



Twenty-third annual report for the

**ROAD SAFETY TRUST**

---

for the year ended 30 June 2012

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

# CONTENTS

<b>FOREWORD .....</b>	<b>2</b>
<b>MANAGEMENT STATEMENT .....</b>	<b>3</b>
<b>1. INTRODUCTION.....</b>	<b>3</b>
<b>2. ESTABLISHMENT AND MEMBERSHIP.....</b>	<b>3</b>
<b>3. ROLE AND RELEVANCE.....</b>	<b>3</b>
<b>3.1 VISION.....</b>	<b>3</b>
<b>3.2 VALUES .....</b>	<b>4</b>
<b>3.4 ACTIVITIES .....</b>	<b>4</b>
<b>3.5 PERFORMANCE MEASURES.....</b>	<b>5</b>
<b>4 SUPPORT.....</b>	<b>5</b>
<b>5 REVIEW OF OPERATIONS.....</b>	<b>5</b>
<b>5.1 MEETINGS.....</b>	<b>5</b>
<b>5.2 APPLICATIONS.....</b>	<b>5</b>
<b>5.3 STATEMENT OF ALLOCATION CRITERIA.....</b>	<b>5</b>
<b>5.4 CONTRACTS.....</b>	<b>6</b>
<b>5.5 COMMUNITY PROJECTS .....</b>	<b>6</b>
<b>5.6 RESEARCH .....</b>	<b>7</b>
<b>5.7 TRUST RESEARCH PROJECTS.....</b>	<b>7</b>
<b>5.8 TRUST INITIATIVES.....</b>	<b>8</b>
<b>5.9 ORGANISATIONAL DEVELOPMENTS.....</b>	<b>10</b>
<b>6. FINANCE.....</b>	<b>10</b>
<b>6.1 REVENUE AND EXPENDITURE.....</b>	<b>10</b>
<b>6.2 FUNDING POLICY .....</b>	<b>10</b>
<b>6.3 INVESTMENT POLICY.....</b>	<b>11</b>
<b>6.4 INVESTMENTS .....</b>	<b>11</b>
<b>6.5 CONCLUDING COMMENT.....</b>	<b>11</b>
<b>FINANCIAL STATEMENTS .....</b>	<b>12</b>
<b>AUDIT REPORT .....</b>	<b>13</b>

# FOREWORD

I am pleased to present the Annual Report and audited accounts for the Road Safety Trust for the year ended 30 June 2012

## **Operational activities**

In September 2011 the Trust underwent a major review of its operations. The result of the review was that the Trust decided to wind up its activities over time, and to use the remainder of its funds to provide grants for worthwhile road safety community projects. The Trust also modified its Deed to transfer the functions of the Settlor from the Minister of Transport to the Board of the NZ Transport Agency (NZTA).

Research and post-graduate study grants have ceased as a result of the review, although projects already underway will be funded until they are completed. The Trust also ceased funding its advertising campaign from 30 June 2012. Road safety advertising is now managed by the NZTA.

During the year, the Trust continued to focus on contributing to the priorities set out in the government's *Safer Journeys* strategy, released in 2010, and has made a valuable contribution to achievement of the strategy's goals, and to safer roads for all New Zealanders.

## **Grants**

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. The current economic climate has impacted on personalised plate sales and the Trust has received less revenue from this source over the past 4 financial years. The Trust has ended the year with a net deficit of \$3,032,844.

## **Winding up the Trust**

The future activities of the Trust will involve allocating its reserves by funding worthwhile road safety projects, and monitoring those projects until their completion to ensure that the money is used as agreed and all contracts complied with.

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  
Chairperson

# MANAGEMENT STATEMENT

## 1. Introduction

The Road Safety Trust has pleasure in presenting its annual report for the year 1 July 2011 to 30 June 2012.

In 2011 the road toll was 285, which is the lowest road toll since 1952. This is a substantial reduction from the previous year when 375 people died on the roads. While this is a remarkable improvement, we know that deaths and injuries on our roads are preventable and that more can be done to reduce our road toll even further. 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 2011/12 were:

Geoff Dangerfield	Chairperson
Ernst Zöllner	NZ 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

## 3. Role and relevance

The Trust's vision, values and key business objectives, along with strategies for achieving them, have been set out in a three-year business plan that has been 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

In the period before it is wound up, the Trust will focus on three key business objectives, one functional and two operational, which will allow a gradual phasing out of the Trust's former roles.

Functional objective:

Objective 1	To encourage community initiatives that improve road safety by distributing the Trust's remaining funds to worthwhile community projects carried out by well-regarded non-governmental organisations.
-------------	---

Operational objectives:

Objective 2	To interact effectively with road safety partners and with the community
Objective 3	To manage effectively, and continually improve, all aspects of the Trust's activities, including managing down the residual research and advertising activities.

## 3.4 Activities

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

1. Proactively seek applications from the well-regarded non-governmental organisations to undertake road safety projects that address *Safer Journeys* priorities.
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. Contribute to the implementation of the *Safer Journeys* strategy by taking account of its priority action areas in making funding decisions.
5. Gain and update knowledge by maintaining links with other road safety organisations, and the community.
6. Manage the Trust's commitments to research grants, scholarships and the public awareness campaign on driver distraction for the remaining duration of these projects.
7. Continually improve systems and procedures and identify any areas for improvement.
8. Maintain prudent financial management of the Trust's remaining funds.

### **3.5 Performance measures**

The revised business plan, ratified by the Trust in November 2011, has set performance measures to enable the Trust to monitor and report on each of its activities. The Trust has performed well against these performance measures.

## **4 Support**

The NZ 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 will continue to provide expert advice to the Trust on research projects until the residual projects are concluded.

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 2011, December 2011 and June 2012.

### **5.2 Applications**

As a result of its review, the Trust did not make any grants at its September meeting. Following its decision to make its remaining funds available as grants to soundly based community road safety projects, there were three grants made in December 2011 and three in June 2012.

### **5.3 Statement of allocation criteria**

The Trust allocates funds 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 are required to sign a contract, clearly detailing their obligations to deliver the project and account for funds spent.

## 5.5 Community projects

The following seven community projects were approved in the 2011/2012 financial year:

### 1. AA Driver Education Foundation/SADD - \$2,000,000

This project is to be underwritten by the Automobile Association, and the NZTA will have close involvement with the project, which aims to contribute to efforts against drug and alcohol impaired driving. The amount approved covers the first year; subsequent years will be funded at a reduced level subject to satisfactory performance in year one.

### 2. Northland District Health Board – Driver Sober Mid and Far North - \$112,000

This regional anti-drink driving campaign was also approved subject to statistics being provided.

### 3. Refugees as Survivors New Zealand - \$200,000

This project will provide road safety education for refugees at the Mangere Refugee Reception Centre, enabling them to gain their learner licence, and improving their chances of obtaining work.

### 4. Spanbild New Zealand Ltd (Totalspan Buildings in conjunction with the NZ Police) - \$14,700

This project provides 20 km/h speed limit signage to be displayed on rural bus shelters where children board and alight from school buses.

### 5. TERNZ Ltd in collaboration with rural schools - \$227,000

This project will set up trials of mandatory speed reduction zones at five rural schools in the North Island. The trial will be evaluated to assess the effectiveness of the signs in improving safety at these schools. Given the research component of this project, it will be monitored and assessed by the Technical Advisory Committee.

#### **6. Waimakariri District Council – Recidivist Drink Driver Programme - \$7,000**

This programme, targeted at convicted recidivist drink drivers, aims to reduce drink driving in the region.

#### **7. Waimakariri District Council – Drive Sober North Canterbury - \$24,000**

This project aims to reduce drink driving in the region, and was approved subject to statistics being provided to the Trust.

### **5.6 Research**

The Trust has supported many worthwhile research projects since its inception. However, following the review in September 2011, and the decision that the Trust would wind up its activities, no further research grants have been made.

Projects that are currently underway will continue to be funded through to completion, and the Trust will continue to monitor those projects.

### **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.

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 feed 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. 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.

#### **4. Quantification of safety benefits from road smoothing (\$72,500)**

Principal Investigator: Peter Cenek, Opus International Consultants.

This project examined the relationships between safety and the roughness of a road surface. To date, road roughness has not been taken into account in deciding the priority of safety work. This research is now complete, and the results will provide information to improve safety on road networks.

#### **5. 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. Early results of this study have been encouraging.

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

Principal Investigator: Peter Baas, TERNZ Ltd.

This goal of this research was to 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. A draft final report on Stage I has been received, and the project is to be terminated by mutual agreement owing to the high cost of the full study and the lack of available funding.

#### **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 is now completed, and the results will be used to develop improved safety on horizontal curves.

#### **8. An exploratory study of barriers to child restraint use in New Zealand (\$60,000)**

Principal Investigator: Jared Thomas, Opus International Consultants.

The main objective of this project is to determine the factors that prevent New Zealand parents from using child car restraints correctly. A pilot project report has been completed and received.

#### **9. Implementation and monitoring of variable 40, 60 and 70 km/h rural school zone signs (\$227,000)**

Principal Investigator: Hamish Mackie, TERNZ Ltd.

This project will implement and monitor mandatory LED speed reduction signs at rural schools. The results of this project will contribute to safer speeds in the vicinity of rural schools.

### **5.8 Trust initiatives**

The cost of projects initiated by the Trust itself totalled \$824,853 in the 2011/2012 financial year.

In 2008, after consultation with the NZTA, the Trust launched the first phase of a public awareness campaign highlighting the negative consequences of being distracted while driving.

Following the decision to wind up the Trust, funding for this campaign will discontinue after 30 June 2012. Road safety advertising will be managed by the NZTA after that date.

The latest survey of public awareness of the driver distraction campaign was undertaken in March 2012, and measures the impact of the “Kill the Conversation” commercial, the “Killer Burger, iPod, and Compact” series, and the “Distracted Brain” series.

Research New Zealand’s latest findings continue to show a very good level of awareness of the Trust’s campaign. All respondents interviewed in March were asked to identify factors that they believed are likely to cause motor vehicle crashes. Without prompting, 56% specifically mentioned “distraction”. This compares with 34% in November 2011, 47% in August 2011, 41% in March 2011, and 35% in October 2010.

Sixty-seven percent of all respondents reported having seen “something” recently related to driver distraction. This compares with 68% in March 2011 and 66% in November 2011.

Unprompted, 28% of those who recalled the distraction campaign specifically identified one of the Trust’s advertisements.

When prompted with a description of the advertisement, recall increased to 94%. This is similar to the November 2011 result of 92%, but significantly higher than in October 2010 (63%).

Since September 2009, the survey has also monitored reported use of cell phones while driving in order to track the impact of the 1 November 2009 law change which banned the use of handheld cell phones while driving. Seventeen percent of survey respondents reported having used a cell phone while driving compared with 34 % in September 2009.

Of those who had used a cell phone while driving, 44% had used a hands-free kit, compared to 12 % in September 2009. On a total sample basis this means that 7% of all respondents used a hands-free kit while 9% used a hand-held cell phone (compared to 5% and 29% before the law change). The proportion of people still using a hand-held cell phone while driving has changed very little over the past 18 months.

### **Conclusions**

Almost all respondents (94%) recognised at least one aspect of the Trust’s distraction campaign after prompting. Although awareness of the campaign has been consistently high since June 2011, this overall level of awareness is significantly higher than it was in earlier measures. For example, around 20 months ago overall awareness of the Trust’s campaign was 63%.

As a result of this regular monitoring, the Trust can be confident that its campaign has helped to raise people’s awareness of risk. The Trust is also confident that this campaign has contributed to Safer Journeys priorities, and is complementary to other road safety media campaigns.

## **5.9 Organisational developments**

The business plan, established in the 2008/09 financial year, and revised in 2010 and 2011, has provided the Trust with a framework for focusing its activities and 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 as agreed in the contract. 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 2011, and some sections were re-worded to provide more clarity, and encourage 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 has been funded from the Crown Share of the initial sale of every personalised number plate up until 1 September 2011. Personalised Plates Ltd (PPL) was 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 have provided the Trust with revenue, which totalled \$203,437 for the year. The Trust earned a total of \$345,498 in interest.

The Trust has achieved a net deficit of \$3,032,844 for the year ended 30 June 2012. This result was lower than the expected deficit of \$4,261,725. The main reason for this was lower grants approved than was budgeted.

Operating costs of \$131,799 were incurred during the year. These costs came in under budget.

Public equity stands at \$4,876,629. The Trust's objective is to distribute the majority of its reserves to high value, high quality community based road safety projects and wind up its operations by 30 June 2013.

### **6.2 Funding policy**

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

### **6.3 Investment policy**

The Trust investment 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.

### **6.4 Investments**

The Trust's investments stand at \$8,285,053. 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

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 2012.

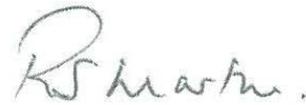
Signed on behalf of the Trustees:



Geoff Dangerfield

**Chairperson**

31 October 2012



Robin Morton

**Trustee**

31 October 2012

# Audit report

## INDEPENDENT AUDITOR'S REPORT TO THE READERS OF THE ROAD SAFETY TRUST'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 17 to 33, that comprise the statement of financial position as at 30 June 2012, 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 17 to 33 that are prepared on a disestablishment basis:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's:
  - financial position as at 30 June 2012; and
  - financial performance and cash flows for the year ended on that date.

*Emphasis of matter – the financial statements are appropriately prepared on a disestablishment basis.*

Without modifying our opinion, we draw your attention to the accounting policies on page 20 about the financial statements being prepared on a disestablishment basis because the Trust is to settle all its liabilities, distribute its remaining reserves and wind up its operations by 30 June 2013. The functions of the Trust will be transferred to the New Zealand Transport Agency. We consider the basis of the preparation of the financial statements and related disclosures to be appropriate to the Trust's circumstances.

Our audit was completed on 31 October 2012. 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 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 preparation of the Trust's 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. 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 is determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Trustee'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 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.



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 2012 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 2012 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 2012

	Note	Actual 2012 \$	Budget 2012 \$	Actual 2011 \$
<b>Income</b>				
Personalised plates		203,437	203,437	775,973
Interest received		345,498	210,918	416,102
Other revenue		488	0	0
<b>Total income</b>		<b>549,423</b>	<b>414,355</b>	<b>1,192,075</b>
<b>Expenditure</b>				
Operating expenses	2	131,799	175,495	146,085
Grants	3	2,625,615	3,500,000	1,153,820
Trust initiatives	4	824,853	1,000,585	1,813,250
<b>Total expenditure</b>		<b>3,582,267</b>	<b>4,676,080</b>	<b>3,113,155</b>
<b>Net surplus/(deficit)</b>		<b>(3,032,844)</b>	<b>(4,261,725)</b>	<b>(1,921,080)</b>
Other comprehensive income		0	0	0
<b>Total comprehensive income for the year</b>		<b>(3,032,844)</b>	<b>(4,261,725)</b>	<b>(1,921,080)</b>

Explanations of significant variances against budget are detailed in note 18.

*The accompanying notes form part of these financial statements.*

### Statement of financial position as at 30 June 2012

	Note	Actual 2012 \$	Budget 2012 \$	Actual 2011 \$
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	394,171	936,709	2,055,494
Debtors and other receivables	6	165,486	91,827	270,025
Investments	7	7,900,000	3,545,921	7,000,000
<b>Total current assets</b>		<b>8,459,657</b>	<b>4,574,457</b>	<b>9,325,519</b>
<b>Total assets</b>		<b>8,459,657</b>	<b>4,574,457</b>	<b>9,325,519</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Creditors and other payables	8	1,867,028	926,709	1,016,046
<b>Total current liabilities</b>		<b>1,867,028</b>	<b>926,709</b>	<b>1,016,046</b>
<b>Non-current liabilities</b>				
Creditors and other payables	8	1,716,000	0	400,000
<b>Total non-current liabilities</b>		<b>1,716,000</b>	<b>0</b>	<b>400,000</b>
<b>Total liabilities</b>		<b>3,583,028</b>	<b>926,709</b>	<b>1,416,046</b>
<b>Net assets</b>		<b>4,876,629</b>	<b>3,647,748</b>	<b>7,909,473</b>
<b>Equity</b>				
General funds		4,876,629	3,647,748	7,909,473
<b>Total equity</b>	9	<b>4,876,629</b>	<b>3,647,748</b>	<b>7,909,473</b>

### Statement of changes in equity for the year ended 30 June 2012

	Note	Actual 2012 \$	Budget 2012 \$	Actual 2011 \$
<b>Balance at 1 July</b>		<b>7,909,473</b>	<b>7,909,473</b>	<b>9,830,553</b>
Total comprehensive income		(3,032,844)	(4,261,725)	(1,921,080)
<b>Balance at 30 June</b>	9	<b>4,876,629</b>	<b>3,647,748</b>	<b>7,909,473</b>

Explanations of significant variances against budget are detailed in note 18.

*The accompanying notes form part of these financial statements.*

## Statement of cash flows for the year ended 30 June 2012

		Actual 2012	Budget 2012	Actual 2011
	Note	\$	\$	\$
<b>Cash flows from operating activities</b>				
Receipts from Personalised plates		181,730	236,770	778,321
Interest received		391,296	300,366	424,645
Receipts from other revenue		488	0	0
Payments to suppliers		(875,018)	(1,228,712)	(2,021,990)
Payments to trustees		(3,658)	(4,960)	(7,538)
Payments for grants		(481,569)	(3,951,746)	(422,778)
Goods and services tax (net)		25,408	75,418	15,914
Net cash from operating activities	10	(761,323)	(4,572,864)	(1,233,426)
<b>Cash flows from investing activities</b>				
Receipts from sale of investments		7,000,000	3,454,079	9,600,000
Acquisition of investments		(7,900,000)	0	(7,000,000)
Net cash from investing activities		(900,000)	3,454,079	2,600,000
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,661,323)</b>	<b>(1,118,785)</b>	<b>1,366,574</b>
Cash and cash equivalents at the beginning of the year		2,055,494	2,055,494	688,920
<b>Cash and cash equivalents at the end of the year</b>	5	<b>394,171</b>	<b>936,709</b>	<b>2,055,494</b>

Explanations of significant variances against budget are detailed in note 18.

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

### Reporting entity

The Road Safety Trust is a Crown established trust and is domiciled in New Zealand. 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 2012, and were approved by the Trustees on 31 October 2012.

### 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).

These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with NZ IFRS.

#### GOING CONCERN

In August 2011, the Minister of Transport communicated his expectations for the Road Safety Trust, which were:

- that the revenue flow from Personalised Plates to the Road Safety 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 Road Safety 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.

As a result of a review of its operations in September 2011, the Road Safety Trust has decided to distribute the remaining reserves to high value, high quality community based road safety projects and wind up its activities by 30 June 2013.

At 30 June 2013, there will be projects that have been approved, but their agreed funding allocation goes past this date. For these grants approved before 30 June 2013 but unpaid, the funding will be moved to and distributed by the NZTA. The NZTA will continue to monitor these projects until their completion to ensure that the money is used as agreed and all contracts are complied with.

All remaining assets and liabilities as at 30 June 2013 will be transferred to the NZTA. Therefore the liabilities are disclosed as current and non-current in the statement of financial position.

#### 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**

The accounts have been prepared on a dissolution basis, however other than this there have been no changes in accounting policies during the financial year.

The Road Safety Trust has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- Amendments to NZ IAS 1 Presentation of Financial Statements - The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item.
- FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction.

## **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, are:

- 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 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

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 Road Safety Trust is classified as a Tier 1 reporting entity and it 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. As the PAS are still under development, the Road Safety Trust 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.

## **Significant accounting policies**

### **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.

### **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.

### **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.

### **DEBTORS AND OTHER RECEIVABLES**

Short-term debtors and other receivables are recorded at their face value, 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).

### **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.

#### 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.

#### CREDITORS AND OTHER PAYABLES

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

#### EQUITY

Equity is measured as the difference between total assets and total liabilities.

#### GOODS AND SERVICES TAX

All items in the financial statements are presented exclusive of goods and services tax (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.

#### INCOME TAX

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

#### 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 in preparing these financial statements.

#### CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

No estimates and assumptions concerning the future have been made in preparing these financial statements.

<b>2 Operating expenses</b>	Actual 2012 \$	Actual 2011 \$
Fees to principal auditors - audit fees for financial statement audit	10,440	10,050
Trustees' fees	4,104	7,984
Trustees' expenses	3,793	5,875
Bank charges	40	305
Printing	553	637
Advertising	5,791	11,002
NZTA support	84,875	91,654
Professional services	22,032	18,412
Miscellaneous	171	166
<b>Total operating expenses</b>	<b>131,799</b>	<b>146,085</b>

### 3 Grants

	Actual 2012 \$	Actual 2011 \$
Grants approved during the year	2,625,684	1,153,820
Less grants rescinded	(69)	0
<b>Total grants</b>	<b>2,625,615</b>	<b>1,153,820</b>

### 4 Trust initiatives

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

### 5 Cash and cash equivalents

	Actual 2012 \$	Actual 2011 \$
Cash on hand and at bank	9,118	40,664
Cash equivalents - on-call account	385,053	2,014,830
<b>Total cash and cash equivalents</b>	<b>394,171</b>	<b>2,055,494</b>

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% (2011: 2.50%).

### 6 Debtors and other receivables

	Actual 2012 \$	Actual 2011 \$
Debtors	0	183,856
Interest accrued	135,476	181,274
GST receivable	30,010	55,418
Less : provision for impairment	0	(150,523)
<b>Total debtors and other receivables</b>	<b>165,486</b>	<b>270,025</b>

#### FAIR VALUE

The carrying value of receivables approximates their fair value.

#### IMPAIRMENT

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

	2012			2011		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	165,486	0	165,486	270,025	0	270,025
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	0	0	0	150,523	(150,523)	0
<b>Total</b>	<b>165,486</b>	<b>0</b>	<b>165,486</b>	<b>420,548</b>	<b>(150,523)</b>	<b>270,025</b>

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

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 2012 \$	Actual 2011 \$
Balance at 1 July	150,523	150,523
Movement of provision during the year	(150,523)	0
<b>Balance at 30 June</b>	<b>0</b>	<b>150,523</b>

## 7 Investments

	Actual 2012 \$	Actual 2011 \$
<b>Current portion</b>		
Term deposits	7,900,000	7,000,000
<b>Total investments</b>	<b>7,900,000</b>	<b>7,000,000</b>

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 2012 \$	Actual 2011 \$
Term deposits with maturities of 4-6 months (average maturity 137 days)	2,000,000	0
<i>weighted average effective interest rate</i>	3.7%	0.0%
Term deposits with maturities of 6-12 months (average maturity 365 days)	5,900,000	7,000,000
<i>weighted average effective interest rate</i>	4.0%	4.7%

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

	Date invested	Date matured	Interest rate	Current investments \$
Westpac term deposit	21-Jul-11	20-Jul-12	4.25%	1,500,000
ASB term deposit	15-Jun-12	15-Sep-12	3.59%	1,000,000
ANZ term deposit	14-May-12	12-Nov-12	3.75%	1,000,000
Kiwibank term deposit	16-Nov-11	15-Nov-12	3.95%	1,200,000
Kiwibank term deposit	13-Dec-11	13-Dec-12	3.85%	1,000,000
ANZ term deposit	19-Apr-12	19-Apr-13	3.80%	1,100,000
ASB term deposit	19-Apr-12	19-Apr-13	3.79%	1,100,000
<b>Total investments</b>				<b>7,900,000</b>

## 8 Creditors and other payables

	Actual 2012 \$	Actual 2011 \$
<b>Current portion</b>		
Creditors	112,236	34,260
Grants approved before 30 June 2012 but unpaid	1,754,792	926,746
Revenue received in advance	0	55,040
<b>Total current portion</b>	<b>1,867,028</b>	<b>1,016,046</b>
<b>Non-current portion</b>		
Grants approved before 30 June 2012 but unpaid	1,716,000	400,000
<b>Total non-current portion</b>	<b>1,716,000</b>	<b>400,000</b>
<b>Total creditors and other payables</b>	<b>3,583,028</b>	<b>1,416,046</b>

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 2012 \$	Actual 2011 \$
<b>General funds</b>		
Balance at 1 July	7,909,473	9,830,553
Surplus/(deficit)	(3,032,844)	(1,921,080)
<b>Total equity at 30 June</b>	<b>4,876,629</b>	<b>7,909,473</b>

## 10 Reconciliation of net surplus/(deficit) to net cash from operating activities

	Actual 2012 \$	Actual 2011 \$
<b>Net surplus/(deficit)</b>	(3,032,844)	(1,921,080)
<b>Add/(less) movements in statement of financial position items:</b>		
(Increase)/decrease in debtors and other receivables	104,539	24,457
(Increase)/decrease in prepayments	0	295
Increase/(decrease) in creditors and other payables	2,166,982	662,902
Net movements in working capital items	2,271,521	687,654
<b>Net cash from operating activities</b>	<b>(761,323)</b>	<b>(1,233,426)</b>

## 11 Commitments and operating leases

### COMMITMENTS

The Road Safety Trust has no commitments (2011: nil).

### OPERATING LEASES AS LESSEE

The Road Safety Trust has no operating leases (2011: nil).

## 12 Contingencies

### CONTINGENT LIABILITIES

The Road Safety Trust has no contingent liabilities (2011: nil).

### CONTINGENT ASSETS

The Road Safety Trust has no contingent assets (2011: 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 2012 totalled \$2,975 (2011: \$3,998). These purchases included the purchase of air travel from Air New Zealand, and postal services from New Zealand Post.

The membership of the Road Safety Trust includes the Chief Executive of the NZ Transport Agency (NZTA), and Ernst Zöllner, NZTA. The Road Safety Trust provides funding to the NZTA for the provision of administrative support, which totalled \$84,875 for the year ended 30 June 2012 (2011: \$91,654).

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 Road Safety Trust approved no additional research funding during the year ended 30 June 2012 (2011: \$800,000), which will be overseen by the Technical Advisory Committee. Through the committee, the Road Safety Trust has paid \$195,155 during the year from grants approved in prior years (2011: \$421,158).

Transaction	Approved		Transaction value		Balance outstanding	
	year ended 30 June		year ended 30 June		year ended 30 June	
	2012	2011	2012	2011	2012	2011
NZTA administrative support	0	0	84,875	91,654	0	0
Technical advisory committee	0	800,000	195,155	421,158	820,375	1,015,530

The Road Safety Trust provided a grant of \$100,000 to the Hamilton City Council for a Safe Speed Area demonstration project in 2010/11. This was also being funded by the NZTA. A balance of \$21,449 is outstanding as at 30 June 2012.

#### KEY MANAGEMENT PERSONNEL COMPENSATION

	Actual 2012 \$	Actual 2011 \$
Salaries and other short-term employee benefits	4,104	7,984
<b>Total key management personnel compensation</b>	<b>4,104</b>	<b>7,984</b>

Key management personnel include all trustees. The Chief Executive of the NZTA and Ernst Zöllner do not receive remuneration for being on the Road Safety Trust.

#### 14 Trustee remuneration

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

	Actual 2012 \$	Actual 2011 \$
A Gainsford	1,834	2,170
R Morton	1,860	1,996
Y Sharp (Chair) Stepped down in July 2011	410	3,818
<b>Total trustee remuneration</b>	<b>4,104</b>	<b>7,984</b>

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 (2011: nil).

## 15 Financial instrument categories

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

	Actual 2012 \$	Actual 2011 \$
<b>Loans and receivables</b>		
Cash and cash equivalents	394,171	2,055,494
Debtors and other receivables	165,486	270,025
Investments - term deposits	7,900,000	7,000,000
<b>Total loans and receivables</b>	<b>8,459,657</b>	<b>9,325,519</b>
<b>Financial liabilities measured at amortised cost</b>		
Creditors and other payables	3,583,028	1,416,046
<b>Total financial liabilities measured at amortised cost</b>	<b>3,583,028</b>	<b>1,416,046</b>

## 16 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.

#### Maximum exposure to credit risk

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

	Actual 2012 \$	Actual 2011 \$
Cash and cash equivalents	394,171	2,055,494
Debtors and other receivables	165,486	270,025
Investments	7,900,000	7,000,000
<b>Total credit risk</b>	<b>8,459,657</b>	<b>9,325,519</b>

#### 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 2012 \$	Actual 2011 \$
<b>Cash and cash equivalents and investments</b>		
AA	0	6,455,494
AA-	8,294,171	2,600,000
<b>Total cash and cash equivalents and investments</b>	<b>8,294,171</b>	<b>9,055,494</b>

#### 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 \$
<b>2011</b>				
Creditors and other payables (note 8)	89,300	926,746	400,000	1,416,046
<b>2012</b>				
Creditors and other payables (note 8)	112,236	1,754,792	1,716,000	3,583,028

#### 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 \$
<b>2011</b>			
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
<b>2012</b>			
Cash and cash equivalents (note 5)	394,171	0	394,171
Debtors and other receivables (note 6)	165,486	0	165,486
Investments (note 7)	5,700,000	2,200,000	7,900,000

#### 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.

	2012		2011	
	Effect on surplus or deficit		Effect on surplus or deficit	
	+1%	-1%	+1%	-1%
	\$	\$	\$	\$
Cash and cash equivalents and investments	37,226	(37,226)	53,748	(53,748)

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.

## **17 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.

## **18 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 higher than budgeted by \$135,068. The higher than budgeted level of investments has resulted in more interest than anticipated.

#### **Operating expenses**

Operating expenses were below budget by \$43,696. \$35,468 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 \$874,385 lower than budgeted, which is a reflection of lower number of worthwhile applications the Road Safety Trust has granted funding to this financial year.

#### **Trust initiatives**

Trust initiatives were \$175,732 lower than budgeted. The Road Safety Trust has ceased funding its campaign to raise an awareness of distracted driving from 30 June 2012.

### **STATEMENT OF FINANCIAL POSITION**

#### **Cash and cash equivalents**

Cash and cash equivalents were \$542,538 lower than budgeted. The budgeted level of on-call funds set aside for short term payables was higher than the actual result.

#### **Debtors and other receivables**

Debtors and other receivables were \$73,659 higher than budgeted. Interest accrued was \$43,649 higher than anticipated, and a higher than budgeted GST refund was due.

#### **Investments**

Investments were \$4,354,079 higher than budgeted. Fewer approved grants have left more funds invested in term deposits.

**Creditors and other payables**

Creditors and other payables were higher than budgeted by \$2,656,319. Creditors were \$60,527 higher than budgeted due to accrued Trust initiatives. Grants approved by the Road Safety Trust but unpaid were \$2,595,792 higher than anticipated.

**STATEMENT OF CASH FLOWS****Cash flows from operating activities**

Net cash from operating activities was \$3,811,541 lower than budgeted. Operating cash flow movements reflect fewer payments for grants and Trust initiatives.

**Cash flows from investing activities**

The difference in net cash from investing activities of \$4,354,079 reflects the acquisition of funds into term deposits due to fewer than planned approved grants.