



# **Waitakere Enterprise**

## **Statement of Intent Half Year Progress Report 2007 – 08**

Objective	Activity	Performance sought 1 July 2007 – 30 June 2008	Performance to 1 January 2008
1. An integrated business development programme from start-up to award winner	<p>Provide quality business information, mentoring and training services</p> <p>Run an annual Business Awards programme</p> <p>Sponsor, support, market and grow the Waitakere Business Club, Waitakere City Rotary State of the Nation and the Business After 5 events</p>	<p>900 service interactions with business at &gt;90% satisfaction by respondent clients</p> <p>500 attend 2007 Gala Awards Event \$75 000 worth of media coverage \$100 000 prize pool for 2008 90 entries in 2008</p> <p>15 events per year Total cumulative attendance of 1000</p>	<p>576 service interactions being made up of:</p> <p>296 Biz Info enquiries 54 mentor matches 102 capability assessments 9 completed Maori Trustee Training 31 participants in Powerful Start 21 completed Be Your Own Boss 60 attended Powerful Ideas for Business 46 attended RBA breakfasts</p> <p>530 attended Gala Dinner \$72 000 of media coverage 207 registrations of interest for 2008 programme</p> <p>11 events held Total attendance 893 being; 470 attending 3 Business Club breakfasts 340 attending 5 Business After 5's 122 attending 3 West Women events</p>

Objective	Activity	Performance sought 1 July 2007 – 30 June 2008	Performance to 1 January 2008
2.A targeted business investment attraction and growth programme	<p>Grow the value of Waitakere's largest businesses (the A-list)</p> <p>Attract new investment to Waitakere with a particular focus on priority strategic sectors and places</p> <p>Hold an annual "new business investment" Mayoral celebration function</p>	<p>Key client relationship with Waitakere's 50 largest businesses maintained</p> <p>New investment facilitated through Council's regulatory service with &gt;95% client satisfaction</p> <p>20 investment clients excluding the A-list facilitated with &gt;85% satisfaction with the service from respondent clients</p> <p>20 new business investments celebrated</p>	<p>Key client relationship with Waitakere's 37 largest businesses maintained, will be expanding the client list early 2008.</p> <p>Measured at year end</p> <p>25 enquiries dealt with this half year (excluding A List)</p> <p>Not yet planned – TBC around BIMS</p>

Objective	Activity	Performance sought 1 July 2007 – 30 June 2008	Performance to 1 January 2008
3. A targeted, integrated export growth programme	<p>Support the implementation of the yet to be adopted Council International Relations Strategy</p> <p>Establish a new programme to inspire, support and connect export growth</p>	<p>As per adopted strategy</p> <p>Establish a database of Waitakere exporters</p> <p>Establish a Waitakere export mentoring network</p>	<p>Final strategy not yet completed, but work is aligned to Council's IR Manager case by case</p> <p>A database of potential and known exporters has been established and mailed to regarding events and information of interest</p> <p>BMNZ now runs a specialised export mentor service that WE are an agent for</p>

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Objective	Activity	Performance sought 1 July 2007 – 30 June 2008	Performance to 1 January 2008
4. Entrepreneurial and connected youth, secondary schools and tertiary education organisations	<p>Implement CONNECT Waitakere programme</p> <p>Implement Waitakere Enterprising Schools programme</p> <p>Run the West Auckland Region of the Young Enterprise Scheme</p> <p>Support and champion Unitec's expansion in Waitakere</p>	<p>DVD, website and teaching resource integrated in the curriculum of 5 secondary schools</p> <p>3 schools participate and meet programme objectives</p> <p>7 schools participate</p> <p>200 students participate</p> <p>1 national prize winner</p> <p>Venture capital fund established and operational</p> <p>&gt;90% satisfaction from Key Unitec staff</p>	<p>Training day for Waitakere teachers held 2 August.</p> <p>Resource delivered to all schools and PTEs in Waitakere.</p> <p>Resource purchased by 30 others.</p> <p>3 schools will complete the programme by end March 2008</p> <p>6 schools and 171 students participated.</p> <p>Regional winner attended national finals</p> <p>Venture fund established and operational.</p> <p>Measured at year end</p>
5. Enterprising Community organisations	<p>Connect community organisations to WE</p> <p>Establish an award rewarding excellence in community organisation performance</p>	<p>10 community organisations actively participating in WE or WE supported programmes</p> <p>5 community organisations enter</p>	<p>Board Membership of Community Waitakere - re-elected</p> <p>Working with RAP on ED is ongoing</p> <p>Will deliver through Community Waitakere professional development series</p> <p>9 community entrants in Business Awards</p>





## REPORT ON TRUST PROPERTY ACTIVITIES

*for the period of*

**1 JULY 2007 TO 31 DECEMBER 2007**

Waitakere Properties Limited is a Council Controlled Trading Organisation wholly owned by the Waitakere City Council through Waitakere City Holdings Limited. The Company is solely focused on the acquisition, development and sale of properties that the council has vested with the company under Declaration of Trust ("Trust Projects") and additional property management activities associated with those properties.

This Report on Trust Projects details the company's activities for the financial half year ending 31 December 2007.

### FINANCIAL AND OPERATIONAL

The primary activity of the company is to develop and manage the properties that the company holds under various declarations of trust (Trust Projects) on behalf of Waitakere City Council. The company provides property development, property management, construction management and feasibility/acquisition services to these Trust Projects. These projects meet strategic criteria developed by Council but are primarily focused on outcomes that promote town centre redevelopment or support key strategic industries in Waitakere City.

#### Waitakere Properties Financials

Waitakere Properties made a modest surplus of \$58,376 as shown below:

Revenue:		
Trust Accounts	352,660	
Interest	96,669	
Rental Income	157,500	
Other Income	<u>88,115</u>	
<i>Total Revenue</i>		<b>\$694,942</b>
Expenses		
Board	56,581	
Employee	245,452	
Occupancy	25,665	
Operational	259,747	
Property Expenses	<u>49,123</u>	
<i>Total Expenses</i>		<b>\$636,566</b>
<i>Net Operating Surplus before Tax</i>		<b><u>\$58,376</u></b>

The company is forecast to make a small surplus for the full financial year.

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## PROPERTIES ADMINISTERED UNDER TRUST DECLARATIONS

As at 31 December 2007, the company administered 8 trust accounts being a total under management of \$32.955m as shown below.

Trust Account	Original Declaration	Loans/ (Distributions)	Total Invested
Waitakere Central	\$3,800,000	\$9,000,000	\$12,800,000
Hobsonville	\$7,650,000	\$0	\$7,650,000
Henderson Valley Studios	\$3,700,000	-\$6,500,000	N/A
Keeling Road	\$7,600,000		\$7,600,000
Totara Avenue	\$1,940,000		\$1,940,000
New Lynn Hotel	\$0	\$0	\$0
Harbourview	\$0		\$0
Greenbay	\$1,465,000		\$1,465,000
New Lynn Carpark	\$880,000		\$880,000
Ambrico Place	\$620,000		\$620,000
<b>Total</b>	<b>\$27,655,000</b>	<b>\$2,500,000</b>	<b>\$32,955,000</b>

One new trust was declared, being the New Lynn Hotel trust.

No new loan advances were provided from Council to the Trust Projects.

During this 6 month period, the Trust Projects provided distributions \$4,833,900 as shown below:

Trust Account	Distribution	Reason
Keeling Road	\$266,000	Interest Payment
Totara Ave	\$67,900	Interest Payment
Henderson Valley	\$4,500,000	Distribution

In addition to these trust accounts, the company assisted with development advice on Wilsher Village with a view to providing a redeveloped retirement village on site including the new pensioner units.

### Waitakere Central

#### Central One

The major focus at Waitakere Central over this 6 month period was the leasing up of vacant space in Central one following its completion in February 2007. This building totals 2,700m<sup>2</sup> in size and is the first "A" grade office development in Henderson for some time.

The current occupancy of the building is as follows (by area):

Status	Retail	Office	Total	% leased
Leased	316.2	1766.2	2082.4	87.3%
Letter of Offer	0	0	0	0.0%
Projects Exploring	0	0	0	0.0%
No Interest	302.9	0	302.9	12.7%
<b>Total Leaseable Area</b>	<b>619.1</b>	<b>1,766.2</b>	<b>2,385.3</b>	<b>100.00%</b>
Leased % of space	51%	100%	87%	

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The rental income at the current occupancy is \$536,578 per annum. This is sufficient to fully service the loan for construction from Council and provide a surplus.

The feasibility for this building remains solid with a forecast profit of \$500,000 to \$1,000,000 depending on the capitalisation rate assumed.

The other area of focus is company continues to work on Central two, and has good interest from non-office tenants but requires a key office tenant prior to this building being feasible.

### **Hobsonville**

The land at the Hobsonville peninsula for a marine precinct has been transferred to the company and we continue to develop the master plan for the site.

The concept plan has been developed in conjunction with the Marine Industry Association and offers an intensive land use to maximise the number of boat builders on site. In addition it will be comprehensively managed to ensure that the impact of any visual, noise and smell of the business operations are minimised.

We are currently advertising for a development/investment partner and will report back to Council on those decisions in April/May.

### **Keeling Road**

Civil construction work commenced at the Keeling Road property in August and is due to be complete in March 2008. A total of \$575,000 has been spent on the development to date which is slightly behind budget due to construction being slower than expected.

Four sections have been sold to date principally to local businesses looking to expand including FRP Plastics and Rohits Plumbing. The final two lots and the investment properties will be marketed in early 2008 to maximise returns.

The property is fully leased with four tenants on site generating \$614,000 in rental income. This is now fully covering the interest cost of the property (\$532,000).

Distributions from this trust account will occur in June 2008 (title dependent) and conclude in December 2008.

### **Henderson Valley Studios**

In the six month period to December 31 the new sound stage was completed and the property was sold to Prime West Limited. A \$4,000,000 distribution from the Studio Trust account was made in October 2007 from the sale proceeds and a further distribution of \$500,000 was made in December 2007 from surplus funds.

The studio trust account received \$518,922 of studio rental, \$888,889 in grant income from NZTE (for the Major Regional Initiative), and sale proceeds of \$3,875,341.

The new studio was opened by the Prime Minister.

A further distribution from this trust account will be made in June once all final bills are paid and the account closed.

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### **Totara Avenue Shops**

The shops are being managed until such time as a redevelopment plan is approved.

Current income for the 6 month period was \$79,454 with expenses of \$26,695 resulting in an operating surplus of \$52,759. A distribution of \$67,900 being interest due was made to Council in January 2008.

Several tenants are under a rent review at this time which should increase the rental from this property.

### **New Lynn Hotel**

The company received the New Lynn Hotel under a declaration of trust in the 6 month period. We were charged with finding a property solution that would allow this historic property to be retained and redeveloped.

We have come up with a concept plan on the site that allows the existing building to be re-used and is commercially based. Council will retain the heritage building but not obtain any value for the land. The alternative is to demolish the building and obtain the development profit.

We are proceeding with resource consent applications to retain the building and secure the tenant.

### **Harbourview**

Nil to report.

### **Ambrico Place, New Lynn**

This property has been sold to a developer to build an apartment complex. It was due to be submitted for resource consent but has run into planning issues with the New Lynn plan change.

### **Godley Road, Greenbay**

One of the two neighbouring sites was acquired in the six month period. Both houses are leased and generating rental income. The company continues to try to acquire the middle site to allow a large redevelopment of this site.

### **Hugh Brown Carpark, New Lynn**

Development plans were put on hold pending the under grounding of the rail line and the acquisition of the Totara Avenue development opportunity.

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## **BOARD AND MANAGEMENT**

WPL added Nicole Humphries as Property Manager to the staff during the six month period. Harry O'Rourke joined the Board during the 6 month period.

## **SUMMARY**

Waitakere Properties Limited is building on its focus as a commercial developer within the City, delivering strategic outcomes and supporting economic growth. The company also identifies and assists with the acquisition of significant landholdings.

The Company continues to take on complex projects to advance Council's strategic outcomes. The success of securing private investment at Henderson Valley Studios and the development at Waitakere Central and Keeling Road, combined with the future projects of Hobsonville and Totara Avenue, provides considerable scope and opportunity for the Company going forward.

GK Parker  
**Chief Executive**

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**WAITAKERE ENTERPRISE TRUST BOARD**

**2nd QUARTER FINANCIAL STATEMENTS**

**FOR THE SIX MONTH PERIOD ENDED**

**31 DECEMBER 2007**

( INTERNAL USE ONLY )

# WAITAKERE ENTERPRISE TRUST BOARD

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# **WAITAKERE ENTERPRISE TRUST BOARD**

## **STATEMENT OF RESPONSIBILITY**

### **FOR THE SIX MONTHS ENDED 31 DECEMBER 2007**

The Board of Trustees and management of Waitakere Enterprise Trust Board accept responsibility for the preparation of the half year Financial Statements and the judgements used them.

The Board of Trustees and management of Waitakere Enterprise Trust Board accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board of Trustees and management of Waitakere Enterprise Trust Board the 2nd quarter financial statements for the period ended 31 December 2007, fairly reflect the financial position and operations of Waitakere Enterprise Trust Board.

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**ACTING CHAIRPERSON**

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**TRUSTEE**

# **WAITAKERE ENTERPRISE TRUST BOARD**

## **TRUST DIRECTORY**

### **NATURE OF UNDERTAKING**

A Charitable Trust established to undertake initiatives that accelerate the sustainable economic growth of Waitakere.

### **LOCATION**

2nd Floor Central One Building,  
Waitakere Central Office Park,  
4 Henderson Valley Road,  
Henderson,  
**WAITAKERE CITY**

### **TRUSTEES**

Mr B.Mogridge O.N.Z.M (Chairman)

Mr B.Corban  
Ms Y. Hawke  
Mr P.Spoonley  
Mr M.Williams

### **BANKERS**

Bank of New Zealand  
373 Great North Road  
**HENDERSON**

### **SOLICITORS**

Corban Revell  
133a Central Park Drive  
**WAITAKERE**

### **AUDITORS**

Audit New Zealand on behalf of the Auditor-General

### **CHAIRMAN - WAITAKERE ENTERPRISE TRUST BOARD**

Mr B.Mogridge O.N.Z.M

### **CHIEF EXECUTIVE OFFICER - WAITAKERE ENTERPRISE TRUST BOARD**

Mr J.Wadsworth

# WAITAKERE ENTERPRISE TRUST BOARD

## TRUST DIRECTORY

### ENTRIES MADE IN THE INTERESTS REGISTER

#### Interests In Transactions

During the year there have been no transactions entered into by the Trustees of the Trust which would require disclosure.

#### Use Of Trust Information By Trustees

The Board of Trustees received no notices during the year from Trustees requesting to use Trust information in their capacity as Trustees which would not otherwise be available to them.

#### Remuneration

There have been no:-

Payments for services,

Compensation for loss of office,

Loans by the Trust to a Trustee,

Guarantees given by the Trust for debts incurred by a Trustee,

Entering of contracts to do any of the above.

#### Indemnity and Insurance : Trustees and Employees

The Trust has taken insurance for any Trustee and Employee in respect of any liability for any act or omission in his or her capacity as a Trustee or Employee.

#### Trustee Remuneration (Board Member Fees -payments to date)

	<u>Amount</u>
Mr B.Mogridge O.N.Z.M (Chairman)	16,200
Mr B.Corban	750
Ms Y. Hawke	-
Mr P.Spoonley	2,150
Mr M.Williams	3,550
	<u>22,650</u>

#### Approved Annual Fees

Chair	30,000
Director	10,000

# WAITAKERE ENTERPRISE TRUST BOARD

## Trust Activities

The business of the Trust is to undertake initiatives that accelerate the sustainable economic growth of Waitakere. Activities include investment and export facilitation, skills and education development, business information, mentoring and training, annual business events, community economic development and foundation employment skills training.

## 2007

### RESULTS AT A GLANCE

Revenue for the period	1,501,872
Expenses for the period	1,448,671
<b>Surplus at 31 December 2007</b>	<b><u>53,201</u></b>

### The state of the Trust's affairs as at 31 December 2007

<b>Assets Totalled</b>	<b><u>702,457</u></b>
These were represented by:-	
Trust Equity at 1 July 2007	473,372
Plus current surplus	53,201
Trust Equity at 31 December 2007	<b><u>526,573</u></b>
Liabilities of	175,884
	<b><u>702,457</u></b>

## 2006

### RESULTS AT A GLANCE

Revenue for the period	1,224,137
Expenses for the period	1,040,559
<b>Surplus at 31 December 2006</b>	<b><u>183,578</u></b>

### The state of the Trust's affairs as at 31 December 2006

<b>Assets Totalled</b>	<b><u>724,762</u></b>
These were represented by:-	
Trust Equity at 1 July 2006	437,233
Plus current surplus	183,578
Trust Equity at 31 December 2006	<b><u>620,811</u></b>
Liabilities of	103,951
	<b><u>724,762</u></b>

## Donations

The Trust has made no donations during the period.

# **WAITAKERE ENTERPRISE TRUST BOARD**

## **THE HALF YEAR IN REVIEW**

**SIX MONTHS ENDED 31 DECEMBER 2007**

### **Likely Developments**

The Trust will continue to provide investment and export facilitation, skills and education development, business information, mentoring and training, business events and foundation employment skills training.

All under contract to Waitakere City Council, Tertiary Education Commission, Business Mentors N.Z, Work and Income N.Z, Auckland Regional Chamber of Commerce and other public and private sector agreements.

### **AUDIT GOVERNANCE AND INDEPENDENCE**

#### **Approach to audit governance**

The Board is committed to three core principles:-

- That the Board's financial reports present a true and fair view,
- That the Board's accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies and,
- That the external auditor is independent and serves stakeholder interests.

#### **Engagement of the external auditor**

The Auditor - General is the auditor of the Trust.

The Auditor - General has appointed Audit New Zealand to be the Trust's auditor.

#### **Restrictions on non - audit services by the external auditor**

To avoid possible independence or conflict of issues, the external auditor is not permitted to carry out certain types of non - audit services for the Trust, including:

Preparation of accounting records and financial statements;  
Financial information systems design and implementation; and  
Internal audit services.

#### **Attendance at General Board Meetings**

Any Trustee can request that the external auditor be available to answer questions on:

- The conduct of the audit;
- The preparation and content of the audit report;
- The accounting policies adopted by the Board in relation to the preparation of the financial statements; and
- The independence of the auditor in relation to the conduct of the audit.

#### **Auditors' Remuneration**

The financial statements of the Trust are audited by Audit NZ on an annual basis. Consequently these statements have not been audited.

# **WAITAKERE ENTERPRISE TRUST BOARD**

## **THE HALF YEAR IN REVIEW**

**SIX MONTHS ENDED 31 DECEMBER 2007**

### **CONTROLLING AND MANAGING RISK**

The Board approaches risk management by identifying, assessing and managing the risks that effect its operations in accordance with a set core risk management values.

This approach enables the risks to be balanced against appropriate rewards and reflects the Trust's vision, values, objectives, strategy procedures.

The Trust identifies four main types of risk:

- **Credit risk**. The risk of financial loss where a customer fails to meet their financial obligations;
- **Market risk**. the risk to earnings from changes in market factors, such as Government or Council policy initiatives;
- **Operational risk**. The risk that arises from inadequate or failed internal processes, people and systems or from external events; and
- **Compliance risk**. The risk of failing to comply with the Trust's obligations under the law, based on the letter and spirit of a range of regulatory standards expected of the Trust.

### **Risk management responsibilities**

The Board of Trustees is responsible for reviewing and approving the Trust's risk management strategy, frameworks and key parameters, including determining the Trust's appetite for risk.

### **REMUNERATION**

The Trust's reward strategy provides a framework aimed at attracting and retaining talented employees and embedding a culture of achievement.

This anchored by a philosophy of paying for performance, internal equity and external benchmarking to achieve market competitiveness.

### **Changes in Accounting Policy**

There are no changes in Accounting Policies. The Policies are consistent with those adopted in the previous period.

**WAITAKERE ENTERPRISE TRUST BOARD**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2007**

<u>2006</u>	<u>INCOME</u>	<u>NOTE</u>	<u>2007</u>
524,140	GOVERNMENT CONTRACTS		504,813
560,500	COUNCIL OPERATING GRANTS	14	595,000
7,128	INTEREST		8,565
127,322	OTHER REVENUE		351,244
5,047	SPONSORSHIP		42,250
<u>\$ 1,224,137</u>	<u>TOTAL INCOME</u>		<u>\$ 1,501,872</u>
 <u>EXPENSES</u> 			
31,310	TRUSTEE FEES		29,000
610,813	EMPLOYEE BENEFIT COSTS	2	718,620
102,676	OCCUPANCY COSTS		145,380
266,017	OPERATIONAL COSTS		513,134
-	FINANCE OPERATIONAL COSTS	3	5,036
29,743	DEPRECIATION	6	35,483
-	AMORTISATION	7	2,018
<u>\$ 1,040,559</u>	<u>TOTAL EXPENSES</u>		<u>\$ 1,448,671</u>
 <u>\$ 183,578</u>	 <u>SURPLUS/(DEFICIT)</u>		 <u>\$ 53,201</u>
	<u>ATTRIBUTABLE TO THE TRUST</u>		

This Statement should be read in conjunction with the Statement of Accounting Policies and the notes to the Financial Statements

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**WAITAKERE ENTERPRISE TRUST BOARD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2007**

**ASSETS**

<u>2006</u>	<u>CURRENT ASSETS</u>	<u>NOTE</u>	<u>2007</u>
523,618	CASH AND CASH EQUIVALENTS	4	383,366
75,708	TRADE AND OTHER RECEIVABLES	5	<u>38,165</u>
<u>599,326</u>	<b>TOTAL CURRENT ASSETS</b>		<b>421,531</b>
	<b><u>NON CURRENT ASSETS</u></b>		
125,436	PROPERTY, PLANT AND EQUIPMENT	6	234,420
-	INTANGIBLE ASSETS	7	13,056
-	LEASED ASSET	3	<u>33,450</u>
<u>125,436</u>	<b>TOTAL NON CURRENT ASSETS</b>		<b><u>280,926</u></b>
<u>\$ 724,762</u>	<b><u>TOTAL ASSETS</u></b>		<b><u>\$ 702,457</u></b>

**LIABILITIES**

<b><u>CURRENT LIABILITIES</u></b>			
103,951	TRADE AND OTHER PAYABLES	8	115,127
-	EMPLOYEE BENEFIT LIABILITIES	8	27,307
<u>103,951</u>	<b><u>TOTAL CURRENT LIABILITIES</u></b>		<b><u>142,434</u></b>
	<b><u>NON CURRENT LIABILITIES</u></b>		
-	FINANCE LEASE	3	<u>33,450</u>
<u>103,951</u>	<b><u>TOTAL LIABILITIES</u></b>		<b><u>175,884</u></b>
<u>620,811</u>	<b><u>NET ASSETS</u></b>		<b><u>526,573</u></b>

**TRUST EQUITY**

437,233	OPENING BALANCE	10	473,372
183,578	SURPLUS		<u>53,201</u>
<u>620,811</u>	<b><u>TOTAL EQUITY ATTRIBUTABLE TO</u></b>		<b><u>526,573</u></b>
	<b><u>THE TRUST</u></b>		

CHAIRPERSON

TRUSTEE

This Statement should be read in conjunction with the Statement of Accounting Policies and the notes to the Financial Statements

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**WAITAKERE ENTERPRISE TRUST BOARD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2007**

<u>2006</u>		<u>NOTE</u>	<u>2007</u>
437,233	Balance at 1 July	10	473,372
<u>183,578</u>	Surplus / (Deficit) for the period		<u>53,201</u>
<u>183,578</u>	Total Recognised Income / (Expenses) for the period ended 31 December attributable to the Trust		<u>53,201</u>
<u>\$ 620,811</u>	Balance at 31 December		<u>\$ 526,573</u>

This Statement should be read in conjunction with the Statement of Accounting Policies and the notes to the Financial Statements

**WAIKERE ENTERPRISE TRUST BOARD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2007**

	<i>NOTE</i>	<u>2007</u>
<b><u>2006 CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
560,500 Council Operating grants		595,000
788,644 Receipts From Customers		1,026,245
7,128 Interest Received		8,565
54,794 Goods and Services Tax (Net)		27,348
<u>1,411,066</u>		<u>1,657,158</u>
551,571 Payments to suppliers		870,816
610,813 Employee Benefits		718,620
- Interest		-
<u>1,162,384</u>		<u>1,589,436</u>
<u>248,682</u> <b>NET CASH FROM OPERATING ACTIVITIES</b>	11	<u>67,722</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
25,078 Purchase of Property, Plant and Equipment	6	53,005
Intangible Assets	7	2,625
<u>25,078</u> <b>NET CASH FROM INVESTING ACTIVITIES</b>		<u>55,630</u>
<u>223,604</u> <b>NET (DECREASE)/INCREASE IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS</b>		<u>12,092</u>
300,014 <b>CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE BEGINNING OF THE YEAR</b>		371,274
<u>523,618</u> <b>CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR</b>	4	<u>383,366</u>

The GST (Net) component of operating activities reflect the net GST paid and received with the inland Revenue Department. The GST (Net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

This Statement should be read in conjunction with the Statement of Accounting Policies and the notes to the Financial Statements

# **WAITAKERE ENTERPRISE TRUST BOARD**

## **Notes to the Financial Statements**

### **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** **FOR THE SIX MONTHS ENDED 31 DECEMBER 2007**

#### **REPORTING ENTITY**

Waitakere Enterprise Trust Board (The Trust) is a charitable trust established on 27 May 1994 by a Deed of Trust under the Charitable Trusts Act 1957 and is domiciled in New Zealand. The Trust is controlled by Waitakere City Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Board of Trustees. The Trust's financial year runs from 1 July to 30 June.

The primary objective of the Trust is to encourage, promote and support the establishment and growth of business investment and employment opportunities within West Auckland, rather than making a financial return.

Accordingly, the Trust has designated itself as a Public Benefit Entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Trust are for the six months ended 31 December 2007.

#### **BASIS OF PREPARATION**

The financial statements of the Trust have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice, applying the framework for differential reporting for entities adopting the New Zealand equivalents to International Financial Reporting standards (NZ IFRS), and its interpretations as appropriate to non profit entities that qualify for and apply differential reporting concessions.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a historical cost basis.

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

Any standards, interpretations, and amendments applicable to the Trust that have been issued, but are not yet effective, have been adopted in preparing the financial statements.

## **DIFFERENTIAL REPORTING CONCESSIONS**

The Trust qualifies for Differential Reporting exemptions as it has no public accountability as defined in the Financial Reporting Act 1993.

The size of the organisation qualifies the Trust under the New Zealand Institute of Chartered Accountants reporting framework. The criteria for qualification is any two of the following:-

Total revenue not exceeding \$20.0 million,  
Total assets not exceeding \$10 million,  
Exceeding more than 50 full time employees.

The Trust presently meets all the criteria.

All concessions have been taken advantage of except for:-  
NZ IAS 7 Cash Flow Statements.

## **REVENUE**

Revenue is measured at the fair value of consideration received.

Grants received from the Waitakere City Council constitute a significant source of funding to the Trust and are restricted for the purposes of the Trust meeting its objectives as specified in the Trust Deed. The Trust also receives other Government assistance for specific purposes, and this income usually contains restrictions on their use.

Council, Government and non Government grants or income are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of use are not met. If there is such an obligation the grants or income are initially recorded as grants and income in advance, and recognised as revenue when conditions of the grant or income are satisfied.

Products held for sale are recognised when a product is sold to the customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit cards fees payable for the transaction. Such fees are included in operational expenses.

Where a physical asset is donated or vested in the Trust for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in the Trust are recognised as revenue when control over the assets is obtained.

Interest income is recognised using the effective interest method.

Volunteer services received are not recognised as revenue or expenses as the Trust is unable to reliably measure the fair value of the services received.

## **ADVERTISING COSTS**

Advertising costs are expensed when the related service has been rendered.

## **BORROWING COSTS**

Borrowing costs are recognised as an expense in the period in which they are incurred.

## **TAXATION**

### **Income Tax**

The Trust is exempt from Income Tax.

### **Goods and Services Tax**

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax than it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### **Fringe Benefit Tax**

The Trust is exempt from Fringe Benefit Tax.

## **LEASES**

### **Finance Leases**

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an assets, whether or not title is eventually transferred.

At the commencement of the lease term, the Trust recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Trust will obtain ownership at the end of the lease term, the assets is fully depreciated over the shorter of the lease term and its useful life.

### **Operating Leases**

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the statement of financial performance over the lease term as an integral part of the total lease expense.

## **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings as a current liability in the statement of financial position.

## **TRADE AND OTHER RECEIVABLES**

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original term 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 using the effective interest method.

## **INVESTMENTS**

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

At each balance sheet date the Trust assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the statement of financial performance.

## **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are shown at cost, less accumulated depreciation and impairment losses.

### **Additions**

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

### **Disposals**

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the statement of financial performance.

### **Subsequent Costs**

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

## **PROPERTY, PLANT AND EQUIPMENT (Continued)**

### **Depreciation**

Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Computer Hardware	2 to 3 years	( 33% - 50% )
Office Equipment	5 years	( 20% )
Office Fittings	5 years	( 20% )

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

## **INTANGIBLE ASSETS**

### **Software Acquisition**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the Trust's website are recognised as an expense when incurred.

### **Amortisation**

Computer software licenses are amortised on a straight-line basis over their useful life of 5 years. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of.

The amortisation charge for each period is recognised in the statement of financial performance.

## **IMPAIRMENT OF NON-FINANCIAL ASSETS**

Assets with a finite useful life 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.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Trust would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the statement of financial performance.

## **EMPLOYEE BENEFITS**

### **Short Term Benefits**

Employee benefits that the Trust expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Trust recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent the Trust anticipates it will be used by staff to cover those future absences.

### **Long Term Benefits**

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave are calculated on an actuarial basis.

The calculations are based on:

Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and the present value of the estimated future cash flows.

A discount interest rate together with a rate for an inflation factor is used to establish the discount factor. The discount rate is based on the Reserve Bank of New Zealand end of year ( June 2007) base lending rates plus the Reserve Bank of New Zealand consumer price index at year end (June 2007).

These two values make up the discount factor for net present value (NPV) calculations.

## **PROVISIONS**

The Trust recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, if it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

## **BORROWINGS**

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

## **CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

In preparing these financial statements the Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### **Property, Plant and Equipment useful lives and residual values**

At each balance date the Trust reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Trust to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Trust, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of financial performance, and carrying amount of the asset in the statement of financial position. The Trust minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programs;
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

The Trust has not made significant changes to past assumptions concerning useful lives and residual values.

The carrying amounts of property, plant and equipment are disclosed in note 7, page 20.

## **CRITICAL JUDGEMENTS IN APPLYING THE TRUST'S ACCOUNTING POLICIES**

The Trustees must exercise their judgement when recognising contract income to determine if conditions of the contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each revenue contract.

**WAITAKERE ENTERPRISE TRUST BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**

**2006**

**2007**

**NOTE 2**

**Employee Benefit costs**

610,470	Salary and wages	715,569
343	Increase/ (decrease) in employee benefit liabilities	3,051
<b><u>610,813</u></b>		<b><u>718,620</u></b>

**NOTE 3**

**Finance Lease and Finance costs**

**Finance Costs**

<b><u>Nil</u></b>	Equipment Rental (Telephone system)	5,036
	<b>TOTAL</b>	<b><u>5,036</u></b>

(Annual Rental \$10,072 )

**Finance Lease**

Telephone equipment rental ( 5 year rental term-expires 19 April 2012)

-	Gross fixed rental ( balance of full term)	49,224	At 30 June 2007
-	Less 6 months rental payments	5,036	
<b><u>Nil</u></b>	<b>Net at 31 December (not discounted to NPV)</b>	<b><u>44,188</u></b>	

	Audited discounted value of Total lease as at 30 June 2007	<b><u>33,450</u></b>
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**NOTE 4**

**Cash and cash equivalents**

1,500	Petty cash float	1,500
137,875	Cash at bank	200,886
384,243	Call deposits at bank (4.35% to 5.35%)	180,980
<b><u>523,618</u></b>	<b>Net cash, cash equivalents and bank overdrafts for the purposes of the statement of cash flows.</b>	<b><u>383,366</u></b>

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

**WAITAKERE ENTERPRISE TRUST BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**

**NOTE 5**

**Trade and other receivables**

116,591	Gross trade and other receivables	38,165
	Less provision for impairment	
<b>116,591</b>	<b>Total trade and other receivables</b>	<b>38,165</b>

As at 31 December there are no receivables that need to be assessed for impairment.

**NOTE 6**

<b>Property Plant and Equipment</b>	<b>Computer Equipment</b>	<b>Office Equipment</b>	<b>Motor Vehicles</b>
<b>Balance at 01 July 2007</b>	<b>100,944</b>	<b>157,709</b>	<b>13,982</b>
Additions	2,880	50,125	-
Disposals			
<b>Balance at 31 December 2007</b>	<b>103,824</b>	<b>207,834</b>	<b>13,982</b>

**Accumulated depreciation and impairment losses**

<b>Balance at 1 July 2007</b>	<b>40,850</b>	<b>14,498</b>	<b>389</b>
Depreciation expense	17,411	15,742	2,330
Impairment losses			
Disposals			
<b>Balance at 31 December 2007</b>	<b>58,261</b>	<b>30,240</b>	<b>2,719</b>

<b>SUMMARY</b>	<b>Computer Equipment</b>	<b>Office Equipment</b>	<b>Motor Vehicles</b>
Cost as at 31 December 2007	<b>103,824</b>	<b>207,834</b>	<b>13,982</b>
Less Accumulated Depreciation	58,261	30,240	2,719
<b>Net Assets</b>	<b>45,563</b>	<b>177,594</b>	<b>11,263</b>

**WAITAKERE ENTERPRISE TRUST BOARD  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE PERIOD ENDED 31 DECEMBER 2007**

**NOTE 7**

<b>Intangible Assets</b>	<b>2006</b>	<b>2007</b>
<b>Balance at 01 July 2007</b>	<b>36,176</b>	<b>18,429</b>
Additions		2,625
Disposals		
<b>Balance at 31 December 2007</b>	<b>36,176</b>	<b>21,054</b>
<b>Accumulated amortisation and impairment losses</b>		
<b>Balance at 01 July 2007</b>	<b>20,960</b>	<b>5,980</b>
Amortisation expense	528	2,018
Impairment losses		
Disposals		
<b>Balance at 31 December 2007</b>	<b>21,488</b>	<b>7,998</b>
<b>Carrying Amounts</b>		
<b>Net intangibles at 31 December</b>	<b>14,688</b>	<b>13,056</b>

**NOTE 8**

**Trade and Other payables**

73,313	Trade Payables	74,021
24,256	Employee Benefits	27,307
6,382	Accrued expenses	41,106
<b>103,951</b>	<b>Total Trade and Other Payables</b>	<b>142,434</b>

Trade and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value.

**NOTE 9**

**Employee Benefit Liabilities**

24,256	Annual Leave	27,307
<b>24,256</b>	<b>Total Employee benefit liabilities</b>	<b>27,307</b>

**Comprising**

24,256	Current	27,307
<b>24,256</b>	<b>Total Employee benefit liabilities</b>	<b>27,307</b>

**WAITAKERE ENTERPRISE TRUST BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**

**NOTE 10**

**Reconciliation of Equity**

**Retained Surpluses**

437,233	Balance at 1 July	473,372
183,578	Surplus / (Deficit) for the period	53,201
<b><u>620,811</u></b>	<b>Balance at 31 December</b>	<b><u>526,573</u></b>

**NOTE 11**

**Reconciliation of net surplus/ (deficit) to net cash from operating activities**

183,578	Surplus / (Deficit) from operating activities	53,201
29,743	Add / (Less) depreciation and amortisation expense	37,501
<b><u>213,321</u></b>		<b><u>90,702</u></b>
<b>Add / (Less) movements in working capital items</b>		
144,306	Trade and other receivables	143,932
(109,288)	Trade and other payables	(169,963)
343	Employee benefits	3,051
<b><u>248,682</u></b>	<b>Net cash from operating activities</b>	<b><u>67,722</u></b>

**NOTE 12**

**Capital Commitments and operating leases**

**Capital Commitments**

The trust has no capital expenditure commitments.

**Operating Leases as lessee as audited at 30 June 2007**

45,800	Not later than one year	251,073
63,475	Later than one and not later than five years	862,308
	Later than five years	
<b><u>109,275</u></b>		<b><u>1,113,381</u></b>
<b>Total non-cancellable operating leases</b>		

A significant portion of the total non-cancellable operating lease amount relates to the lease of a new office building. The lease expires in February 2013, with an option to renew for a further six year term.

The Trust does not have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on the Trust by any of its leasing arrangements.

**WAITAKERE ENTERPRISE TRUST BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**

**NOTE 13**

**Contingencies**

**Contingent Liabilities**

The Trust has no contingent liabilities (2006 \$27,000)

**Contingent Assets**

The Trust has no contingent assets (2006 nil )

**NOTE 14**

**Related Party transaction**

**Waitakere City Council**

The Trust was settled by Waitakere City Council and receives a significant amount of operating grants from the Council to deliver its objectives as specified in the Deed of Trust. The Waitakere City Council is the ultimate controlling party of the Trust.

**Waitakere Properties Limited**

The Company is wholly owned by the Waitakere City Holdings Ltd, a subsidiary of Waitakere City Council.

The business of the Company is property development and project consultancy.

The following transactions were carried out with related parties during the six months to 31 December.

**Waitakere City Council**

**2006** Value of Transactions between Council and the Trust are:-

**2007**

**Revenue**

560,500 Operating Grants  
 2,285 Other - Council

595,000  
 31,543

**562,785**

**626,543**

**Expenditure**

- Council Trust Accounts (Central One, Lease & Expenses)  
 14,088 Purchase of Goods and Services

80,028  
 34,706

**14,088**

**114,734**

These services were supplied on normal commercial terms.

**Waitakere Properties Limited**

**Revenue**

**34,155** Rent and staff/management services

**52,600**

**Expenditure**

**NIL** Purchase of Goods and Services

**262**

These services were supplied on normal commercial terms.

**WAITAKERE ENTERPRISE TRUST BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**

**NOTE 14(Continued)**

No provision has been required, nor any expense recognised for impairment of receivables from related parties (2006 nil).

**NOTE 15**

**Significant Events After the Balance Date**

No significant events occurred after balance date.

**NOTE 16**

**Categories of financial assets and liabilities**

**Loans and receivables**

523,618	Cash and cash equivalents	383,366
75,708	Trade and other receivables	38,165
<b>599,326</b>	<b>Total loans and receivables</b>	<b>421,531</b>

**Financial liabilities measured at amortised cost**

103,951	Trade and other payables	142,434
<b>103,951</b>	<b>Total financial liabilities measured at amortised cost</b>	<b>142,434</b>

**NOTE 17**

**Financial Instrument risk**

The Trust has policies to manage risks associated with financial instruments. The Trust is risk adverse and seeks to minimise exposure from its treasury activities. The Trust has established borrowing and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

**Market risk**

The interest rates on the Trust's on call deposits are disclosed in note 4 and on the Trust's borrowing note 3.

**Fair value interest rate risk**

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Trust's exposure to fair value interest rate risk is limited to its borrowings and short-term bank deposits.

**WAITAKERE ENTERPRISE TRUST BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**

**Cash flow interest rate risk**

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Trust to cash flow interest rate risk.

The Trust's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements.

The Trust currently has no variable interest rate debt or investments.

**Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust is not exposed to currency risk, as it does not enter into foreign currency transactions.

**Credit Risk**

Credit risk is the risk that a third party will default on its obligation to the Trust, causing the Trust to incur a loss.

Due to the timing of its cash inflows and outflows, the Trust invests surplus cash with registered banks. The Trust's investment policy limits the amount of credit exposure to any one institution.

The Trust has processes in place to review the credit quality of customers prior to the granting of credit.

The Trust's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash equivalents ( note 4) and trade receivables (note 5). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

The Trust has no significant concentrations of credit risk, as it has a large number of credit customers and only invests funds with registered banks with specific credit ratings.

**Liquidity risk**

Liquidity risk is the risk that the Trust will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The trust aims to maintain flexibility in funding by keeping committed credit line available.

In meeting its liquidity requirements, the Trust maintains a target level of investments that must mature within specified timeframes.

The Trust manages its borrowings in accordance with its borrowing policy.

The maturity profiles of the Trust's interest bearing on call deposits and borrowings are disclosed in note 4 .

**WAITAKERE ENTERPRISE TRUST BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**

**Capital Management**

The Trust's capital is its equity, which comprises Trust capital and retained surpluses. Equity is represented by net assets.

The Trust Deed requires the Board of Trustees to manage its revenues, expenses, assets liabilities, investments, and general financial dealings prudently.

The Trust's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing the Trust's equity is to ensure the Trust effectively achieves its objectives and purpose, whilst remaining a going concern.



*Earthsong Eco-Neighbourhood*

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**APPLICATION TO  
WAITAKERE CITY COUNCIL  
FOR EXTENSION OF FUNDING OF  
THE EARTHSONG CENTRE**

**February 2008**



# **Request for extension of interest free loan for the Earthsong Centre**

February 2008

## **Purpose of this request**

The purpose of this report is to request an extension of 12 months for repayment of the \$300,000 interest free loan made by Waitakere City Council to Earthsong Eco-Neighbourhood towards costs for construction of the Earthsong Centre.

## **Background:**

In December 2004 Council approved an interest free loan of \$300,000 towards the total costs of \$1.4 million to construct the Earthsong Centre in acknowledgement of Earthsong's intention to make the centre available to the wider public in Ranui, Waitakere City and Auckland region for up to 500 hours per year. Security for the loan was based on Earthsong's ability to repay the loan in two lump sums over 3 years. Mortgages were provided over two private properties as security, and personal guarantees were provided by Earthsong property owners as further security.

Plans for repayment of the loan were based on two assumptions a) that the Centre would be available for public use from December 2005, thus providing income towards the running costs of the Centre including a contribution towards the loan repayment and b) that all 15 houses being constructed in the final stage of development would be sold, thus freeing up finance to repay all or part of the council loan.

## **Progress to date**

### **Earthsong Centre:**

Completion of the Earthsong Centre was delayed by nearly two years due to a significant technical dispute over problems arising from the installation of zinc flashings at the base of the wooden building where it was to meet the concrete patio and finished ground. A solution for this problem was ultimately resolved by agreement between the architect, Council, Earthsong owners and builder with assistance from independent technical experts and rectification was finally completed in July 2007.

Implications of the delay were serious flow on effects for Earthsong as follows:

- a) Whilst use of the unfinished Centre was possible by Earthsong residents at their own risk during the 21 month delay due to the dispute, use by the public was not possible until Code Compliance was issued in September 2007. This meant that the Earthsong Centre Trust was unable to run events in the Centre, or to make it available for use by the wider public for meetings and events until late 2007.
- b) Plans for income from rental of the building and charges for other events were compromised. This income will contribute to the running costs of the Centre and towards total costs of repayment of the loan.

- c) Rectification of the technical problems amounted to \$112,000 plus \$60,000 costs. Earthsong paid for the costs at its own expense pending the decision from the arbitrator on liability for the technical dispute and receipt of monies owing. A result of the arbitration in which Earthsong seeks to recover its costs is expected within the next few months. (As the client, Earthsong considers it has no liability whatsoever in the dispute)
- d) Sealing of the driveway and completion of the swales had to be deferred until construction of the Earthsong Centre was complete. Construction of the final swales and driveway are about to commence.
- e) Delay in completing the driveway and swales has seriously compromised the ability to sell the last of the final fifteen houses because of its position on the edge of the driveway and the unfinished swales on two sides and raw earth bund at the rear. Advice from real estate agents is that the house is unattractive to potential purchasers until the physical works surrounding it are able to be completed.
- f) Inability to sell the final house (which is currently rented by Earthsong members to defray bank charges) means that proceeds of the sale are still unavailable to repay the council loan.

#### **Reasons for application for extension of the loan**

The above flow on effects from the zinc dispute mean that monies planned to be available by now to repay the council loan have yet to become available.

A further complication has arisen due to the Trust's assumption that further grants would be made by philanthropic organizations towards construction costs. Apart from the grant of \$203,000 from the ASB Trust, none of the other many applications for grants for the Centre was successful.

Once this became apparent Earthsong members decided to include the repayment of the council loan in the development budget for the completion of the project (see Finance section below)

For the reasons set out above, we are now asking the Council to extend the repayment of the Council loan so we can complete the development and be in a financial position to repay the WCC loan in a timely manner.

#### **The Earthsong Centre**

The Earthsong Centre provides a spacious, flexible facility to continue expanding significantly the scope of Earthsong Centre Trust's educational objectives and public use over the coming years. As a venue located in the heart of a unique sustainable community and Waitakere Eco-City, it provides best practice social and environmental design, through layout, sustainable and healthy building materials and energy efficiency.

The Centre provides:

- Accommodation for 60 - 70 people seated at tables, or up to 80-100 for presentations, seminars, and performances.
- A large and spacious main room and several smaller rooms and areas for break-out sessions or smaller events.
- Full catering from the well appointed kitchen facilities.
- Various accommodation options within Earthsong, including guest rooms in the centre, possibly houses kept for short-term stays, and billeting with residents for the full "Eco-Neighbourhood" experience.
- Day to day use as a community centre for residents of Earthsong Eco-Neighbourhood, for several meals per week, meetings and functions, and providing common facilities such as a laundry, teens' and children's rooms

for people from Waitakere City, but also for the Auckland region, and for national and international visitors.

### **Current and predicted use of the Earthsong Centre**

Despite the zinc problem which prevented use of the Earthsong Centre by external people until Code of Compliance was issued, and the subsequent delay in completing the driveway and parking areas, many requests for tours, talks and use of the Centre have been received and a number of activities have occurred.

Despite the constraints, the following has been achieved:

- Approximately 2000 people have visited Earthsong over the past 12 months
- Visitors are from diverse backgrounds including local groups, overseas visitors (Japan, Mexico, United States, UK, Germany and China), students from major tertiary and secondary educational facilities, professional groups, housing associations and city councillors and officials from a number of local authorities throughout NZ
- Income generated from these tours, room rental and donations has been over \$10,000 (GST incl) less costs during 2007.

Now that the Trust is in a position to promote the Centre, it is estimated that there will be a steady build up of events, tours and rental of the building to increasing numbers of external people. The projection is that the number of hours for use of the building by external people should easily exceed the 500 hours as agreed with Waitakere City Council when approval for the loan was made. Projected income is expected to build up to approximately \$40,000 pa (less costs) by the end of the next two years. As Earthsong intends use of the building, tours and other events should be made affordable to all, income (less costs) will constitute only a small part of the repayment of the loan. The bulk will be repaid as outlined under the Finance section (details supplied to the Director: Finance)

A comprehensive business plan has been started by the Earthsong Trust and its education group and should be ready within the next three months.

## Legal Status

The Earthsong Charitable Trust has been formed to manage the Earthsong Centre. The objects of the Trust are to advance the educational, promotional and community goals of Earthsong (as outlined in the report prepared in the original application for funding). Full charitable status has been given by Inland Revenue so that all the benefits of such status are available. Control of the Trust rests primarily with Earthsong Eco-Neighbourhood, with two trustee positions for community representatives such as the Council to be involved in governance and administration. The Trust receives all loans and grants and manages financial affairs on behalf of the Earthsong Centre.

## Finance

As mentioned previously, the repayment of the council loan has been built into the development budget of Cohousing New Zealand Ltd (CNZL), which is the non profit Earthsong development company, and a copy of the CNZL accounts and the projected cashflow for CNZL to complete the project have been supplied to the Director: Finance. In summary, the income from the sale of the remaining unsold unit and carparks and other expected receipts is expected to amount to \$766,889. Current liabilities to complete the project, including completion of siteworks and repayments of associated loans, including the \$300,000 council loan, amount to \$659,750, giving an expected balance of \$107,139.

Timing of the receipt of these funds is dependent on a number of contingencies. In particular we have yet to know the outcome of arbitration of the common house zinc dispute, receipt of the Auckland Regional Holdings (previously Infrastructure Auckland) grant awaits completion of our site development, and we have yet to sell Unit 31.

The position will be much clearer later this year. If part or all of the monies are realised at an earlier date, the intention of Earthsong is to repay the loan as early as possible.

## Security for loans

Security for the current loan rests on a mortgage on two privately owned Earthsong houses. The owners are willing to extend the mortgage as security.

## Conclusion

We are very grateful to the Council for making the interest free loan available to enable Earthsong to construct the Earthsong Centre and to make it available to the public earlier than would otherwise have been possible. The major reason for the delay in repayment of the loan as scheduled has been due to the building defect, which in turn led to delays in completion of the driveway and swales and subsequently to the sale of Unit 31. Once Unit 31 is sold, monies built into the sale

of the last houses will be available. In addition, over the next six to twelve months a number of current projected receipts will be realised releasing further finance.

A short term extension of the repayment period for the Council loan would assist Earthsong to overcome the financial delays incurred by the building defects and subsequent dispute.

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