



WAIKATO HEALTH TRUST

ANNUAL REPORT

For the year ended 30 June 2012





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For the year ended 30 June 2012

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Cover photography by Jeremy Tritt

TRUST PARTICULARS

The Trust was incorporated as a charitable trust in accordance with the provisions of the Charitable Trust Act 1957, and changed its name to Waikato Health Trust on 26 August 2002.

The purpose of the Trust is to fund health or disability services, related services or projects, health research or education and other appropriate health related purposes within the communities served by Waikato District Health Board.

TRUSTEES: PIPPA MAHOOD
Elected Representative, Waikato District Health Board, Hamilton

MAUREEN CHRYSTALL
Chief Financial Officer, Waikato District Health Board, Hamilton

MARY ANNE GILL
Communications Director, Waikato District Health Board, Hamilton

BANKERS: WESTPAC BANKING CORPORATION
426 Victoria Street, Hamilton

AUDITORS: AUDIT NEW ZEALAND
on behalf of the Auditor-General



TRUSTEES' REPORT

For the year ended 30 June 2012

Donations and bequests of \$255,291 (2011: \$606,085) were received during the year.

Grants of \$1,165,809 (2011: \$1,850,333) were made during the year.

Interest of \$221,040 (2011: \$218,444) was received from investments for the year.

The Trust equity at 30 June 2012 is \$5,749,563 (2011: \$6,454,255).

Remuneration of trustees was \$Nil (2011: \$Nil).

The Trust continues to be in a sound position to apply further funds towards health or disability services, related services or projects, health research or education and other appropriate health related purposes within the communities served by the Waikato District Health Board.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	2012 Actual	2011 Actual
Operating income	1	255,291	606,085
Finance income	2	221,040	218,444
Total income		476,331	824,529
Other operating expenses	3	15,214	16,710
Total expenses		15,214	16,710
Surplus before grants		461,117	807,819
Less grants		(1,165,809)	(1,850,333)
Surplus/(deficit)		(704,692)	(1,042,514)
Comprehensive income/(expense) for the year		(704,692)	(1,042,514)

The accompanying notes form part of these financial statements



STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	2012 Actual	2011 Actual
Equity at the beginning of the year	6,454,255	7,496,769
Comprehensive income/(expense)	(704,692)	(1,042,514)
Contributions/(withdrawals) from owners	-	-
Total equity at the end of the year	5,749,563	6,454,255

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	2012 Actual	2011 Actual
Assets			
Cash and cash equivalents	4	5,763,453	6,508,355
Trade and other receivables	5	1,198	641
Total current assets		5,764,651	6,508,996
Total assets		5,764,651	6,508,996
Equity			
Reserved funds	7	115,297	115,297
Partially reserved funds	7	5,390,537	5,957,148
General fund	7	243,729	381,810
Total equity		5,749,563	6,454,255
Liabilities			
Trade and other payables	8	15,088	54,741
Total current liabilities		15,088	54,741
Total liabilities		15,088	54,741
Total equity and liabilities		5,764,651	6,508,996

Signed on behalf of the Board of Trustees



Trustee
26 October 2012



Trustee
26 October 2012

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	2012 Actual	2011 Actual
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Donations and bequests		255,291	606,085
Interest receipts		220,484	218,349
<i>Cash was provided to:</i>			
Grants		(1,205,870)	(1,880,524)
Expenses		(14,806)	(14,550)
Net cash flows from operating activities	6	(744,901)	(1,070,640)
Cash flows from financing activities			
Loan fund repayment		-	856,632
Net cash flows from financing activities		-	856,632
Net increase/(decrease) in cash and cash equivalents		(744,901)	(214,008)
Cash and cash equivalents at beginning of year		6,508,355	6,722,363
Cash and cash equivalents at end of year	4	5,763,454	6,508,355

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

Significant accounting policies

REPORTING ENTITY

The Trust is incorporated under the Charitable Trusts Act 1957, and changed its name to Waikato Health Trust on 26 August 2002. The Trust registered with the Charities Commission on 12 February 2008, registration number CC21046, and is domiciled in New Zealand.

The Trust financial statements are presented in accordance with the Financial Reporting Standards issued by the New Zealand Institute of Chartered Accountants and as required by the Trust deed.

The general accounting principles recognised as appropriate for the measurement and reporting of financial results on a historical cost basis have been followed by the Trust. The Trust qualifies for differential reporting as it is not publicly accountable and it is not large as defined in the framework for differential reporting.

The Trust has taken advantage of the different reporting exemptions under the framework of differential reporting except for NZIAS 7 Statement of Cash Flows and NZIFRS 9 Financial Instruments. The Trust is not liable for GST and is recognising revenue and expenses on a GST inclusive basis.

The purpose of the Trust is to fund health or disability services, related services or projects, health research or education and other appropriate health related purposes within the communities served by Waikato District Health Board.

The financial statements were authorised for issue by the Trustees on 26 October 2012.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

BASIS OF PREPARATION

The financial statements are presented in New Zealand dollars and have been rounded to the nearest dollar. The functional currency of the Trust is New Zealand dollars.

The preparation of financial statements in conformity with New Zealand International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of New Zealand International Financial Reporting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 13.

BASIS OF CONSOLIDATION

The Trust has no subsidiaries, associates or joint ventures.

The Trust is consolidated into the accounts of Waikato District Health Board due to being a controlled subsidiary of Waikato District Health Board.



FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, interest-bearing loans and borrowings, and trade and other payables.

A financial instrument is recognised if the Waikato Health Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Waikato Health Trust's contractual rights to the cash flows from the financial assets expire or if the Waikato Health Trust transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Waikato Health Trust commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Waikato Health Trust's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits with maturity of no more than three months from the date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Waikato Health Trust's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently stated at their amortised cost less impairment losses. Bad debts are written off during the period in which they are identified.

Trade and other payables

Trade and other payables are stated at amortised cost using the effective interest rate.

IMPAIRMENT

The carrying amounts of Waikato Health Trust's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of comprehensive income.

The recoverable amount of the Waikato Health Trust's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual trade receivables that are considered significant are subject to this approach. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

Calculation of recoverable amount

The estimated recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is calculated differently depending on whether an asset generates cash or not. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

For non-cash generating assets that are not part of a cash generating unit, value in use is based on depreciated replacement cost. For cash generating assets, value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset.

Reversals of impairment

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

An impairment loss on an equity instrument investment classified as available-for-sale or on items of property, plant and equipment carried at fair value is reversed through the relevant reserve. All other impairment losses are reversed through the statement of comprehensive income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

OTHER LIABILITIES

Provisions

A provision is recognised when Waikato Health Trust has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

Income tax

The trust is registered as a charitable organisation with the charities commission, and is therefore not subject to income tax.

Goods and services tax

The financial statements have been prepared inclusive of goods and services tax.

RECOGNITION OF INCOME

Interest income is recognised on an accrual basis. Donations and bequests are recognised upon receipt.

APPLICATION FOR GRANTS

The Waikato Health Trust application process reviews requests for grants in accordance with the Trust deed and, if acceptable, gives an initial commitment to a grant subject to certain criteria being met. If the criteria are not met then the Waikato Health Trust may withdraw the commitment to the grant. Grants are only made once all criteria have been met.

CHANGES IN ACCOUNTING POLICIES

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



STANDARDS NOT EARLY ADOPTED

The following standards have not been early adopted in the preparation of the financial reports for the year ended 30 June 2012.

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year end 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new standards, amendments and interpretations to existing standards have been published that are not yet effective for the year ended 30 June 2011, and have not been applied in preparing these financial statements. There are no new published standards that are applicable to the year ended 30 June 2012.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, CSE is classified as a Tier 3 reporting entity and it will be required to apply Public Benefit Entity Simple Format Reporting Standard – Accrual (PSFR-A).

These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means CSE expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, CSE is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

NOTES TO THE FINANCIAL STATEMENTS

1 Operating income		2012 Actual	2011 Actual		
Donations and bequests		255,291	606,085		
		<u>255,291</u>	<u>606,085</u>		
2 Finance Income		2012 Actual	2011 Actual		
Interest income		221,040	218,444		
		<u>221,040</u>	<u>218,444</u>		
3 Other operating expenses		2012 Actual	2011 Actual		
Audit fees (for the audit of the financial statements)		15,088	16,558		
Interest paid		-	15		
Other		126	137		
		<u>15,214</u>	<u>16,710</u>		
4 Cash and cash equivalents		2012 Actual	2011 Actual		
Cheque account		106,953	3,397		
Investment call account		5,656,500	6,504,958		
		<u>5,763,453</u>	<u>6,508,355</u>		
5 Trade and other receivables		2012 Actual	2011 Actual		
Trade and other receivables		1,198	641		
		<u>1,198</u>	<u>641</u>		
6 Reconciliation of surplus/(deficit) for the period with net cash flows from operating activities:					
	Note	2012 Actual	2011 Actual		
Surplus/(deficit) for the period after grants		(704,692)	(1,042,514)		
Movements in working capital:					
(Increase)/decrease in trade and other receivables	5	(557)	(95)		
Increase/(decrease) in trade and other payables	8	(39,652)	(28,031)		
Net movement in working capital		<u>(40,209)</u>	<u>(28,126)</u>		
Net cash inflow/(outflow) from operating activities		<u>(744,901)</u>	<u>(1,070,640)</u>		
7 Capital and reserves					
Reconciliation of movement in capital and reserves:					
	Reserved funds	Partially Reserved funds	General fund	Loan fund	Total equity
Balance at 1 July 2010	115,297	6,086,204	438,636	856,632	7,496,769
Transfers in	-	776,625	904,521	-	1,681,146
Transfers out	-	(905,681)	(961,347)	-	(1,867,028)
Loan fund repayment	-	-	-	(856,632)	(856,632)
Balance at 30 June 2011	<u>115,297</u>	<u>5,957,148</u>	<u>381,810</u>	<u>-</u>	<u>6,454,255</u>
Balance at 1 July 2011	115,297	5,957,148	381,810	-	6,454,255
Transfers in	-	403,453	107,880	-	511,333
Transfers out	-	(970,064)	(245,961)	-	(1,216,025)
Balance at 30 June 2012	<u>115,297</u>	<u>5,390,537</u>	<u>243,729</u>	<u>-</u>	<u>5,749,563</u>



7 Capital and reserves (continued)

Trust Funds

Reserved and partially reserved funds are donated or bequeathed for specific purposes. The Trustees are required to manage these funds in accordance with the trust deed or the wishes of the donor

General funds are used for grants applied in accordance with the Trust deed.

The loan advance made to the Waikato District Health Board of \$856,632 has been repaid in full in the 2011 financial year.

The revenue and expenditure in respect of trust funds is included in the statement of comprehensive income.

8 Trade and other payables

	2012 Actual	2011 Actual
Sundry trade payables	15,088	54,741
	15,088	54,741

Sundry trade payables includes a provision of \$Nil (2011:\$40,061) for grants payable to Waikato District Health Board, in relation to purchases that have been completed and authorised for reimbursement but have not yet been paid.

9 Financial instruments

The Trust recognises the treasury policy of the Waikato District Health Board which provides for risk management of interest rates, operating and capital expenditure denominated in a foreign currency, and the concentration of credit.

Credit risk

Financial instruments, which potentially subject the trust to concentrations of risk, consist principally of cash and short-term investments, trade receivables and various off-balance sheet instruments.

The Trust places its cash and short-term deposits with high credit quality financial institutions and sovereign bodies through Waikato District Health Board.

The Trust has \$1,198 trade receivables as at 30 June 2012 (2011:\$641).

The status of trade receivables at the reporting date is as follows:

Trade receivables	Gross Receivable	Impairment	Gross Receivable	Impairment
	2012	2012	2011	2011
Not past due	1,198	-	641	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	-	-
Past due 121-360 days	-	-	-	-
Past due more than 1 year	-	-	-	-
Total	1,198	-	641	-

9 Financial instruments (continued)

In summary, trade receivables are determined to be impaired as follows:

Trade receivables	2012 Actual	2011 Actual
Gross trade receivables	1,198	641
Impairment	-	-
Net total trade receivables	1,198	641

At the balance date there were no significant other concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position.

Liquidity risk

At the balance date there were no significant other concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position.

The following table sets out the contractual cash flows for all financial liabilities and for derivatives that are settled on a gross cash flow basis.

	2012 Actual					
	Contractual cash flow	6 mths or less	6 - 12 mths	1 - 2 years	2 - 5 years	More than 5 years
Trade and other payables	15,088	15,088	-	-	-	-
Total	15,088	15,088	-	-	-	-

	2011 Actual					
	Contractual cash flow	6 mths or less	6 - 12 mths	1 - 2 years	2 - 5 years	More than 5 years
Trade and other payables	54,741	54,741	-	-	-	-
Total	54,741	54,741	-	-	-	-

Market risk

The Waikato Health Trust does not enter into derivative arrangements in the ordinary course of business. A financial risk management committee, composed of senior management, provides oversight for risk management. This committee determines the Waikato Health Trust's financial risk policies and objectives, and provides guidelines. This committee also establishes procedures for control and valuation, risk analysis, counterparty credit approval, and ongoing monitoring and reporting.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.



9 Financial instruments (continued)

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance date and the periods in which they reprice.

	Effective Interest Rate	Total	2012 Actual				
			6 mths or less	6-12 mths	1-2 yrs	2-5 yrs	More than 5 yrs
Cash and cash equivalents	3.75%	5,763,453	5,763,453	-	-	-	-
		5,763,453	5,763,453	-	-	-	-

	Effective Interest Rate	Total	2011 Actual				
			6 mths or less	6-12 mths	1-2 yrs	2-5 yrs	More than 5 yrs
Cash and cash equivalents	3%	6,508,355	6,508,355	-	-	-	-
		6,508,355	6,508,355	-	-	-	-

Capital management

The Trust's capital is its equity, which comprises equity funds. The Trust manages its revenues, expenses, assets, liabilities and general financial dealings prudently.

The Trust's objectives of managing the equity is to ensure the Trust effectively achieves its goals and objectives, whilst maintaining a strong capital base. The Waikato Health Trust policies in respect of capital management are reviewed regularly by the Trustees.

There have been no material changes in the Trust's management of capital during the period.

Sensitivity analysis

In managing interest rate and currency risks, the Trust aims to reduce the impact of short-term fluctuations on Waikato Health Trust's earnings. Over the longer term however, permanent changes in foreign exchange and interest rates would have an impact on earnings.

At 30 June 2012, it is estimated that a general increase of one percentage point in interest rates would increase the Trust's surplus by approximately \$57,635 (2011:\$65,084).

9 Financial instruments (continued)

Classification and fair values

The classification and fair values together with the carrying amounts shown in the statement of financial position are as follows:

	Note	2012 Actual			Fair value 2012 Actual
		Cash and receivables	Loans and payables	Carrying amount 2012 Actual	
Trade and other receivables	5	1,198	-	1,198	1,198
Cash and cash equivalents	4	5,763,453	-	5,763,453	5,763,453
Trade and other payables	8		(15,088)	(15,088)	(15,088)
		5,764,651	(15,088)	5,749,563	5,749,563

	Note	2011 Actual			Fair value
		Cash and receivables	Loans and payables	Carrying amount	
Trade and other receivables	5	641	-	641	641
Cash and cash equivalents	4	6,508,355	-	6,508,355	6,508,355
Trade and other payables	8		(54,741)	(54,741)	(54,741)
		6,508,996	(54,741)	6,454,255	6,454,255

Estimation of fair values analysis

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Cash and cash equivalents

The carrying amount of cash and bank overdraft balances is equivalent to their fair value. Some cash balances are for restricted purposes as per the trust deeds.

Trade and other receivables / payables

For receivables / payables the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.



10 Contingent assets

At 30 June 2012 the Trust had no contingent assets (2011:\$Nil).

11 Related Parties

Identity of related parties

Waikato Health Trust has a related party relationship with the Waikato District Health Board.

The purpose of the Waikato Health Trust is to support the provision of health and disability services within the area served by the Waikato District Health Board. Within the broad purpose the Trust undertakes a number of specific activities; the main one being to manage the donations and bequests received by Waikato District Health Board.

Grants paid to the Waikato District Health Board were \$1,165,809 in 2012 (2011:\$1,850,333). Monies payable to the Waikato District Health Board at 30 June 2012 were \$Nil (2011:\$40,061).

Remuneration of Trustees

Remuneration of Trustees was Nil (2011:\$Nil).

12 Subsequent event

There are no significant events subsequent to balance date.

13 Accounting estimates and judgements

Management discussed with the Waikato District Health Board's Audit and Risk Management Committee the development, selection and disclosure of the Trust's critical accounting policies and estimates and the application of these policies and estimates.

14 Commitments

The commitments at 30 June 2012 were \$229,251 (2011:\$242,228).

15 Contingent liabilities

There were no contingent liabilities at 30 June 2012 (2011:\$Nil).

STATEMENT OF RESPONSIBILITY

For the year ended 30 June 2012

The Board of Trustees and management of Waikato Health Trust accept responsibility for the preparation of the financial statements for the year ended 30 June 2012 and the judgements used in them.

The Board of Trustees and management of Waikato Health Trust accepts responsibility for establishing and maintaining systems of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the Board of Trustees and management of Waikato Health Trust, the financial statements for the year ended 30 June 2012 fairly reflect the financial position and operations of Waikato Health Trust.



Trustee
26 October 2012



Trustee
26 October 2012



**Independent Auditor's Report
To the readers of
Waikato Health Trust's
financial statements
for the year ended 30 June 2012**

The Auditor-General is the auditor of Waikato Health Trust (the Trust). The Auditor-General has appointed me, F Caetano, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust on her behalf.

We have audited the financial statements of the Trust on pages 5 to 18, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, and notes to the financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion the financial statements of the Trust on pages 5 to 18:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's:
 - financial position as at 30 June 2012; and
 - financial performance and cash flows for the year ended on that date.

Our audit was completed on 26 October 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Trust's preparation of financial statements that fairly reflect the matters to which they relate. We consider internal control 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 Trust's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Trustees

The Trustees are responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's financial position, financial performance and cash flows.

The Trustees are also responsible for such internal control as is determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Trustees' responsibilities arise from clause 21 of the Trust Deed.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Trust Deed.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Trust.



F Caetano
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand



