

**AUCKLAND UNIVERSITY STUDENTS'
ASSOCIATION INCORPORATED**

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

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FOR THE YEAR ENDED 31 DECEMBER 2005

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DIRECTORY

FOR THE YEAR ENDED 31 DECEMBER 2005

President: Gregory Langton

Vice- President: Conner Roberts

Treasurer: Tracey Thomson

Registered Office: 4 Alfred Street
Auckland

Auditors: Staples Rodway
P O Box 3899
Auckland

Bankers: Bank of New Zealand
University Branch
Auckland

Solicitors: Dominion Law
Dominion Road
Auckland

Jackson Russell
P O Box 3451
Auckland

Paul Diver and Associates Limited
P O Box 58-625
Auckland

SPECIAL PURPOSE AUDIT REPORT TO THE MEMBERS OF
AUCKLAND UNIVERSITY STUDENTS' ASSOCIATION INCORPORATED

Under the terms of our engagement as auditors we were requested to restrict the scope of our examination to the non-consolidated financial statements of the Association as at 31 December 2005.

We have audited the financial report on pages 5 to 13. The financial report provides information about the past financial performance of the Association and its financial position as at 31 December 2005. This information is stated on a non-consolidated basis in accordance with the accounting policies set out on pages 8 to 10.

Executive Council Responsibilities

The Executive Council is responsible for the preparation of a non-consolidated financial report which gives a true and fair view of the non-consolidated financial position of the Association as at 31 December 2005 and of the results of its non consolidated operations for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the non-consolidated financial report presented by the Executive Council and report our opinion to you.

Basis of Opinion

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

- the significant estimates and judgments made by the Executive Council in the preparation of the non-consolidated financial report, and
- whether the accounting policies are appropriate to the Association circumstances, consistently applied and adequately disclosed.

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

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

Fundamental Uncertainty

In forming our unqualified opinion, we have considered the adequacy of disclosures made in the financial statements regarding continued financial support from AUSA Media Trust, AUSA Services Trust, AUSA Property Trust and UBS Trust. As stated in note 1, the financial statements have been prepared on the going concern basis, the validity of which depends upon the continued financial support of these Trusts. The financial statements do not include any adjustments that would result should the Trusts' financial support be discontinued.

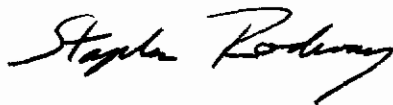
Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- the non-consolidated financial report on pages 5 to 13:
 - complies with generally accepted accounting practice in New Zealand on a non-consolidated basis;
 - gives a true and fair view of the non-consolidated financial position of the Association as at 31 December 2005 and the results of its non-consolidated operations for the year ended on that date.

Our audit was completed on 15 February 2006 and our unqualified opinion is expressed as at that date.



**CHARTERED ACCOUNTANTS
AUCKLAND**

NON-CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCEFOR THE YEAR ENDED 31 DECEMBER 2005

	Note	<u>2005</u>	<u>2004</u>
<u>TOTAL INCOME</u>		\$ <u>1,931,070</u>	\$ <u>2,033,604</u>
<u>NET SURPLUS/(DEFICIT)</u>		(154,592)	25,192
<i>After Charging:</i>			
Fees Paid to Auditors for:			
Auditing the Annual Report		10,000	11,500
Underaccrual of the 2003 Audit Fee		5,023	6,830
Underaccrual of the 2002 Audit Fee		-	21,826
Underaccrual of the 2001 Audit Fee		-	1,102
Bad Debts		-	1,129
Depreciation Expense	(7)	75,919	76,252
Interest Expense		9,804	24,851
Lease Expense		24,810	34,429
<i>and After Crediting:</i>			
Distributions from AUSA Services Trust	(3)	259,000	335,740
Distributions from AUSA Property Trust	(3)	240,000	205,000
Distributions from UBS Trust	(8)	-	85,000
Interest Received		594	5,337
 <u>NET SURPLUS/(DEFICIT) FOR THE YEAR</u>		 <u>\$ (154,592)</u>	 <u>\$ 25,192</u>

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

NON-CONSOLIDATED STATEMENT OF MOVEMENTS IN FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	<u>2005</u>	<u>2004</u>
<u>FUNDS AT BEGINNING OF YEAR</u>		(295,887)	(321,079)
<i>Less</i> Net Surplus/(Deficit) for the Year		(154,592)	25,192
Settlement of UBS Trust	(3) ,(8)	(122,227)	-
<u>FUNDS AT END OF YEAR</u>		<u>\$ (572,706)</u>	<u>\$ (295,887)</u>

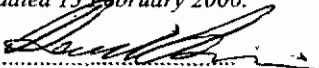
The attached notes form part of and are to be read in conjunction with these financial statements.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2005

	Note	2005	2004
<u>MEMBERS FUNDS</u>			
Total Funds		\$ <u>(572,706)</u>	\$ <u>(295,887)</u>
Represented by:			
<u>CURRENT ASSETS</u>			
Cash on Hand and at Bank		-	4,295
BDO Spicers Trust Account	(3)	-	106,633
Accounts Receivable	(3)	145,906	23,859
Related Party Receivable	(3)	50,000	50,604
Other Current Assets and Prepayments		16,914	25,132
Ski Club Loan - Current Portion	(6)	23,750	18,750
		<u>236,570</u>	<u>229,273</u>
<u>Less CURRENT LIABILITIES</u>			
Bank Overdraft	(5)	30,144	-
Accounts Payable	(3)	110,105	75,544
Sundry Creditors and Accruals		576,762	438,832
Student Activities Payable		209,684	183,597
Loan Finance - Current Portion	(4)	21,172	22,682
		<u>947,867</u>	<u>720,655</u>
<u>WORKING DEFICIT</u>		(711,297)	(491,382)
<u>Add NON-CURRENT ASSETS</u>			
Term Receivable - Ski Club Loan	(6)	-	5,000
Fixed Assets	(7)	164,665	222,653
Investments	(8)	-	15,000
		<u>164,665</u>	<u>242,653</u>
<u>Less NON-CURRENT LIABILITIES</u>			
Loan Finance - Non-Current Portion	(4)	26,074	47,158
<u>NET LIABILITIES</u>		\$ <u>(572,706)</u>	\$ <u>(295,887)</u>

For and on behalf of the Executive Council of the Auckland University Students' Association Incorporated,
dated 15 February 2006.


President


Treasurer

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

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

Measurement Base

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

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

Reliance is placed on the fact that the Association is a going concern, the validity of this concept is dependent on continued distributions from the AUSA Media Trust, AUSA Services Trust, AUSA Property Trust and UBS Trust.

Non-Consolidated Financial Statements

These financial statements have been prepared on a non-consolidated basis.

Particular Accounting Policies

Differential Reporting

The Association has applied differential reporting in respect of:

Financial Reporting Standard No. 3 - Accounting for Property, Plant and Equipment
Financial Reporting Standard No. 9 - Information to be Disclosed in Financial Statements
Financial Reporting Standard No. 10 - Statement of Cashflows
Financial Reporting Standard No. 15 - Provisions, Contingent Liabilities and Contingent Assets
Statement of Standard Accounting Practice No. 22 - Related Party Transactions
Statement of Standard Accounting Practice No. 23 - Financial Reporting for Segments

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

Specific Accounting Policies

a) Accounts Receivable

Accounts receivable are stated at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS ContinuedFOR THE YEAR ENDED 31 DECEMBER 20051. STATEMENT OF ACCOUNTING POLICIES ContinuedSpecific Accounting Policies Continuedb) Leases

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

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the company are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments under operating leases are charged as expenses in the periods in which they are incurred.

c) Taxation

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

Should the current charitable nature of the operation change, taxation may be payable on profits from trading operations with non-members.

d) Fixed Assets and Depreciation

Fixed assets are recorded at cost less accumulated depreciation.

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

Plant and Equipment	3.00 - 46.00% SL
Motor Vehicle	10.00 - 20.00% SL

e) Goods and Services Tax

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

f) Investments

Investments are recorded at cost.

NOTES TO THE FINANCIAL STATEMENTS Continued

FOR THE YEAR ENDED 31 DECEMBER 2005

1. STATEMENT OF ACCOUNTING POLICIES Continued

Specific Accounting Policies Continued

g) Changes in Accounting Policies

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

2. NATURE OF BUSINESS

The Association is engaged in the business of supplying student services.

3. RELATED PARTIES

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

Bacchid Benevolency Limited
Campus Radio bFM Limited
University Bookshop (Auckland) Limited

The Association is related to Bacchid Benevolency Limited and Campus Radio bFM Limited by being the ultimate beneficiary of the Trusts that control these two Companies. The Association is related to the University Bookshop Auckland Limited as disclosed in Note 8. The Association is related to the AUSA Property Trust, AUSA Services Trust, and AUSA Media Trust by being the beneficiary of the trusts.

The operations of the Student Card, a division of AUSA were transferred to a separate company, AUSA Card Services Limited on 1 January 2004. This Company was amalgamated into Bacchid Benevolency Limited on 1 January 2004.

The trading transactions with Bacchid Benevolency Limited and Campus Radio bFM have resulted in balances in accounts receivable and accounts payable of \$4,621 and \$53,658 (2004: \$3,853 and \$3,109) respectively.

Distributions were received from the AUSA Property Trust and AUSA Services Trust. The dividend received from the University Bookshop (Auckland) Limited in 2004 and held in the BDO Spicers Trust Account and was distributed to AUSA at the UBS Trust's discretion in accordance with the Trust Deed dated 5 April 1966. During the year the Association distributed \$122,227 to the UBS Trust. Refer to Note 8 for further details.

During the year the Association provided a loan of \$50,000 to Campus Radio bFM Limited. The loan bears interest at 9%, is unsecured and repayable upon demand but is not expected to be called within the next 18 months.

NOTES TO THE FINANCIAL STATEMENTS Continued

FOR THE YEAR ENDED 31 DECEMBER 2005

3. RELATED PARTIES ContinuedRelationship with The University of Auckland

During the year the Association entered into normal arms length transactions with The University of Auckland. These transactions have resulted in balances in accounts payable and accounts receivable.

4. HIRE PURCHASE

	<u>2005</u>	<u>2004</u>
Hire Purchase	52,852	81,911
Less Unexpired Interest	(5,606)	(12,071)
	<u>47,246</u>	<u>69,840</u>
Less Hire Purchase (Current Portion)	<u>21,172</u>	<u>22,682</u>
Hire Purchase (Non-Current Portion)	<u>\$ 26,074</u>	<u>\$ 47,158</u>

The book value of assets subject to hire purchase agreements is \$44,323 (2004: 61,648).

5. BANK OF NEW ZEALAND OVERDRAFT

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

6. TERM RECEIVABLE - SKI CLUB

On 5 June 1998 the Association lent \$85,000 to the University of Auckland Ski Club Incorporated, secured by way of a fixed and floating charge over all the assets of the Ski Club. The loan is non-interest bearing. During the 2003 year the loan repayment terms were renegotiated.

	<u>2005</u>	<u>2004</u>
Current Portion of Term Receivable	23,750	18,750
Term Portion of Receivable	-	5,000
	<u>23,750</u>	<u>23,750</u>
	<u>\$ 23,750</u>	<u>\$ 23,750</u>

NOTES TO THE FINANCIAL STATEMENTS Continued

FOR THE YEAR ENDED 31 DECEMBER 2005

7. FIXED ASSETS

<u>2005</u>	<u>COST</u>	<u>ACCUM DEPN</u>	<u>BOOK VALUE</u>	<u>DEPN EXP</u>
Motor Vehicles	7,800	3,380	4,420	1,560
Plant and Equipment	966,214	805,969	160,245	74,359
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 974,014</u>	<u>\$ 809,349</u>	<u>\$ 164,665</u>	<u>\$ 75,919</u>

<u>2004</u>	<u>COST</u>	<u>ACCUM DEPN</u>	<u>BOOK VALUE</u>	<u>DEPN EXP</u>
Motor Vehicles	7,800	1,820	5,980	1,560
Plant and Equipment	954,282	737,609	216,673	74,692
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 962,082</u>	<u>\$ 739,429</u>	<u>\$ 222,653</u>	<u>\$ 76,252</u>

8. INVESTMENTS

	<u>2005</u>	<u>2004</u>
University Bookshop (Auckland) Limited	-	15,000

The shares in University Bookshop (Auckland) Limited are held in trust by the University Bookshop Trust for the benefit of the Auckland University Students' Association Incorporated and have been recorded at cost. On 3 February 2005 University Bookshop Trust purchased the remaining fifty percent of shares in University Bookshop (Auckland) Limited. The purchase price was \$650,000 and funding for this acquisition was provided by a loan from Bacchid Benevolency Limited to the UBS Trust. The UBS Trust is no longer a bare trust. In accordance with the Trust Deed dated 5 April 1996 all accumulated dividends held in the BDO Spicers Trust Account and the investment in shares of \$15,000 was distributed to the UBS Trust during the year.

9. SUBSEQUENT EVENTS

There were no material events subsequent to balance date.

NOTES TO THE FINANCIAL STATEMENTS Continued

FOR THE YEAR ENDED 31 DECEMBER 2005

10. COMMITMENTS

The Association has commitments under operating leases as follows:

	<u>2005</u>	<u>2004</u>
Current	24,000	24,147
Non-Current	44,000	72,000
	<hr/>	<hr/>
	<u>\$ 68,000</u>	<u>\$ 96,147</u>

11. CONTINGENT LIABILITY

There were no material contingent liabilities at balance date.