

SECOND NATURE CHARITABLE TRUST
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 March 2018

SECOND NATURE CHARITABLE TRUST

CONTENTS

FOR THE YEAR ENDED 31 MARCH 2018

CONTENTS

Page	1	Contents
	2	Directory
	3	Statement of Comprehensive Revenue and Expense
	4	Statement of Changes in Net Assets/Equity
	5	Statement of Financial Position
	6	Statement of Cash Flows
	7 - 17	Statement of Accounting Policies and Notes to the Financial Statements
	18 – 20	Auditor's Report

SECOND NATURE CHARITABLE TRUST

DIRECTORY

FOR THE YEAR ENDED 31 MARCH 2018

Settlor	Sir Barry Curtis
Date Settled	2 October 2000
Trustees	Sir Noel Robinson KNZM - Chairman John Bongard ONZM Luke Patterson Emma Lewisham Chelsea Herbert Martin Cooper Jeremy Hay Tori Ngataki Ted Ngataki (resigned 15 August 2017) Maureen Shaddick (resigned 17 May 2017) Mike Hutcheson (resigned 15 August 2017)
Chief Executive Officer	David Comery (appointed 3 April 2018) Richard Jeffery (resigned 11 April 2018)
Solicitors	Denham Bramwell Lawyers Auckland
Bankers	BNZ Bank ASB Bank Auckland Auckland
Address	770 Great South Road1 Manukau City
Accountants	RSM New Zealand (Auckland) Highbrook
Auditors	RSM Hayes Audit
Registered Charity Number	CC10294

SECOND NATURE CHARITABLE TRUST

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018	2017
REVENUE			
Sponsorship & Grants	10	1,071,067	6,911,141
Service Agreements	11	351,120	365,750
Interest		247	2,159
Trading Income		7,390,303	6,055,808
TOTAL REVENUE	13	8,812,737	13,334,858
EXPENDITURE	14	10,225,126	9,571,601
TOTAL COMPREHENSIVE REVENUE AND EXPENSE TO ACCUMULATED FUNDS		<u>(1,412,390)</u>	<u>3,763,257</u>

This statement must be read in conjunction with the audit report and the accompanying statement of accounting policies and notes to the financial statements.

SECOND NATURE CHARITABLE TRUST

STATEMENT OF CHANGES IN NET ASSETS/EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018	2017
Accumulated Funds at Beginning of the Year		68,559,667	64,894,099
Add Surplus/(Deficit) for the Year		(1,412,390)	3,763,257
Transfer (to) / from Maintenance Reserve		(12,975)	(97,689)
ACCUMULATED FUNDS AT END OF THE YEAR		<u>67,134,302</u>	<u>68,559,667</u>
Maintenance Reserve at beginning of the year		97,689	0
Transfer (to) / from accumulated funds	5	12,975	97,689
Closing Balance at end of year		<u>110,664</u>	<u>97,689</u>
Settled Fund		10	10
TOTAL EQUITY		<u>67,244,976</u>	<u>68,657,366</u>

This statement must be read in conjunction with the audit report and the accompanying statement of accounting policies and notes to the financial statements.

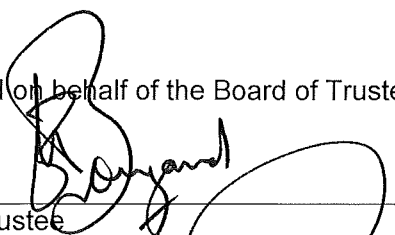
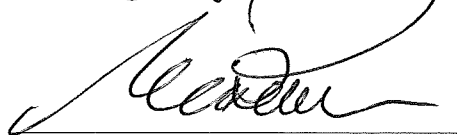
SECOND NATURE CHARITABLE TRUST

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	2018	2017
EQUITY			
Corpus		10	10
Trustees Accumulated Funds		67,134,302	68,559,667
Maintenance Reserve		110,664	97,689
		<u>67,244,976</u>	<u>68,657,366</u>
Represented by:			
CURRENT ASSETS			
Bank	12	142,096	609,957
Accounts Receivable from exchange transactions	20	526,429	473,811
Accounts Receivable from non-exchange transactions	21	0	115,000
		668,525	1,198,766
LESS CURRENT LIABILITIES			
Trade and Other Payables		759,365	758,399
Programme Maintenance	8	34,850	34,850
Accruals		192,989	219,472
Employee Entitlements	22	168,296	213,306
Unearned Income		108,210	28,254
Deposits Held		430,872	616,885
Goods & Services Tax Payable		21,284	23,235
		1,715,866	1,894,401
WORKING CAPITAL		(1,047,341)	(695,635)
ADD NON-CURRENT ASSETS			
Property, Plant and Equipment	3	70,151,395	72,502,253
Capital Works in Progress	4	271,548	0
Trademark		1,000	0
		70,423,943	72,502,253
LESS NON-CURRENT LIABILITIES			
BNZ Loan	24	2,120,000	3,120,000
Programme Maintenance	8	11,625	29,252
		2,131,625	3,149,252
NET ASSETS		<u>67,244,976</u>	<u>68,657,366</u>

Signed on behalf of the Board of Trustees:


 Trustee

 Trustee

Date 24/8/2018
 Date 21/8/2018

This statement must be read in conjunction with the audit report and the accompanying statement of accounting policies and notes to the financial statements.

SECOND NATURE CHARITABLE TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
Cash Flows from Operating Activities		
Proceeds Received :		
Receipts from Customers	7,622,723	6,627,638
Grants and Donations	1,151,067	6,811,142
Net GST Received	20,316	673,824
Payments Made :		
To suppliers	5,963,147	7,834,257
To employees	1,422,479	1,398,923
Net Cash Inflow/(Outflow)from Operating Activities	<u>1,408,480</u>	<u>4,879,423</u>
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	<u>771,397</u>	<u>5,345,226</u>
Net Cash Inflow/(Outflow)from Investing Activities	<u>(771,397)</u>	<u>(5,345,226)</u>
Cash Flows from Financing Activities		
Proceeds from Drawn Down of Loans	0	920,000
Interest Received	247	2,159
Repayment of Loans	(1,000,000)	0
Interest Paid	<u>(105,191)</u>	<u>(82,041)</u>
Net Cash Inflow/(Outflow)from Financing Activities	<u>(1,104,944)</u>	<u>840,118</u>
Net Cash Inflow/(Outflow)	<u>(467,861)</u>	<u>374,315</u>
Opening Cash and Cash Equivalents	<u>609,957</u>	<u>235,642</u>
Closing Cash and Cash Equivalents	<u><u>142,096</u></u>	<u><u>609,957</u></u>
Represented by:		
Cash & Cash Equivalents	<u><u>142,096</u></u>	<u><u>609,957</u></u>

The GST (net) components of operating activities reflect the net GST paid and received with 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 must be read in conjunction with the audit report and the accompanying statement of accounting policies and notes to the financial statements.

SECOND NATURE CHARITABLE TRUST

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1. STATEMENT OF ACCOUNTING POLICIES

GENERAL ACCOUNTING POLICIES

Reporting Entity

Second Nature Charitable Trust is a charitable trust incorporated under the Charitable Trusts Act 1957. The Trust is considered to be a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act (2013).

The financial statements and the accompanying notes summarise the financial results of activities carried out by the Trust.

These financial statements were authorised for issue by the trustees on 21 August 2018.

Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Charities Act 2005 which requires compliance with generally accepted accounting practice in New Zealand ("NZ GAAP").

The Trust is a registered charity in New Zealand. The Trust is a public benefit entity for the purpose of financial reporting as the underlying principle of any registered charity is the carrying out of a charitable purpose. They comply with Public Benefit Entity Standards. For the purposes of complying with NZ GAAP, the Trust is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-for-Profit PBE IPSAS RDR on the basis that it does not have public accountability and it is not defined as large. All reduced disclosure regime exemptions have been adopted.

Measurement Base

The general accounting policies for the measurement and reporting of results and financial position under the historical cost method have been adopted in the preparation of these financial statements.

Functional and presentation currency

The financial statements are presented in New Zealand Dollars (\$), which is the functional and presentation currency, rounded to the nearest dollar.

There has been no change in the functional currency of the trust during the year.

Changes in Accounting Policy

There are no significant changes to accounting policies in the 2018 year.

SECOND NATURE CHARITABLE TRUST

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Significant Judgements and estimates

The preparation of the trust's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements:

In the process of applying the Trust's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

- Revenue recognition – non-exchange revenue (conditions vs. restrictions)
- Useful lives of property, plant and equipment
- Classification of non-financial assets as cash generating or non-cash generating assets for the purposes of assessing impairment indicators and impairment testing.
- Going concern – refer to note on page 9.

Goods and Services Tax

The Statement of Comprehensive Revenue and Expense has been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST with the exception of receivables and payables which include GST as invoiced.

Taxation

The Trust is an approved charitable organisation registered with the Department of Internal Affairs Charities and recognised by the Inland Revenue Department. As such it is exempt from income tax on income derived by the Trust for charitable purposes.

Accounts Receivable

Accounts Receivable are valued at expected realisable value.

Grant and Sponsorship Income

Grant and sponsorship income is recognised when monies are received or receivable from donors or sponsors and any conditions of the funding have been met.

Property, Plant and Equipment

Buildings, items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Trust and the cost of the item can be measured reliably.

SECOND NATURE CHARITABLE TRUST

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Depreciation

Depreciation has been calculated on a straight line basis at rates that will write off the cost of the assets to their estimated residual values over their estimated useful lives.

Depreciation rates used are as follows:

	Rate	
Buildings & Multi-Purpose Event Centre	2% - 8.4%	SL
Artwork & Project Sponsored Art	1%	SL
Furniture	3.6% - 67%	SL
Computers and software	7.8% - 48%	SL
Motor Vehicles	21%	SL
Office Equipment	21% - 25.2%	SL
Other	3%	SL
Technical	6.6% - 36%	SL
Vector Wero Whitewater Course	2%	SL
Vector Wero Whitewater Equipment	7% - 67%	SL
Vector Wero Building	2%	SL

Going Concern Assumption

These financial statements disclose an operating deficit of \$1,412,390 (2017: surplus of \$3,763,257). This deficit is due to the level of depreciation, support to community and promotion of the venue. The trust has a working capital deficit of \$1,047,341 but has positive operating cashflows, which have enabled the repayment of \$1 mil to the loan during the year. The continued use of the going concern assumption is dependent on the Trust receiving the ongoing support of sponsors, achieving budgeted trading levels and working within the \$6,000,000 of available funding lines. The trustees have full expectation of this ongoing support and the ability to adjust overhead expense to the level of trading and funding.

Employee Benefits

Short Term employee benefits

Short-term employee benefit liabilities are recognised when the Trust has a legal or constructive obligation to remunerate employees for services provided with 12 months of reporting date, and is measured on an undiscounted basis and expensed in the period in which employment services are provided.

Long term employee benefits

Long-term employee benefit obligations are recognised when the Trust has a legal or constructive obligation to remunerate the employees for services provided beyond 12 months of reporting date. The Trust did not have any long term employee benefits during the current financial period.

SECOND NATURE CHARITABLE TRUST

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Revenue

Services

Revenue from the rendering of services is recognised upon performance of services to the customer. Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Trust and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Non-exchange revenue – Grants, donations, legacies and bequests

Non-exchange revenue from grants, donations, legacies and bequests is recognised upon receipt unless any stipulations attached to the inflow of resources received are yet to be completed, which then creates a liability (i.e. present obligation).

Stipulations that specifically require the Trust to return the inflow of resources received if they are not utilised in the way stipulated results in the recognition of a non-exchange liability until the conditions are satisfied.

Stipulations may exist that are in essence restrictions - which do not specifically require the Trust to return the inflow of resources received if they are not utilised in the way stipulated. Such stipulations therefore do not result in the recognition of a non-exchange liability, and do result in the immediate recognition of non-exchange revenue.

Interest Income

Interest income is recognised when received.

Expenditure

Operating lease payments

Payments made under operating lease are recognised in the statement of comprehensive revenue and expense on a straight-line basis over the term of the lease. Lease incentives are recognised in the surplus or deficit over the term as an integral part of the total lease expense.

Borrowing Costs

Borrowing costs are recognised in the surplus or deficit using the effective interest rate method.

Foreign Currency Transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to NZD at the foreign exchange rate ruling at that balance date. Foreign exchange differences arising on their translation are recognised in the surplus or deficit.

2. PRINCIPAL ACTIVITY

The objects for which the Trust is established are:

- To establish a multi-purpose complex in the Counties Manukau Sub-Region to provide for the cultural community and recreational needs of the diverse Counties Manukau Community and the public at large;
- To operate and administer the multi-purpose complex in a prudent commercial basis so that it is a financially independent community asset; and

SECOND NATURE CHARITABLE TRUST

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

- To support clubs, societies and other organisations based on the Counties Manukau Sub-Region that are providing for the cultural community and recreational needs of the diverse Counties Manukau Community; such support to include by way of illustration, but not limitation, grants and/or loans either with or without interest.

3. Property, Plant and Equipment

2018	Cost	Depn	Accum Depn	Closing Book Value
Artwork	425,641	4,256	97,453	328,187
Computers & Software	254,181	10,897	244,411	9,770
Furniture	1,083,412	79,901	785,685	297,727
Motor Vehicle	70,957	16,153	50,737	20,220
Multi-Purpose Event Centre	50,841,591	1,461,160	17,554,280	33,287,311
Office Equipment	40,903	0	40,903	0
Other	34,725	1,042	13,543	21,182
Project Sponsored Art	84,700	2,553	64,518	20,181
Technical	276,147	17,944	239,948	36,199
Vector Wero Building	6,805,336	135,943	213,883	6,591,453
Vector Wero Whitewater Course	28,457,361	569,147	1,138,294	27,319,067
Vector Wero Whitewater Equipment	2,818,595	311,225	598,496	2,220,098
	91,193,549	2,610,222	21,042,152	70,151,395

2018	Opening Book Value	Additions/ (Disposals)	Depn	Closing Book Value
Artwork	332,443	0	4,256	328,187
Computers & Software	18,333	2,334	10,897	9,770
Furniture	308,092	69,536	79,901	297,727
Motor Vehicle	36,373	0	16,153	20,220
Multi-Purpose Event Centre	34,718,285	30,187	1,461,160	33,287,311
Other	22,224	0	1,042	21,182
Project Sponsored Art	22,734	0	2,553	20,181
Technical	54,142	0	17,944	36,199
Vector Wero Building	6,717,926	9,471	135,943	6,591,453
Vector Wero Whitewater Course	27,888,214	0	569,147	27,319,067
Vector Wero Whitewater Equipment	2,383,486	147,837	311,225	2,220,098
	72,502,253	259,365	2,610,222	70,151,395

SECOND NATURE CHARITABLE TRUST

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2017	Cost	Depn	Accum Depn	Closing Book Value
Artwork	425,641	4,256	93,197	332,443
Computers & Software	251,847	18,574	233,514	18,333
Furniture	1,013,876	76,204	705,784	308,092
Motor Vehicle	70,957	14,627	34,583	36,373
Multi-Purpose Event Centre	50,811,404	1,335,340	16,093,119	34,718,285
Office Equipment	40,903	0	40,903	0
Other	34,725	1,042	12,501	22,224
Project Sponsored Art	84,700	2,553	61,965	22,734
Technical Equipment	276,147	17,944	222,005	54,142
Vector Wero Buildings	6,795,865	77,939	77,939	6,717,926
Vector Wero Whitewater Course	28,457,361	569,147	569,147	27,888,214
Vector Wero Whitewater Equipment	2,670,757	287,271	287,271	2,383,486
	<u>90,934,183</u>	<u>2,404,897</u>	<u>18,431,928</u>	<u>72,502,253</u>

4. CAPITAL WORK IN PROGRESS

2018

2017

Work in Progress

\$271,548

0

There is \$271,548 work in progress recorded as at balance date that relates to the WERO bridge project which was completed in April 2018. The WERO Waka project is also in the design phase and is expected to be completed in the 2019 financial year.

5. MAINTENANCE RESERVE

The Trust's aim is to ensure the venue is maintained in good working order over its lifetime. The Maintenance Reserve represents the Trust's revolving 30 year maintenance schedule, being the difference between the estimated level of long term maintenance to replace, or fix, building and external works equipment and furnishings, and the actual long-term maintenance incurred.

	2018	2017
Estimated Long-term average cost per annum	85,920	159,257
Less Long-term maintenance expensed	<u>72,945</u>	<u>61,568</u>
Maintenance Reserve Movement	12,975	97,689

6. RELATED PARTY DISCLOSURES

The Second Nature Charitable Trust (SNCT) entered into a lease agreement with the Manukau City Council (now Auckland Council) for the use of the land on which the Indoor Event Centre and the Stage 2 "Wero" is situated. The lease is for 99 years at an annual lease charge of \$1, if demanded.

SECOND NATURE CHARITABLE TRUST

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Grants and sponsorships of \$185,000 (2017: \$3,170,000) were received from entities for whom SNCT trustees work for or have trusteeship roles.

SNCT purchased product and services to a value of \$2,081 (2017: \$193,445) on arm's length commercial terms from entities that trustees Mike Hutcheson and John Bongard are related to.

SNCT also purchased product and services to a value of \$32,611 on arm's length commercial terms from entities that trustee Jeremy Hay is related to.

Parties related to the trustees have hired the facilities of SNCT on normal commercial terms during the 2018 year.

SNCT has provided free office space and associated utilities in the Momentum hub commencing in February 2017 with an estimated annual value of \$15,000 (2017: \$15,000) to each of;

- The Rising Foundation Trust, who John Bongard, Second Nature Trust trustee is Chairman of and
- the John Walker Find Your Field of Dreams Foundation who works in conjunction with SNCT on school programmes providing subsidised entry cost to children in the programme for water safety education. Sir Noel Robinson, Second Nature Trust trustee, is also a trustee of the Foundation.

The Original Art Sale Limited is a company wholly owned by Second Nature Charitable Trust. See Note 9 for details.

Loan facility of \$6 mil (2017 \$6 mil) is available for draw-down to cover the operational and construction cost incurred by both the function centre and WERO Whitewater park from BNZ Bank where trustee Chelsea Herbert is a property specialist at the bank.

All the related party transactions were at arm's length. All the transactions were approved by the Board of Trustees. Trustees have removed themselves from discussion where there has been an interest in regards to any decision made.

7. CAPITAL COMMITMENTS

The trust has a contractual commitment with FordeArt of \$43,478 for the Waka Wero project at balance date (2017: \$ nil).

The trust is still fundraising for funds towards further enhancement of the facility and repaying the BNZ finance facility.

8. PROGRAMME MAINTENANCE

In the 2014 year Second Nature Charitable Trust entered into an agreed programme of work for external painting and wash of the building. This agreement provides for an equal annual payment over the life of the contract. A liability has been recognised which is a best estimate of the actual work performed by the contractor for which the contractor has not been paid at balance date. The liability has not been adjusted for inflation and the effect of the time value of money.

SECOND NATURE CHARITABLE TRUST

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
Current Portion	34,850	34,850
Term Portion	<u>11,625</u>	<u>29,252</u>
Total Liability	46,475	64,102

9. THE ORIGINAL ART SALE LIMITED

The Original Art Sale Limited is an inactive company wholly owned by Second Nature Charitable Trust. The Trust acquired the rights to the "The Original Art Sale" event and the results of this event are included in the financial statements of Second Nature Charitable Trust. Noel Robinson (Trustee) and Richard Jeffery (former CEO) of Second Nature Charitable Trust are also Directors of The Original Art Sale Limited.

10. SPONSORSHIP AND GRANTS

Sponsorship and grants of \$1,071,067 were received from various sponsors in the 2018 financial year including Trillian Trust, Grassroots Trust, Vodafone, AUT and many more.

11. INVESTMENT PARTNERSHIP

During the current financial year, the Trust received \$351,120 (2017: \$365,750) from Regional Facilities Auckland (RFA). RFA have confirmed that this support will continue for another one year period to support the event centre community aspirations but not be allocated toward Vector Wero operations.

12. BANK

Bank balances were held in accounts with the ASB and BNZ Bank.

13. REVENUE

	2018	2017
<i>Exchange transactions</i>		
Trading Income	7,390,303	6,055,808
Interest	247	2,159
Sponsorship recognised	655,510	491,680
<i>Non-exchange revenue</i>		
Grants recognised	415,557	6,419,462
RFA Service Contract	<u>351,120</u>	<u>365,750</u>
Total Revenue	8,812,737	13,334,858

14. EXPENDITURE

Included within expenditure are the following items:

	2018	2017
Direct costs for venue hire	3,660,446	3,221,008
Employee benefits	1,417,470	1,427,033
Depreciation	2,610,222	2,404,898
Goodwill amortisation	0	173
Repair and Maintenance	271,022	195,960

SECOND NATURE CHARITABLE TRUST

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
Interest and finance charges	105,191	82,048
Utilities	498,292	431,452
Marketing, promotion and community programme costs	686,837	1,017,166
Insurance, communications and other venue operating overheads	960,347	762,926
Auditors fees	15,300	28,940
Total Expenses	10,225,126	9,571,601

15. VENUE TRADING

	2018	2017
Trading Income	7,390,302	6,055,808
Less: Trading Expenses	3,914,155	3,440,710
Gross Trading Surplus	3,476,147	2,615,098
Less: Overheads	2,637,699	2,405,870
Repair and Maintenance	198,078	134,392
Net Operating (Deficit) / Surplus	640,370	74,836

Net Venue operating surplus / (deficit) is the position achieved before non-event income such as sponsorship, grants or interest income and before the recognition of interest costs, depreciation and non-operational charges. The repair and maintenance cost covers current operational expenses, but excludes long term maintenance. Furthermore the venue trading does not include the RFA Service Contract as noted in Note 11; although some operating costs for delivery of RFA Service Contract Outputs are included in the aforementioned operating overheads.

16. COMMUNITY GOOD

During the year the Trust provided access to its facilities to a large number of schools, charities and other community focused groups. The Trust's total sponsorship or forgone revenue for discounts given in providing continued community access to the centre in this way was \$441,550 (2017: \$565,901) from VEC and \$709,121 (2017: \$317,094) from WERO. Since opening in 2005 this figure is now \$7,614,908.

17. AMORTISATION

The acquisition cost for the rights to the Original Art Sale (Note 9) on 14th of November 2006 included goodwill of \$2,600. This goodwill was amortised on a straight line basis over 10 years with final amortised expense occurring in 2017.

18. CONTINGENT LIABILITIES

The Trust acts as guarantor in respect of a lease agreement whereby Manukau Orchestral Society Incorporated is the tenant.

There were no other contingent liabilities at balance date (2017: nil).

19. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2018	2017
Trade Payables	735,677	757,782

SECOND NATURE CHARITABLE TRUST

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

20. ACCOUNTS RECEIVABLE FROM EXCHANGE TRANSACTIONS

	2018	2017
Trade receivables	493,356	462,058
Sundry debtors	<u>33,073</u>	<u>11,753</u>
Total Accounts Receivable from Exchange Transactions	526,429	473,811

21. ACCOUNTS RECEIVABLE DUE FROM NON-EXCHANGE TRANSACTIONS

	2018	2017
Grant funding due	0	115,000
GST receivable	<u>0</u>	<u>0</u>
Total Accounts Receivable from Non-exchange Transactions	0	115,000

22. EMPLOYEE ENTITLEMENTS

	2018	2017
Annual Leave	72,630	69,462
Salary and wages accrual	<u>95,666</u>	<u>143,844</u>
	168,296	213,306

23. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The carrying values of financial instruments are as follows:

	2018	2017
Loans and Receivables		
Cash and Cash Equivalents	142,096	609,957
Accounts Receivable	<u>493,356</u>	<u>462,058</u>
Total Loans and Receivables	635,452	1,072,015
Financial Liabilities at Amortised Cost		
Trade and Other Payables	<u>759,365</u>	<u>758,399</u>
Total Financial Liabilities at Amortised Cost	759,365	758,399

The Trust is a party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, receivables and payables.

Credit Risk

In the normal course of its business, the Trust incurs credit risk from receivables and from transactions with financial institutions. The Trust has no significant concentrations of credit risk. No collateral or security is held or given to support financial instruments.

Interest Rate Risk

The Trust has minimal interest rate risk, as all cash funds that earn interest are with a registered bank.

SECOND NATURE CHARITABLE TRUST

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Fair Value

The estimated fair values of all financial assets and liabilities are equivalent to the carrying amounts disclosed in the statement of financial position.

Creditors and Other Payables

Creditors and other payables are non-interest bearing and are normally settled on 30 day terms. The carrying value of creditors and other payables approximates their fair value. All creditors and other payables are from exchange transactions.

24. BNZ LOAN FACILITY

A BNZ Bank loan facility of \$6 million was entered into in the 2017 financial year having \$2.12 million draw down at balance date. The terms of the facility are commercial and the face value is considered to represent fair value. The full amount of the loan is to be repaid by 1 April 2021.

25. KEY MANAGEMENT PERSONNEL AND COMPENSATION

Key management and personnel are considered to be the board of trustees and the leadership team.

	31 March 18	31 March 17
Trustees		
Full time equivalent members	0.5	0.5

During the year no trustee received any form of payment or honorarium. Trustees collectively have collectively donated over 1,000 hours of their own time during this period (2017: over 1,000 hours) which is considered to be equivalent of 0.5 FTE.

The Trustees meet 9 times per year. Meeting and preparation is 8 hours per Trustee per meeting. The chairman spends approximately 4 hours per week in addition to this.

Leadership Team

	2018	2017
Remuneration	\$ 718,891	\$ 734,560
Full Time Equivalent members	5	7

26. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date the Trust has entered into an agreement with a third party whereby the Trust will purchase adjacent land for \$2.00 million from the Auckland City Council who will pay the Trust a lease surrender of \$1.04 million. A success fee of \$279k will be payable by the Trust in respect of this transaction.

The Trust will then sell the property to the third party for approximately \$2.07 million, with 50% vendor finance payable on completion of the hotel expected in July 2019.

RSM Hayes AuditPO Box 9588
Newmarket, Auckland 1149
Level 1, 1 Broadway
Newmarket, Auckland 1023T +64 (9) 367 1656
www.rsmnz.co.nz

Independent Auditor's Report

To the trustees of Second Nature Charitable Trust

Opinion

We have audited the financial statements of Second Nature Charitable Trust ("trust"), which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in net assets/equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the statement of accounting policies and notes to the financial statements.

In our opinion, the accompanying financial statements on pages 3 to 17 present fairly, in all material respects, the financial position of Second Nature Charitable Trust as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the trust in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

An affiliated RSM entity has provided other services to Second Nature Charitable Trust in the areas of certain accounting and advisory services, as well as compilation of the year-end financial statements. The provision of these other services has not impaired our independence as auditor of the trust. Except in these regards, and other than in our capacity as auditor, the firm has no other relationship with, or interests in, Second Nature Charitable Trust.

Other information

The trustees are responsible for the other information. The other information comprises the Directory on page 2 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the trustees for the financial statements

The trustees are responsible, on behalf of Second Nature Charitable Trust, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, the trustees are responsible, on behalf of the trust, for assessing the trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

Who we report to

This report is made solely to the trustees, as a body. Our audit has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trust and the trustees as a body, for our work, for this report, or for the opinions we have formed.



RSM Hayes Audit
Auckland

28 August 2018