal of property, plant & equipment.

'Financial activities' are those activities relating to changes in the debt capital structure of the Group.

### **(u) Goodwill**

The excess of cost over the fair value of the net assets of the subsidiaries and associate entities is recognised as goodwill and is amortised to the statements of financial performance on a straight line basis over the shorter of its estimated useful life or twenty years.

### **(v) Intangibles Assets**

Intangible assets acquired by University Book Shop (Otago) Limited, which have finite useful lives, are measured at cost less accumulated amortisation. Amortisation is recognised on a straight line basis over the estimated useful life of the assets, from the date they are available for use, and disclosed within expenses. Intangible assets comprise a Trademark registered in November 2011.

### **(w) Accounting Estimates**

The Association and Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The main estimates are depreciation of property plant and equipment and accruals.

## **2 Non Adoption of New Zealand Equivalents to International Financial Reporting Standards**

The Parent and Group have chosen not to adopt the New Zealand Equivalents to International Financial Reporting Standards ("NZIFRS"). The decision not to adopt is consistent with the exception provided by the Accounting Standards Review Board ("ASRB") Release 9, Issued in September 2007. ASRB Release 9 provides a choice to certain qualifying entities to either adopt the NZ IFRS or to continue to apply New Zealand Financial Reporting Standards ("NZ FRS"). The Parent and Group are qualifying entities on the basis that it is not an issuer, is not required to file financial statements with the Registrar of Companies under section 19 of the Financial Reporting Act 1993 & is not considered large (less than \$20m revenue & less than 50 full time equivalent employees).

## **3 Changes in Accounting Policies**

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

**Otago University Students' Association Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2013**

**4 Operating Revenue**

	Group		Parent	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>Operating Income includes:</b>				
Bad Debts Recovered	4,963	4,127	-	4,127
Interest from Investments	264,887	242,342	261,422	239,465
University Book Shop Dividend	-	-	-	50,000
Grants - ALAC Alcohol Advisory Council	-	381	-	381
Service Revenue from University of Otago	3,092,504	3,092,505	3,092,504	3,092,505
Donations Received	3,661	-	3,661	-
Sale of Unipol Recreation Limited Shares	-	-	-	296,000
Gain on Sale of Mojos Building	-	106,170	-	106,170
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**5 Operating Expenses**

	Group		Parent	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>Operating Expenditure includes:</b>				
Grants to Clubs	40,595	48,448	40,595	48,448
Amortisation / Impairment of Goodwill	-	89,886	-	-
Auditors Remuneration				
- Audit Fees	38,050	34,415	29,550	25,915
- Accounting Assistance	7,500	5,000	6,500	4,000
Bad Debts	4,703	11,143	-	-
Increase / (Decrease) in Provision for Doubtful Debts	(2,832)	(1,532)	-	2,597
Depreciation				
- Buildings	120,324	125,323	101,724	106,723
- Buildings Alterations	49,764	86,130	49,764	86,130
- Furniture & Fittings	22,093	27,154	17,638	22,883
- Plant & Equipment	59,591	60,654	37,774	35,309
- Motor Vehicle	23,255	17,400	22,255	14,229
Loss on Disposal of Assets	10,148	14,358	9,620	11,834
Honoraria to Board Members	96,809	89,996	96,809	89,996
Director Fees	39,000	35,750	-	-
Donations	4,344	1,872	605	1,872
Lease on Photocopier	3,804	5,812	3,804	5,813
Levies				
- NZ Union of Students' Associations	45,000	45,235	45,000	45,235
- Student Job Search	22,500	22,500	22,500	22,500
- University Union Limited	72,776	64,286	72,776	64,286
Contribution to Planet Media Dunedin Limited	206,683	156,739	206,683	156,739
Professional Fees	112,760	108,410	51,367	38,951
Salaries & Wages	2,552,460	2,491,137	1,235,679	1,175,386
Interest	2,375	1,789	-	-
Share of Losses from Associate Company	33,378	34,990	-	-
	<u>33,378</u>	<u>34,990</u>	<u>-</u>	<u>-</u>



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**6 Reserves**

	Group		Parent	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>Defunct Club Reserves</b>				
Opening Balance	9,240	9,077	9,240	9,077
Increase for Bei Wang Literature Society Defunct 2013	596	-	596	-
Increase for Otago University Mountain Biking Club defunct in 2013	74	-	74	-
Increase for Nation's Cityside Club defunct in 2013	6,898	-	6,898	-
Increase for WTF Taekwondo Club defunct in 2013	48	-	48	-
Increase for BEZ Social Club defunct in 2012	-	14	-	14
Increase for Vikings Volleyball Club defunct in 2012	-	149	-	149
	<u>16,856</u>	<u>9,240</u>	<u>16,856</u>	<u>9,240</u>

**Other Reserves**

Opening Balance	6,029,320	-	6,029,320	-
Increase in SLA Contingency Reserve	-	2,000,000	-	2,000,000
Increase in Renovations Reserve	-	1,529,320	-	1,529,320
Increase in Future Students Investment Fund	-	1,500,000	-	1,500,000
Increase in Subsidiary Commitments Reserve	-	1,000,000	-	1,000,000
	<u>6,029,320</u>	<u>6,029,320</u>	<u>6,029,320</u>	<u>6,029,320</u>

During 2012, Otago University Students Association transferred \$6,029,320 from retained earnings to reserves. \$2,000,000 is for a Service Level Agreement Contingency to cover risk of not concluding a Service Level Agreement, \$1,529,320 for a Renovations Reserve to fund a large portion of the renovations plan along with funding from other sources, \$1,500,000 for a Future Students Investment Fund for long term investment in future generations and \$1,000,000 for likely capital commitments in subsidiaries in future.

**7 Portfolio Investments**

	Group		Parent	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>Investments Managed by Forsyth Barr</b>				
Cash	507,000	-	507,000	-
Fixed Interest Deposits and Debentures	508,500	-	508,500	-
Share Investments in New Zealand and Australia	484,500	-	484,500	-
	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>

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**8 Property, Plant and Equipment**

Group	2013			2012		
	Cost \$	Accum Deprec \$	Book Value \$	Cost \$	Accum Deprec \$	Book Value \$
Freehold Land	581,984	-	581,984	581,984	-	581,984
Buildings	4,955,567	1,693,575	3,261,992	4,893,296	1,490,209	3,403,087
Buildings Work in Progress	1,381,386	-	1,381,386	57,227	-	57,227
Furniture & Fittings	498,209	409,445	88,764	497,805	394,070	103,735
Plant & Equipment	1,053,227	894,212	159,015	1,009,960	877,755	132,205
Motor Vehicles	83,248	58,508	24,740	83,248	35,253	47,995
	<u>8,553,621</u>	<u>3,055,740</u>	<u>5,497,881</u>	<u>7,123,520</u>	<u>2,797,287</u>	<u>4,326,233</u>

Parent	2013			2012		
	Cost \$	Accum Deprec \$	Book Value \$	Cost \$	Accum Deprec \$	Book Value \$
Freehold Land	161,984	-	161,984	161,984	-	161,984
Buildings	4,836,471	1,637,775	3,198,695	4,774,200	1,453,009	3,321,191
Buildings Work in Progress	1,381,386	-	1,381,386	56,754	-	56,754
Furniture & Fittings	396,077	322,101	73,977	397,100	311,181	85,919
Plant & Equipment	516,525	422,611	93,914	506,264	413,214	93,050
Motor Vehicles	71,810	49,404	22,406	71,810	27,149	44,661
	<u>7,364,253</u>	<u>2,431,891</u>	<u>4,932,362</u>	<u>5,968,112</u>	<u>2,204,553</u>	<u>3,763,559</u>

Buildings Work in Progress of \$1,381,386 for the Group (2012:\$57,227) and Parent (2012:\$56,754) relates to developing the Clubs and Societies and Otago University Student Association buildings, which was work in progress at year end

**9 Investment in Subsidiaries**

	Parent	
	2013 \$	2012 \$
University Book Shop (Otago) Limited - cost	1,030,000	1,030,000
Less: Impairment of Shares	<u>(470,000)</u>	<u>(470,000)</u>
	<u>560,000</u>	<u>560,000</u>

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(a): All subsidiaries are incorporated in New Zealand.

Planet Media Dunedin Limited – 100% owned (2012:100%) – publishes the “Critic” magazine and operates the “Radio One” radio station. The balance date is 31 December. Their financial statements are unaudited.

University Book Shop (Otago) Limited - 100% owned (2012: 100%) - operates the University Bookshop. The balance date is 30 September. Their financial statements are audited by Crowe Horwath.

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**10 Investment in Associates**

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
Shares at cost	1,737,360	1,737,360	<u>1,737,360</u>	<u>1,737,360</u>
Plus: Opening share of surpluses / (deficits)	<u>(125,357)</u>	<u>205,633</u>		
	1,612,003	1,942,993		
Plus: Share of surpluses / (deficits) in the current year:				
- University Union Limited	(33,378)	(34,990)		
Less: Sale of Associate - Unipol Recreation Limited	<u>-</u>	<u>(296,000)</u>		
	1,578,625	1,612,003		
The interest in associates comprises:				
- University Union Limited (non current)	1,578,625	1,612,003		
- Unipol Recreation Limited (current)	<u>-</u>	<u>-</u>		
	<u>1,578,625</u>	<u>1,612,003</u>		

At 31 December 2013 the Parent's investment in Associates comprises shares in the following:

University Union Limited - 50% owned (2012:50%) - owns and maintains the University Union Building. The balance date is 31 December. It is audited by Crowe Horwath. This entity is incorporated in New Zealand.

On 18 April 2012 Otago University Students Association Incorporated transferred 100% of their shares in Unipol Recreation Limited to University of Otago Holdings Limited for the consideration of \$296,000 being 40% of the value of the building. In 2011 the Groups interest in Unipol Recreation Limited has been written down by \$1,318,391 to its recoverable amount.

**11 Loan Receivables**

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
Advances to Otago University Hockey Club	11,518	11,518	11,518	11,518
Advances to University Sport New Zealand	<u>7,500</u>	<u>-</u>	<u>7,500</u>	<u>-</u>
	<u>19,018</u>	<u>11,518</u>	<u>19,018</u>	<u>11,518</u>

The Otago University Hockey Club advance is currently at 4% interest p.a. and principal repayments are required at a minimum every three years.

**12 Goodwill**

	Group	
	2013	2012
	\$	\$
Goodwill arising on consolidation of a subsidiary:		
Amount held at cost	-	173,116
Accumulated amortisation at beginning of year	-	(83,230)
Current year amortisation	-	-
Impairment	<u>-</u>	<u>(89,886)</u>
Unamortised balance at end of year	<u>-</u>	<u>-</u>

**Otago University Students' Association Incorporated**  
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**12 Goodwill (continued)**

The goodwill arose from the acquisition of University Book Shop (Otago) Limited and was written off in 2012 (2012: Goodwill arising on the acquisition of University Book Shop (Otago) Limited was being amortised over the years of expected benefit, which was estimated at 5 years. The carrying amount of Goodwill has been written down to its recoverable amount through recognition of an impairment loss against goodwill \$89,886. This loss has been recorded in the Statements of Financial Performance).

**13 Bank Security**

ANZ Bank Limited holds a registered first mortgage charge as a security for any bank borrowings for the subsidiary, University Book Shop (Otago) Limited, which has a credit facility by floating debenture over the business assets and a first mortgage charge over company property. The current limit is \$400,000. The current interest rate is 5.45% per annum (2012: 5.51% p.a).

**14 Commitments**

(a) Capital Commitments

The Parent and Group have capital commitments at 31 December 2013 of \$637,953 for alterations to various buildings, equipment and information technology systems (2012: \$1,985,186).

The University Union Limited has no capital commitments as at 31 December 2013. (2012: There was a capital commitment by the University Union Limited for \$23,985 plus GST to replace the main power supply. The contract was completed during the year.)

(b) Lease Commitments

There is a lease commitment in the Parent's and Group's books for the lease of a photocopier.

There is a lease agreement between University Union Limited and University of Otago commencing 1 July 2002 which commits the Union to an annual levy for use of the premise for 50 years.

University Book Shop (Otago) Limited has an operating lease commitment for programmed property maintenance services.

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
Within one year	106,811	106,811	3,804	3,804
Later than one year but not later than five years	406,059	413,242	5,706	9,510
Later than five years	<u>3,335,497</u>	<u>3,426,540</u>	<u>-</u>	<u>-</u>
	<u>3,848,367</u>	<u>3,946,593</u>	<u>9,510</u>	<u>13,314</u>

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**15 Contingencies**

One of the subsidiaries, University Book Shop (Otago) Limited (UBS) has received notice from the Dunedin City Council that earthquake strengthening work may be required on the UBS Great King Street property. This notice was sent to all building owners of buildings built prior to the 1970's. After initial work indicating a need for more detailed work, a structural engineering assessment has been commissioned to assess the work required to comply with the requirements of the Dunedin City Council. As a result, parts of the building may require remediation to meet new building standards. The current timeframes established by the Dunedin City Council require some upgrade by 1 July 2027. As at the date of authorising these financial statements, the Directors have not received the detailed engineering report and neither the cost nor timing of any potential remediation work or likely impact on the carrying value of the property is known.

There are no other contingent liabilities or contingent assets at 31 December 2013 for the Parent and Group (2012:Nil).

**16 Reconciliation of Cash Flows from Operating Activities to Operating Surplus / (Deficit) After Income Tax**

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
Net Operating Surplus	525,467	636,566	720,392	1,405,564
<b>Add Non Cash Items</b>				
Depreciation	275,027	316,661	229,155	265,274
Share of Deficit of Associates	33,378	34,990	-	-
Bad Debts	4,703	11,143	-	-
Provision for Doubtful Debts	(2,832)	(1,532)	-	2,597
Loss on Disposal of Property, Plant and Equipment	10,148	14,358	9,620	11,834
Gain on Property, Plant and Equipment	-	(106,170)	-	(106,170)
Impairment of Goodwill	-	89,886	-	-
Sale of Associate - Unipol Recreation Limited	-	296,000	-	-
<b>Add / Less movements in Working Capital Items</b>				
Decrease / (Increase) in Accounts Receivables	339,901	(278,024)	258,091	(293,468)
(Increase) in Interest Accrued	(64,908)	(8,944)	(64,908)	(8,944)
Decrease / (Increase) in GST Refund	(123,192)	15,210	(108,873)	85,750
Decrease / (Increase) in Prepayments	(29,846)	37,354	(26,989)	6,716
Decrease / (Increase) in Inventories	163,541	201,773	(297)	1,403
(Decrease) / Increase in Current Liabilities	347,194	59,469	390,269	(6,362)
	<u>1,478,581</u>	<u>1,318,740</u>	<u>1,406,460</u>	<u>1,364,194</u>

**17 Related Party Disclosures**

All members of the Group are considered to be related parties of Otago University Students' Association Incorporated (OUSA). This includes subsidiaries identified in note 9 and the associated entities identified in note 10.

*Transactions with subsidiaries*

There were no promotional fees provided by the University Book Shop (Otago) Limited (UBS) to OUSA for orientation services (2012: \$50,000). These services were undertaken on a normal commercial basis and there were no outstanding balances at year end (2012: Nil).

UBS purchased advertising services of \$11,700 from Planet Media Dunedin Limited (PMDL) on a normal commercial basis (2012: \$21,200). These services were undertaken on a normal commercial basis and there were no outstanding balances at year end (2012: Nil)

OUSA purchased advertising services for \$20,275 from PMDL on a normal commercial basis (2012: \$45,331). These services were undertaken on a normal commercial basis. A balance of \$520 (2012: \$4,470) is outstanding at the end of the year and is included in trade payables (in OUSA).

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**17 Related Party Disclosures (continued)**

OUSA paid PMDL a monthly service fee for contribution towards Radio One and Critic services of \$206,683 (2012: \$156,739). The service fee is on a normal commercial basis. A balance of \$36,851 is outstanding at the end of the year and is included in OUSA trade receivables (2012: \$3,318).

*Transactions with associates and other related parties*

OUSA provided building levies to University Union Limited for \$72,776 (2012: \$64,546). These payments were made on a normal commercial basis and there were no outstanding balances at year end (2012: Nil).

Honoraria paid to Executive Officers of the Association and directors fees to directors of the subsidiary companies are disclosed in note 5.

**18 Income Tax**

The Association and its subsidiaries are exempt from Income Tax on their activities.

**19 Events Occurring After Balance Date**

There have been no events occurring after 31 December 2013 that impact these financial statements.