Simplifying your annual report

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Audit New Zealand
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Overview

- You have heard the key messages from the previous presentation
- Simplification – focus and context
- Principles and pointers
- Practical example – Port Otago Limited
- Questions

Purpose of financial reporting

- Financial and non-financial information to a range of users
- Accountability
- Decision-making
- Legislative and constitutional requirements
- Comply with GAAP – increases reliability

Complexity and compliance

- Annual reports increased in size and complexity
- Regulation mandated additional disclosures
- Compliance focus
- Risk aversion by preparers <u>and</u> auditors

Evolving good practice

- Accounting policies – consider simplification and integration
- Good design – headings, graphics, colour, ordering
- Improve/expand important disclosures
- Reduce/remove immaterial disclosures
- Considering what's material to users

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Some pointers

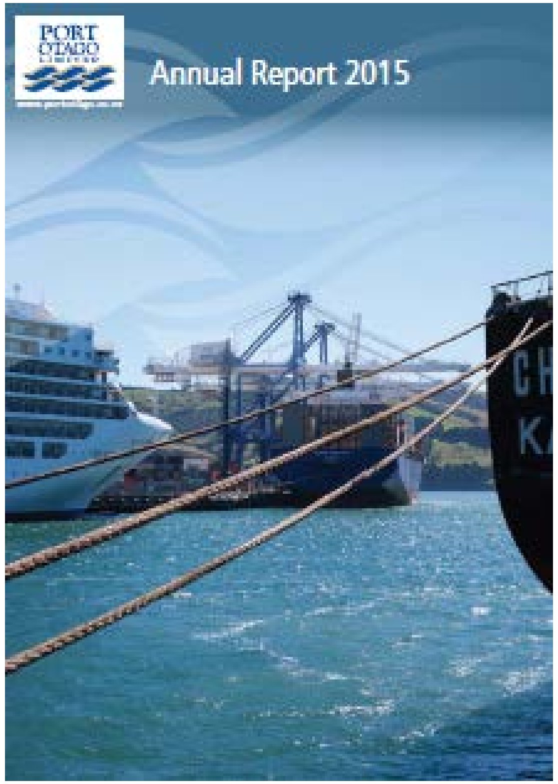
Easy wins?

- Are financial statements required at all?
- Consolidated only?
- Appropriate reporting tier?
- Notes and policies that are trivial or repeat other disclosed information?

What are we trying to achieve?

- User needs and accountability
- Shift from compliance to communication
- We will work with you

What others are doing



<u>2015</u>

Parent and Group

60 pages

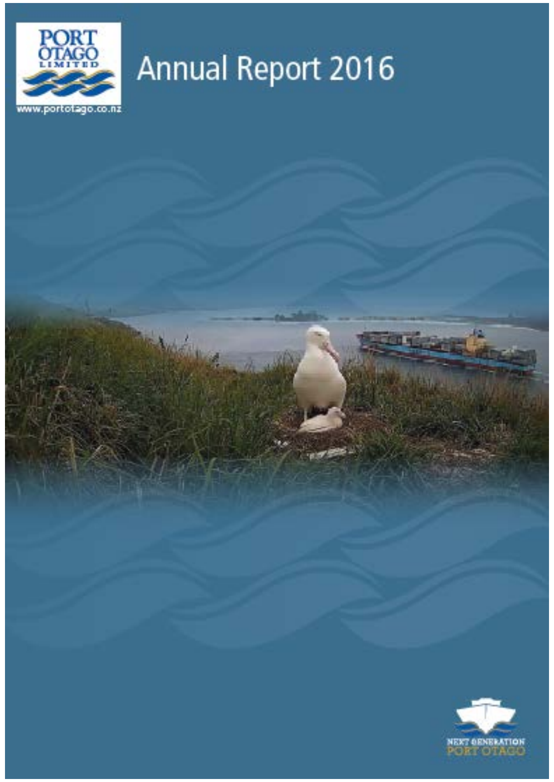
31 individual notes

<u>2016</u>

Group only

44 pages

27 individual notes



Notes grouped into:

A. Commitments and contingencies
B. Revenue and expenses
C. Key assets
D. Financial risk management
E. Other information

Accounting policy with relevant note

C. KEY ASSETS

C1. Investment property

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value at the balance sheet date. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement for the period in which they arise.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The fair value of investment property reflects the Directors' assessment of the highest and best use of each property and amongst other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also relects the cash outflows that could be expected in respect of the property.

No depreciation or amortisation is provided for on investment properties. However, for tax purposes, depreciation is claimed on building fit-out and a deferred tax liability is recognised where the building component of the registered building exceeds the tax book value of the building. The deferred tax liability is capped at the amount of depreciation that has been claimed on each building.

Gains or losses on the disposal of investment properties are recognised in the Income Statement in the period in which the risks and rewards of the investment property have been fully transferred to the purchaser.

Borrowing costs are capitalised if they are directly attributable to the acquisition or construction of a qualifying property. Capitalisation of borrowing costs will continue until the asset is substantially ready for its intended use. The rate at which borrowing costs are capitalised is determined by reference to the weighted average borrowing costs and the average level of borrowings.

	Notes	2016 $000	2015 $000
Balance at beginning of year		248,810	232,659
Transfer (to) from investment property inventories	C2	(5,406)	-
Acquisitions		6,077	9,867
Subsequent capital expenditure		2,935	5,794
Disposals		-	(8,926)
Net movement in prepaid leasing costs		182	(83)
Net movement in incentives		101	27
Interest capitalised		471	113
Net change in fair value		20,155	9,601
Transfer to property receivable		-	(242)
Balance at end of year		**273,325**	**248,810**
Comprising:			
Property portfolio cost		100,117	92,591
Revaluation		173,208	156,219
		273,325	**248,810**
Valued at 30 June balance date as determined by:			
Colliers International		90,370	80,985
CBRE Limited		182,955	167,825
		273,325	**248,810**