

Otago University Students' Association Incorporated
Financial Statements
for the year ended 31 December 2014

Otago University Students' Association Incorporated

Financial statements for the year ended 31 December 2014

Contents

Directory	Page 2
Independent Auditors' Report	3
Financial Responsibility Statement	5
Statements of Financial Performance	6
Statements of Movements in Equity	7
Statements of Financial Position	8
Statements of Cash Flows	9
Notes to the Financial Statements	10

Otago University Students' Association Incorporated Directory

President	Ruby Sycamore-Smith elected 01/01/2014 resigned 07/11/2014
Vice President	Ryan Edgar
Executive Officers	Nick Tenci resigned 27/05/2014, Paul Hunt, Jordan Taylor resigned 28/03/2014, Laura Harris, Nali Lee resigned 26/06/2014, Payal Ramritu, Kamil Saifuddin resigned 13/07/2014, Eric Lim, Hamish Baker, Kurt Purdon, Brydie Ockwell resigned 10/06/2014, Jessica McLean, Henri Faulkner, Mariana Te Pou
Registered office	University Union Building 640 Cumberland Street Dunedin
Group Auditors	PricewaterhouseCoopers PO Box 5848 Dunedin
Solicitors	Anderson Lloyd Lawyers Private Bag 1959 Dunedin
Bankers	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 22, which comprise the statements of financial position as at 31 December 2014, 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 2014 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 are 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 entity'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 entity'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 are independent of the Group. Our firm carries out other services for the Group in the areas of accounting and technical services. The provision of these other services has not impaired our independence.



Opinion

In our opinion, the financial statements on pages 6 to 22 present fairly, in all material respects, the financial position of the Association and the Group as at 31 December 2014, 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 on Use of our Report

This report is made solely to the Association's members, as a body. Our audit work has been undertaken so that we might state 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's members, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
8 May 2015

Dunedin

Otago University Students' Association Incorporated
Financial Responsibility Statement
For the year ended 31 December 2014

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 2014 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 2014.

For and on behalf of the Executive.



President



Finance Officer

Date:

8/5/2015

Date:

8/5/2015

Otago University Students' Association Incorporated
Statements of Financial Performance
For the year ended 31 December 2014

	Notes	Group		Parent	
		2014 \$	Restated 2013* \$	2014 \$	Restated 2013* \$
Total Operating Revenue	4	9,519,338	9,208,491	4,979,163	4,408,942
Total Operating Expenses	5	<u>(9,511,444)</u>	<u>(8,683,024)</u>	<u>(4,886,918)</u>	<u>(3,721,929)</u>
Operating Surplus Before Income Tax		7,894	525,467	92,245	687,013
Income Tax Expense	17	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Surplus After Income Tax		<u>7,894</u>	<u>525,467</u>	<u>92,245</u>	<u>687,013</u>

**The 2013 Statements of Financial Performance has been restated as per note 18.*

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 2014

	Group		Parent	
	2014 \$	2013 \$	2014 \$	Restated 2013* \$
Opening Equity	14,142,549	13,617,082	13,618,512	12,931,499
Net Surplus for the Year	<u>7,894</u>	<u>525,467</u>	<u>92,245</u>	<u>687,013</u>
Total Recognised Revenue and Expenses for the Year	<u>7,894</u>	<u>525,467</u>	<u>92,245</u>	<u>687,013</u>
Closing Equity	<u>14,150,443</u>	<u>14,142,549</u>	<u>13,710,757</u>	<u>13,618,512</u>

**The 2013 Parent Statements of Movements in Equity has been restated as per note 18.*

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 2014

	Notes	Group		Parent	
		2014 \$	2013 \$	2014 \$	Restated 2013* \$
ASSETS					
Current Assets					
Cash on Hand		3,283	3,321	383	160
Cash and Cash Equivalents		4,634,393	5,364,030	4,518,056	5,338,435
Portfolio Investments	7	1,661,698	1,500,000	1,661,698	1,500,000
Trade and Other Receivables		76,277	131,836	27,954	53,476
Accrued Interest		110,555	113,771	110,555	113,771
GST Receivable		-	38,333	-	38,333
Prepayments		125,771	131,701	80,959	112,202
Inventories		758,777	877,977	726	1,641
Development Cost		13,020	-	-	-
Total Current Assets		<u>7,383,774</u>	<u>8,160,969</u>	<u>6,400,331</u>	<u>7,158,018</u>
Non Current Assets					
Property, Plant and Equipment	8	6,249,267	5,497,881	5,674,160	4,932,362
Investment in Associates	10	1,547,237	1,578,625	1,547,237	1,578,625
Loan Receivables	11	20,518	19,018	20,518	19,018
Intangible Asset - Trademark		1,056	1,218	-	-
Investment in Subsidiaries	9	-	-	560,000	560,000
Total Non Current Assets		<u>7,818,078</u>	<u>7,096,742</u>	<u>7,801,915</u>	<u>7,090,005</u>
Total Assets		<u>15,201,852</u>	<u>15,257,711</u>	<u>14,202,246</u>	<u>14,248,023</u>
LIABILITIES					
Current Liabilities					
Trade and Other Payables		617,855	879,254	144,724	470,194
ANZ Bank Overdraft		1,416	30,133	-	-
GST Payable		101,442	14,683	78,656	-
Employee Entitlements		201,202	161,681	159,812	133,017
Income in Advance		14,562	949	14,562	619
Accruals		114,932	28,462	93,735	25,681
Total Current Liabilities		<u>1,051,409</u>	<u>1,115,162</u>	<u>491,489</u>	<u>629,511</u>
Total Liabilities		<u>1,051,409</u>	<u>1,115,162</u>	<u>491,489</u>	<u>629,511</u>
Net Assets		<u>14,150,443</u>	<u>14,142,549</u>	<u>13,710,757</u>	<u>13,618,512</u>
EQUITY					
Reserves	6	6,046,176	6,046,176	6,046,176	6,046,176
Retained Earnings		8,104,267	8,096,373	7,664,581	7,572,336
		<u>14,150,443</u>	<u>14,142,549</u>	<u>13,710,757</u>	<u>13,618,512</u>
Total Equity		<u>14,150,443</u>	<u>14,142,549</u>	<u>13,710,757</u>	<u>13,618,512</u>

*The 2013 Parent Statements of Financial Position has been restated as per note 18.

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 2014

	Notes	Group		Parent	
		2014 \$	2013 \$	2014 \$	2013 \$
Cash Flows from Operating Activities					
Cash was provided from					
Receipts from Activities and Levies		9,109,531	9,443,775	4,543,943	4,276,214
Interest Received		215,806	199,979	215,806	196,514
		<u>9,325,337</u>	<u>9,643,754</u>	<u>4,759,749</u>	<u>4,472,728</u>
Cash was disbursed to					
Payments to Suppliers and Employers		(8,302,943)	(8,165,173)	(3,937,449)	(3,066,268)
Net Cash Inflow from Operating Activities	15	<u>1,022,394</u>	<u>1,478,581</u>	<u>822,300</u>	<u>1,406,460</u>
Cash Flows from Investing Activities					
Cash was provided from					
Repayments of Loans and Receivables		1,500	95,696	1,500	-
Proceeds from the Sale of Property, Plant and Equipment		10,030	1,225	1,897	1,225
Cash was disbursed to					
Purchase of Property, Plant and Equipment		(1,731,882)	(1,555,446)	(1,642,469)	(1,408,803)
Loans and Receivables		(3,000)	(7,500)	(3,000)	(7,500)
Portfolio Investments	7	-	(1,500,000)	-	(1,500,000)
Net Cash (Outflow) / Inflow from Investing Activities		<u>(1,723,352)</u>	<u>(2,966,025)</u>	<u>(1,642,852)</u>	<u>(2,915,078)</u>
Net (Decrease) Increase in Cash		(700,958)	(1,487,444)	(820,155)	(1,508,618)
Add: Opening Cash Brought Forward		5,337,218	6,824,662	5,338,595	6,847,213
Cash at End of Year		<u>4,636,260</u>	<u>5,337,218</u>	<u>4,518,440</u>	<u>5,338,595</u>
Cash Comprises					
Cash on Hand		3,283	3,321	383	160
ANZ Bank borrowing		(1,416)	(30,133)	-	-
Cash and Cash Equivalents		4,634,393	5,364,030	4,518,057	5,338,435
		<u>4,636,260</u>	<u>5,337,218</u>	<u>4,518,440</u>	<u>5,338,595</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 2014

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.

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand Financial Reporting Standards ('NZ FRSs') and New Zealand Statements of Standard Accounting Practice ('NZ SSAPs') ('NZ Old GAAP').

A new Accounting Standards Framework (incorporating a Tier structure and a separate suite of accounting standards for PBEs) has been issued by the External Reporting Board (XRB).

The group is eligible to continue to report in accordance with NZ Old GAAP. The Group qualifies on the basis that it is not publicly accountable and it is not large as defined in XRB A1.

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, with the exception of the Portfolio Investments which are recorded at their fair value.

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. This is the presentational and functional currency of the Parent and Group.

Accounting Policies

The group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 outlines which suite of accounting standards public benefit entities must follow. The group is eligible to report in accordance with NZ Old GAAP. There is no impact on the current or prior year financial statements of transitioning to the new Accounting Standards Framework.

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.

Otago University Students' Association Incorporated

Notes to the Financial Statements

For the year ended 31 December 2014

1 Summary of Significant Accounting Policies (continued)

(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 2014 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.

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.

Otago University Students' Association Incorporated

Notes to the Financial Statements

For the year ended 31 December 2014

1 Summary of Significant Accounting Policies (continued)

(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.

(v) Dividend Income

Dividend income is recognised when the right to receive payment is established.

(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 and capital work in progress is calculated to write off the cost of the assets over their estimated useful lives at the following rates:

Buildings	4% - Diminishing Value
Building Alterations	10% - Diminishing Value
Furniture and Fittings	10% - 30% - Diminishing Value
Plant and Equipment	10% - 50% - Diminishing Value
Motor Vehicle	48% - 50% 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.

Otago University Students' Association Incorporated

Notes to the Financial Statements

For the year ended 31 December 2014

1 Summary of Significant Accounting Policies (continued)

(h) Capital Work in Progress

Capital 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.

(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.

Otago University Students' Association Incorporated

Notes to the Financial Statements

For the year ended 31 December 2014

1 Summary of Significant Accounting Policies (continued)

(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 recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are recognised at fair value through profit or loss.

The investments are those that are managed and their performance evaluated on a fair value basis in accordance with the Association's and Group's investment strategy. The Association's and Group's 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 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.

(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) 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.

(v) 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. Significant estimates are depreciation of property plant and equipment, accruals and valuation of portfolio investments.

Otago University Students' Association Incorporated
Notes to the Financial Statements
For the year ended 31 December 2014

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.

4 Operating Revenue

	Group		Parent	
	2014 \$	Restated 2013* \$	2014 \$	Restated 2013* \$
Operating Income includes:				
Bad Debts Recovered	2,124	4,963	-	-
Interest from Investments	212,590	264,887	212,590	261,422
Realised Gains	1,843	-	1,843	-
Unrealised Gains	131,874	-	131,874	-
Dividend Income	14,387	-	14,387	-
Services Revenue from University of Otago	3,205,939	3,092,504	3,205,939	3,092,504
Donations Received	143	3,661	143	3,661
Share of Associates profits	63,845	58,147	-	-

**The 2013 Operating Revenue note has been restated as per note 18.*

Otago University Students' Association Incorporated
Notes to the Financial Statements
For the year ended 31 December 2014

5 Operating Expenses

	Group		Parent	
	2014	Restated 2013*	2014	Restated 2013*
	\$	\$	\$	\$
Operating Expenditure includes:				
Grants to Clubs	52,250	40,595	52,250	40,595
Auditors Remuneration				
- Audit Fees - PwC	30,975	27,770	30,975	27,770
- Audit Fees - Crowe Horwath	12,500	8,500	-	-
- Computer Advisory - PwC	17,630	-	17,630	-
- Other Non-Audit Services - PwC	-	3,500	-	3,500
- Accounting Assistance - PwC	4,000	4,000	3,000	3,000
Bad Debts	9,619	4,703	5,664	-
Increase / (Decrease) in Provision for Doubtful Debts	122,064	(2,832)	121,725	-
Depreciation				
- Buildings	117,726	120,324	97,655	101,724
- Buildings Alterations	293,577	49,764	293,577	49,764
- Furniture & Fittings	32,204	22,093	28,275	17,638
- Plant & Equipment	66,788	59,591	37,574	37,774
- Motor Vehicle	11,864	23,255	11,164	22,255
Loss on Disposal of Assets	10,194	10,148	9,952	9,620
Honoraria to Board Members	96,714	96,809	96,713	96,809
Director Fees	39,000	39,000	-	-
Donations	2,100	4,344	2,100	605
Lease on Photocopier	3,720	3,804	3,720	3,804
Levies				
- NZ Union of Students' Associations	45,000	45,000	45,000	45,000
- Student Job Search	22,500	22,500	22,500	22,500
- University Union Limited	63,738	72,776	63,738	72,776
Contribution to Planet Media Dunedin Limited	-	-	229,799	206,683
Professional Fees	118,488	112,760	66,458	51,367
Write down of Investment in Associates (note 10)	95,233	91,525	31,388	33,378
Salaries & Wages	2,559,508	2,552,460	1,404,760	1,235,679
Realised Foreign Exchange Loss	5,654	-	5,654	-
Interest	568	2,375	-	-

*The 2013 Operating Expense note has been restated as per note 18.

Otago University Students' Association Incorporated
Notes to the Financial Statements
For the year ended 31 December 2014

6 Reserves

	Group		Parent	
	2014 \$	2013 \$	2014 \$	2013 \$
Defunct Club Reserves				
Opening Balance	16,856	9,240	16,856	9,240
Increase for Bei Wang Literature Society Defunct 2013	-	596	-	596
Increase for Otago University Mountain Biking Club defunct in 2013	-	74	-	74
Increase in Nation's Cityside Club defunct in 2013	-	6,898	-	6,898
Increase for WTF Taekwondo Club defunct in 2013	-	48	-	48
	<u>16,856</u>	<u>16,856</u>	<u>16,856</u>	<u>16,856</u>
Other Reserves				
Opening Balance	<u>6,029,320</u>	<u>6,029,320</u>	<u>6,029,320</u>	<u>6,029,320</u>

7 Portfolio Investments

	Group		Parent	
	2014 \$	2013 \$	2014 \$	2013 \$
Investments managed by Forsyth Barr				
NZ On Call to 90 Days/Cash	100,806	461,336	100,806	461,336
Australian On Call to 90 Days/Cash	4,096	110,035	4,096	110,035
Global On Call to 90 Days/Cash	3,119	181,347	3,119	181,347
NZ Fixed Interest	608,161	197,456	608,161	197,456
Australian Fixed Interest	213,278	162,079	213,278	162,079
NZ Property	122,018	178,201	122,018	178,201
NZ Equities	252,780	209,546	252,780	209,546
Australian Equities	95,431	-	95,431	-
Global Equities	262,009	-	262,009	-
	<u>1,661,698</u>	<u>1,500,000</u>	<u>1,661,698</u>	<u>1,500,000</u>

Exposure to currency, interest rate and credit risk arises in the normal course of the fund managers management of the funds. A range of hedging policies are in place whereby the fund managers use derivative financial instruments as a means of managing exposure to fluctuations in foreign exchange rates and interest rates. While these instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects and the items being hedged.

Otago University Students' Association Incorporated
Notes to the Financial Statements
For the year ended 31 December 2014

8 Property, Plant and Equipment

Group	2014			2013		
	Cost \$	Accum Deprec \$	Book Value \$	Cost \$	Accum Deprec \$	Book Value \$
Freehold Land	581,984	-	581,984	581,984	-	581,984
Buildings	7,339,262	2,037,579	5,301,683	4,955,567	1,693,575	3,261,992
Capital Work in Progress	-	-	-	1,381,386	-	1,381,386
Furniture & Fittings	537,114	354,681	182,432	498,209	409,445	88,764
Plant & Equipment	1,034,855	864,563	170,292	1,053,227	894,212	159,015
Motor Vehicles	82,548	69,672	12,876	83,248	58,508	24,740
	<u>9,575,763</u>	<u>3,326,495</u>	<u>6,249,267</u>	<u>8,553,621</u>	<u>3,055,740</u>	<u>5,497,881</u>

Parent	2014			2013		
	Cost \$	Accum Deprec \$	Book Value \$	Cost \$	Accum Deprec \$	Book Value \$
Freehold Land	161,984	-	161,984	161,984	-	161,984
Buildings	7,273,107	2,037,579	5,235,528	4,836,471	1,637,776	3,198,695
Capital Work in Progress	-	-	-	1,381,386	-	1,381,386
Furniture & Fittings	421,626	265,608	156,019	396,077	322,100	73,977
Plant & Equipment	477,767	368,380	109,388	516,525	422,611	93,914
Motor Vehicles	71,811	60,568	11,241	71,810	49,404	22,406
	<u>8,406,295</u>	<u>2,732,135</u>	<u>5,674,160</u>	<u>7,364,253</u>	<u>2,431,891</u>	<u>4,932,362</u>

There was no Capital Work in Progress as at 31 December 2014 for the group or parent (2013: \$1,381,386 relating to developing the Clubs and Societies and Otago University Student Association buildings.)

In 2014 it was identified that the date in which Capital Work in Progress was transferred to Buildings and Plant & Equipment was incorrect. Capital Work in Progress should have been transferred at June 2013 but instead were transferred in January 2014. The Executive believe this error to be immaterial to the financial statements as a whole and have therefore adjusted for this error in the 2014 financial statements. The total error in the 2013 financial year was an overstatement of property plant and equipment of \$19,408 and an understatement of operating expenses of \$19,408.

9 Investment in Subsidiaries

	Parent	
	2014 \$	2013 \$
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 (2013:100%) – 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 (2013: 100%) - operates the University Bookshop. The balance date is 30 September. Their financial statements are audited by Crowe Horwath.

Otago University Students' Association Incorporated
Notes to the Financial Statements
For the year ended 31 December 2014

10 Investment in Associates

	Group		Parent	
	2014 \$	Restated 2013* \$	2014 \$	Restated 2013* \$
Shares at cost	1,737,360	1,737,360	1,737,360	1,737,360
Plus: Opening share of surpluses	813,156	755,099		
Less: Accumulated impairment	<u>(971,891)</u>	<u>(880,456)</u>	<u>(158,735)</u>	<u>(125,357)</u>
	1,578,625	1,612,003	1,578,625	1,612,003
Plus: Share of surpluses in the current year:				
- University Union Limited	63,845	58,147	-	-
Less: Write down of Investment in Associates				
- University Union Limited	<u>(95,233)</u>	<u>(91,525)</u>	<u>(31,388)</u>	<u>(33,378)</u>
	<u>1,547,237</u>	<u>1,578,625</u>	<u>1,547,237</u>	<u>1,578,625</u>
The interest in associates comprises:				
- University Union Limited (non current)	<u>1,547,237</u>	<u>1,578,625</u>	<u>1,547,237</u>	<u>1,578,625</u>

At 31 December 2014 the Parent's investment in Associates comprises shares in the following:

University Union Limited - 50% owned (2013:50%) - 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.

**The 2013 Investment in Associates note has been restated as per note 18.*

11 Loan Receivables

	Group		Parent	
	2014 \$	2013 \$	2014 \$	2013 \$
Advances to Otago University Hockey Club	10,018	11,518	10,018	11,518
Advances to Otago University Football Club	7,500	7,500	7,500	7,500
Advances to University Sport New Zealand	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
	<u>20,518</u>	<u>19,018</u>	<u>20,518</u>	<u>19,018</u>

A loan repayment schedule between the parent and the Otago University Hockey Club was agreed upon in 2014. The Otago University Hockey Club commits to repaying it's loan annually in return for the interest rate to be set at 0%p.a. (2013: 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 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 6.45% per annum (2013: 5.45% p.a).

Otago University Students' Association Incorporated

Notes to the Financial Statements

For the year ended 31 December 2014

13 Commitments

(a) Capital Commitments

The Parent has no capital commitments at 31 December 2014 for alterations to various buildings, equipment and information technology systems (2013: \$637,953).

The University Union Limited, The University Bookshop (Otago) Limited and Planet Media Dunedin Limited have no capital commitments as at 31 December 2014 (2013: Nil).

(b) Lease Commitments

There is a lease commitment in the Parent'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	
	2014	2013	2014	2013
	\$	\$	\$	\$
Within one year	76,606	74,424	73,533	70,737
Later than one year but not later than five years	294,133	276,512	294,133	273,439
Later than five years	<u>2,180,911</u>	<u>2,247,844</u>	<u>2,180,911</u>	<u>2,247,844</u>
	<u>2,551,650</u>	<u>2,598,780</u>	<u>2,548,577</u>	<u>2,592,020</u>

14 Contingencies

One of the subsidiaries, the 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 2014 for the Parent and Group (2013:Nil).

Otago University Students' Association Incorporated
Notes to the Financial Statements
For the year ended 31 December 2014

15 Reconciliation of Cash Flows from Operating Activities to Operating Surplus After Income Tax

	Group		Parent	
	2014 \$	2013 \$	2014 \$	2013 Restated* \$
Net Operating Surplus	7,922	525,467	92,245	687,013
Add / Less Non Cash Items				
Depreciation	522,159	275,027	468,245	229,155
Share of Profits of Associates	(63,845)	(58,147)	-	-
Write down of Investments in Associates	95,233	91,525	31,388	33,378
Bad Debts	9,619	4,703	5,664	-
Provision for Doubtful Debts	122,064	(2,832)	121,725	-
Loss on Disposal of Property, Plant and Equipment	10,194	10,148	9,952	9,620
Unrealised Gains on Portfolio Investments	131,874	-	131,874	-
Add / Less movements in Working Capital Items				
Decrease / (Increase) in Accounts Receivables	55,559	339,901	25,522	258,091
Decrease / (Increase) in Interest Accrued	3,216	(64,908)	3,216	(64,908)
Decrease / (Increase) in GST Refund	125,092	(123,192)	116,989	(108,873)
Decrease / (Increase) in Prepayments	5,930	(29,846)	31,243	(26,988)
Decrease / (Increase) in Inventories	119,200	163,541	915	(297)
(Decrease) / Increase in Current Liabilities	(121,795)	347,194	(216,678)	390,269
	<u>1,022,422</u>	<u>1,478,581</u>	<u>822,300</u>	<u>1,406,460</u>

16 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

UBS purchased advertising services of \$5,750 from Planet Media Dunedin Limited (PMDL) on a normal commercial basis (2013: \$11,700). These services were undertaken on a normal commercial basis and there were no outstanding balances at year end (2013: Nil).

OUSA purchased advertising services for \$53,706 from PMDL on a normal commercial basis (2013: \$20,275). These services were undertaken on a normal commercial basis. A balance of \$70 (2013: \$520) is outstanding at the end of the year and is included in trade payables (in OUSA).

OUSA paid PMDL a monthly service fee for contribution towards Radio One and Critic services of \$229,799 (2013: \$206,883). The service fee is on a normal commercial basis. A balance of \$123,882 is outstanding at the end of the year and is included in OUSA trade receivables (2013: \$36,851).

Transactions with associates and other related parties

OUSA provided building levies to University Union Limited for \$63,738 (2013: \$72,776). These payments were made on a normal commercial basis and there were no outstanding balances at year end (2013: Nil).

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

Otago University Students' Association Incorporated
Notes to the Financial Statements
For the year ended 31 December 2014

17 Income Tax

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

18 Restatement

During the 2014 financial year, Otago University Students Association identified that the classification between Total Operating Revenue and Total Operating Expenses was incorrect. This resulted in the understatement of Total Operating Revenue in the 2013 financial year by \$58,147 and an understatement of Total Operating Expenses in the 2013 financial year by \$58,147. This error was due to the method of equity accounting not being correctly applied and previously unrecognised impairments. The amounts have been corrected in the relevant period within the comparative Statements of Financial Performance, Statements of Changes in Equity and Statements of Financial Position.

During the 2014 financial year, Otago University Students Association identified that the Parent Investment in Associate balance was overstated in the 2013 financial year by \$158,735, Parent Total Operating Expenses was understated by \$33,378 and Parent Retained Earnings was understated by \$125,357. The amounts have been corrected in the relevant period within the comparative Statements of Financial Performance, Statements of Changes in Equity and Statements of Financial Position. This was due to previously unrecognised impairment.

19 Events Occurring After Balance Date

There have been no events occurring after 31 December 2014 that impact these financial statements (2013: Nil)