



ROAD SAFETY TRUST

for the year ended 30 June 2011

Presented to the House of Representatives pursuant to Section 45M of the Public Finance Act 1989

CONTENTS

ROAD SAFETY TRUST	1
FOREWORD	3
MANAGEMENT STATEMENT	5
1. INTRODUCTION.....	5
2. ESTABLISHMENT AND MEMBERSHIP.....	5
3. ROLE AND RELEVANCE.....	6
3.1 VISION	6
3.2 VALUES	6
3.3 OBJECTIVES	6
3.4 SCOPE AND NATURE OF ACTIVITIES	7
3.5 PERFORMANCE MEASURES	7
4 SUPPORT.....	8
5 REVIEW OF OPERATIONS (JULY 2010 TO JUNE 2011)	8
5.1 MEETINGS	8
5.2 APPLICATIONS	8
5.3 STATEMENT OF ALLOCATION CRITERIA	8
5.4 CONTRACTS	9
5.5 COMMUNITY PROJECTS	9
5.6 RESEARCH.....	9
5.7 TRUST RESEARCH PROJECTS.....	10
5.8 SCHOLARSHIPS	11
5.9 TRUST INITIATIVES	11
5.10 ORGANISATIONAL DEVELOPMENTS.....	12
6. FINANCE	13
6.1 REVENUE AND EXPENDITURE.....	13
6.2 FUNDING POLICY	13
6.3 INVESTMENT POLICY	13
6.4 INVESTMENTS.....	14
6.5 CONCLUDING COMMENT.....	14
FINANCIAL STATEMENTS	15

FOREWORD

I am pleased to present the Annual Report and audited accounts for the Road Safety Trust for the year ended 30 June 2011

Operational Activities

The Trust has now completed three years of its advertising campaign drawing attention to the dangers of drivers being distracted for just a few seconds. This driver distraction campaign has continued to show very positive results, and has been developed and enhanced since its inception to keep the message fresh.

A television and print media campaign focusing on the need to terminate the conversation if you know the person you are speaking to is driving a car was launched in July 2010. Also new this financial year was a series of 15-second television commercials highlighting other causes of distraction, such as eating, applying makeup, and shuffling MP3 players.

The Trust recognises that changing behaviour is a long-term process, and is committed to raising awareness of the dangers of driver distraction until this is widely recognised. Campaign monitoring indicates that 43 percent of the general public believe that distraction is likely to cause motor vehicle crashes. This result shows that we need to continue working to spread this message.

The government's *Safer Journeys* strategy, released last year, specified distraction as a road safety priority. The Trust's campaign is therefore positioned to make a valuable contribution to achievement of the strategy's goals, and to safer roads for all New Zealanders.

Grants

The Trust continued to fund grants for dedicated road safety research projects.

The Trust has continued to monitor progress on projects, and was pleased to note that the majority of grant recipients have complied with the conditions of approval. The Trust is committed to ensuring a high level of accountability from its grant recipients and to maximising the road safety benefits of the grants.

Financial Performance

The Trust has been funded from a portion of the profits received from the first-time sale of personalised motor vehicle licence plates. Although Personalised Plates Limited (PPL), the company contracted to market the plates, continues to perform well, the current economic climate has impacted on plate sales and the Trust has received less revenue from this source over the past three financial years. The Trust has ended the year with a net deficit of \$1,921,080, but has continued to maintain a strong capital base.

The Future

The Trust will continue to contribute to road safety by supporting local communities to develop and deliver road safety projects, based on proposals that meet the funding criteria.

The Minister of Transport communicated his expectations for the Road Safety Trust on 22 August 2011, which are:

- That the revenue flow from Personalised Plates to the Trust will cease from 1 September 2011, with the revenue then flowing to the NZTA (to be held separately for road safety activities).
- That the current balance of reserves held by the Trust will be managed down over time.
- That the functions of the Settlor as outlined in the Trust Deed will be transferred to the NZTA Board.

I wish to recognise the contribution of Yvonne Sharp as chairperson of the Trust over the last three years, and to thank her for her guidance of the Trust during this period.

As always the Trust is indebted to behind-the-scenes work done by the Trust's Executive Officer and advisory committee. The Trust thanks all involved for their continued assistance.

Geoff Dangerfield
Chairman

MANAGEMENT STATEMENT

1. Introduction

The Road Safety Trust has pleasure in presenting its annual report for the year 1 July 2010 to 30 June 2011.

In 2010 the road toll reduced slightly: 375 people died on the roads, compared with 384 the previous year. However we have yet to improve on the 2008 figure of 365 in line with the overall downward trend in road deaths over the past decade. We know that deaths and injuries on our roads are preventable and that more can be done to reduce our road toll. The Trust has continued to seek out and fund road safety initiatives to help reduce deaths and trauma on New Zealand's roads.

2. Establishment and membership

The Trust was established in August 1989 and was empowered to receive and invest its portion of revenue from the sale of personalised motor vehicle licence plates, and to make grants from those funds to road safety projects from time to time. Under the terms of the Public Finance Act 2004 the Trust's status is deemed to be that of a Crown established trust. It is required under Section 45M of the Public Finance Act 1989 to forward to the Minister of Transport an annual report, including audited financial statements, that must be laid before the House of Representatives.

The Trustees during 2010/11 were:

Yvonne Sharp	Chairperson (completed term in July 2011)
Ernst Zöllner	New Zealand Transport Agency
Alicia Gainsford	Representative of youth nominated by the Ministry of Youth Affairs
Robin Morton	Representative of road users nominated by the New Zealand Automobile Association

After the year end, Geoff Dangerfield (Chief Executive of the New Zealand Transport Agency) was appointed chairperson on 15 August 2011.

3. Role and relevance

The Trust’s vision, values and key business objectives, along with strategies for achieving them, were set out in a three-year business plan to be updated annually.

3.1 Vision

The Trust’s vision is:

To play a strong part in reducing New Zealand’s road deaths and trauma by funding initiatives that improve road safety

3.2 Values

These values are the core beliefs and principles that govern the behaviour of the Trust. In conducting its business the Trust applies the following values:

Transparency and Accountability

The Trust will undertake all its activities in a transparent and consistent manner and be accountable for all its actions.

Impartiality and Integrity

The Trust will operate independently of specific interests, and act with impartiality and integrity in everything it does.

Professional Excellence

The Trust will do its job in a professional manner and seek high standards of performance.

Ethics

The Trust will uphold a high standard of ethics in all its dealings.

Communication

The Trust will communicate openly and fairly with all parties in promoting and conducting its business.

Constant Improvement

The Trust will constantly strive to seek new and better ways of doing its work.

3.3 Objectives

The Trust has identified five key business objectives, three functional and two operational, to provide a focus for its activities.

Functional Objectives:

Objective 1	To encourage community initiatives that improve road safety
Objective 2	To encourage research that improves road safety
Objective 3	To improve public awareness of road safety by funding specific public education campaigns

Operational Objectives:

Objective 4	To interact effectively with road safety partners and with the community
Objective 5	To manage effectively, and continually improve, all aspects of the Trust's activities.

3.4 Scope and nature of activities

The Trust Deed sets out the scope of the Trust's activities. Funds may be provided for road safety projects that meet the Trust's aims, including:

- Community safety initiatives
- Private sector technological developments with road safety benefits which are unable to be funded by government organisations or from revenue generated by sales
- Research grants and study awards
- Training, education, and promotional activities
- Specific road safety projects
- Any other project which the Trustees consider likely to contribute to improved safety on the roads.

The following activities are the means for the Trust to achieve its objectives. These activities and their associated actions, outputs and performance measures are set out in the Business Plan.

1. Proactively seek applications from the community to fund road safety projects.
2. Assess and monitor applications to ensure that projects are appropriate, that applicants are capable of delivery, and that the required progress and delivery are achievable.
3. Proactively identify areas where the Trust can play a complementary role with other agencies to contribute to road safety.
4. Identify areas where the Trust can initiate projects to improve public awareness of road safety issues.
5. Identify research funding opportunities and invite applications for research funding and scholarships.
6. Contribute to the implementation of the *Safer Journeys* strategy by taking account of its priority action areas in making funding decisions.
7. Gain and update knowledge by maintaining links with other road safety organisations, and the community.
8. Continually improve systems and procedures by reviewing them annually and identifying any areas for improvement.
9. Maintain prudent financial management by reviewing income and expenditure quarterly, investing Trust balances in secure investments at favourable interest rates and terms compatible with the forward projections of income and expenditure.

Recent changes to the Trust mean that these activities are now under review.

3.5 Performance measures

The revised business plan, ratified by the Trust in December 2010, has set one or more performance measures to enable the Trust to monitor and report on each of its activities. The new performance

measures have not yet been in place for a full year; however it is already clear the Trust has performed well, and, in particular, that good progress has been made in attracting more project applications from community groups.

4 Support

The New Zealand Transport Agency's Access and Use Group provides executive services to the Trust and the Organisational Support Group provides financial support services. Mr Bill Frith, road safety consultant, chairs the Technical Advisory Committee, which provides expert advice to the Trust on research projects.

The Trust has a formal agreement for the provision of support services by the New Zealand Transport Agency, by way of a Memorandum of Understanding (MOU). The MOU establishes a service-level agreement that clearly identifies and defines the expectations and responsibilities of both agencies.

5 Review of operations

5.1 Meetings

The Trust met three times during this financial year to consider applications for funding. The meetings were held in September 2010, December 2010 and April 2011.

5.2 Applications

Advertising of applications for the funding of road safety projects was arranged in metropolitan and provincial daily newspapers. The Trust is listed in the Department of Internal Affairs Funding Information Service, Fundview, accessible at Community Development Group offices and libraries throughout New Zealand. Internet links are established with Personalised Plates Ltd and Community Net. Information about the Trust is also available through the Trust's own Internet site, www.roadsafety.govt.nz. The Trust has agreed priority areas and target groups, which complement and support the road safety priorities expressed in the *Safer Journeys* strategy.

Fourteen community applications were considered by the Trust in the 2010/2011 year, and grants were approved for nine of these. In addition, a number of good quality research projects are currently under way. More detail is set out in section 5.5 below.

The Trust also continued its nationwide campaign to raise public awareness that driving while distracted is dangerous. Details of the campaign are set out in paragraph 5.9.

5.3 Statement of allocation criteria

- The Trust's statement of allocation criteria is as follows:
- Applications must be compatible with the Trust's functions.
- Applications must be in accordance with the priorities set out in the *Safer Journeys* strategy document.

- There must be no known similar programme operating in largely the same sphere of influence.
- Applicants must provide:
 - a detailed project plan outlining intended outcomes/goals and delivery
 - detailed costings and budget
 - written approval where third-party distribution is required
 - evidence that any previously-funded initiatives were well managed and delivered
 - evidence that those involved in the delivery of the project are suitably qualified
- The structure, legal status and lifespan of the applicant organisation will be a deciding factor.
- Evaluation measures for the project must be easily identified, valid and realistic.

5.4 Contracts

Successful applicants for grants of over \$1,000 have been required to sign a contract, clearly detailing their obligations to deliver the project and account for funds spent.

5.5 Community Projects

The following nine community projects were approved in the 2010/2011 financial year:

1. New Zealand Road Show Trust – Parents as Models Programme - \$30,000
2. Northland District Health Board – Recidivist Drink Driver Programme - \$56,000
3. Royal New Zealand Plunket Society: Manawatu/Whanganui – Project Booster - \$4,389
4. Royal New Zealand Plunket Society: Waitemata - Car seat rentals and services - \$7,835
5. Royal New Zealand Plunket Society – Multilingual flip-chart resource on child restraint use- \$38,763
6. Cycling Advocates’ Network – road rules education for cyclists (stop at red lights campaign) - \$14,008
7. Auckland District Health Board – Online media and DVD project on child passenger safety in motor vehicles - \$100,000
8. Invercargill Parents’ Centre – expansion of rental carseat stock - \$2,285
9. Hamilton City Council – Safe Speed Area demonstration project. The Trust is contributing \$100,000 to this project.

5.6 Research

The Trust recognises that robust road safety research underpins effective road safety programmes, and is committed to funding worthwhile research projects that have the potential to reduce road crash rates.

Research projects funded by the Trust are overseen by a Technical Advisory Committee. The Committee is an expert group that considers proposals, arranges their peer review, approves funding, and monitors the progress of approved projects. Through the Committee the Trust provides New Zealand’s only source of dedicated road safety research funding.

The Trust has provided funding for a range of research projects in such areas as older driver safety, school bus safety, and safety improvements to the road network. This research is providing a substantial contribution to our knowledge of these issues, and most of it could not have been

undertaken without access to funding from the Trust. The providers of this work have been university-based injury research units and private sector engineering and research organisations. The Trust has also made a major contribution to the New Zealand Drivers' Study being undertaken by Otago University, which has involved co-funding with the Health Research Council.

5.7 Trust Research Projects

1. New Zealand Drivers' Study (\$150,000 over 3 years)

Principal Investigator: Dr Dorothy Begg, Injury Prevention Research Unit, University of Otago.

This project is being jointly funded with the Health Research Council and the ACC.

This funding enables the study to continue for a further three years. The results provide useful information on early driving experiences and newly licensed drivers which feeds into young driver licensing policy. Previous outputs from the study provided valuable input into the Safer Journeys strategy.

2. Managing older driver safety (\$AUD250,000 over 5 years)

Principal Investigator: Dr Jude Charlton, Monash University Accident Research Centre

This study is being jointly funded with the Australian Research Council and a number of other organisations. It aims to identify effective solutions to manage the safe mobility of older drivers in Australia and New Zealand.

3. Quantification of safety benefits from road smoothing (\$72,500)

Principal Investigator: Peter Cenek, Opus International Consultants

This project examines the relationships between safety and the roughness of a road surface. Road roughness is currently not taken into account in deciding the priority of safety work. This research will potentially feed into improved safety on road networks.

4. How does the level of road lighting affect crashes in New Zealand? – a pilot study (\$58,000).

Principal Investigator: Bill Frith, Opus International Consultants

The results of this study will provide an objective means to prioritise safety-related lighting schemes against other uses of road safety funds, and, as a side benefit, provide information on the safety benefits of the road lighting systems used in New Zealand.

5. Improving the safety of children boarding and exiting school buses (\$42,600)

Principal Investigator: Peter Baas, TERNZ Ltd

The aim of this research is to develop measures that will reduce vehicle speeds near school buses that have stopped to pick up or drop off children. Specifically the goal of this project is to develop an affordable, active speed warning sign for school buses that can be activated when the bus is near or at the bus stop.

6. Evaluation of a cost-effective tool for collecting naturalistic driving data (\$97,000)

Principal Investigator: Peter Baas, TERNZ Ltd

This research will provide a clearer understanding of the types of driving behaviour (such as speeding and driving affected by alcohol or fatigue) that contribute to crash events on New Zealand roads. It will provide an effective tool for evaluating road safety interventions such as educational initiatives.

7. Clear zones, barriers and driving lines – mitigating the effects of crashes on corners (horizontal curves) (\$68,500)

Principal Investigator: Neil Jamieson, Opus International Consultants

This project aims to develop practices and guidelines for clear zones and barriers that make better use of available resources and lead to a reduction in injuries and fatalities from crashes on corners.

8. The impact of behaviour-based safety on truck drivers (\$15,000)

Principal Investigator: Rebecca Everdon, University of Otago

This project is jointly funded by a Road Safety Trust PhD Scholarship, the Department of Labour, and the University of Otago. It aims to find effective interventions to bring about a behavioural shift in truck drivers to lessen crash and injury rates.

5.8 Scholarships

Since 1995 the Trust has funded road safety scholarships for postgraduate students, which can be held at any university in New Zealand. Availability of the scholarships is advertised annually in the New Zealand Vice-Chancellors' Committee *Scholarship Handbook* and on its website: www.universitiesnz.ac.nz.

These scholarships provide a useful avenue for encouraging students to consider road safety as a possible future career.

Through these scholarships the Trust has made a substantial contribution to capacity building within the road safety research arena. The Trust gave out a total of \$81,665 in the year ended 30 June 2011 for extensions to two PhDs and two new PhDs.

5.9 Trust initiatives

The Trust has continued to fund its own initiatives to raise public awareness of the dangers of distraction while driving. The cost of projects initiated by the Trust itself totalled \$1,813,250 in the 2010/2011 financial year.

Since 2008 the Trust has been funding an advertising campaign highlighting the negative consequences that can occur as a result of drivers being distracted for just a few seconds. In keeping with best practice for this type of campaign, the message has been renewed and refreshed a number of times since the campaign's inception.

One aspect of the campaign during the past year switched the focus from driver awareness to people who call mobile phones. Entitled "Kill the Conversation" the message was designed to appeal to people calling mobile phones to terminate the conversation as soon as they become aware that the other party is driving a motor vehicle. The television campaign was supported by radio and print media advertising.

As mobile phone use is only one of a number of possible driver distractions, the Trust commissioned four fifteen-second television commercials to draw attention to these other kinds of distraction. This element of the campaign focussed on the dangers of applying make-up, eating, using mobile phones and shuffling mp3 players while driving.

Research and analysis of its performance indicates that the Trust's driver distraction campaign has achieved good results. Some key highlights are:

- General awareness of driver distraction is now reported by 75 percent of surveyed respondents
- Without prompting, 45 percent of those surveyed specifically referred to the distraction campaign advertising
- When prompted with a description of 'Kill the Conversation', awareness of this advertisement in the August 2011 survey was 94 percent (of all respondents). This is significantly higher than in the March 2011 survey (65 percent)
- Surveys show that the campaign is communicating clearly: one in every two people who were aware of the Trust's campaign stated that the key message related to them "concentrating on their driving and not allowing themselves to be distracted", while one in three stated that you should not use a cell phone while driving
- The 'Killer Distraction' series recorded particularly high levels of awareness amongst the younger audiences (64 percent of those aged 15-34 recalled the 'Killer Distraction' advertisements, compared to 43 percent of those aged 55 and over).

5.10 Organisational Developments

The business plan, established in the 2008-09 financial year, and revised in 2010, continues to provide the Trust with a framework for focusing its activities over the next three years. The business plan defines the Trust's role and relevance, and provides a platform to ensure consistency in Trust operations. It outlines the Trust's key business objectives and the approach for achieving them.

The Trust continues to insist on appropriate accountability for its grants, and all grant recipients are made aware of the requirement for reports to be completed in a timely way. There is scope for the Trust to take legal action if a grant recipient is found to have used grant money improperly.

Information on the Trust's website was fully revised in 2010, and some sections were re-worded to provide more clarity, and encourage more applications from community organisations.

6. Finance

6.1 Revenue and Expenditure

The Financial Statements contain details of revenue and expenditure from the Trust's year of operation.

The Trust is funded from the Crown Share of the initial sale of every personalised number plate. Personalised Plates Ltd (PPL) is contracted to market personalised motor vehicle licence plates. Its main activities are:

- routine sales of personalised plates
- auctions of high-demand plates.

PPL's marketing and sales results provide the Trust with revenue. Since 1997, when the ownership of PPL changed, the Trust has been entitled to receive the entire Crown Share of PPL's earnings. Revenue received from PPL totalled \$775,973 for the year, down by \$289,294 on last year.

The Trust earned a total of \$416,102 in interest.

The Trust has achieved a net deficit of \$1,921,080 for the year ended 30 June 2011. This result was higher than the expected deficit of \$1,897,114. The main reason for this was the impact on plate sales resulting in less revenue for the Trust.

Public equity stands at \$8 million, remaining well above the minimum investment level and providing a solid capital base for the Trust.

Operating costs of \$146,085 were incurred during the year. These costs came in under budget.

6.2 Funding Policy

The more flexible funding policy adopted in 2000, with all applications for both research and community projects being considered on their merits, has continued to operate.

6.3 Investment Policy

The Trust investment policy was updated to record the changes to approved signatories for investing funds as a result of the formation of the NZ Transport Agency. The policy maintains a conservative approach to exposure, agreeing that the maximum investment limit with any one institution would be no more than 33% of the Trust funds, while ensuring that procedures were in place to retain the flexibility to take advantage of the best opportunities being offered. The investment level has remained above the minimum investment level of \$4.5 million.

6.4 Investments

The Trust's investments stand at \$9,014,830. Note 5 to the financial statements details the on-call funds, and note 7 the investment portfolio.

The Trust's investment portfolio is spread over four separate institutions and meets the requirements of the Public Finance Act 1989.

6.5 Concluding Comment

The Trust has been very pleased with the increased interest from community organisations in applying for grants for road safety projects during the past financial year. While not all applicants have met the Trust's criteria, the projects that have been funded are likely to make a good contribution to improving road safety. Work will continue to encourage new applicants from the community, to add to the very satisfying results achieved by the Trust's research funding and the driver distraction campaign.

FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY

In terms of the Crown Entities Act 2004 and the Public Finance Act 2004, the Trustees are responsible for the preparation of the Road Safety Trust's financial statements, and for the judgements made in them.

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

In the Trustees' opinion, these financial statements fairly reflect the financial position and operations of the Road Safety Trust for the year ended 30 June 2011.

Signed on behalf of the Trustees:

Geoff Dangerfield

Chairman

31 October 2011

Robin Morton

Trustee

31 October 2011

Independent Auditor's Report

**To the readers of the
Road Safety Trust's
financial statements
for the year ended 30 June 2011**

The Auditor-General is the auditor of the Road Safety Trust (the Trust). The Auditor-General has appointed me, Kelly Rushton, 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 20 to 37, that comprise the statement of financial position as at 30 June 2011, 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 20 to 37:
- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's:
 - financial position as at 30 June 2011; and
 - financial performance and cash flows for the year ended on that date;

Our audit was completed on 31 October 2011. 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 Board 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 would affect a reader's 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 the 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 Board;
- 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. 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 Board

The Board is responsible for preparing financial statements that:

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

The Board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

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

A handwritten signature in black ink, appearing to be 'K M Rushton', written in a cursive style.

K M Rushton
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the Road Safety Trust (the Trust) for the year ended 30 June 2011 included on the Trust's website. The Trustees are responsible for the maintenance and integrity of the Trust's website. We have not been engaged to report on the integrity of the Trust's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements as well as the related audit report dated 31 October 2011 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS

Statement of comprehensive income for the year ended 30 June 2011

	Note	Actual 2011 \$	Budget 2011 \$	Actual 2010 \$
Income				
Personalised plates		775,973	1,100,000	1,065,267
Interest received		416,102	363,909	415,603
Total income		1,192,075	1,463,909	1,480,870
Expenditure				
Operating expenses	2	146,085	290,760	203,391
Grants	3	1,153,820	1,065,600	550,523
Trust initiatives	4	1,813,250	2,004,663	1,389,943
Total expenditure		3,113,155	3,361,023	2,143,857
Net surplus/(deficit)		(1,921,080)	(1,897,114)	(662,987)
Other comprehensive income		0	0	0
Total comprehensive income for the year		(1,921,080)	(1,897,114)	(662,987)

Explanations of significant variances against budget are detailed in note 19.

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2011

	Note	Actual 2011 \$	Budget 2011 \$	Actual 2010 \$
Assets				
Current assets				
Cash and cash equivalents	5	2,055,494	306,071	688,920
Debtors and other receivables	6	270,025	206,154	294,482
Prepayments		0	0	295
Investments	7	7,000,000	7,728,993	9,600,000
Total current assets		9,325,519	8,241,218	10,583,697
Total assets		9,325,519	8,241,218	10,583,697
Liabilities				
Current liabilities				
Creditors and other payables	8	1,016,046	296,071	353,144
Total current liabilities		1,016,046	296,071	353,144
Non-current liabilities				
Creditors and other payables	8	400,000	0	400,000
Total non-current liabilities		400,000	0	400,000
Total liabilities		1,416,046	296,071	753,144
Net assets		7,909,473	7,945,147	9,830,553
Equity				
General funds		7,909,473	7,945,147	9,830,553
Total equity	9	7,909,473	7,945,147	9,830,553

Statement of changes in equity for the year ended 30 June 2011

	Note	Actual 2011 \$	Budget 2011 \$	Actual 2010 \$
Balance at 1 July		9,830,553	9,842,261	10,493,540
Total comprehensive income		(1,921,080)	(1,897,114)	(662,987)
Balance at 30 June	9	7,909,473	7,945,147	9,830,553

Explanations of significant variances against budget are detailed in note 19.

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2011

		Actual 2011 \$	Budget 2011 \$	Actual 2010 \$
	Note			
Cash flows from operating activities				
Receipts from Personalised plates		778,321	1,100,000	1,117,959
Interest received		424,645	400,904	552,146
Payments to suppliers		(2,021,990)	(2,353,916)	(1,730,977)
Payments to trustees		(7,538)	(16,290)	(15,641)
Payments for grants		(422,778)	(1,435,888)	(66,279)
Goods and services tax (net)		15,914	51,333	(40,890)
Net cash from operating activities	10	(1,233,426)	(2,253,857)	(183,682)
Cash flows from investing activities				
Receipts from sale of investments		9,600,000	1,871,008	9,500,178
Acquisition of investments		(7,000,000)	0	(9,600,000)
Net cash from investing activities		2,600,000	1,871,008	(99,822)
Net (decrease)/increase in cash and cash equivalents		1,366,574	(382,849)	(283,504)
Cash and cash equivalents at the beginning of the year		688,920	688,920	972,424
Cash and cash equivalents at the end of the year	5	2,055,494	306,071	688,920

Explanations of significant variances against budget are detailed in note 19.

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of accounting policies for the year ended 30 June 2011

Reporting entity

The Road Safety Trust is a Crown established trust and is domiciled in New Zealand. As such, the Road Safety Trust's ultimate parent is the New Zealand Crown.

The Road Safety Trust's primary objective is to provide public services to the NZ public, as opposed to that of making a financial return. Accordingly, the Road Safety Trust has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for the Road Safety Trust are for the year ended 30 June 2011, and were approved by the Trustees on 9 September 2011.

Basis of preparation

STATEMENT OF COMPLIANCE

The financial statements of the Road Safety Trust have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements comply with NZ IFRSs, and other applicable financial reporting standards, as appropriate for public benefit entities.

MEASUREMENT BASE

The financial statements have been prepared on a historical cost basis.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Road Safety Trust is New Zealand dollars.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the financial year.

EARLY ADOPTED AMENDMENTS TO STANDARDS

The following amendments to standards have been early adopted:

- NZ IFRS 7 *Financial Instruments: Disclosures* – The effect of early adopting these amendments is the following information is no longer disclosed:
 - the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated; and
 - the maximum exposure to credit risk by class of financial instrument if the maximum credit risk exposure is best represented by their carrying amount.

- NZ IAS 24 *Related Party Disclosures (Revised 2009)* – The effect of early adopting the revised NZ IAS 24 is:
 - more information is required to be disclosed about transactions between the Road Safety Trust and entities controlled, jointly controlled, or significantly influenced by the Crown;
 - commitments with related parties require disclosure;
 - information is required to be disclosed about any related party transactions with Ministers of the Crown.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED

Standards, amendments and interpretations issued but not yet effective that have not been early adopted and which are relevant to the Road Safety Trust include:

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2014. The Road Safety Trust has not yet assessed the effect of the new standard and expects it will not be early adopted.

Significant accounting policies

1.1 Revenue

Revenue is measured at the fair value of consideration received or receivable.

REVENUE FROM PERSONALISED PLATES

The Road Safety Trust is primarily funded from the Crown's share of the initial sale of personalised number plates, which is restricted in its use to making grants from these funds to traffic safety projects. Personalised Plates Ltd is contracted to market personalised motor vehicle number plates.

Revenue from Personalised Plates Ltd is recognised as revenue when earned and is reported in the financial period to which it relates.

INTEREST

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

1.2 Grant expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Road Safety Trust has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the grants approval committee and the approval has been communicated to the applicant.

Any grants that are rescinded are written back once the decision to rescind has been passed.

1.3 Cash and cash equivalents

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

1.4 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.

Impairment of a receivable is established when there is objective evidence that the Road Safety Trust will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor 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. 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 statement of comprehensive income. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

1.5 Investments

BANK DEPOSITS

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

For bank deposits, impairment is established when there is objective evidence that the Road Safety Trust will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default in payments are considered indicators that the deposit is impaired.

1.6 Accounting for foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of comprehensive income.

1.7 Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

1.8 Equity

Equity is the Crown's investment in the Road Safety Trust and is measured as the difference between total assets and total liabilities.

1.9 Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then 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 an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

1.10 Income tax

The Road Safety Trust is a public authority and consequently is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

1.11 Budget figures

The budget figures are as approved by the Trustees at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Road Safety Trust for the preparation of the financial statements.

1.12 Critical accounting estimates and assumptions

In preparing these financial statements the Road Safety Trust has made estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant will be disclosed by way of separate notes to the financial statements.

2 Operating expenses		
	Actual	Actual
	2011	2010
	\$	\$
Fees to principal auditors - audit fees for financial statement audit	10,050	9,671
Trustees' fees	7,984	8,030
Trustees' expenses	5,875	7,316
Bank charges	305	0
Printing	637	1,422
Advertising	11,002	13,685
NZTA support	91,654	137,481
Professional services	18,412	25,580
Miscellaneous	166	206
Total operating expenses	146,085	203,391

3 Grants		
	Actual 2011 \$	Actual 2010 \$
Grants approved during the year	1,153,820	400,000
Impairment of receivables (note 6)	0	150,523
Total grants	1,153,820	550,523

4 Trust initiatives

Trust initiatives is the Trust's own proactive campaign to raise public awareness of the dangers of distraction while driving.

5 Cash and cash equivalents

	Actual 2011 \$	Actual 2010 \$
Cash on hand and at bank	40,664	22,345
Cash equivalents - on-call account	2,014,830	666,575
Total cash and cash equivalents	2,055,494	688,920

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value. The weighted average effective interest rate for term deposits is 2.50% (2010: 2.75%).

6 Debtors and other receivables

	Actual 2011 \$	Actual 2010 \$
Debtors	183,856	183,856
Interest accrued	181,274	189,817
GST receivable	55,418	71,332
Less : provision for impairment	(150,523)	(150,523)
Total debtors and other receivables	270,025	294,482

Fair value

The carrying value of receivables approximates their fair value.

Impairment

The ageing profile of receivables at year end is detailed below:

	2011			2010		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	270,025	0	270,025	294,482	0	294,482
Past due 1-30 days	0	0	0	0	0	0
Past due 31-60 days	0	0	0	0	0	0
Past due 61-90 days	0	0	0	0	0	0
Past due over 90 days	150,523	(150,523)	0	150,523	(150,523)	0
Total	420,548	(150,523)	270,025	445,005	(150,523)	294,482

All receivables greater than 30 days in age are considered to be past due.

Due to the large number of receivables, the impairment assessment is generally performed on a collective basis, based on an analysis of past collection history and write-offs.

Movements in the provision for impairment of receivables are as follows:

	Actual 2011 \$	Actual 2010 \$
Balance at 1 July	150,523	109,539
Additional provisions made during the year (note 3)	0	150,523
Receivables written off during the year	0	(109,539)
Balance at 30 June	150,523	150,523

7 Investments

	Actual 2011 \$	Actual 2010 \$
Current portion		
Term deposits	7,000,000	9,600,000
Total investments	7,000,000	9,600,000

There is no impairment provision for investments.

The carrying amounts of term deposits approximate their fair value.

Maturity analysis and effective interest rates of term deposits

The maturity dates and weighted average effective interest rates for term deposits are as follows:

	Actual 2011 \$	Actual 2010 \$
Term deposits with maturities of 4-6 months <i>weighted average effective interest rate</i>	0 0.0%	2,200,000 3.9%
Term deposits with maturities of 6-12 months (average maturity 365 days) <i>weighted average effective interest rate</i>	7,000,000 4.7%	5,400,000 4.4%
Term deposits with maturities in excess of 12 months <i>weighted average effective interest rate</i>	0 0.0%	2,000,000 4.6%

The term deposits which make up the investments are detailed below:

	Date invested	Date matured	Interest rate	Current investments \$
ANZ term deposit	24-Sep-10	23-Sep-11	4.69%	1,100,000
Kiwibank term deposit	24-Sep-10	23-Sep-11	5.30%	1,500,000
ASB term deposit	10-Dec-10	10-Dec-11	4.52%	1,100,000
Kiwibank term deposit	13-Dec-10	13-Dec-11	5.30%	1,100,000
ANZ term deposit	18-Apr-11	17-Apr-12	3.94%	1,100,000
ASB term deposit	18-Apr-11	18-Apr-12	3.90%	1,100,000
Total investments				7,000,000

8 Creditors and other payables

	Actual 2011 \$	Actual 2010 \$
Current portion		
Creditors	34,260	104,748
Grants approved before 30 June 2011 but unpaid	926,746	195,704
Revenue received in advance	55,040	52,692
Total current portion	1,016,046	353,144
Non-current portion		
Grants approved before 30 June 2011 but unpaid	400,000	400,000
Total non-current portion	400,000	400,000
Total creditors and other payables	1,416,046	753,144

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore the carrying value of creditors and other payables approximates their fair value.

9 Equity		
	Actual 2011 \$	Actual 2010 \$
General funds		
Balance at 1 July	9,830,553	10,493,540
Surplus/(deficit)	(1,921,080)	(662,987)
Total equity at 30 June	7,909,473	9,830,553

10 Reconciliation of net surplus/(deficit) to net cash from operating activities		
	Actual 2011 \$	Actual 2010 \$
Net surplus/(deficit)	(1,921,080)	(662,987)
Add/(less) movements in statement of financial position items:		
(Increase)/decrease in debtors and other receivables	24,457	246,176
(Increase)/decrease in prepayments	295	(295)
Increase/(decrease) in creditors and other payables	662,902	233,424
Net movements in working capital items	687,654	479,305
Net cash from operating activities	(1,233,426)	(183,682)

11 Commitments and operating leases

Commitments

The Road Safety Trust has no commitments (2010: nil).

Operating leases as lessee

The Road Safety Trust has no operating leases (2010: nil).

12 Contingencies

Contingent liabilities

The Road Safety Trust has no contingent liabilities (2010: nil).

Contingent assets

The Road Safety Trust has no contingent assets (2010: nil).

13 Related party transactions

All related party transactions have been entered into on an arms length basis.

The Road Safety Trust is a wholly owned entity of the Crown.

Collectively, but not individually, significant, transactions with government-related entities

In conducting its activities, the Road Safety Trust is required to pay various taxes and levies (such as GST and PAYE) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Road Safety Trust is exempt from paying income tax.

The Road Safety Trust also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2011 totalled \$3,998 (2010: \$5,520). These purchases included the purchase of air travel from Air New Zealand, and postal services from New Zealand Post.

The membership of the Trust includes the Chief Executive of the NZ Transport Agency (NZTA), and Ernst Zöllner, NZTA. The Trust provides funding to the NZTA for the provision of administrative support, which totalled \$91,654 for the year ended 30 June 2011 (2010: \$137,481).

A portion of the Road Safety Trust's resources is used to support road safety research, which is overseen by a Technical Advisory Committee. Funding for this research is covered by a memorandum of understanding between the Road Safety Trust and the NZTA. The Trust approved additional research funding of \$800,000 during the year ended 30 June 2011 (2010: \$400,000), which will be overseen by the Technical Advisory Committee. Through the committee, the Trust has paid \$421,158 during the year from grants approved in prior years (2010: \$66,280).

Transaction	Approved		Transaction value		Balance outstanding	
	year ended 30 June		year ended 30 June		year ended 30 June	
	2011	2010	2011	2010	2011	2010
NZTA administrative support	0	0	91,654	137,481	0	0
Technical advisory committee	800,000	400,000	421,158	66,280	1,015,530	636,688

The Trust has provided a grant of \$100,000 to the Hamilton City Council for a Safe Speed Area demonstration project. This is also being funded by the NZTA.

Key management personnel compensation

	Actual 2011 \$	Actual 2010 \$
Salaries and other short-term employee benefits	7,984	8,030
Total key management personnel compensation	7,984	8,030

Key management personnel include all trustees, except for the nominee of the Chief Executive of the NZTA; Ernst Zöllner is not paid a remuneration.

14 Trustee remuneration

The total value of remuneration paid or payable to each trustee during the year was:

	Actual 2011 \$	Actual 2010 \$
Y Sharp (Chair)	3,818	3,690
A Gainsford	2,170	2,170
R Morton	1,996	2,170
Total trustee remuneration	7,984	8,030

There have been no payments made to committee members appointed by the Trustees who are not Trustees during the financial year.

No Trustees received compensation or other benefits in relation to cessation (2010: nil).

15 Events after the balance sheet date

The Minister of Transport has appointed Geoff Dangerfield, Chief Executive of the NZTA, as Chair of the Road Safety Trust from 15 August 2011 until 30 April 2012.

Future expectations for the Road Safety Trust

The Minister of Transport communicated his expectations for the Road Safety Trust on 22 August 2011, which are:

- That the revenue flow from Personalised Plates to the Trust will cease from 1 September 2011, with the revenue then flowing to the NZTA (to be held separately for road safety activities).
- That the current balance of reserves held by the Trust will be managed down over time.
- That the functions of the Settlor as outlined in the Trust Deed will be transferred to the NZTA Board.

16 Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	Actual 2011 \$	Actual 2010 \$
Loans and receivables		
Cash and cash equivalents	2,055,494	688,920
Debtors and other receivables	270,025	294,482
Investments - term deposits	7,000,000	9,600,000
Total loans and receivables	9,325,519	10,583,402
Financial liabilities measured at amortised cost		
Creditors and other payables	1,416,046	753,144
Total financial liabilities measured at amortised cost	1,416,046	753,144

17 Financial instrument risks

The Road Safety Trust's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Road Safety Trust has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Road Safety Trust's exposure to fair value interest rate risk is limited to its bank deposits which are held at fixed rates of interest. The Road Safety Trust does not actively manage its exposure to fair value interest rate risk.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments and borrowings issued at variable interest rates expose the Road Safety Trust to cash flow interest rate risk.

The Road Safety Trust's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. The Road Safety Trust currently has no variable interest rate investments.

Currency risk

A currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Road Safety Trust purchases goods and services overseas which require it to enter into transactions denominated in foreign currencies.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Road Safety Trust, causing the Road Safety Trust to incur a loss.

Due to the timing of its cash inflows and outflows, the Road Safety Trust invests surplus cash with registered banks.

The Road Safety Trust has processes in place to review the credit quality of customers prior to the granting of credit.

In the normal course of business, the Road Safety Trust is exposed to credit risk from cash and term deposits with banks, debtors and other receivables, and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

The Road Safety Trust limits the amount of credit exposure to any one financial institution for term deposits to no more than 33% of total investments held. The Road Safety Trust invests funds and enters into derivative financial instruments only with registered banks that have a Standard and Poor's credit rating of at least AA- for short term and long term investments. The Road Safety Trust has experienced no defaults of interest or principal payments for term deposits.

The Road Safety Trust holds no collateral or other credit enhancements for financial instruments that give rise to credit risk.

The Road Safety Trust holds term deposits with the ANZ, ASB, Kiwibank, and Westpac. These banks are part of the retail deposit guarantee scheme and so deposits held with these banks are guaranteed by the Crown up to \$1 million.

Maximum exposure to credit risk

The Road Safety Trust's maximum credit risk exposure for each class of financial instrument is as follows:

	Actual 2011 \$	Actual 2010 \$
Cash and cash equivalents	2,055,494	688,920
Debtors and other receivables	270,025	294,482
Investments	7,000,000	9,600,000
Total credit risk	9,325,519	10,583,402

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by referenced to Standard and Poor's credit ratings.

	Actual 2011 \$	Actual 2010 \$
Cash and cash equivalents and investments		
AA	6,455,494	7,188,920
AA-	2,600,000	3,100,000
Total cash and cash equivalents and investments	9,055,494	10,288,920

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Road Safety Trust will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash.

The Road Safety Trust mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Contractual maturity analysis of financial liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	Less than 6 months \$	6-12 months \$	1-2 years \$	Carrying amount \$
2010				
Creditors and other payables (note 8)	157,440	195,704	400,000	753,144
2011				
Creditors and other payables (note 8)	89,300	926,746	400,000	1,416,046

Contractual maturity analysis of financial assets

The table below analyses financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	Less than 6 months \$	6-12 months \$	Carrying amount \$
2010			
Cash and cash equivalents (note 5)	688,920	0	688,920
Debtors and other receivables (note 6)	294,482	0	294,482
Investments (note 7)	7,400,000	2,200,000	9,600,000
2011			
Cash and cash equivalents (note 5)	2,055,494	0	2,055,494
Debtors and other receivables (note 6)	270,025	0	270,025
Investments (note 7)	4,800,000	2,200,000	7,000,000

Sensitivity analysis

Interest rate risk

The table below illustrates the potential effect on the surplus or deficit for reasonably possible market movements, with all other variables held constant, based on the Road Safety Trust's financial instrument exposure at balance date.

	2011		2010	
	Effect on surplus or deficit		Effect on surplus or deficit	
	+1%	-1%	+1%	-1%
	\$	\$	\$	\$
Cash and cash equivalents and investments	53,748	(53,748)	49,688	(49,688)

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a 1% change in interest rates.

18 Capital management

The Road Safety Trust's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

The Road Safety Trust is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The Road Safety Trust manages its equity as a by-product of prudent managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure the Road Safety Trust effectively achieves its objectives and purpose, while remaining a going concern.

19 Explanation of major variances against budget

Explanations for major variations from the Road Safety Trust's budgeted figures are as follows:

Statement of comprehensive income

Total income

Total income was down on budget by \$271,834. The current economic climate has impacted on plate sales, which has resulted in the Trust receiving \$324,027 less revenue than was budgeted. This was offset by the receipt of \$52,193 more interest than was budgeted.

Operating expenses

Operating expenses were below budget by \$144,675. \$139,088 of the budget set aside for legal advice and other professional services, was not utilised. Trustee expenses and advertising were not as high as anticipated.

Grants

Grants were \$88,220 higher than budgeted. The Trust has granted funding to a number of worthwhile projects this financial year.

Trust initiatives

Trust initiatives were \$191,413 lower than budgeted. The Trust has a campaign to raise an awareness of distracted driving. This campaign, along with these cost savings, will carry over into the 2011/12 financial year.

Statement of financial position

Cash and cash equivalents

Cash and cash equivalents were \$1,749,423 higher than budgeted. The change in cash and cash equivalents reflects the on-call funds that were set aside for short term payables, and included an amount of \$2,000,000 sitting on-call while the Trust updated its banking relationship with Westpac.

Debtors and other receivables

Debtors and other receivables were \$63,871 higher than budgeted. Interest accrued was \$28,452 higher than anticipated, and a higher than budgeted GST refund was due.

Investments

Investments were \$728,993 lower than budgeted, which reflects the reduction in term deposits to cover operating activities.

Creditors and other payables

Creditors and other payables are higher than budgeted by \$1,119,975. Grants approved by the Trust but unpaid is \$1,060,346 higher than anticipated. Plus, the revenue received in advance of \$55,040 was not budgeted for.

Statement of cash flows

Cash flows from operating activities

Net cash from operating activities was \$1,020,431 lower than budgeted. Operating cash flow movements reflect fewer receipts from personalised plates and fewer payments for grants and Trust initiatives.

Cash flows from investing activities

The difference in net cash from investing activities of \$728,992 reflects the reduction in term deposits to cover operating activities.
