

Deloitte  
Deloitte House  
8 Nelson Street  
PO Box 33, Auckland  
New Zealand

Tel: +64 (9) 309 4944  
Fax: +64 (9) 309 4947  
www.deloitte.co.nz

May 2006

The *Model Annual Report* has been designed by Deloitte to assist clients, partners and staff with the preparation of annual financial statements for **consolidated entities** in respect of reporting periods beginning on or after 1 **January 2005**.

Annual financial statements prepared in respect of reporting periods beginning on or after 1 January 2007 must be prepared in accordance with the New Zealand Equivalents to International Financial Reporting Standards ('**NZ IFRS**') with early adoption permitted for periods beginning on or after 1 July 2005. Accordingly, this model provides an illustrative example of annual financial statements prepared by consolidated entities on first-time adoption of NZ IFRS.

More generally, this model is an illustrative example of general purpose financial statements prepared in accordance with:

- the Companies Act 1993 and Financial Reporting Act 1993; and
- Standards and Interpretations issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants and approved by the Accounting Standards Review Board (except as noted in Section B) up to 31 December 2005.

We have also included some discussion and examples of other matters that would typically be included in an entity's annual report, including:

- the requirements of section 211 of the Companies Act 1993; and
- other requirements and guidelines current as at the date of issue, including New Zealand Stock Exchange ('NZX') Listing Rules and New Zealand Securities Legislation.

We trust that you will find the *Model Annual Report* a useful tool in the preparation of your financial statements and annual report.



Denise Hodgkins  
Partner – National Technical  
Deloitte

# Model Annual Report

## Contents

Introduction	A
Model annual report	B
Consolidated model financial statements	C
Glossary	D
Index and further information	E

This publication is intended as background briefing only. It should be used by someone with a detailed knowledge of New Zealand Equivalents to International Financial Reporting Standards. It is not intended to be relied upon as, nor to be a substitute for, specific professional advice. Although this document is based on information from sources which are considered reliable, Deloitte, its partners, directors, employees and consultants, do not represent, warrant or guarantee that the information contained in this document is complete and accurate.

No liability will be accepted for any loss occasioned to any party acting upon or refraining from acting in reliance on information contained in this publication, nor does Deloitte accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect any of the information contained in this document. This document is a private communication to Deloitte clients and is not intended for public circulation or for the use of any third party, without prior approval of Deloitte. As this document is prepared without consideration of any specific objectives, financial situation or needs, deals with aspects of the industry in question rather than its entirety and is time sensitive, a Deloitte partner should be consulted before any business decisions are made.

# Section A – Introduction

	Page
<b>Changes in reporting requirements</b>	<b>A 1</b>
Adoption of NZ IFRS	A 1
The Framework for Differential Reporting	A 1
<b>Legislative Framework</b>	<b>A 1</b>
Definitions	A 1
Annual Report	A 2
Financial Statements	A 4
<b>Other information in annual reports</b>	<b>A 8</b>
Directors' Reports	A 8
Corporate Governance	A 9
<b>Accounting Pronouncements</b>	<b>A 10</b>
<b>True and fair view</b>	<b>A 12</b>
<b>Materiality</b>	<b>A 12</b>
<b>Comparative information</b>	<b>A 12</b>
<b>Set-off of assets and liabilities</b>	<b>A 12</b>
<b>Nil figures in both years</b>	<b>A 12</b>
<b>Timeline of critical dates</b>	<b>A 12</b>

## Changes in reporting requirements

### Adoption of New Zealand equivalents to International Financial Reporting Standards

On 24 November 2004 the Accounting Standards Review Board ('ASRB') approved the stable platform of NZ IFRS presented to it by the Financial Reporting Standards Board ('FRSB'). NZ IFRS has additional requirements for profit-oriented entities and for public benefit entities to those required under IFRS.

The compelling reason for New Zealand's convergence with IFRS is that a single set of high quality accounting standards which are accepted in major international capital markets will greatly facilitate cross-border comparisons by investors, reduce the cost of capital and assist New Zealand companies wishing to raise capital or list overseas.

All reporting entities in New Zealand must comply with NZ IFRS at the latest for reporting periods beginning on or after 1 January 2007, however entities may 'early adopt' and implement NZ IFRS from balance dates beginning on or after 1 January 2005.

The FRSB similarly adopted Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC) for application to reporting periods beginning on or after 1 January 2007 or for reporting periods beginning on or after 1 January 2005 if the entity complies with NZ IFRS-1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards'.

*A list of the NZ IFRSs applicable on or after 1 January 2007 or for reporting periods beginning on or after 1 January 2005 if the entity complies with NZ IFRS-1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards' is detailed on pages A10 to A11.*

### The Framework for Differential Reporting

The Framework for Differential Reporting for entities applying the NZ IFRSs Reporting Regime was approved by the ASRB in June 2005 under the Financial Reporting Act 1993 as an interim approach in an attempt to reduce the reporting requirements imposed on certain entities by the application of the new reporting regime. The Framework is based on the current Framework for Differential Reporting initially developed in 1994 but revised in December 2005.

The FRSB has not re-examined the assumptions used in developing that Framework because the IASB has embarked upon a project in which it is considering reporting requirements for small and medium entities ('SMEs') and the Ministry of Economic Development is currently reviewing the Financial Reporting Act 1993 ('FRA') in relation to which entities are to be subject to NZ IFRS. Following completion of these projects, New Zealand's approach to differential reporting under the Framework will be reviewed.

## Legislative Framework

### Definitions

A **reporting entity** is defined in:

- NZ IFRS-3 'Business Combinations' as 'an entity for which there are users who rely on the entity's general purpose financial statements for information that will be useful to them for making decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries'; and
- The FRA s.2 as:
  - (a) an Issuer; or
  - (b) a company, other than an exempt company; or
  - (c) a person that is required by any Act, other than this Act to comply with this Act as if it were a reporting entity.

An **Issuer** is defined in the FRA s.4 as:

- every person who has, whether before or after the commencement of the FRA, allotted securities pursuant to:
  - (i) an offer for which, or for which but for an exemption granted by the Securities Commission pursuant to section 5 of the Securities Act 1978, an investment statement or a registered prospectus, or both, is or was required under that Act (other than an offer of a unit in a unit trust); or
  - (ii) an offer required to be contained in a prospectus required to be registered under the Companies Act 1955, whether or not the securities allotted are securities of the same type as the securities offered;

- every manager of a unit trust (within the meaning of section 2 of the Unit Trusts Act 1960) in which securities have been allotted, whether before or after the commencement of the FRA, pursuant to an offer of securities to the public within the meaning of the Securities Act 1978;
- every person who is a party to a listing agreement with a stock exchange in New Zealand and who has issued securities which are quoted on such an exchange;
- every insurer to whom Part 10 of the Injury Prevention Rehabilitation and Compensation Act 2001 applies;
- every registered bank that has allotted securities to the public.

Certain entities are specifically excluded from the definition of Issuer under section 6 of the FRA including:

- the Crown;
- a local authority;
- the Board of Trustees of the National Provident Fund;
- the Reserve Bank of New Zealand; and
- a company that does not have more than 25 shareholders and that would be an Issuer by reason only of the allotment of equity securities.

An **exempt company** under the FRA s.2 is a company (other than an overseas company or an Issuer), where at the balance date of the accounting period:

- the value of total assets did not exceed \$450,000;
- turnover did not exceed \$1,000,000;
- the company was not a subsidiary of another body corporate or association of persons; and
- the company did not have any subsidiaries.

An **overseas company** under the FRA s.2 is a company incorporated outside New Zealand that carries on business in New Zealand within the meaning of section 332 of the Companies Act 1993 ('CA').

**Other companies with overseas connections** are:

- subsidiaries of companies or body corporates incorporated outside New Zealand; or
- companies in which shares that in aggregate carry the right to exercise or control the exercise of 25% or more of the voting power at a meeting of the company are held by:
  - (a) a subsidiary of a company or body corporate incorporated outside New Zealand or a subsidiary of that subsidiary; or
  - (b) a company or body corporate incorporated outside New Zealand; or
  - (c) a person not ordinarily resident in New Zealand (FRA s.19).

**General purpose financial statements** are defined in NZ IAS-1 'Presentation of Financial Statements' as 'financial statements intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs'.

## Annual Report

### When is an annual report required?

Section 208 of the CA requires companies to prepare an annual report on the affairs of the company during the accounting period. This report is required within 5 months of balance date (9 months for an exempt company). Please refer to the Timeline of Critical Dates on page A12 for a summary of all reporting dates.

### Who should receive a copy of the annual report?

Section 209 of the CA requires the board of a company to send a copy of the annual report to every shareholder of the company not less than 20 working days before the date fixed for holding the annual meeting of the shareholders except in the following circumstances:

- (a) the shareholder has given notice in writing to the company waiving the right to be sent a copy of the annual report; and
- (b) the shareholder has not revoked that notice; and
- (c) a copy of the report is available for inspection by the shareholder.

Where the annual report is not required to be sent by the company, section 210 of the CA requires the board to send to those shareholders, not less than 20 working days before the annual meeting of shareholders, a copy of the financial statements, any group financial statements and audit report(s) for the most recently completed accounting period signed in accordance with sections 10 and 13 of the FRA.

### What are the minimum requirements of an annual report?

The Companies Act 1993 Requirements: (please refer to illustrated example of disclosures on pages B7 to B10)

Section 211 of the CA requires the annual report to be in writing, dated and signed by two Directors of the company or, if the company only has one Director, by that Director. The following additional disclosures in the annual report are required:

- (a) a description of any material change during the accounting period in:
  - (i) the nature of the business of the company or any of its subsidiaries or
  - (ii) the classes of business in which the company has an interest, whether as a shareholder of another company or otherwise;
- (b) signed company and group financial statements for the period;
- (c) an auditors' report if required;
- (d) particulars of entries in the interest register made during the accounting period;
- (e) in respect of each Director or former Director of the company, the total of the remuneration and the value of other benefits received by that Director or former Director from the company during the accounting period;
- (f) the number of employees or former employees of the company (not being Directors of the company) who received remuneration and any other benefits during the accounting period of \$100,000 per annum or more. The number of such employees or former employees in brackets of \$10,000 is required;
- (g) the total amount of donations made during the accounting period;
- (h) the names of the persons holding office as Directors of the company at the end of the accounting period and those who ceased to hold office as Directors during the period;
- (i) amounts payable to the auditor of the company as audit fees and, as a separate item, for other services provided.

Where group financial statements are required, the annual report should also disclose the information specified in (d) to (i) above in relation to its subsidiaries. Where all shareholders agree the annual report of a company need not comply with paragraphs (a) and (d) to (i) above.

The New Zealand Stock Exchange Listing Rules: (please refer to illustrated example of disclosures on pages B1 to B14)

- NZSX/DX Listing Rules:

Rules 10.5.1, 10.5.3 and 10.5.5 of the NZSX/DX Listing Rules require a number of disclosures in annual reports of Issuers with securities which are traded on the Exchange.

Important disclosures required by these rules are as follows:

- (a) all information required by law;
- (b) all information required in a preliminary announcement by Rule 10.4.2;
- (c) information required to be published by sub-part 3 of part 2 of the Securities Markets Act 1988 and in the case of a company, the information required by section 211 of the CA;
- (d) the names and holdings of equity securities of the holders having the 20 largest holdings of quoted equity securities on the register of the Issuer as at a date not earlier than two months before the date of the publication of the annual report;
- (e) the equity securities in which each Director has a relevant interest at the balance date of the current financial year;
- (f) details of the spread of quoted security holders at a date not earlier the 2 months before the date of the publication of the annual report;
- (g) current credit rating status (if any) of the Issuer;
- (h) a summary of all waivers granted and published by NZX within, or relied upon by the Issuer, in the 12 month period preceding the date 2 months before the date of the publication of the annual report, or a statement that such waivers have been granted to the Issuer and an appropriate cross reference to the Issuer's website where a summary of such waivers are published and will remain published for a period of 12 months following publication of the annual report;
- (i) details of any exercise of NZX's powers set out in Rule 5.4.2;

- (j) a statement of any corporate governance policies, practices and processes, adopted and followed by the Issuer;
  - (k) a statement on whether and, if so, how the corporate governance principles adopted or followed by the Issuer materially differ from the Corporate Governance Best Practice Code or a clear reference to where such statement may be found on the Issuer's public website;
  - (l) a statement as to which of its Directors are Independent Directors and which of its Directors are not Independent Directors, as at the balance date of the Issuer;
  - (m) details of any Director appointed pursuant to provisions of the Constitution complying with Rule 3.3.5 and the security holder which appointed that Director.
- **NZAX Listing Rules:**  
Rules B1.5.3, B1.5.4 and B1.5.5 of the NZAX Listing Rules require a number of disclosures in annual reports of Issuers with securities which are traded on the Exchange.  
Important disclosures required by these rules are as follows:
    - (a) all information required by law;
    - (b) all information required in a preliminary announcement by NZAX Listing Rule B1.4.2;
    - (c) information required to be published by section 26 of the Securities Markets Act 1988 and in the case of a company, the information required by section 211 of the CA;
    - (d) the names and holdings of equity securities of the holders having the 20 largest holdings of quoted equity securities on the register of the NZAX Issuer as at a date not earlier than two months before the date of the publication of the annual report;
    - (e) the equity securities in which each Director has a relevant interest at the balance date of the current financial year;
    - (f) details of the spread of security holders at a date not earlier the two months before the date of the publication of the annual report;
    - (g) current credit rating status (if any) of the NZAX Issuer;
    - (h) all waivers granted by NZX or the Market Surveillance Panel and published, applicable as at balance date;
    - (i) details of any exercise of NZX's powers set out in NZAX Listing Rule A5.3.2;
    - (j) a statement of any corporate governance policies, practices and processes, adopted and followed by the NZAX Issuer; and
    - (k) the identity of any Director appointed pursuant to provisions of the Constitution complying with NZAX Listing Rule B2.1.4 and the security holder which appointed that Director.

Rule 10.5.5 of the NZSX/DX Listing Rules and Rule B1.5.5 of the NZAX Listing Rules requires an Issuer which extends its half-yearly reporting period or changes its balance date to make a report containing such information, and to be released at such time as NZX shall require in respect of the existing half-yearly reporting period or the period ending on the existing balance date.

Rule 10.5.3(h) of the NZSX/DX Listing Rules and Rule B1.5.3(h) of the NZAX Listing Rules requires listed companies to provide a statement of any corporate governance policies, practices and processes which are adopted or followed by the Issuer. We recommend the issue of such a statement by all publicly accountable entities, as an assurance to users that reasonable steps have been taken to minimise the corporate governance related risks to which entities and investors are exposed. Refer to more detailed guidance on pages B1 to B14.

Further details of the NZSX/DX/AX Listing Rules can be found at [www.nzx.co.nz](http://www.nzx.co.nz)

## Financial Statements

### When are financial statements required to be prepared?

Section 10 of the FRA requires the Directors of every reporting entity to prepare financial statements within 5 months of balance date. This same requirement applies to group financial statements as prescribed by Section 13 of the FRA. The financial statements and group financial statements must be dated and signed on behalf of the Directors by two Directors of the entity, or, if the entity only has one Director, by that Director.

If all shareholders agree, the Directors of an exempt company may extend this period to 9 months after balance date.

Group financial statements are not required in relation to a reporting entity that is a company if the only shareholder of the company at balance date is a reporting entity that is a body corporate (and/or its subsidiary and/or the nominee of either).

Please refer to the Timeline of Critical Dates on page A12 for a summary of all reporting dates.

## When are financial statements required to be audited?

### Issuers

Section 15 of the FRA requires the Directors of an Issuer to ensure that the financial statements of the Issuer and group financial statements (if any), are audited.

The financial statements and any group financial statements must be audited by an auditor appointed or qualified for appointment under the CA. If the Issuer is incorporated or registered under any other Act that provides for the appointment of an auditor, an auditor will be appointed under that Act. If the Issuer is a public entity under the Public Audit Act 2001, the financial statements and any group financial statements will be audited by the Auditor-General.

The New Zealand Stock Exchange Rules require the financial statements contained in the annual report of an Issuer to be audited (Rule 10.5.1).

### Other

Section 196 of the CA requires overseas companies and other companies with overseas connections (as outlined above) to appoint an auditor.

Section 196 also requires other companies to appoint an auditor unless there is a unanimous resolution of shareholders at or before the annual meeting of shareholders. If the company is a public entity as defined in section 4 of the Public Audit Act 2001, the Auditor-General is automatically appointed its auditor.

## When are financial statements required to be filed?

All Issuers, overseas companies and certain other companies with overseas connections (as outlined above) are required to deliver copies of their financial statements, group financial statements and auditor's report to the Registrar within 20 working days after the financial statements are required to be signed in accordance with the FRA, s18(1) and 19(2).

NZX Rule 10.5.1 requires each Issuer to issue an annual report (which must contain audited financial statements) to the NZX and to its quoted security holders within three months after the end of each financial year of the issuer. The annual report is required to be received by the NZX at the same time as it is sent to security holders. The NZX has issued a class waiver giving listed Issuers who are first time adopters of NZ IFRS an extension to four months after the end of the financial year for the publication of the first NZ IFRS annual report.

## What should the financial statements include?

Under the FRA s.8, the term "financial statements" in relation to an entity means a statement of financial position, and:

- (a) in respect of an entity trading for profit, a statement of financial performance;
- (b) in respect of an entity that is not trading for profit, an income and expenditure statement;
- (c) in respect of an entity that is a building society within the meaning of the Building Societies Act 1965, a revenue and appropriation account; and
- (d) in respect of a reporting entity, an applicable financial reporting standard required, a statement of cash flows together with any notes or documents giving information relating to the above statements.

Under the FRA s.9, the term "group financial statements" in relation to a group means a consolidated statement of financial position for the group, and:

- (a) where a member of the group trades for profit, a consolidated statement of financial performance;
- (b) where no member of the group trades for profit, a consolidated income and expenditure statement; and
- (c) if an applicable financial reporting standard requires, a consolidated statement of cash flows together with any notes or documents giving information relating to the above statements.

In respect of a reporting entity that is an overseas company, the term "financial statements" and "group financial statements" includes, in addition to the financial statements and group financial statements (if any) of the overseas company, financial statements and group financial statements in respect of the company's and the group's New Zealand business prepared as if that business were conducted by a company/companies formed and registered in New Zealand.

Rule 10.6.2 of the NZX Listing Rules notes that NZX may require an Issuer to provide in its financial statements, information additional to that required by the FRA.

## On what basis should the financial statements be prepared?

Financial reporting requirements are governed by the FRA and the Framework for Differential Reporting for entities applying the NZ IFRSs Reporting Regime, issued by the New Zealand Institute of Chartered Accountants ('NZICA'). The three tiers of reporting requirements are as follows:

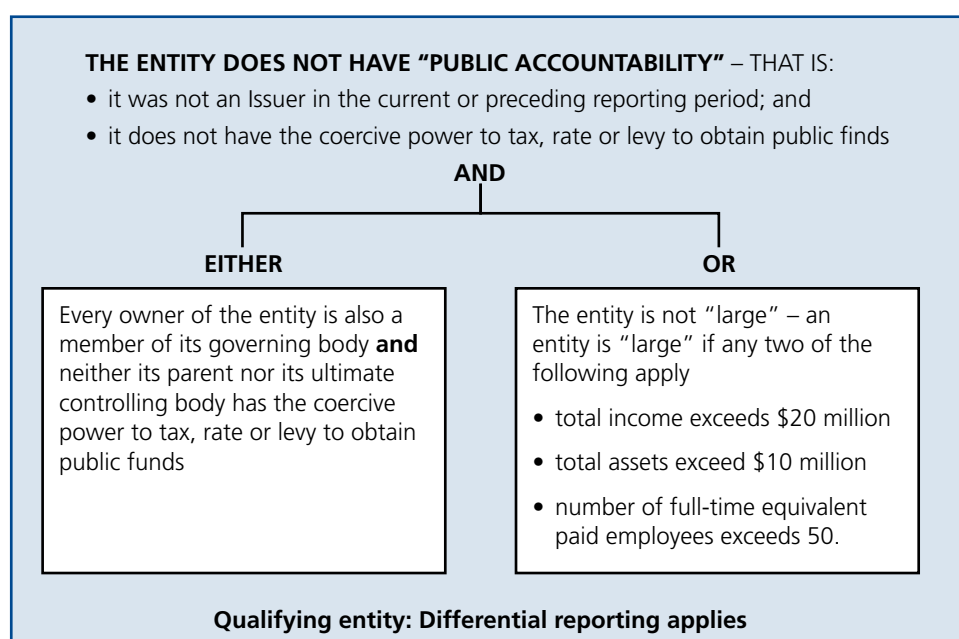
### 1. Exempt Companies Under the FRA

**Exempt companies** are required to produce their financial statements in accordance with the Financial Reporting Order 1994. They are not reporting entities under the FRA and are not required to comply with generally accepted accounting practice.

### 2. Reporting Entities which are Qualifying Entities Under the Framework for Differential Reporting

The Framework for Differential Reporting issued by the FRSB allows qualifying entities to avail themselves of exemptions from certain disclosures and measurement requirements of NZ IFRS. The criteria for identifying qualifying entities and financial reporting standards where exemptions apply is detailed below:

#### Identification of "qualifying entities"



The implications of qualifying for differential reporting are:

- qualifying entities are granted full exemption from NZ IAS-7 'Cash Flow Statements'
- qualifying entities are given partial exemption from the following Standards:
  - NZ IAS-1 Presentation of Financial Statements
  - NZ IAS-2 Inventories
  - NZ IAS-8 Accounting Policies, Changes in Accounting Estimates and Errors
  - NZ IAS-11 Construction Contracts
  - NZ IAS-12 Income Taxes
  - NZ IAS-16 Property, Plant and Equipment
  - NZ IAS-17 Leases
  - NZ IAS-18 Revenue
  - NZ IAS-19 Employee Benefits
  - NZ IAS-21 The Effects of Changes in Foreign Exchange Rates
  - NZ IAS-23 Borrowing Costs
  - NZ IAS-24 Related Party Disclosures
  - NZ IAS-28 Investments in Associates

- NZ IAS-32 Financial Instruments: Disclosure and Presentation
- NZ IAS-36 Impairment of Assets
- NZ IAS-37 Provisions, Contingent Liabilities and Contingent Assets
- NZ IAS-38 Intangible Assets
- NZ IAS-40 Investment Property
- NZ IAS-41 Agriculture
- NZ IFRS-4 Insurance Contracts
- NZ IFRS-5 Non-current Assets Held for Sale and Discontinued Operations
- NZ SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease; and
- NZ SIC-32 Intangible Assets – Web Site Costs

Except in relation to the above noted exemptions, qualifying entities are required to comply fully with generally accepted accounting practice which includes NZ IFRSs.

### 3. Reporting Entities Which Are Not Qualifying Entities

**All issuers and companies** (other than exempt companies, qualifying entities and public sector entities which do not meet the size criteria) are required to comply fully with generally accepted accounting practice.

#### **Compliance With Generally Accepted Accounting Practice**

The financial statements and group financial statements of all reporting entities must comply with generally accepted accounting practice ("GAAP") in accordance with the FRA, s11(1) and 14(1).

The annual financial statements of the Crown and all Departments, Offices of Parliament and Crown entities must be prepared in accordance with GAAP in accordance with the Public Finance Act 1989 sections 27(2), 35(3) and 41(2).

GAAP is defined in the FRA, section 3 as:

- (a) Applicable financial reporting standards; and
- (b) In relation to matters for which no provision is made in applicable financial reporting standards and that are not subject to any applicable rule of law, accounting policies that-
  - (i) are appropriate to the circumstances of the reporting entity; and
  - (ii) have authoritative support within the accounting profession in New Zealand.

NZ IAS-8 'Accounting Policies, Changes in Accounting Estimates or Errors' states that in the absence of a Standard or an Interpretation that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy and in doing so the following should be considered in descending order:

- the requirements and guidance in Standards and Interpretations dealing with similar and related issues; and
- the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the New Zealand Framework.

In making their judgement, management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources described above.

## Other information in annual reports

### Directors' Reports

#### What matters should be considered when preparing the Directors' Report?

A Directors' Report is not specifically required by the CA however a commentary on the results for the period is a requirement under NZSX/DX Listing Rules for a Preliminary Announcement in respect of a full year.

To this end many companies include a Chairman's Report and a Managing Directors' Report in their annual report which include information regarding the performance of the company and the events that have occurred during the reporting period.

Information that could be considered in preparing such reports, including some of the specific requirements of s211 of the CA are:

- the names and particulars of the Directors of the company during or since the end of the financial year;
- particulars of each Directors' qualifications, experience and special responsibilities;
- a review of the consolidated entity's operations during the financial year and the results of those operations;
- a review of financial conditions such as capital funding and treasury policies, restriction of funds transfer, covenants and the maturity profile of borrowings;
- where changes to the state of affairs of the company are material, provide details and cross reference these to relevant notes in the financial statements;
- details of likely future developments in operations that Directors wish to bring to the attention of the users of the financial report;
- details of performance in relation to environmental or other legislation, as appropriate;
- details of dividends paid and / or declared;
- details of the number of Directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each Director;
- details of Directors' shareholdings; and
- details of Directors' and executives' remuneration and the broad policy for determining the nature and amount of Directors' and executives' remuneration.

The specific requirements of Preliminary Announcements under the NZSX/DX Listing Rules are:

- details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividends or distributions;
- details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan;
- net tangible assets per security with the comparative figure for the previous corresponding period;
- a commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results, which would include but not be limited to discussion of the following:
  - o the earnings per security and the nature of any dilution aspects;
  - o returns to shareholders including distributions and buy backs;
  - o significant features of operating performance;
  - o the results of segments that are significant to an understanding of the business as a whole;
  - o a discussion of trends in performance;
  - o any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified;
  - o a statement of any major changes or trends in the Issuers business subsequent to the end of the financial year and shall include where material any changes in the value of the Issuer's assets, or in its profitability, and any contingent liabilities, all in relation to the position disclosed in the last published financial statements; and
  - o a statement of any unrealised gains resulting from the revaluation of assets of the Issuer, any subsidiary, or any associated company and unrealised net changes in values or development margins of investment assets included as separate items after

profit before extraordinary items, identifying separately amounts arising from any unrealised gains of associated companies.

The specific requirements of Preliminary Announcements under the NZAX Listing Rules are:

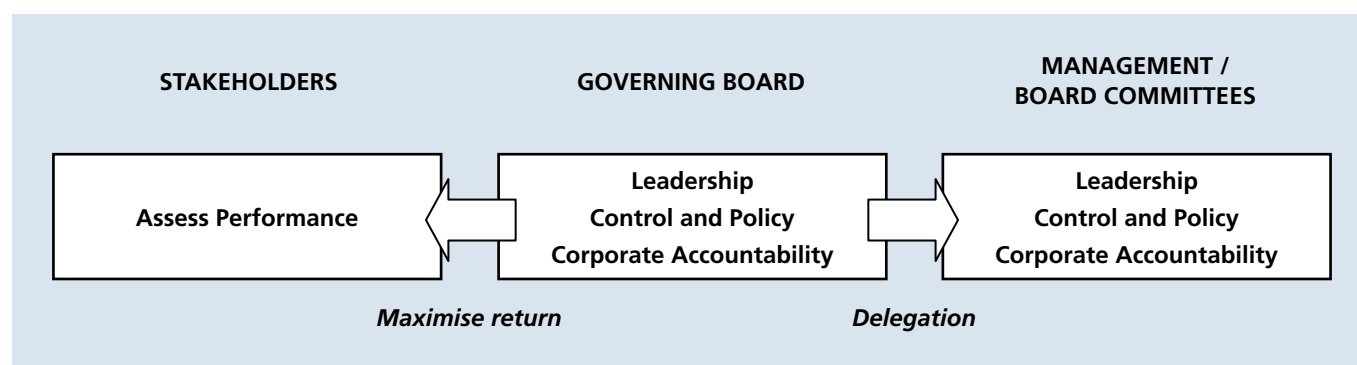
- Appendix One (NZAX Listing Rule B1.4) has specific requirements in a tabular form which must be completed. It also requires a commentary by Directors in relation to:
  - o material factors affecting the revenues and expenses of the group for the current full year;
  - o significant trends or events since the end of the current full year;
  - o changes in accounting policies since the last annual report;
  - o accounting policies the management believes to be critical;
  - o management’s discussion and analysis of financial conditions, results and/or operations. This discussion should contain forward looking statements that outline where these involved risk and uncertainty.

## Corporate Governance

### What is Corporate Governance?

Put simply, corporate governance is the method used by corporations to manage and control their activities. Directors are accountable for the effectiveness of these requirements. These principles are equally applicable to governing boards of non-corporate entities in the private and public sectors.

Corporate governance can be shown diagrammatically as follows:



### Who is required to prepare a Statement of Corporate Governance?

The New Zealand Stock Exchange Listing Rule 10.5.3(h) requires listed companies to provide a statement of any corporate governance policies, practices and processes adopted or followed by the Issuer for the reporting period.

We recommend the issue of such a statement by all publicly accountable entities as an assurance to users that the Board has considered and implemented good corporate governance policies and practices.

### What other matters should be considered when preparing a Statement of Corporate Governance?

When preparing a Statement of Corporate Governance the company should consider the following:

- distinguishing between executive and non-executive Directors;
- procedures relating to the nomination and appointment of new Directors;
- company policy relating to the appointment and retirement of Directors;
- procedures to enable directors to obtain independent legal or accounting advice;
- procedures for the determination of remuneration for the Chief Executive Officer, senior executives and board members;
- procedures for the nomination of external auditors;
- the Board of Directors’ approach to identifying and managing significant business risks; and
- company policy relating to the maintenance of ethical standards.

An illustration of a Statement of Corporate Governance is included in these model financial statements on pages B1 to B6. It is based on Appendix 16 ‘Corporate Governance Best Practice Code’ to the NZSX/DX Listing Rules. Further details of the New Zealand Stock Exchange Listing Rules can be found at [www.nzx.co.nz](http://www.nzx.co.nz)

## Accounting pronouncements

The following is a list of pronouncements which have been approved by the ASRB and have been through NZICAs publication process and are effective for reporting periods beginning on or after 1 January 2007, however entities may early adopt from 1 January 2005.

### NZ IFRS

The Accounting Standards are listed in numeric sequence, beginning with the IFRS-equivalent standards followed by the IAS-equivalent standards and the New Zealand specific standards.

Reference	Title
NZ Framework	New Zealand Equivalent to the IASB Framework for the Preparation and Presentation of Financial Statements
Differential Reporting	Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime
NZ IFRS-1	First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards
NZ IFRS-2	Share-based Payment
NZ IFRS-3	Business Combinations
NZ IFRS-4	Insurance Contracts
NZ IFRS-5	Non-current Assets Held for Sale and Discontinued Operations
NZ IFRS-6	Exploration for and Evaluation of Mineral Resources
NZ IFRS-7	Financial Instruments: Disclosures
NZ IAS-1	Presentation of Financial Statements
NZ IAS-2	Inventories
NZ IAS-7	Cash Flow Statements
NZ IAS-8	Accounting Policies, Changes in Accounting Estimates and Errors
NZ IAS-10	Events After the Balance Sheet Date
NZ IAS-11	Construction Contracts
NZ IAS-12	Income Taxes
NZ IAS-14	Segment Reporting
NZ IAS-16	Property, Plant and Equipment
NZ IAS-17	Leases
NZ IAS-18	Revenue
NZ IAS-19	Employee Benefits – <i>applicable to annual reporting periods beginning on or after 1 January 2005</i>
NZ IAS-19	Employee Benefits – <i>applicable to annual reporting periods beginning on or after 1 January 2006</i>
NZ IAS-20	Accounting for Government Grants and Disclosure of Government Assistance
NZ IAS-21	The Effects of Changes in Foreign Exchange Rates
NZ IAS-23	Borrowing Costs
NZ IAS-24	Related Party Disclosures
NZ IAS-26	Accounting and Reporting by Retirement Benefit Plans

Reference	Title
NZ IAS-27	Consolidated and Separate Financial Statements
NZ IAS-28	Investments in Associates
NZ IAS-29	Financial Reporting in Hyperinflationary Economies
NZ IAS-30	Disclosure in the Financial Statements of Banks and Similar Financial Institutions
NZ IAS-31	Interests in Joint Ventures
NZ IAS-32	Financial Instruments: Disclosure and Presentation
NZ IAS-33	Earnings per Share
NZ IAS-34	Interim Financial Reporting
NZ IAS-36	Impairment of Assets
NZ IAS-37	Provisions, Contingent Liabilities and Contingent Assets
NZ IAS-38	Intangible Assets
NZ IAS-39	Financial Instruments: Recognition and Measurement
NZ IAS-40	Investment Property
NZ IAS-41	Agriculture
FRS-39	Summary Financial Reports
FRS-42	Prospective Financial Statements

## Interpretations

The Interpretations are listed in numeric sequence, beginning with the IFRIC-equivalent interpretations followed by the SIC-equivalent interpretations.

NZ IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
NZ IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments
NZ IFRIC-4	Determining whether an Arrangement contains a Lease
NZ IFRIC-5	Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
NZ IFRIC-6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
NZ IFRIC-7	Applying the Restatement Approach under NZ IAS-29 Financial Reporting in Hyperinflationary Economies
NZ SIC-7	Introduction of the Euro
NZ SIC-10	Government Assistance – No Specific Relation to Operating Activities
NZ SIC-12	Consolidation – Special Purpose Entities
NZ SIC-13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
NZ SIC-15	Operating Leases – Incentives
NZ SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
NZ SIC-25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
NZ SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
NZ SIC-29	Disclosure – Service Concession Arrangements
NZ SIC-31	Revenue – Barter Transactions Involving Advertising Services
NZ SIC-32	Intangible Assets – Web Site Costs

## True and fair view

Financial statements and notes thereto prepared to satisfy the reporting requirements of the FRA must comply with GAAP, even if compliance does not result in a true and fair view. Sections 11 and 14 of the FRA requires Directors to provide additional information and explanations when compliance with GAAP would not give a true and fair view. This additional information and explanation should be given by way of a note to the financial statements.

## Materiality

The term 'material' is explained in NZ IAS-8.5 as 'Omissions and misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.'

## Comparative information

NZ IAS-1 'Presentation of Financial Statements' requires comparative information to be disclosed in respect of the previous reporting period. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

When the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable.

Except when an Accounting Pronouncement permits or requires otherwise, comparative information should reflect the retrospective application of a change in accounting policy except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the change.

## Set-off of assets and liabilities

Assets and liabilities should only be set-off where specifically permitted in accordance with Accounting Pronouncements, for example, NZ IAS-19 'Employee Benefits' and NZ IAS-32 'Financial Instruments: Disclosure and Presentation'.

## Nil figures in both years

Where the consolidated and company figures are nil in both financial years the line should be omitted. Lines with nil figures have been included in this model for completeness only.

## Timeline of critical dates

Critical Event	Critical Date	Source Reference
Completion and signing of financial statements (all reporting entities)	No later than 5 months after balance date (i)	FRA s.10, 13
Filing with Companies Office (Issuers and certain other entities)	No later than 20 working days after financial statements are required to be signed	FRA s.18(1), 19(2)
Issue to the NZX and quoted security holders	No later than 3 months after balance date (ii)	NZX 10.5.1
Completion and signing of Annual Report	Not later than 5 months after balance date	CA s.208(1)
Annual report to shareholders	No less than 20 working days before the date of the annual meeting of shareholders	CA s.209(1)
Annual meeting of shareholders (Companies)	Not later than 6 months after balance date and 15 months after the previous annual meeting (iii)	CA s.120(1)

(i) the FRA s.10(2) allows an extension to 9 months for exempt companies where all the members or shareholders agree

(ii) The NZX has issued a class waiver for Listed Issuers who are first time adopters of NZ IFRS in relation to the time frames for the publication of the annual preliminary announcements and annual reports as follows:

Exchange	Preliminary Announcement	Annual Report
New Zealand Stock Market (NZSX) / New Zealand Debt Market (NZDX)	Issuers make a preliminary announcement before the release of their annual report and not later than 75 days after the end of the financial year to which that report relates as opposed to 60 days after the end of the financial year as is normally required in accordance with Rule 10.4.1.	Issuers shall issue an annual report to NZX and to its Quoted Security holders (other than any Quoted Security holder who requests to the contrary and has not revoked that request) within four months after the end of each financial year as opposed to three months after the end of each financial year as is normally required in accordance with Rule 10.5.1.
New Zealand Alternative Market (NZAX)	Issuers make a preliminary announcement before the release of their annual report and not later than 90 days after the end of the financial year to which that report relates as opposed to 75 days after the end of the financial year as is normally required in accordance with Rule B1.4.1.	Issuers shall issue an annual report to NZX and to its Quoted Security holders (other than any Quoted Security holder who requests to the contrary and has not revoked that request) within five months after the end of each financial year as opposed to four months after the end of each financial year as is normally required in accordance with Rule B1.5.1.

These waivers are only available to Issuers in the first period they report under NZ IFRS and are subject to the condition that they announce through the NZX before the date the relevant item would be required, that they will not be providing the item within the timeframes specified in the relevant Rule and why they will not be doing so with reference to the class waiver and its relevant condition.

Any overseas listed Issuers must release any announcement or report to NZX at least at the same time that the announcement or report is issued to their home or other exchange.

- (iii) the CA s.120(1)(b)(i) allows an extension from 6 months after balance date to 10 months after balance date for exempt companies if all shareholders agree.