AUCKLAND UNIVERSITY STUDENTS' ASSOCIATION INCORPORATED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002
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AUCKLAND UNIVERSITY STUDENTS’ ASSOCIATION INCORPORATED

DIRECTORY

FOR THE YEAR ENDED 31 DECEMBER 2002

President: Ross Burns

Vice-President: Paul Schisca

Treasurer: Nicholas Goodley

Registered Office: 4 Alfred Street
Auckland

Auditor: Staples Rodway
P O Box 3899
Auckland

Bankers: Bank of New Zealand
University Branch
Auckland

Solicitors: Jackson Russell
P O Box 3451
Auckland
SPECIAL PURPOSE AUDIT REPORT TO THE MEMBERS OF
AUCKLAND UNIVERSITY STUDENTS' ASSOCIATION INCORPORATED

Under the terms of our engagement as auditors we were requested to restrict the scope of our examination to the non-consolidated statement of financial position of the Association as at 31 December 2002.

We have audited the non-consolidated statement of financial position on page 7. The non-consolidated statement of financial position provides information about the Association as at 31 December 2002. This information is stated in accordance with the accounting policies set out on pages 8 - 10.

Executive Council Responsibilities

The Executive Council is 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 2002 and of the results of its operations for the year ended on that date.

Auditors’ Responsibilities

It is our responsibility to express an independent opinion on the non-consolidated statement of financial position presented by the Executive Council and report our opinion to you. In accordance with the terms of our engagement, this audit opinion outlines the scope and disclosure limitations placed upon us by the Association.

Basis of Opinion

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

- the significant estimates and judgments made by the Executive Council in the preparation of the non-consolidated statement of financial position, and

- whether the accounting policies are appropriate to the Association 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 give reasonable assurance that the statement of financial position 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 statement of financial position.

Partners and employees of our firm also deal with the Association on normal trade terms within the ordinary course of trading activities of the business of the Association. We have no other relationship with, or interest in the Association, other than in our capacity as auditors and consultants.
Unqualified Opinion

We have obtained all the information and explanations we have required in respect of our restricted scope examination.

In our opinion:

- the non-consolidated statement of financial position on page 7:
  - complies with generally accepted accounting practice in New Zealand on a non-consolidated basis;
  - gives a true and fair view of the non-consolidated financial position of the Association as at 31 December 2002.

Our audit was completed on 9 July 2004 and our unqualified opinion is expressed as at that date.

[Signatures]

CHARTERED ACCOUNTANTS
AUCKLAND
AUCKLAND UNIVERSITY STUDENTS' ASSOCIATION INCORPORATED

STATEMENT OF FINANCIAL PERFORMANCE (UNAUDITED)

FOR THE YEAR ENDED 31 DECEMBER 2002

<table>
<thead>
<tr>
<th>Note</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 7,555,337</td>
<td>$ 9,856,496</td>
</tr>
<tr>
<td>TOTAL INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET DEFICIT</td>
<td>233,641</td>
<td>294,078</td>
</tr>
</tbody>
</table>

After Charging:
Fees Paid to Auditors for:
- Auditing the 2002 Annual Report 20,000 19,000
- Underaccrual of the 2001 Audit Fee 5,000 -
- Other Services 111,370 -
- Bad Debts 9,871 -
- Depreciation Expense (6) 224,300 301,542
- Change in Provision for Doubtful Debts 25,876 -
- Interest Expense 7,133 14,005
- Lease Expense 35,174 37,892
- Loss on Disposal of Fixed Assets - 2,183

and After Crediting:
Dividends from Related Parties (3) 80,000 170,000
Distributions from Related Parties (3) 218,978 153,745

NET DEFICIT FOR THE YEAR 233,641 294,078

The attached notes form part of and are to be read in conjunction with these financial statements.
# AUCKLAND UNIVERSITY STUDENTS' ASSOCIATION INCORPORATED

## STATEMENT OF MOVEMENTS IN FUNDS (UNAUDITED)

**FOR THE YEAR ENDED 31 DECEMBER 2002**

<table>
<thead>
<tr>
<th>Note</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FUNDS AT BEGINNING OF YEAR</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,325,210</td>
<td>1,546,166</td>
</tr>
<tr>
<td>Less Net Deficit for the Year</td>
<td>233,641</td>
<td>(294,078)</td>
</tr>
<tr>
<td>Less Distribution to AUSA Media Trust</td>
<td>(3)</td>
<td>1,037,795</td>
</tr>
<tr>
<td>Less Distribution to Bacchid Benevolency Limited</td>
<td>(3)</td>
<td>172,848</td>
</tr>
<tr>
<td>Movements in Specific Funds</td>
<td>-</td>
<td>73,122</td>
</tr>
<tr>
<td><strong>FUNDS AT END OF YEAR</strong></td>
<td>$ (119,074)</td>
<td>$ 1,325,210</td>
</tr>
</tbody>
</table>

The attached notes form part of and are to be read in conjunction with these financial statements.
AUCKLAND UNIVERSITY STUDENTS’ ASSOCIATION INCORPORATED

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2002

<table>
<thead>
<tr>
<th>Note</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ (119,074)</td>
<td>$ 1,325,210</td>
</tr>
</tbody>
</table>

Represented by:

CURRENT ASSETS
- Cash on Hand and at Bank: 4,158, 80,383
- BDO Spicers Trust Account: (3) 80,057
- Accounts Receivable: (3),(5) 132,948, 259,350
- Other Current Assets and Prepayments: 1,867, 3,626
- Inventory: (3) - 200,835

Total Current Assets: 219,030, 544,194

Less CURRENT LIABILITIES
- Bank Overdraft: (4) 244,448, 517,973
- Accounts Payable: (3) 14,664, 68,235
- Amounts Payable to Related Parties: (3) 288,302, 17,032
- Sundry Creditors and Accruals: 268,948, 332,470
- Student Activities Grant: 59,145, 78,024
- Loan Finance - Current Portion: - 8,685

Total Current Liabilities: 875,507, 1,022,419

WORKING DEFICIT
- (656,477), (478,225)

Add NON-CURRENT ASSETS
- Term Receivable - Ski Club Loan: (5) 2,927, 32,000
- Fixed Assets: (6) 519,476, 1,502,447
- Investments: (7) 15,000, 268,988

Total Non-Current Assets: 537,403, 1,803,435

NET ASSETS
- $ (119,074), $ 1,325,210

For and on behalf of the Executive Council of the Auckland University Students' Association Incorporated, dated 9 July 2004.

[Signatures]

President
Treasurer

The attached notes form part of and are to be read in conjunction with these financial statements.
1. **STATEMENT OF ACCOUNTING POLICIES**

**Reporting Entity**

Auckland University Students' Association Incorporated is an incorporated society registered under the Incorporated Societies Act 1908.

The financial statements of Auckland University Students Association have been prepared in accordance with the Generally Accepted Accounting Practice.

**Measurement Base**

The accounting principles for the measurement and reporting of results and financial position on a historical cost basis have been followed in the preparation of these financial statements.

**Particular Accounting Policies**

a) **Differential Reporting**

The Association has applied differential reporting in respect of:

- Financial Reporting Standard No. 3 - Accounting for Property, Plant and Equipment
- Financial Reporting Standard No. 4 - Accounting for Inventories
- Financial Reporting Standard No. 9 - Information to be Disclosed in Financial Statements
- Financial Reporting Standard No. 10 - Statement of Cashflows
- Statement of Standard Accounting Practice No. 22 - Related Party Transactions
- Statement of Standard Accounting Practice No. 23 - Financial Reporting for Segments

The Association is a qualifying entity for differential reporting by virtue of the fact that it is not publicly accountable and the Association is small as defined by the differential reporting framework.

**Specific Accounting Policies**

b) **Accounts Receivable**

Accounts receivable are stated at net realisable value.

c) **Inventory**

Trading inventory is stated at the lower of cost, on a moving average basis, or net realisable value with appropriate provisions for damage and obsolescence. Sundry inventory of cutlery and crockery is valued at cost and all subsequent purchases expensed.

The attached notes form part of and are to be read in conjunction with these financial statements.
1. **STATEMENT OF ACCOUNTING POLICIES** Continued

   **Specific Accounting Policies** Continued

   **d) Leases**

   Lease payments under operating leases where the lessor effectively retain substantially all the rewards and benefits of ownership of the leased item are charged as expenses in the periods in which they are incurred.

   **e) Taxation**

   The Inland Revenue Department has granted the Association exemption from taxation on the condition that certain provisions of the Income Tax Act 1994 are met each year. These provisions require that the Association remains a Charitable Association and that no individual profits from the activities of the Association.

   Should the current charitable status be revoked, taxation may be payable on profits from trading operations with non-members.

   **f) Fixed Assets and Depreciation**

   Fixed assets are recorded at cost less accumulated depreciation.

   Depreciation is provided on a straight line basis for all fixed assets that will write off the cost less residual value over their expected useful lives. The current rates of depreciation are:

   - **Plant and Equipment**: 3.00 - 33.00% SL
   - **Motor Vehicles**: 10.00 - 20.00% SL

   **g) Goods and Services Tax**

   These financial statements have been prepared exclusive of Goods and Services Tax.

   **h) Short Term Bank Deposits**

   Short term bank deposits are recorded at cost plus accrued interest to date.

   **i) Investments**

   Investments are recorded at cost.

   **j) Changes in Accounting Policies**

   There have been no changes in accounting policies during the year. All policies have been applied on bases consistent with those used in previous periods. Certain prior period information has been reclassified to provide more meaningful comparison.

The attached notes form part of and are to be read in conjunction with these financial statements.
2. **NATURE OF BUSINESS**

   The Association is engaged in the business of supplying student services. During the year the Association divested itself of the catering activities that the Association was engaged with in prior years.

3. **RELATED PARTIES**

   During the year normal arms length transactions have been conducted with the following related parties:

   - Bacchid Benevolency Limited
   - Campus Radio bFM Limited
   - University Bookshop (Auckland) Limited
   - AUSA Property Trust
   - AUSA Media Trust

   The Association is related to Bacchid Benevolency Limited and Campus Radio bFM Limited by being the ultimate beneficiary of the Trusts that control these two Companies. The Association is related to the University Bookshop Auckland Limited as disclosed in Note 7. The Association is related to the AUSA Property Trust, AUSA Services Trust and AUSA Media Trust by being the beneficiary of the trusts.

   The Association holds certain operating leases in its name, however the leased equipment is used by Bacchid Benevolency Limited and the lease expenses are on-charged to Bacchid Benevolency Limited.

   The trading transactions with Bacchid Benevolency Limited have resulted in a balance in accounts receivable. The trading transactions with the University Bookshop Auckland Limited have resulted in a balance in accounts payable.

   Distributions were received from the AUSA Property Trust and AUSA Services Trust. Dividends were received from University Bookshop (Auckland) Limited. The dividend received from the the University Bookshop (Auckland) Limited is held in the BDO Spicers Trust Account and will be distributed to AUSA at the Trustees discretion in accordance with the Trust Deed dated 5 April 1966. The following advances are unsecured, non interest bearing and repayable on demand. These transactions result in the following intercompany balances being recognised in the financial statements of the Association:

<table>
<thead>
<tr>
<th>Receivable/Payable</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bacchid Benevolency Limited</td>
<td>(288,283)</td>
<td>79,996</td>
</tr>
<tr>
<td>AUSA Property Trust</td>
<td>-</td>
<td>(75,639)</td>
</tr>
<tr>
<td>AUSA Services Trust</td>
<td>(10)</td>
<td>-</td>
</tr>
<tr>
<td>AUSA Media Trust</td>
<td>(9)</td>
<td>-</td>
</tr>
<tr>
<td>UniVending</td>
<td>-</td>
<td>(21,389)</td>
</tr>
<tr>
<td></td>
<td><strong>$ (288,302)</strong></td>
<td><strong>$ (17,032)</strong></td>
</tr>
</tbody>
</table>

The attached notes form part of and are to be read in conjunction with these financial statements.
3. **RELATED PARTIES** Continued

In addition the following transactions took place during the year. The shares held in Campus Radio bFM Limited were distributed to AUSA Media Trust for $1. The value of the investment when distributed was $1,727,848. Fixed assets associated with the Associations catering operations were distributed to Bacchid Benevolency Limited. The book value of the fixed assets when distributed were $1,037,795. The Associations catering inventory was sold to Bacchid Benevolency Limited at book value.

No related party debts have been written off or forgiven in the year.

**Relationship with the University of Auckland**

During the year the Association entered into normal arms length transactions with the University. These transactions have resulted in a balance in accounts receivable.

4. **BANK OF NEW ZEALAND OVERDRAFT**

The AUSA Property Trust has provided a guarantee for $525,000 to the Bank of New Zealand in respect of the Associations' borrowings.

5. **TERM RECEIVABLE - SKI CLUB**

On 5 June 1998 the Association lent $85,000 to the University of Auckland Ski Club Incorporated, secured by way of a fixed and floating charge over all the assets of the Ski Club. The loan is non-interest bearing.

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Portion of Term Receivable included in Accounts Receivable</td>
<td>39,073</td>
<td>15,000</td>
</tr>
<tr>
<td>Term Portion of Receivable</td>
<td>2,927</td>
<td>32,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 42,000</strong></td>
<td><strong>$ 47,000</strong></td>
</tr>
</tbody>
</table>

The attached notes form part of and are to be read in conjunction with these financial statements.
6.  FIXED ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>ACCUM DEPN</th>
<th>BOOK VALUE</th>
<th>DEPN EXP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicles</td>
<td>69,221</td>
<td>59,888</td>
<td>9,333</td>
<td>6,397</td>
</tr>
<tr>
<td>Plant and Equipment</td>
<td>1,927,016</td>
<td>1,416,873</td>
<td>510,143</td>
<td>217,903</td>
</tr>
<tr>
<td></td>
<td>$1,996,237</td>
<td>$1,476,761</td>
<td>$519,476</td>
<td>$224,300</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>ACCUM DEPN</th>
<th>BOOK VALUE</th>
<th>DEPN EXP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicles</td>
<td>95,222</td>
<td>71,340</td>
<td>23,882</td>
<td>8,124</td>
</tr>
<tr>
<td>Plant and Equipment</td>
<td>3,047,814</td>
<td>1,569,249</td>
<td>1,478,565</td>
<td>293,418</td>
</tr>
<tr>
<td></td>
<td>$3,143,036</td>
<td>$1,640,589</td>
<td>$1,502,447</td>
<td>$301,542</td>
</tr>
</tbody>
</table>

7.  INVESTMENTS

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Bookshop (Auckland) Limited</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Campus Radio bFM Limited</td>
<td>-</td>
<td>172,848</td>
</tr>
<tr>
<td>UniVending</td>
<td>-</td>
<td>81,140</td>
</tr>
<tr>
<td></td>
<td>$15,000</td>
<td>$268,988</td>
</tr>
</tbody>
</table>

The shares in University Bookshop (Auckland) Limited are held in trust by the University Bookshop Trust for the benefit of the Auckland University Students' Association and have been recorded at cost.

As disclosed in Note 3, the investment in Campus Radio bFM Limited was transferred to AUSA Media Trust in the year under review.

The joint venture with UniVending was discontinued on 1 January 2002.

The attached notes form part of and are to be read in conjunction with these financial statements.
8. **SUBSEQUENT EVENTS**

There are no other material events subsequent to balance date.

9. **COMMITMENTS**

The Association has commitments under operating leases as follows:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>49,432</td>
<td>22,233</td>
</tr>
<tr>
<td>Non-Current</td>
<td>82,690</td>
<td>15,144</td>
</tr>
</tbody>
</table>

$132,122 $37,377

10. **CONTINGENT LIABILITY**

Liabilities outstanding under letters of credit amount to $25,000 (2001: $NIL) at balance date.

There were no other material contingent liabilities at balance date.

The attached notes form part of and are to be read in conjunction with these financial statements.