MASSEY UNIVERSITY FOUNDATION TRUST

Annual Report

For the Year Ended 31 December 2013

Contents

Statement of Trustees Responsibility

For the Year Ended 31 December 2013

The Trustees of Massey University Foundation Trust (the 'Trust') accept responsibility for the preparation of the annual report and the judgments used in these statements.

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

In the opinion of the Trustees the annual report for the financial year fairly reflects the financial position and operation of the Trust.

The Trust's annual report was adopted by the Trustees on 30 April 2014.

______________________ 23 May 2014

(Trustee)

______________________ 23 May 2014

(Trustee)

Trust Directory
As at 31 December 2013

Registered Office

Massey University

Turitea Campus

Tennant Drive

Palmerston North

Trustees

Nigel Gould (Chair)	appointed 25 March 2010
John Luxton	appointed 04 December 2006
Colin Harvey	appointed 27 July 2007
Steve Maharey	appointed 04 October 2008
Brian Ward	appointed 25 March 2010
John Harrison	appointed 25 March 2010

Auditors

Audit New Zealand

On behalf of the Auditor-General

Bankers

Bank of New Zealand

Westpac

Nature of Business

Charitable Trust

Location of Business

Tiritea House

Palmerston North

Solicitor

Buddle Finlay, Auckland

Statement of Comprehensive Income

For the Year Ended 31 December 2013

	Note	2013 $ '000	2012 $ '000
INCOME			
Gifts, Legacies & Grants	3	1,389	-
Distributions from Managed Funds	5	462	569
Net gains from Managed Funds at fair value through surplus or deficit	5	1,181	879
Interest		41	16
Other Income		8	6
Total Income		**3,081**	**1,470**
EXPENDITURE			
Audit Fees		8	6
Distributions and Grants	3	628	-
Investment Management Fees		91	78
Bank Fees		1	-
Total Expenditure		**728**	**84**
Surplus for the year		**2,353**	**1,386**
Other Comprehensive Income		-	-
Total Comprehensive Income for the year	2	2,353	1,386

The Statement of Accounting Policies and Notes to the Financial Statements form part of and are to be read in conjunction with these statements.

Statement of Changes in Equity
For the Year Ended 31 December 2013

	Note	*2013*	*2012*
		$ '000	*$ '000*
Balance at 1 January		**17,168**	**13,694**
Total Comprehensive Income		2,353	1,386
Contributed Capital From Massey University		-	3,495
Distribution from Retained Income			(1,407)
Balance at 31 December	2	**19,521**	**17,168**

The Statement of Accounting Policies and Notes to the Financial Statements form part of and are to be read in conjunction with these statements.

Statement of Financial Position
As At 31 December 2013

	Note	*2013*	*2012*
		$ '000	*$ '000*
CURRENT ASSETS			
Cash and Cash Equivalents	10, 11	721	1,711
Debtors and Other Receivables	8, 11	60	376
Other Financial Assets	5, 11	18,779	15,101
Total Current Assets		**19,560**	**17,188**
CURRENT LIABILITIES			
Creditors and Other Payables	9	39	20
Total Current Liabilities		**39**	**20**
NET ASSETS		**19,521**	**17,168**
Represented by:			
FOUNDATION EQUITY			
Foundation Equity	2	19,521	17,168
TOTAL EQUITY		**19,521**	**17,168**

For and on behalf of the Foundation:

_________________________ 23 May 2014

(Trustee)

_________________________ 23 May 2014

(Trustee)

The Statement of Accounting Policies and Notes to the Financial Statements form part of and are to be read in conjunction with these statements.

Statement of Cash Flows

For the Year Ended 31 December 2013

	Note	*2013*	*2012*
		$ '000	*$ '000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from			
Gifts, Legacies & Grants		1,331	-
Interest		32	16
Distribution from Managed Funds		454	569
Other Income		-	6
		1,817	**591**
Cash was applied to			
Distributions and Grants		624	-
Net GST movement		2	-
Payments to suppliers		83	79
Net Cash Flows from Operating Activities	6	**1,108**	**512**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from			
Withdrawal of Investment		1,398	441
Cash was applied to			
Purchase of Term Deposit		747	
Purchase of Investments		3,125	1,182
Net Cash Flows (to)/from Investing Activities		**(2,474)**	**(741)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from			
Capital Injection		376	3,119
Cash was applied to			
Distribution of Retained Income		-	1,407
Net Cash Flows from Financing Activities		**376**	**1,712**
Net (Decrease)/Increase in cash and cash equivalents		**(990)**	**1,483**
Cash and Cash Equivalents at the beginning of the year		1,711	228
Cash and Cash Equivalents at the end of the year		**721**	**1,711**

The Statement of Accounting Policies and Notes to the Financial Statements form part of and are to be read in conjunction with these statements.

Notes to the Financial Statements

1. **Statement of Accounting Policies**

Reporting entity

Massey University Foundation Trust (the 'Foundation') is domiciled in New Zealand and is a charitable trust for the benefit of Massey University. It has held charitable status since 2004. The Foundation has designated itself as a public benefit entity with all applicable public benefit entity exemptions being adopted.

The financial statements are prepared in accordance with the trust deed, the Education Act 1989 – TEI Subsidiaries and New Zealand Generally Accepted Accounting Practice (NZ GAAP) where defined. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for public benefit entities where defined.

The financial statements of the Foundation are for the year ended 31 December 2013. The financial statements were authorised for issue by the Trustees on 30 April 2014.

BASIS OF PREPARATION

Measurement Base

The financial statements have been prepared on an historical cost basis except for Managed Funds which have been measured at fair value.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000). The functional currency of the Foundation is New Zealand dollars (NZ$).

Differential Reporting

The Foundation has applied differential reporting with all exemptions being taken up except for the provision of a Cash flow Statement.
The Foundation qualifies for differential reporting on the grounds that it is not publicly accountable within the meaning of the Framework for differential reporting. It is not large as it has less than 50 employees and total revenue was less than $20 million for the year.

SIGNIFICANT ACCOUNTING POLICIES

There have been no changes in accounting policies, and the policies have been applied on a basis consistent with prior years.

The group has not elected to early adopt any new standards or interpretations that are issued but not yet effective.

Accounting Standards and interpretations issued but not yet effective

NZ IFRS Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the group for the annual reporting period ended 31 December 2013, are outlined in the following table:

Reference	Title	Summary	Parent	Group
	PBE Standards for Tier 1 and Tier 2 Public Benefit Entities	The package of PBE Standards issued, applicable for **Tier 1 and Tier 2 PBEs** consists of the following standards: ► Standard XRB A1 *Accounting Standards Framework*, which is the overarching standard that sets out the accounting standards framework; ► A suite of 39 PBE Standards; and ► The Public Benefit Entities (conceptual) Framework. The new PBE Standards are based on International Public Sector Accounting Standards, which are themselves based on IFRS. Therefore major changes to accounting policies are not expected. Nevertheless, there are some potentially significant differences and also a range of smaller differences between the PBE Standards and NZ IFRS. Examples of potential significant differences could include: ► PBE Standards with no equivalent NZ IFRS - PBE IPSAS 23 *Revenue from Non-Exchange Transactions*, which prescribes requirements for accounting for revenue from non-exchange transactions; - PBE IPSAS 32 *Service Concession Arrangements: Grantor*, which prescribes the accounting for service concession arrangements by the grantor ► Differences between equivalent standards - PBE IPSAS 20 *Related Party Disclosures*, exempts all transactions between related parties (except key management personnel remuneration) that occur on arm's length terms and conditions from disclosure, and provides a potentially wider definition of key management personnel compared to NZ IFRS 24 *Related Party Disclosures*. Please note that this is not a complete list of differences between PBE Standards and NZ IFRS. Early adoption of PBE Standards by Tier 1 and Tier 2 public sector PBEs is not permitted.	**Public Sector PBEs** 1 January 2015 (early adoption not permitted)	**Public Sector PBEs** 1 January 2015

NZ IFRS 9 (PBE) (2009)	*Financial Instruments*	NZ IFRS 9 (PBE) (2009) includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of NZ IAS 39 (PBE). The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: ► two categories for financial assets being amortised cost or fair value; ► removal of the requirement to separate embedded derivatives in financial assets; ► strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows; ► an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on de-recognition; ► reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes; and ► changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income. The new standard is required to be adopted for the year ended 31 December 2015 However as a new accounting standards framework will apply before this date there is no certainty when an equivalent standard to NZIFRS 9 will be applied by public benefit entities.	The new standard is required to be adopted for the year ended 31 December 2015. However, as a new accounting standards framework will apply before this date there is no certainty when an equivalent standard to NZIFRS 9 will be applied by public benefit entities.	The new standard is required to be adopted for the year ended 31 December 2015. However, as a new accounting standards framework will apply before this date there is no certainty when an equivalent standard to NZIFRS 9 will be applied by public benefit entities.

NZ IFRS 9 (PBE) (2010)	*Financial Instruments*	NZ IFRS 9 (PBE) (2010) supersedes NZ IFRS 9 (PBE) (2009). The requirements for classifying and measuring financial liabilities were added to NZ IFRS 9 (PBE) as issued in 2009. The existing NZ IAS 39 (PBE) *Financial Instruments: Recognition and Measurement* requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities, the change in fair value is accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. The new standard is required to be adopted for the year ended 31 December 2015 However as a new accounting standards framework will apply before this date there is no certainty when an equivalent standard to NZIFRS 9 will be applied by public benefit entities.	The new standard is required to be adopted for the year ended 31 December 2015. However, as a new accounting standards framework will apply before this date there is no certainty when an equivalent standard to NZIFRS 9 will be applied by public benefit entities.	The new standard is required to be adopted for the year ended 31 December 2015. However, as a new accounting standards framework will apply before this date there is no certainty when an equivalent standard to NZIFRS 9 will be applied by public benefit entities.

*Designates the beginning of the applicable annual reporting period unless otherwise stated.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Foundation is consolidated into Massey University which is classified as a Tier 1 reporting entity and will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Foundation expects to transition to the new standards in preparing its 31 December 2015 financial statements. As the PAS are still under development, the Foundation is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Income

Income is measured at the fair value of consideration received or receivable. Interest income is recognised at the maturation of investments with an accrual made for the portion that relates to the period between maturation date and balance date. Donations and bequests are recognised as income when the right to receive the fund or asset has been established. Pledges are not recognised as assets or revenue until the pledged item is received.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Debtors and Other Receivables

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

Other Financial Assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Foundation has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purposes of measurement:

- fair value through surplus or deficit; and
- loans and receivables

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or is part of a portfolio that are managed together and for which there is evidence of short-term profit-taking.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset.
After initial recognition financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit. Fair values are determined by market prices.

Loans and receivables (including cash and cash equivalents and debtors and other receivables)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. Related party receivables that are repayable on demand are classified as a non-current asset because repayment of the receivable is not expected within 12 months of balance date.

After initial recognition loans and receivables are measured at amortised cost using the effective interest method less any provision for impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit

Impairment of financial assets

At each balance date, the Foundation assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in surplus or deficit.

Loans and receivables (including cash and cash equivalents and debtors and other receivables)

Impairment of a loan or a receivable is established when there is objective evidence that Foundation will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). For other financial assets, impairment losses are recognised directly against the instruments carrying amount.

Goods and Services Tax

The Foundation is GST registered. All of the amounts included in the Statement of Comprehensive Income and Statement of Financial Position are stated on a GST exclusive basis except debtors and other receivables and creditors and other payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Income Tax

The Foundation has received confirmation from the Commissioner of Inland Revenue for Exemption from Income Tax and Resident Withholding Tax by way of Charitable Status. The Foundation is registered with the Charities Commission as a charitable organisation. Accordingly no charge for income tax has been provided for.

Investment in Managed Funds

The Foundation invests its portfolio of assets with Tyndall Investment Management Limited. As part of the regular meeting schedule the trustees discuss the asset mix and weighting of the portfolio making recommendations on a best endeavors approach based on the current investment environment and likely future. Any adjustments that are recommended are discussed with Tyndall Investment Management Limited before being enacted. The fair value of investments traded in an active market is based on quoted market prices as at balance date. The quoted market price used is the current bid price.

Creditors and Other Payables

Short-term creditors and other short-term payables are recorded at their face value.

Statement of Trust Relationship

The Foundation Trust Deed sets out the duties of the board in section 12:

12.1 The duties shall be:

(a) To promote the Purposes of the Trust. Promotional expenses shall not be incurred without the prior approval of the Board.

(b) Make arrangements for the investment of trust funds.

(c) To make policy and make decisions as to the distribution or retention of income and if appropriate capital of the Trust Fund.

2. Equity

	01/01/13				31/12/13
FOUNDATION EQUITY	**Opening**			**Funds**	**Closing**
	Balance	**Transfers**	**Surplus**	**Movement**	**Balance**
	\$000	**\$000**	**\$000**	**\$000**	**\$000**
Retained Earnings	125	17,043	2,353	-	19,521
Trust Capital (Note 13)	17,043	(17,043)	-	-	-
TOTAL FUNDS EMPLOYED	**17,168**	-	**2,353**	-	**19,521**

	01/01/12				31/12/12
FOUNDATION EQUITY	**Opening**	**Contributed**		**Funds**	**Closing**
	Balance	**Capital**	**Surplus**	**Movements**	**Balance**
	\$000		**\$000**	**\$000**	**\$000**
Retained Earnings	146	-	1,386	(1,407)	125
Trust Capital	13,548	3,495	-	-	17,043
TOTAL FUNDS EMPLOYED	**13,694**	**3,495**	**1,386**	**(1,407)**	**17,168**

Section 4 of the trust deed states that if the board accepts a gift on condition that it is used for a specific purpose within the purpose of the trust, the board:

(a) Must keep that gift and any income arising from it separate from the other assets of the trust fund;

(b) Must use that gift and any income arising from it only for the specific purpose for which it has been given and to meet any expenses which the board considers relate (directly or indirectly) to the administration of that specific purpose; and

(c) May establish a sub-trust or sub-trust under clause 18.1 for this purpose.

(i) Clause 18.1 states that the board may at any time establish a Sub-Trust or sub-trusts for purposes within the purpose of the trust. The purpose terms and conditions shall be defined in writing.

	2013	2012
	$000	$000
Total amount of Trust funds held for specific purpose	19,307	17,002
Total amount of Trust funds held for general purpose	214	166
	19,521	17,168

Trust funds have been categorised by distribution type.

Trust Categories

	01/01/13 Opening Balance	Income	Expenditure	31/12/13 Closing Balance
	$000	$000	$000	$000
Scholarships	7,156	1,320	335	8,141
Research	7,282	889	268	7,903
Other	1,959	691	115	2,535
Prizes	24	2	1	25
Capital	747	180	10	917
Total	**17,168**	**3082**	**729**	**19,521**

3. Gifts, Legacies and Grants Income and Distributions and Grants Expenditure

Following financial separation from the University, all revenue from gifts and legacies and the expenses for funds (distributions and grants) are now received/paid directly by the Foundation.

4. Related Parties

The Foundation is a controlled entity of Massey University, as the Trustees of the Foundation are appointed by the Vice Chancellor of the University. All transactions between entities were conducted on an arm's length basis using commercial terms.

The following is a summary of transactions between Massey University Foundation and Massey University;

	2013	2012
	$000	$000
Debtors-Massey University	46	376
Creditors- Massey University	7	-
Contributed Capital	-	3,495
Distributed Retained Income	-	1,407
Interest received	-	-
Sundry Income-Massey University	8	6
Distributions and Grants paid to Massey University	628	-

Massey University paid and provided staffing, provision of buildings and equipment to the value of $643,197.

A suspensory loan exists for $5m from Massey University to the Equine sub-trust. At balance date this loan was in the process of being fully converted to equity by Massey University, therefore extinguishing the suspensory nature of the transaction. This has been recorded as equity.

There were no other transactions between the Foundation and other related parties.

5. Other Financial Assets

		2013		2012
	$ '000	$ '000	$ '000	$ '000
<u>Bonds</u>				
Opening Balance		-		-
Capital				
New Funds	15		-	
		15		-
Closing Balance		15		-
<u>Short-term deposits with maturities of 4-12 months</u>				
Opening Balance		-		-
Capital				
New Funds	730		-	
		730		-
Investment Activity				
Interest Earned	17		-	
		17		-
Closing Balance		747		-
<u>Managed Funds at Fair Value through Surplus or Deficit</u>				
Opening Balance		15,101		13,324
Capital				
New Funds	3,125		613	
Funds withdrawn	(1,852)		(284)	
		1,273		329
Investment Activity				
Distributions from Managed Funds - Dividends	462		569	
Net gains/(losses) of Managed Fund at fair value through surplus or deficit	1,181		879	
		1,643		1,448
Closing Balance		18,017		15,101
Represented by:				
Capital Stable Assets				
Cash New Zealand	843		753	
Fixed Interest New Zealand	5,169		6,018	
Fixed Interest Off Shore	3,507		3,054	
		9,519		9,825
Equities				
Equities New Zealand	3,634		2,359	
Equities Off Shore	4,864		2,917	
		8,498		5,276
		18,017		15,101
Total Other Financial Assets		**18,779**		**15,101**

6. Reconciliation of the net surplus / (deficit) to the net cash flow from operating activities

	2013	2012
	$ '000	$ '000
Surplus for the year	2,353	1,386
Less non-cash items		
Non-Cash Donations	(15)	-
Net Gains from Managed Funds at fair value	(1,189)	(879)
Add movements in working capital items		
Decrease in Debtors and Other Receivables	(60)	-
Increase in Creditors and Other Payables	19	5
Net Cash flow from Operating Activities	**1,108**	**512**

7. Contingencies

As at 31 December 2013 (2012, Nil) The Foundation had no contingent liabilities or contingent assets (2012, Nil).

8. Debtors and Other Receivables

2013 Debtors and Other Receivables were made up of Trust income, interest and a resident withholding tax refund yet to be received.

2012 Debtors and Other Receivables were made up of a combination of new capital received into existing trusts but not yet transferred to the foundation and new trusts that have been established and not yet transferred to the foundation. Once these transfers have been completed the funds are invested with Tyndall Investment Management Ltd. At balance date there were no debtors past due.

	2013	2012
	$ '000	$ '000
Debtors and Other Receivables	60	376
Total	60	376

9. Creditors and Other Payables

	2013	2012
	$ '000	$ '000
Creditors and Other Payables	39	20
Total	39	20

Creditor and other payables are non-interest bearing and are normally settled on 30 day terms.

10. Cash and Cash Equivalents

	2013	2012
	$ '000	$ '000
Cash at Bank	231	5
Call Deposits	490	1,706
Total	721	1,711

Cash and cash equivalents represent funds held to meet short-term commitments and include cash in hand and deposits held at call with the bank.

11. Financial Instrument categories

	2013	2012
	$ '000	$ '000
FINANCIAL ASSETS		
Fair Value through Surplus or deficit - held for trading		
Managed Funds	18,017	15,101
Bonds	15	-
Short-term deposits with maturities of 4-12 months	747	-
Total held for trading	18,779	15,101
Loans and Receivables		
Cash and Cash Equivalents	721	1,711
Debtors and Other Receivables	60	376
Total Loans and Receivables	781	2,087
FINANCIAL LIABILITIES		
Financial Liabilities at Amortised Cost		
Creditors and Other Payables	39	20
Total Financial Liabilities at Amortised Cost	39	20
Maturity analyisis and effective interest rate		
Short-term deposits with maturities of 4-12 months	747	-
Weighted average interest rate	3.97%	0.00%
The fair value of Term Deposits are as follows:		
Short-term deposits with maturities of 4-12 months	747	-

12. Securities and Guarantees

There was no overdraft at balance date nor were any facilities arranged (2012, Nil).

13. Financial Separation

Massey University transferred equity for all funds of Massey University Foundation as part of the Foundation being financially separated. This equity has been transferred from Contributed Capital of Massey University to Retained Earnings of Massey University Foundation. This transfer is aligned with the intentions of the Trust Deed.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Massey University Foundation's financial statements for the year ended 31 December 2013

The Auditor-General is the auditor of Massey University Foundation Trust (the Trust). The Auditor-General has appointed me, Mark Maloney, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust on her behalf.

We have audited the financial statements of the Trust on pages 5 to 21, that comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion, the financial statements of the Trust on pages 5 to 21:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's:
  - financial position as at 31 December 2013; and
  - financial performance and cash flows for the year ended on that date.

Our audit was completed on 23 May 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Trust's preparation of financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Trustees

The Trustees are responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's financial position, financial performance and cash flows.

The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustees are also responsible for the publication of the financial statements, whether in printed or electronic form.

The Trustees' responsibilities arise from clause 12 of the Trust Deed.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and clause 24.1 of the Trust Deed.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Trust.

Mark Maloney
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand