

**UNIVERSITY OF CANTERBURY STUDENTS
ASSOCIATION INCORPORATED**

**FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006**

**University of Canterbury Students Association Incorporated
Financial Report for the year ended 31 December 2006**

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University of Canterbury Students Association Incorporated
Financial Report for the year ended 31 December 2006
Directory

Nature of Operations	Student's Association
Business Location	Christchurch
IRD Number	13-050-147
Date of Incorporation	2 June 1939
Registered Office	90 Ilam Road Ilam Christchurch
President	Warren Poh
Bankers	National Bank of New Zealand
Solicitors	Lane Neave
Auditors	BDO Spicers

AUDIT REPORT TO THE MEMBERS OF THE UNIVERSITY OF CANTERBURY STUDENTS' ASSOCIATION INCORPORATED

We have audited the financial report on pages 5 to 17. The financial report provides information about the past financial performance of the association and its financial position as at 31 December 2006. This information is stated in accordance with the accounting policies set out on pages 9 to 10.

Executive's Responsibilities

The Executive are responsible for the preparation of a financial report which gives a true and fair view of the financial position of the association as at 31 December 2006 and the results of operations and cash flows for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial report presented by the Directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the Executive in the preparation of the financial report, and
- whether the accounting policies are appropriate to the association's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

Other than in our capacity as auditors we have no other relationship with or interests in the association.

Qualified Opinion

As stated in note 10 of the financial statements, the University of Canterbury Students' Association and the University of Canterbury executed a Constructive Trust Deed on 4 December 1991 which outlines the legal interest of the Association in the Student Union Building. The Trust Deed however does not set out the extent of such interest.

The University of Canterbury Students Association has recognised a 50% share as its proportion of its interest based on a registered valuation as at 31 December 2005. Legal opinion however has been obtained which stated that the 50/50 interest maybe open to challenge on the basis that the acknowledgement of the 50/50 interest was a mistake and does not reflect logical interpretation of the Trust Deed. Furthermore this acknowledgement should have been documented by way of deed under Common Seal of the Association, pursuant to section 15 of the Incorporated Societies Act 1908.

For purposes of reflecting the carrying amount of the Student Union Building in the financial report it is necessary to clearly establish the extent of ownership of the building by the Association and the University of Canterbury.

The Student Union Building was revalued by independent valuers as at 31 December 2005 in accordance with Financial Reporting Standard 3 (FRS3) Accounting for Property, Plant and Equipment. The Student Union Building has been carried in the financial statements of the Association at \$5,303,000 representing 50% of the revalued amount of the building.

The Association has not resolved the extent of the respective parties' proportional ownership in the Student Union Building with the University of Canterbury. We are therefore unable to assess the extent to which the value of this building has been misstated in the Association, if at all. We are therefore also not able to assess the impact of any change in recorded depreciation arising from a change in proportional ownership. In these respects alone, we have not obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by the Association as far as appears from our examination of those records; and
- except for the failure to determine the extent of the proportional ownership in the Student Union Building as noted above, the financial report of the Association on pages 5 to 17:
 - complies with generally accepted accounting practice;
 - gives a true and fair view of the financial position of the Association as at 31 December 2006 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 31 May 2007 and our qualified opinion is expressed as at that date.



BDO Spicers
Auditors, Christchurch

**University of Canterbury Students Association
Statement of Financial Performance
For the year ended 31 December 2006**


	Note	2006	2005
		\$	\$
Operating Revenue	2	7,324,876	6,156,132
Less Operating Expenditure			
Interest Paid		37,103	20,777
Depreciation	10	535,801	443,321
Executive Expenditure	3	267,424	244,396
Operating Expenditure	4	<u>6,097,844</u>	<u>5,317,525</u>
Total Operating Expenditure		<u>6,938,172</u>	<u>6,026,019</u>
Operating Surplus for the Year		<u><u>386,704</u></u>	<u><u>130,113</u></u>

**University of Canterbury Students Association
Statement of Accumulated Funds
For the year ended 31 December 2006**

	Note	2006 \$	2005 \$
Operating Surplus for the year	5	386,704	130,113
Increase in Reserves	5	10,275	1,178,187
Total recognized revenue & expenses for the year		<u>396,979</u>	<u>1,308,300</u>
Accumulated Funds at the beginning of the year		9,249,831	7,941,531
Accumulated Funds at the end of the year		<u><u>9,646,810</u></u>	<u><u>9,249,831</u></u>

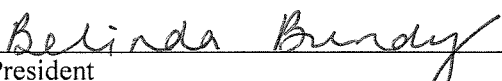
**University of Canterbury Students Association
Statement of Financial Position
As at 31 December 2006**

	Note	2006 \$	2005 \$
Current Assets			
Cash & Bank	6	306,060	397,136
Accounts Receivable	7	146,415	147,745
Stock on Hand		86,805	76,638
Total Current Assets		<u>539,280</u>	<u>621,519</u>
Current Liabilities			
Accounts Payable	8	519,705	430,611
Current Portion of Term Liabilities	11	94,894	73,955
Total Current Liabilities		<u>614,599</u>	<u>504,566</u>
Net Working Capital		(75,319)	116,953
Non Current Assets			
Investments	9	1,610,736	1,536,965
Property, Plant & Equipment	10	8,452,026	7,595,913
Total Non Current Assets		<u>10,062,762</u>	<u>9,132,878</u>
Non Current Liabilities			
Term Liabilities	11	<u>340,633</u>	-
Total Non Current Liabilities		340,633	-
Net Assets		<u>9,646,810</u>	<u>9,249,831</u>
Net Assets Represented by:			
Accumulated Funds	5	<u>9,646,810</u>	<u>9,249,831</u>



For and on behalf of the Management Board

24 April 2007
Date



President

24 April 2007
Date



Finance Officer

24 April 2007
Date

**University of Canterbury Students Association
Statement of Cash Flows
For the year ended 31 December 2006**

	Note	2006 \$	2005 \$
Cash flows from operating activities			
Cash was provided from:			
Receipts from operations		6,181,673	4,980,717
Service Levy		1,046,733	884,080
Interest Received		122,947	147,708
		<u>7,351,353</u>	<u>6,012,505</u>
Cash was disbursed to:			
Payments to Suppliers & Employees		(6,371,828)	(5,452,045)
Net cash flows from operating activities	12	<u>979,525</u>	<u>560,440</u>
Cash flows from investing activities			
Cash was applied to:			
Net purchase of fixed assets		(1,368,677)	(903,479)
Net purchase of investments		(73,771)	(66,215)
Net cash flows from investing activities		<u>(1,442,448)</u>	<u>(969,694)</u>
Cash flows from financing activities			
Cash was provided from:			
Student Hardship Fund		10,275	2,395
Net proceeds from term debt financing		361,572	
Net cash flows from financing activities		<u>371,847</u>	<u>2,395</u>
Net increase/(decrease) in cash held		(91,076)	(406,839)
Add opening cash brought forward		397,136	803,975
Closing cash		<u><u>306,060</u></u>	<u><u>397,136</u></u>
<i>Closing cash represented by:</i>			
Cash on hand		4,270	2,471
Bank Accounts		58,780	8,742
Student Hardship Fund Bank Account		25,855	24,399
Short term deposits		217,155	361,524
Net Cash & Deposits		306,060	397,136

**University of Canterbury Students Association
Notes to the Financial Report
For the year ended 31 December 2006**

Note 1 Statement of Accounting Policies

Reporting Entity

The financial report presented here is for the University of Canterbury Students' Association Incorporated (UCSA). UCSA is an incorporated society, registered under the Incorporated Societies Act 1908. The financial report is prepared in accordance with generally accepted accounting practice in New Zealand.

Measurement Base

Unless otherwise stated the accounting principles recognized as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis have been followed.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and position have been applied:

Differential Reporting

The Association has applied differential reporting exemptions under the Institutes Framework for Differential Reporting on the basis it is not publicly accountable and there is no separation between owners and the governing body.

Accounts Receivable

Accounts receivable are stated at the lower of cost and net realizable value. Debts considered uncollectible are written off. Provision has been made for doubtful debts.

Stock on hand

Stock has been valued at the lower of cost and net realizable value.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less depreciation. The Student Union Building and Child Care Centres are revalued on a cyclical basis.

Investments

Investments are stated at fair value.

Liabilities

Liabilities are recognised when the goods and services to which they relate are received. Liabilities are carried at the amount of cash that is required to settle those liabilities.

Donations and other gratuities received to which conditions are attached are acknowledged as revenues unless, in the opinion of the Association, the conditions cannot be fulfilled, in which case they are recognised as a liability until the conditions are satisfied.

University of Canterbury Students Association
Notes to the Financial Report *continued*
For the year ended 31 December 2006

Depreciation

Property, plant and equipment are depreciated so as to charge their cost or other value over their estimated useful life. Depreciation rates are as follows: -

Student Union Building	4.8%-7.8%	SL
Childcare Centre Building	4.2% -7.8%	SL
Lyll Homes Lodge	2.2%	SL
Sports Pavilion No 1	2.5%	SL
Afforestation Assets	3%	SL
Plant & Equipment	9%-76.2%	DV

Work in progress is recorded at cost and not depreciated until all costs associated with the initial construction of the asset have been incurred.

Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

Taxation

The Association has obtained an exemption from income tax from the Inland Revenue due to its charitable status.

Statement of Cash Flows

The following definitions are used in the statement of cash flows:

- Operating activities include all transactions and other events that are not investing or finance activities
- Investing activities are those activities related to the acquisition, holding and disposing of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- Financing activities are those activities that result in changes in the size and composition of the ownership structure. This includes both accumulated funds and debt not falling within the definition of cash.
- Cash is considered to be cash on hand and current accounts in banks net of bank overdrafts.

Changes in Accounting Policies

In previous years it has been the policy to write 50% of improvements on the Student Union Buildings off to the profit and loss account on the basis that the University of Canterbury and the University of Canterbury Students Association share of ownership of this building was not specifically stated and could not be accurately determined. For the year ending 31 December 2006 Student Association improvements, once completed funded by the Association, have been capitalized and are depreciated over their useful life. The effect of this change has been to increase improvements of the Student Union Buildings in the Statement of Financial Position by \$188,012 and reduce the write-down in the Statement of Financial Performance by \$188,012 and increase depreciation expense in the Statement of Financial Performance by \$16,431 and increase accumulated depreciation in the Statement of Financial Position on the Student Union Building by the same amount.

**University of Canterbury Students Association
Notes to the Financial Report *continued*
For the year ended 31 December 2006**

Note 2 Operating Revenue

Operating Revenue includes the following:

	2006	2005
	\$	\$
Service Levy	1,046,733	884,080
Rental Income	190,359	163,594
Interest	122,947	139,356
Community Trust Donation	30,000	27,978

Note 3 Executive Fees

Executive expenditure includes executive wages and salaries of \$94,673 (2005: \$93,027)

Note 4 Operating Expenditure

	2006	2005
	\$	\$
Audit fees	15,000	15,000
Executive Board member fees	15,000	15,000
Donations	284	14,986
Bad Debts	16,924	1,922
Provision for write down of capital expenditure on Student Union Building	-	80,170

In previous years capital expenditure on the Student Union Building has been written down by 50% to recognize 50% of the University of Canterbury's ownership. All capital expenditure during 2006 has been capitalized in recognition that the costs have been met solely by UCSA and that improvements made by UCSA will extend beyond the year that they were carried out.

University of Canterbury Students Association
Notes to the Financial Report *continued*
For the year ended 31 December 2006

Note 5 Accumulated Funds

Accumulated funds consists of the following:

	2006	2005
	\$	\$
<i>General Reserve</i>		
Balance at the beginning of the year	6,433,210	6,303,097
Operating surplus for the year	386,704	130,113
Balance at the end of the year	<u>6,819,914</u>	<u>6,433,210</u>
<i>Student Hardship Fund Reserve</i>		
Balance at the beginning of the year	24,966	22,571
Movements for the year	10,277	2,395
Balance at the end of the year	<u>35,241</u>	<u>24,966</u>
<i>Asset Revaluation Reserve</i>		
Balance at the beginning of the year	2,791,655	1,615,863
Increase/(Decrease) in Asset Revaluation Reserve	-	1,175,792
Balance at the end of the year	<u>2,791,655</u>	<u>2,791,655</u>
Total Accumulated Funds at the end of the year	<u><u>9,646,810</u></u>	<u><u>9,249,831</u></u>

Note 6 Cash and Bank

	2006	2005
	\$	\$
Cash on hand	4,270	2,471
Bank Accounts	27,293	8,742
Student Hardship Fund Bank Account	25,855	24,399
Short-term deposits	217,155	361,524
Balance held at the end of the year	<u>274,573</u>	<u>397,136</u>

Note 7 Accounts Receivable

	2006	2005
	\$	\$
Trade & Sundry Debtors	161,485	161,745
Provision for Doubtful Debts	(15,070)	(14,000)
	<u>146,415</u>	<u>147,745</u>

University of Canterbury Students Association
Notes to the Financial Report *continued*
For the year ended 31 December 2006

Note 8 Accounts Payable

	2006	2005
	\$	\$
Trade Creditors & Accruals	249,820	346,234
Employee Entitlements	117,392	78,884
Revenue in Advance	27,147	2,000
GST owing	48,981	3,493
	<u>443,340</u>	<u>430,611</u>

Note 9 Investments

	2006	2005
	\$	\$
New Zealand Fixed Investments		
Fonterra Notes	13,018	209,400
Deutsche Bank Limited	101,003	101,000
Nuplex Industries Limited	100,000	100,000
GPG Finance Limited	100,000	100,000
PowerCo Limited	100,000	100,000
Sky Television Network Limited	100,000	100,000
Telecom Bonds	-	100,000
PPCS Limited	50,000	100,000
Fletcher Building Limited	98,442	98,442
Pacific Retail Group Limited	-	95,806
Global Corporate Credit Limited	99,750	-
Meridian Energy Limited	201,046	-
Infratil Limited	100,000	-
Credit Sail Limited	100,000	-
	<u>1,163,259</u>	<u>1,104,648</u>
New Zealand Equity Investments		
Kiwi Income Property Trust Convertible Notes	100,000	100,000
AMP NZ Office Trust Ordinary Shares	100,000	84,840
AMP Convertible Notes	22,222	22,222
	<u>222,222</u>	<u>207,062</u>
	1,385,481	1,311,710
Shares in University Bookshop Canterbury Limited	225,000	225,000
Other	255	255
Total Investments	<u>1,610,736</u>	<u>1,536,965</u>

**University of Canterbury Students Association
Notes to the Financial Report *continued*
For the year ended 31 December 2006**

Note 10 Property, Plant and Equipment

As at 31 December 2006

Category	Cost	Current Year Depreciation	Accumulated Depreciation	Closing Book Value
Student Union Building	5,679,024	281,904	281,743	5,397,282
Childcare Centre Buildings	844,534	28,116	28,116	816,418
Lyall Homes Lodge	115,547	4,401	36,646	78,901
Sports Pavilion #1	13,825	402	9,651	4,174
Afforestation Asset	100,514	2,816	15,104	85,411
Plant & Equipment	2,430,708	218,162	596,963	1,833,745
Work In Progress	236,094	-	-	236,094
	9,452,460	535,801	968,222	8,542,026

As at 31 December 2005

Category	Cost	Current Year Depreciation	Accumulated Depreciation	Closing Book Value
Student Union Building	5,303,000	-	-	5,303,000
Childcare Centre Buildings	499,800	-	-	499,800
Lyall Homes Lodge	115,547	5,724	34,787	80,760
Sports Pavilion No 1	13,825	99	9,533	4,272
Afforestation Asset	100,514	2816	12,288	88,226
Plant & Equipment	1,419,877	175,291	383,869	1,036,008
Work In Progress	583,847	-	-	583,847
	8,036,410	183,930	440,477	7,595,913

Valuation of Assets

The Student Union Building and Childcare Centre Building were revalued at 31 December 2005 by CB Richard Ellis Registered Valuer. Depreciation charged against these assets up to the date of revaluation was \$243,204 for the Student Union Building and \$16,187 for the Childcare Centre Building and have been recognized as depreciation expense in the Statement of Financial Performance.

The plant and equipment was revalued to latest valuation by DTZ New Zealand Limited at 31 December 2003.

The Sports Pavilion No 1 was revalued by DTZ New Zealand Limited at 31 December 2002.

Lyall Homes Lodge was revalued by \$62,099 in 1979.

Student Union Building

The Association operates a Student Union Building under a Deed of Management with the University of Canterbury subject to the conditions therein. The current deed was agreed on 20 December 2001.

University of Canterbury Students Association
Notes to the Financial Report *continued*
For the year ended 31 December 2006

Note 10 Property, Plant and Equipment *continued...*

The University of Canterbury and the University of Canterbury Student Association have both recognized a 50% share of the Student Union Building of \$5,303,000 as at 31 December 2005 pursuant to the terms of the Constructive Trust Deed dated 4 December 1991 and related correspondence. Subsequent leasehold improvements to the Student Union Building have been capitalized in the financial statements of the University of Canterbury Students' Association.

Work In Progress

Work in progress as at 31 December 2006 includes café improvements at the Christchurch College of Education of \$227,504. The prior years work in progress relates to projects completed during 2006 and have been capitalized throughout the 2006 year as they have been completed.

Note 11 Term Liabilities

	2006	2005
	\$	\$
Total unsecured loan	326,127	73,955
<i>less</i> Current Portion	(40,194)	(73,955)
	<u>285,933</u>	-
Montana Ave CCC Loan	109,400	-
<i>Less</i> Current Portion	(54,700)	-
	<u>54,700</u>	-
Total	<u>340,633</u>	-

In 2005 the unsecured loan was set at interest rate of 13.50% per annum, repayable in five equal installments of principal and interest annually of \$100,727 on 1 November each year. This loan was re-negotiated in 2006 to an initial loan of \$388,000 to be payable over a four year term with interest calculated at 12.75% per annum. The loan is forgiven if certain targets are met.

In 2006 UCSA assumed management of childcare facilities at the Montana Avenue childcare centre. The Ministry of Education (MOE) provided the facilities to UCSA by way of a capital grant for \$307,688 including GST. The MOE require this grant or any part thereof to be repaid if the centre is not opened or closes within 5 years of 18 December 2003. The grant is being forgiven in five equal instalments over this period on the basis that the childcare facility has been entered into by UCSA for the long-term. In accordance with the terms of agreement 3/5th of the grant has been amortised, with the remaining instalments to be recognized over the remaining life of the contract.

Operations commenced on 1 April 2006. It is the intention of UCSA to operate the centre for the long term. Accordingly the capital grant has been amortised at \$54,700 per annum being 5 equal instalments of the capital grant exclusive of GST.

University of Canterbury Students Association
Notes to the Financial Report *continued*
For the year ended 31 December 2006

Note 12 Reconciliation of Operating Surplus with Operating Cash flow

	2006	2005
	\$	\$
Operating Surplus	386,704	130,113
Adjustments for non-cash items		
Depreciation	498,336	443,321
Provision for write down of capital expenditure on Student Union Building	-	80,170
Bad Debts	-	1,922
Amortisation of unsecured loans		(79,950)
Disposal of fixed assets	14,228	-
Interest Income Accrued	-	(12,240)
	<u>899,268</u>	<u>561,336</u>
Movements in working capital items		
Decrease/(increase) in accounts receivable	1,330	(51,361)
Decrease/(increase) in stock on hand	(10,167)	10,171
(Decrease)/Increase in accounts payable	89,094	40,314
		<u>(876)</u>
	<u><u>979,525</u></u>	<u><u>560,460</u></u>

Note 13 Statement of Commitments

As at 31 December 2006 the Association had committed \$236,094 in respect of capital upgrades. (2005: \$575,103)

Note 14 Statement of Contingencies

As at 31 December 2006 there were no material contingent assets or contingent liabilities. (2005: nil)

Note 15 Community Trust Donation

During the year donations of \$25,000 from the Community Trust were received for the over 2 year old's outdoor playground at the Ilam Childcare Centre facilities. These funds had not been spent as at 31 December 2006 and have been included within accounts payable as set out in Note 8 as income in advance. (2005: \$30,000).

University of Canterbury Students Association
Notes to the Financial Report *continued*
For the year ended 31 December 2006

Note 16 Related Party Transactions

	2006	2005
	\$	\$
Transactions with related parties		
University Bookshop Canterbury Limited		
– Marketing fee	70,000	113,675
Boffa Miskell Limited		
– Landscaping	-	7,442
Balances with related parties		
Sheffield Limited		
– Current Account due	-	(1,126)

Note 17 Events Subsequent to Balance Date

A sale and purchase agreement was entered into by the Association to sell the assets and operations of RDU and sub-license the frequency. The sale of this operation occurs on 31 March 2007.

Note 18 Tax Losses

During the 1999 financial year the Inland Revenue approved the Association's status as a charitable trust. Up to this point tax losses of \$655,401 were available to carry forward subject to IRD approval.