



28 October 2014

The Chairperson
Agrecovery Foundation
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Dear Chairperson

AUDIT FOR THE YEAR ENDED 30 June 2014

We completed the audit for Agrecovery Foundation on 10 October 2014

Purpose of the Management letter

We feel that it is appropriate to explain to the Committee the purpose of the management letter to assist the Company in understanding why we have to comment on issues.

The management letter is a form in which we can communicate to the Committee the significant deficiencies in the internal controls of the organisation.

As the purpose of the audit is to form an opinion on the company's financial statements, you will appreciate that our examination cannot necessarily be expected to disclose all shortcomings of the system and for this reason, the matters raised may not be the only ones which exist.

We are obliged to report the significant deficiencies to the Committee under paragraph 14 of the International Standard on Auditing ISA (NZ) 260. Also under ISA (NZ) 265, paragraph 9 – "Communicating deficiencies in Internal Control to those charged with governance and management" we are required to report those internal control weaknesses to the governing body.

Matters we raise are not intended as an attack or criticism of Organisation related personnel.

Our comments are raised based on our professional experience. Our recommendations are what we consider "sound" practice in the context of your environment.

If the Organisation believe that the current practices are adequate we would welcome the Committee to reply with your viewpoint.

Matters requiring management comment have been included which will require your response.

You will appreciate that the matters raised herein have been noted during the course of our routine audit procedures which are designed primarily to enable us to express an opinion on the financial statements of the Organisation and our audit should not therefore be relied upon to detect all weaknesses in internal controls and accounting practice.

We have prepared this letter for your use only. It should not be disclosed to a third party and we can assume no responsibility to any person to whom it is disclosed without our written consent.

Please initial the corner of each page and return a copy of this letter to us as confirmation that you have read this letter and any attachments.

General Comments

1. Internal Control

We have set out our internal control and procedural matters we wish to bring to your attention on Appendix 1. At your request we can also forward these pages to you in Word format to facilitate your completion of the Company comment sections and returning to us for our audit file completion.

2. Communications

Standard	Our Response
Auditors responsibility under General Accepted Auditing Standards	We are responsible for the completion of an audit in accordance with the International Standard on Auditing (New Zealand). The detailed terms are included in our letter of engagement signed off by the Board at our previous audit
Significant accounting policies	We had read the accounting policies and are satisfied that these comply with the relevant accounting standards.
Management judgments and accounting estimates	No management judgment or accounting estimate issues identified.
Significant matters	No significant matters identified.
Disagreements with management	No disagreements were had with management.
Difficulties encountered during the audit	No difficulties were encountered during the audit.
Independence	There were no independence issues identified between the Silks Audit employees and/or spouses of those employees and the governing body.
Independence – "other services"	We can confirm no other services were provided to the entity during the course of the audit
Laws and Regulations	The organisation has confirmed that the governing body have complied with all necessary laws and regulations. We did not identify any significant breaches.
Fraud or Illegal Acts	From our enquiries with management and our audit testing we have not become aware of any significant fraudulent or illegal acts during the period.
Deficiencies in internal control	As reported in the internal control section above.
Accumulation of unadjusted errors	We can confirm that all audit adjustments identified have been adjusted for in the financial statements. We can confirm that there is no accumulation of unadjusted errors which would impact on the financial statements

Should you wish to discuss any of the points raised please do not hesitate to contact us.

We would like to thank you and your staff for the co-operation and assistance provided to us during the course of the 2014 audit.

Yours faithfully
SILKS AUDIT Chartered Accountants

Cameron Town
Chartered Accountant
Certificate of Public Practice

Client Initials _____

APPENDIX 1

Prior Years Matters

We are pleased to note the following matters raised in last years review engagement management letter have been addressed satisfactorily (per last years' paragraph heading).

- Authorisation of Invoices for Payment
- Internet Banking

We note the following matters raised do not appear to have been addressed. Because we feel that they are important to effective internal control within your accounting system we repeat them for your due consideration. If you have good reason for not wishing to adopt these matters would you please advise us in writing of the reasons for your decisions. This written response should be tabled at a meeting and minuted.

- Minutes
- GST

MINUTES

Observation

We noted that from our review of the copies of the minutes provided to our office that they have not all been signed and dated by the chairperson.

Recommendation

It is likely the originals have been duly signed but if not we recommend that the Chairperson signs the last page of the minutes to verify the accuracy of the discussions and resolutions, which took place, and to confirm the authenticity of the minutes. This procedure is normally carried out at the next meeting.

Incorporation's Comment

GST

Observation

We noted on review of the GST returns that the GST is not aligned with balance date.

Recommendation

We recommend that you contact the IRD to align the GST with your balance date.

Incorporation's Comment

General Ledger Coding

Observation

We were unable to sight on all invoices which general ledger code the expenditure was posted to.

Recommendation

We recommend the general ledger code be written on the invoice itself to provide a clear audit trail.

Client Initials _____

Agrecovery Foundation
Statement of Financial Performance
for the year ending 30 June 2014

	Note	2014 \$	2013 \$
Operating revenue	2	1,585,586	1,332,195
Operating expenses	3	1,323,901	1,272,631
Net Surplus/(deficit) for the year		\$ 261,685	\$ 59,564

Agrecovery Foundation
Statement of Movements in Equity
for the year ending 30 June 2014

	2014 \$	2013 \$
Equity at beginning of year	490,427	430,863
Net Surplus/(deficit) for the year	261,685	59,564
Adjustment	(311)	-
Equity at the end of the year	\$ 751,801	\$ 490,427

Agrecovery Foundation
Statement of Financial Position
as at 30 June 2014

	Note	2014 \$	2013 \$
Current Assets			
Cash & cash equivalents	4	762,026	457,780
Trade and other receivables	5	167,282	189,171
Total Current Assets		929,308	646,951
 Less Current Liabilities			
Trade creditors		138,150	117,893
GST payable		39,357	38,630
Total Current Liabilities		177,507	156,523
Net Assets		\$ 751,801	\$ 490,428
 <u>Represented by</u>			
Total Equity		\$ 751,801	\$ 490,427



 Chairman



 Trustee

10 October 2014

 Date

Agrecovery Foundation
Notes to and forming part of the Financial Statements
for the year ending 30 June 2014

1) STATEMENT OF ACCOUNTING POLICIES

a) Reporting Entity

Agrecovery Foundation is a not for profit entity incorporated on May 2006 under the Charitable Trusts Act 1957 and since re-registered under the Charities Act 2005. The Foundation has been developed by a coalition of major grower groups, industry parties and local and central government to provide a solution to the problem of waste agrichemical containers, chemicals and wraps.

b) Basis of Preparation

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The accrual basis of accounting has been used unless otherwise stated and the financial statements are prepared on a going concern basis.

Change in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

c) Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are set out below; they have been applied consistently to all years presented in these financial statements.

Cash and Cash Equivalents

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

Financial Instruments

Financial instruments are comprised of trade debtors and other receivables, cash and cash equivalents and other financial instruments, trade creditors and other payments, borrowings and other financial liabilities.

Financial assets and liabilities are recognized initially at fair value plus transaction costs, except for those carried at fair value through the profit and loss, which are measured at fair value.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. The Foundation's cash and cash equivalent, trade and other receivables fall into this category of financial instruments.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the council and revenue can be reliably measured. Revenue is measured at the fair value of consideration received.

The following specific recognition criteria must be met before revenue is recognized.

Levies Income

Income is recognised when the customer determines the level of levy to be paid to the Foundation. Generally levies are paid every quarter in arrears and are recorded when known.

Interest Income

Interest income is recognized as it accrues using the effective interest method.

Donations and Grants

Donations and grant income is recognized as revenue when received and all associated obligations have been met.

Where grants have been given for a specific purpose, or with conditions attached, income is not recognized until agreed upon services and conditions have been satisfied.

Goods and Services Tax

These financial statements have been prepared on a GST exclusive basis. Accounts Receivable and Accounts Payable are reported on a GST inclusive basis.

Income Tax

Agrecovery Foundation has full charitable status under sections CW 41 and CW 42 of the Income Tax Act 2007 and accordingly is not liable for Income tax.

Differential Reporting

Agrecovery Foundation qualifies for differential reporting on the basis of size and public accountability. Agrecovery Foundation has applied all differential reporting exemptions.

Agrecovery Foundation
Notes to the Financial Statements
for the year ended 30 June 2014

	2014	2013
	\$	\$
2) Operating Revenue includes:		
Levies	1,481,565	1,264,542
Sale of Recovered Container Plastic	90,670	59,331
Sale of Labels	102	290
Interest	13,249	8,032
	1,585,586	1,332,195

	2014	2013
	\$	\$
3) Operating Expenses include:		
Audit Fee	2,750	2,750
Annual Report	3,300	3,300
FFNZ Management fees	80,000	73,006
Legal	9,800	2,526
Travel Expenses	9,325	8,315
Agrecovery Programme Costs 3r Expenses	1,217,144	1,179,173
Other Operating Expenses	1,582	3,562
	1,323,901	1,272,631

	2014	2013
	\$	\$
4) Cash & Cash Equivalents		
BNZ – Cheque Account	33,480	56,351
BNZ – Call Account	572,683	251,429
BNZ- Term Deposits	155,863	150,000
	762,026	457,780

	2014	2013
	\$	\$
5) Trade and other Receivables		
Accounts receivable	165,056	188,776
Accrued interest	356	395
Prepaid Expenditure	1,870	-
	167,282	189,171

	2014	2013
	\$	\$
6) Fee Paid to Auditors		
Silks Audit		
- For audit services	2,750	2,600
Grant Thornton 2012		
	2,750	2,600

Agrecovery Foundation
Notes to the Financial Statements
for the year ended 30 June 2014

7) Impact of adopting Not-for-Profit Public Benefit Entities (NFP PBE) Standards

The new Accounting Standards Framework is currently being developed and implemented in stages by the External Reporting Board (XRB). The Trust is eligible to continue to apply 'Old GAAP' as it does not have public accountability and it is not large as defined in XRB A1 Application of Accounting Standards. Under the new Accounting Standards Framework, the Trust will have to transition to the new Not-for-Profit Public Benefit Entities (NFP PBE) Standards, that will be based on International Public Sector Accounting Standards (IPSAS). The effective date for the new NFP PBE Standards is expected to be for reporting periods beginning on or after 1 April 2015. Therefore, the Trust will have to prepare its financial statements in accordance with the new NFP PBE Standards for the first time for the annual period ending 30 June 2016. The Trust has not been able to determine the impact of this transition as the new NFP PBE Standards are currently being developed by the XRB .

8) Related Party

During the year to 30 June 2014, the Trust paid administration fees to Federated Farmers of New Zealand Incorporated for the use of their premises and fixed assets and for administration services. The Trust paid a management fee of \$80,000 for administration services.

9) Commitments and contingencies

There were no commitments or contingencies as at balance date (2013: Nil).

10) Events Occurring After Balance Date

There are no subsequent events requiring disclosure in or adjustment to the financial statements for the year ended 30 June 2014.

Agrecovery Foundation
Supplementary Schedule to the Financial Statements
for the year ended 30 June 2014

Appendix 1

	2014	2013
	\$	\$
Operating Revenue		
Levies	1,481,565	1,264,542
Sale of Recovered Container Plastic	90,670	59,331
Sale of Labels	102	290
Interest	13,249	8,032
Total Revenue	1,585,586	1,332,195
Operating Expenses		
	2014	2013
	\$	\$
Agrecovery Programme Operations Base Cost		
Programme Manager Fee	259,683	234,842
Sales & Marketing Management	125,657	158,265
Advertising in industry publications	24,410	11,150
Media, PR & Monitoring	4,814	4,669
Design & Photography	5,780	6,070
Printing & Reproduction	4,100	14,379
Collection Site Support & Promotion	36,145	28,940
Signage	2,400	1,200
Industry Event Support	15,512	15,450
General (excluding booking system)	27,983	12,987
Office admin and Booking System	61,214	69,071
Commission	-	4,015
Total Agrecovery Programme Operations Base Costs	567,698	561,038
Containers, Site Costs, Compliance and Driver Costs		
Operations management	100,522	100,788
North island/South island Coordination	113,975	115,260
Agrecovery truck driver	87,118	85,439
Container site costs	18,474	24,353
Total Containers, Site Costs, Compliance and Driver Costs	320,089	325,841
Recovery Truck and Shredder Unit Costs		
Use of Assets	32,637	38,071
Running costs	48,466	48,100
Improvements Shredder Unit	26,799	-
Total Recovery Truck and Shredder Unit Costs	107,902	86,171
Shipping Container network Costs		
Capital Recovery	32,400	37,200
R&M on Network	13,500	31,500
Improvements Container Network	16,000	12,000
Transporting to Site	6,699	-
Total Shipping Container Network Costs	68,599	80,700

Agrecovery Foundation
Supplementary Schedule to the Financial Statements
for the year ended 30 June 2014

Appendix 1 Continued

Chemicals

Event Building Activities	12,000	20,018
Qualified Personnel	71,892	70,606
Travel & Accommodation	2,800	2,800
3R Collection Costs	66,164	31,999

Total Chemicals Expenditure

	152,856	125,423
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Foundation Administration

Audit Fee	2,750	2,750
Annual Report	3,300	3,300
Bad Debts	12	-
General Expenses	696	1,663
FFNZ Management fees	80,000	73,006
Legal	9,800	2,526
Donations & Sponsorships	-	250
Bank Fees	113	75
Meetings	761	1,167
Travel Expenses	9,325	8,315
Phone/Fax	-	166
Photocopying	-	161
Postage	-	82

Total Foundation Administration

	106,757	93,458
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Total Expenditure

	1,323,901	1,272,632
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INDEPENDENT AUDITORS REPORT

To the Members of Agrecovery Foundation.

Report on the Financial Statements

We have audited the financial statements of Agrecovery Foundation on pages 1 to 7 which comprise the statement of financial position as at 30 June 2014 and the statement of financial performance, statement of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trust's Responsibility for the Financial Statements

The Trust is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Trust determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Incorporation.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Agrecovery as at 30 June 2014, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.

Silks Audit
Chartered Accountants
Wanganui, New Zealand

Date: 10 October 2014