Report of the New Zealand Maori Arts & Crafts Institute

Trading as

TE PUIA

NEW ZEALAND MĀORI
ARTS AND CRAFTS INSTITUTE

For the year ended: 31 MARCH 2012

Presented to the House of Representatives pursuant to Section 25 of the New Zealand Maori Arts and Crafts Institute Act 1963.

NEW ZEALAND MAORI ARTS & CRAFTS INSTITUTE
ROTORUA

We wish to submit the Annual Report of The New Zealand Maori Arts and Crafts Institute for the year ended 31 March 2012.

Chairman:	**Mr Henri Jacques Burkhardt**
Deputy Chairman:	**Mr Deryck Shaw**
Board Members:	**Ms Robyn Bargh**
	Mr Tupara Morrison
	Mr Kenneth Raureti
	Mr Oscar Nathan (Retired 8 December 2011)

REPORT OF THE NEW ZEALAND MAORI ARTS & CRAFTS INSTITUTE
For the year ended 31 MARCH 2012

Ki te Mīnita Tāpoi

Tēnā rā koe i ngā āhuatanga ō te wā. Ahakoa ngā ngaru nunui e papaki mai nei,

kei te kaha pupuri ki te ōhaki a ō tātou tūpuna "kia kaha, kia toa, kia manawanui".

Nō reira, tangihia rātou mā kua haere ki tua o te ārai.

Kua waihongia mai e rātou he tohu hei arahi mai.

Kia tika te hoe a tō tātou waka ki te pae tawhiti ki te tonuitanga.

Tihē mauri ora!

The Year in Review

Chairman's Report

On behalf of the Board of Directors and staff of the New Zealand Maori Arts and Crafts Institute (the Institute), it is a privilege to present an update on events and outcomes for the period 1 April 2011 to 31 March 2012.

New Zealand Māori Arts and Crafts Institute (NZMACI)

As reported in 2011, the Institute has moved to create more focus on cultural development in line with its commitment to the New Zealand Maori Arts and Crafts Institute Act (1963). This resulted in the establishment of the self-titled cultural development group, New Zealand Māori Arts and Crafts Institute (NZMACI).

The NZMACI group was officially established in its current form in early 2011 and demonstrates a strong commitment by the Institute's Board of Directors to:

- Better servicing of the aspirations of the New Zealand Maori Arts and Crafts Institute Act (1963).
- Providing an explicit focus to the Institute's national cultural heritage obligations.
- Developing new revenue streams to support growth and opportunities locally, nationally and internationally.
- Developing mechanisms to identify and measure cultural returns to the business, iwi/Māori, and the nation.

NZMACI is responsible for developing projects and initiatives that reflect the intentions of the New Zealand Maori Arts and Crafts Institute Act (1963), particularly in respect to cultural perpetuation. Alongside the development and provision of specific training, NZMACI will be developing and implementing a range of products and initiatives to realise the full potential of its legislative purpose.

An important aspect of identifying and aligning appropriate projects for NZMACI rests in the organisation's ability to interpret the intentions of its legislation. The language used in the 1963 Act (including the name of the Act itself) is outmoded in relation to current-day accepted terminology. The intentions are clear however; to protect, promote and perpetuate hapū/iwi knowledge and practices directly and indirectly associated with their cultural heritage.

At its simplest, 'cultural heritage' is an expression that recognises the connection and importance of the past, for present and future generations. It is a framework for acknowledging and understanding people, social structures, practices, places, perceptions of reality and creative expression. It is also a framework for researching, maintaining and interpreting these traditions – whether tangible or intangible – for the social, spiritual, economic and cultural development of, in this instance, Māori communities.

The current NZMACI initiatives are:

1. Waka Tapu: Voyage to Rapanui (Easter Island)

Since early 2011, NZMACI has been working on the development of an historic voyage to Rapanui (Easter Island). The project is in partnership with Te Tai Tokerau Tārai Waka Inc, a trust formed in the late 1990s to support the voyaging work of Hekenukumai Puhipi (Hector Busby) OBE.

The voyage involves a minimum of two waka hourua (traditional double-hulled sailing canoes) contemplating 10,000 nautical miles across the world's most expansive ocean, directed only by the habits of the stars, currents, sun and moon.

The voyage is a significant project for NZMACI, Māoridom, and the New Zealand and Pacific communities. While the principal objective of this initiative is to close the only corner of the Polynesian Triangle not reached in modern-day times by a traditional double-hulled sailing canoe, the voyage also aims to:

- Use this opportunity to capture the in-situ navigational aspects of the voyage in order to preserve this information for future generations.
- Communicate and celebrate this voyage with national and international audiences in order to develop relationships, build partnerships and raise the visibility and understanding of waka Māori and traditional navigation techniques.
- Raise the visibility of the Institute with a conceptually-critical kaupapa.
- Use this voyage to acknowledge our original whakapapa and develop and/or redevelop significant relationships in New Zealand and across the Pacific.

The Waka Tapu project team has created a broad stakeholder group to realise these objectives including: Auckland and Waikato university academics; independent and government entity researchers; education specialists; and corporate bodies. Sir Tumu Te Heuheu has accepted the position as Patron and direct engagement and support from iwi throughout the country has been sought and received. The voyage has an approximate total cost of $1.5 million and the Institute has committed $500,000 plus staff support and expertise. The remainder of the funds support has been achieved or requested from government entities and corporate bodies.

Alongside the voyage, NZMACI will be developing and distributing educational resources to all Year 1 to Year 8 students in mainstream and Māori-medium schools throughout the country. A large scale media/PR campaign will support the voyage and a series of documentaries are planned. The voyage leaves in August 2012 and will be completed by April 2013 (allowing for the cyclone season amongst other variables).

2. Te Wānanga-a-Kupe Mai Tawhiti

The Waka Tapu initiative is inextricably connected to the development and implementation of NZMACI's fourth wānanga - Te Wānanga-a-Kupe Mai Tawhiti. A 3.5 acre lease in Doubtless Bay has been put in place to house the wānanga. The lease arrangement is for 15 years with a five yearly lease review.

The wānanga has two areas of focus: waka construction and non-instrument navigation, and it has two distinct streams to its operation: a full-time NZMACI qualification programme and a hapū/iwi-based waka development programme.

The wānanga is scheduled to open in the middle of 2012 as part of the Institute's Matariki (Māori New Year) celebrations. The first four iwi to work with the wānanga to develop waka have been identified and planning is in place to commence this work. Those iwi are: Ngāti Tūwharetoa; Te Roroa; Te Aitanga-a-Hauiti; and Ngāi Te Rangi.

The capital programme for this wānanga is approximately $177,000 with operating budget of $218,000 per annum. With a commitment of at least 4 iwi engagement projects per annum, each five year commitment will see 20 waka (waka taua, waka tete and waka tangata) completed alongside the student outputs. The learning cross-over between the Rotorua-based schools and this wānanga are pivotal to their collective success.

3. Ngāti Whatua Partnership

In October 2011, NZMACI partnered with Ngāti Whatua in Waka Māori as part of the Rugby World Cup celebrations. Over 12 days on the Auckland viaduct, NZMACI students and staff operated two marquees demonstrating a spectrum of Māori arts including, wood and pounamu carving, weaving and tā moko (Māori tattoo).

Visitor satisfaction for this event was extremely high and consequential partnership opportunities between Ngāti Whatua and NZMACI continue to be explored.

4. Product Development Unit

A significant area of focus over this period has been investment into a Product Development Unit. The unit has been designed to pursue the following opportunities:

- Commissioned Sales

  Commissioned works are frequently purchased for personal gifts, to commemorate special occasions and for corporate and cultural purposes. This is an opportunity to pursue demands from local and international consumers by tailoring wood and pounamu carvings, woven items and composite items to their requirements.

- Meeting House/Mahi Whakairo Development

  To improve the development and support to hapū/iwi for the building and fit-out of their tribal whare which NZMACI is well known for, having carved in excess of thirty meeting houses since 1967. NZMACI's Tōhunga Whakairo (Master Carvers) support communities to define their tribal stories and subsequently lead them through a process of articulating those stories in the carvings, kōwhaiwhai and woven elements of the whare.

  Throughout this reporting period, NZMACI has continued work on a number of carved, painted and woven elements for Paoa Whanaunga, the large Ngāti Paoa house in Kaiaua; has completed carved maihi for Te Mahurehure in Point Chevalier, Auckland; has carved 12 large scale tekoteko for Ngāti Rereahu's visitor centre (Pā Harakeke) just north of Bennydale; and completed a 7 metre, 3-tonne pou whakairo for Ngāti Kuri which has been installed in Northland's new visitor centre, Te Ahu.

  Alongside building new houses and significant cultural expressions, NZMACI also continues to engage with hapū/iwi to address restoration issues with meeting houses. A barrier to NZMACI's restoration service for hapū/iwi is often monetary, but with over 120 graduate carvers connected to the organisation, this continues to be an area of focus. NZMACI has begun to seek support from Government entities including Te Puni Kōkiri and the Ministry for Culture and Heritage to identify and unlock existing pockets of resource that could appropriately be applied to this service.

  Superficial remedial work was undertaken on Houmaitawhiti (Otaramarae) over this period in preparation for a more extensive restoration programme.

- Retail Product Development and Distribution

  This focus is fundamentally concerned with two objectives; developing vocational opportunities for NZMACI graduates and populating the market with high quality souvenir items.

  The bridging of excellence with process expedience is a worthy challenge that NZMACI has begun to resolve. This channel of work will never replace the time-honoured practices maintained in the wānanga proper but it is nonetheless important. A significant misrepresentation of much of Māori material culture is currently prevalent in the retail sector. NZMACI has a committed focus to resolving this issue by developing and distributing quality items at comparative price points.

To support this strategy NZMACI established a re-focussed fourth year student programme this year, which is specifically committed to building skills in the three areas of focus mentioned above. Only one student has been brought into the programme this year with five additional positions open for graduates early next year. Alongside production carving, the programme teaches relationship, business and project management skills.

5. Te Matatini

NZMACI continues to maintain its strategic relationship with Te Matatini. The nature of the partnership is built around mana taonga, recognising the Institute's shared responsibilities in the arts. A third investment of $125,000 will be committed to the running of the National Festival in 2013. This will bring the Institute's total investment in this group to $375,000.

6. Touring Exhibition to China

In the 2011/12 period, planning for an international touring exhibition has taken place. The exhibition Tuku Iho | Living Legacy has been specifically designed to further strengthen ties with the Baoshan Museum (and Baoshan Municipal Government) in Shanghai. The relationship between NZMACI and Baoshan was first forged during the 2010 World Trade Expo when NZMACI gifted a waka maumahara (canoe cenotaph) to the Baoshan Museum.

The exhibition will open in late October 2012 and will be supported by a group of NZMACI artists, including a Kapa Haka (Māori performing arts) group). The Institute aims to leverage the exhibition to help develop its tourism position in China.

7. The Storehouse

During the year, NZMACI has worked to establish a food and beverage brand. The brand, The Storehouse, has been positioned within a simple value proposition – "A fresh new way of experiencing our heritage", and is due to launch its product range as part of the Institute's Matariki celebration from June 2012.

The objectives of The Storehouse are to:

- Develop a food and beverage brand and product line that is consistent with the Institute's commercial and strategic directions.
- Develop a successful business stream which supports the development of cultural capital.
- Develop a commercially positive, culturally rich initiative that builds on the reputation and history of the organisation.
- Identify and leverage potential economies of scale through internal and external partnerships and relationships.

Food and beverage is a quintessential element of any culture. While this initiative stands on its own merits, it provides the Institute with a unique opportunity to connect and comment on fundamental elements of Māori society including celebrations like Matariki. It is also a useful expression to show the dynamism of culture.

8. Education and Training

Through the New Zealand Maori Arts and Crafts Institute Act (1963), NZMACI has the ability to confer qualifications. This is an enabling feature of the legislation with regard to the maintenance and perpetuation of indigenous knowledge systems. It is something unique to the Institute and a key reason why it enjoys the calibre of outcomes it does with its students.

This year we had four carvers from Te Wānanga Whakairo Rākau o Aotearoa (the National carving School) graduate and five new students commence study. The graduates represented Ngāti Hinerupe/Ngāti Koata, Ngāti Whare, Ngāti Manawa/Ngāti Te Wehi, and Ngāti Toa Rangatira/Ngāti Raukawa while the new intake represents Te Arawa, the Muriwhenua, Te Whanau-a-Apanui and Ngāti Whare/Ngāi Tūhoe.

Te Takapū-o-Rotowhio (the National Bone Stone and Greenstone School) had two students commence study this year, one student from Te Aitanga-a-Hauiti and the other from Tauranga Moana. Student numbers on this course are being kept relatively small until new visitor-facing facilities are developed.

Te Rito (the National Weaving School) is currently working through options to diversify its product offering. Night courses continue to be popular while day courses have fewer uptakes. A series of new approaches will be implemented in 2012.

In addition, NZMACI has also undertaken to support NZ Inc at the Museumsuferfest and Book Fair in Frankfurt in July and October 2012.

9. Infrastructure Development

While much of NZMACI's work is outward facing, this past period has seen us focus carefully on the way in which the organisation communicates its projects and initiatives with visitors and communities. As part of the development and growth of the Institute, and the need to support the development objectives of NZMACI, planning for site redevelopment will commence this upcoming year. This will address a number of the issues and opportunities not resolved or identified in the last major redevelopment a few years ago.

<u>Te Puia - the Visitor Experience</u>

Tourism markets have tended to remain sluggish throughout 2011 and 2012. During the reporting period the New Zealand tourism industry has had to deal with the on-going market impact of the earthquakes in both New Zealand and Japan as well as the continued economic uncertainty in many of the country's main source markets.

The Rugby World Cup provided great opportunities from some of the more traditional markets but tended to slow down some of the Asian markets which are critical to Te Puia. At year end Te Puia hosted a similar number of visitors as compared to the previous year. In light of relatively flat holiday arrivals to New Zealand, this has been a solid result.

Te Puia continues to focus on delivering high quality authentic experiences to refresh its current product offerings and to introduce new experiences. Ra Tu lunches for the group market are an example of this in the last year. Refining Te Po, its indigenous evening experience, has also helped ensure that Te Puia's offer remains as the highest quality experience.

Upgrading the entry and gateway area (a project which will be completed in time for the next visitor season) will ensure that manuhiri are treated to an even better sense of arrival. Te Puia continues to ensure that the integrity of its guiding legacy is maintained.

Another initiative that Te Puia has continued to be involved with is Te Ara O Ahi - a Rotorua project which is part of the National Cycleway project - Nga Haerenga. Te Puia is well located on the northern end of this cycleway and wants to ensure that it takes every opportunity to grow visitation from the pool of riders the cycleway will attract.

In the marketing area, there has been continuous focus on Asia, with Asian visitors now making up nearly 50% of the Institute's annual visitors. There has also been a continued emphasis on the cruise ship market which is growing in importance as more traditional coach touring declines. Marketing efforts in Australia were also increased as this market does present opportunities for growth. Although western markets were generally more challenging this year, marketing activity was maintained in preparation for the expected lift in visitation once economic conditions improve.

<u>Financial Overview</u>

The Institute has again financially performed well this period with equity of $32.4 million, no long term debt and has cash reserves of $11 million. This year's result of $2.7 million net surplus was ahead of budget by 24% and ahead of last year by 15%.

Although gross revenue was 4% below budget, it has increased from last year by 10% mainly due to new food and beverage business. Expenditure has been favourable to budget by 8% demonstrating effective cost controls and prudent spending.

A Forward View

New Zealand Māori Arts and Crafts Institute (NZMACI)

The upcoming year will see a significant number of major projects completed by NZMACI such as:

- Waka Tapu – the voyage to Rapanui will be completed;
- Te Wānanga-a-Kupe Mai Tāwhiti will officially open in Doubtless Bay, Northland; and
- a string of iwi engagements projects will be underway.

Also Tuku Iho | Living Legacy will open and close in Shanghai and subsequent opportunities in China and abroad will be explored. The Institute will also be developing and testing opportunities with Ngāti Whatua in Auckland. There will be on-going work in project planning and development work including eventuating increased vocational opportunities for graduates. It is anticipated that the Storehouse food and beverage brand will reach the consumer market.

In addition, NZMACI has also undertaken to support NZ Inc at the Museumsuferfest and Book Fair in Frankfurt in July and October 2012.

Te Puia - the Visitor Experience

In the year ahead inbound markets to New Zealand are not forecast to grow significantly. The exception is Asia where growth is likely to continue to occur on the back of additional air capacity and increased Tourism New Zealand activity in most Asian markets. In response to this, Te Puia's plan is to further refine and enhance the visitor experience in preparation for the visitor season and the expected growth that is forecast in late 2013. Marketing will continue to be applied to Asia and will leverage opportunities such as forecast growth in the cruise markets, additional air capacity and the additional promotion New Zealand will receive from The Hobbit movies.

Numerous market challenges still remain on the horizon. However, there is a strong sense that with even more focused marketing and publicity coupled with major infrastructure development, Te Puia will be able to present its unique story to even more manuhiri in the years ahead.

Acknowledgements

On behalf of the Board I wish to thank management and staff for the fantastic input they once again have provided to help ensure that the Institute fulfils its roles and captures those opportunities that are its kaupapa. I wish to welcome all the new members to our organisation including Tim Cossar who was appointed as CEO in February 2012. The Board looks forward to working with him. I also wish to acknowledge the work and value that Oscar Nathan has provided as a director for the past 5 years. Oscar stepped down in December 2012 to pursue a new role. We wish him all the best for the future.

Finally, a big thank you to my fellow Board members for their input and the opportunity for me to work with people who are passionate about the Institute and what it stands for.

Nāku nōa nā

Henri Jacques Burkhardt
Chairman
25 May 2012

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of New Zealand Maori Arts and Crafts Institute's financial statements for the year ended 31 March 2012

The Auditor-General is the auditor of the New Zealand Maori Arts and Crafts Institute (the Institute). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Institute on her behalf.

We have audited the financial statements of the Institute on pages 15 to 38, that comprise the statement of financial position as at 31 March 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.

Qualified opinion – Our work was limited because of limited control over revenue

Reason for our qualified opinion

Prior to being recorded, control over the receipt of revenue for admission to the Thermal Reserve, which is disclosed as $8,135,127 (2011: $7,721,262) is limited and there are no satisfactory audit procedures that we could adopt to confirm independently that all revenue was properly recorded.

Qualified opinion

Except for the effects of the matter described in the "Reason for our qualified opinion" paragraph above, the financial statements of the Institute on pages 15 to 38:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Institute's:
  - financial position as at 31 March 2012; and
  - financial performance and cash flows for the year ended on that date.

Our audit was completed on 25 May 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 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. We are unable to determine whether there are material misstatements in relation to Thermal Reserve revenue because the scope of our work was limited, as we referred to 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 Institute'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 Institute'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 did not receive all the information and explanations we required in relation to Thermal Reserve revenue, although we believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our qualified opinion.

Responsibilities of the Board

The Board is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Institute'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 New Zealand Maori Arts and Crafts Institute Act 1963.

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 section 24 of the New Zealand Maori Arts and Crafts Institute Act 1963.

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 Institute.

Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

NEW ZEALAND MAORI ARTS & CRAFTS INSTITUTE

Trading as

TE PUIA

NEW ZEALAND MĀORI ARTS AND CRAFTS INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

NEW ZEALAND MAORI ARTS & CRAFTS INSTITUTE
ROTORUA

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FOR THE YEAR ENDED 31 MARCH 2012

NEW ZEALAND MAORI ARTS & CRAFTS INSTITUTE
ROTORUA

STATEMENT OF RESPONSIBILITY
FOR THE YEAR ENDED 31 MARCH 2012

1. The Board and management of the New Zealand Maori Arts & Crafts Institute accept responsibility for the preparation of the annual Financial Statements and judgements used in them.

2. The Board and management of the New Zealand Maori Arts & Crafts Institute accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

3. In the opinion of the Board and management of the New Zealand Maori Arts & Crafts Institute, the annual Financial Statements for the year ended 31 March 2012, fairly reflect the financial position, performance and operations of the New Zealand Maori Arts & Crafts Institute.

Henri Jacques Burkhardt
Chairman
25 May 2012

Deryck Shaw
Deputy Chairman
25 May 2012

NEW ZEALAND MAORI ARTS & CRAFTS INSTITUTE
ROTORUA

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

	Note	Actual 2012	Budget 2012	Actual 2011
Revenue				
Thermal reserve		8,131,057	8,309,316	7,721,262
Retail Shop		2,828,896	2,743,513	2,666,122
Te Pō		1,882,524	2,229,010	1,924,772
Café		459,193	601,332	0
Functions & Events		245,131	275,697	266,636
Interest received		417,909	359,198	284,792
Other revenue	**2**	342,520	338,115	154,136
Gains	**3**	13,005	9,725	9,398
Total Revenue		14,320,235	14,865,906	13,027,118
Expenditure				
Personnel costs	**4**	3,859,789	3,947,577	3,159,235
Depreciation and amortisation	**11, 12**	1,178,275	1,369,800	1,258,381
Finance costs	**5**	478	600	7,364
Thermal reserve		1,062,026	1,046,971	1,049,388
Retail Shop		1,500,189	1,480,127	1,421,601
Te Pō		881,540	930,164	1,088,849
Café		342,841	315,443	0
Functions & Events		17,253	27,643	179,489
Te Wananga Whakairo		187,200	304,000	105,442
Te Wananga Raranga		4,387	25,900	13,736
Te Wananga Pounamu		111,410	162,242	0
Te Wanaga a Kupe Mai Tawhiti		11,297	116,150	0
Product Development		39,004	126,460	0
Other cultural activity		225,806	295,100	302,962
Other expenses	**6**	2,163,382	2,504,760	2,060,692
Total Expenditure		11,584,877	12,652,937	10,647,139
Surplus		**2,735,358**	**2,212,969**	**2,379,979**
Other comprehensive income		0	0	0
Total Comprehensive income		**2,735,358**	**2,212,969**	**2,379,979**

The accompanying notes form part of these financial statements

NEW ZEALAND MAORI ARTS & CRAFTS INSTITUTE
ROTORUA

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	Note	Actual 2012	Actual 2011
Balance at 1 April		29,711,882	27,331,903
Surplus for year		2,735,358	2,379,979
Total comprehensive income		2,735,358	2,379,979
Balance at 31 March	**16**	**32,447,240**	**29,711,882**

The accompanying notes form part of these financial statements

NEW ZEALAND MAORI ARTS & CRAFTS INSTITUTE
ROTORUA

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012

	Note	Actual 2012	Actual 2011
Assets			
Current assets			
Cash and cash equivalents	7	256,378	212,853
Debtors and other receivables	8	1,463,158	1,047,708
Prepayments		53,151	60,033
Inventories	9	378,198	332,665
Inventories collectors items	9	421,951	346,324
Investments	10	10,800,000	8,000,000
Total current assets		13,372,836	9,999,583
Non-current assets			
Property, plant and equipment	11	20,202,976	20,827,525
Capital assets in progress		114,410	0
Intangible assets	12	18,227	38,655
Heritage assets	13	41,448	36,648
Total non-current assets		20,377,061	20,902,828
Total assets		**33,749,897**	**30,902,411**
Liabilities			
Current liabilities			
Creditors and other payables	14	679,381	679,168
Employee entitlements	15	491,986	397,564
Goods and services tax		131,290	113,797
Total liabilities		**1,302,657**	**1,190,529**
Net assets		**32,447,240**	**29,711,882**
Institute Equity			
Accumulated general equity	16	32,447,240	29,711,882
Total Equity		**32,447,240**	**29,711,882**

The accompanying notes form part of these financial statements

NEW ZEALAND MAORI ARTS & CRAFTS INSTITUTE
ROTORUA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	Note	Actual 2012	Actual 2011
Cash flows from operating activities			
Receipts from revenue		13,565,100	12,810,417
Interest received		390,269	211,027
Payments to suppliers		(6,655,153)	(6,228,141)
Payments to employees		(3,765,367)	(3,198,410)
Interest paid		(478)	(7,364)
Goods and services tax (net)		(33,063)	(1,555)
Net cash from operating activities	17	3,501,308	3,585,974
Cash flows from investing activities			
Receipts from sale of property, plant and equipment		0	2,174
Receipts from sale of investments		0	0
Purchase of property, plant and equipment		(652,983)	(335,860)
Purchase of intangible assets		0	(19,341)
Purchase of heritage assets		(4,800)	0
Purchase of investments		(2,800,000)	(3,377,597)
Net cash from investing activities		(3,457,783)	(3,730,624)
Cash flows from financing activities			
Repayment of loans		0	0
Net cash from financing activities		0	0
Net increase (decrease) in cash and cash equivalents		**43,525**	**(144,650)**
Cash and cash equivalents at the beginning of the year		212,853	357,503
Cash and cash equivalents at the end of the year	7	**256,378**	**212,853**

**NEW ZEALAND MAORI ARTS & CRAFTS INSTITUTE
ROTORUA**

**NOTES TO THE FINANCIAL STATMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

NOTE 1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

New Zealand Maori Arts and Crafts Institute ("the Institute") is a Statutory Body and is domiciled in New Zealand. The Institute operates under the trading name of Te Puia.

The Institute's primary objective is to encourage, foster and promote all types of Maori Culture and the practice and appreciation of Maori Arts and crafts, as opposed to that of making a financial return.

Accordingly, the Institute 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 Institute are for the year ended 31 March 2012, and were approved by the Board on 25 May 2012.

The financial statements comprise the following activities of the New Zealand Maori Arts and Crafts Institute.

Cultural Activities	Tourist Activities
Te Wananga Whakairo	Thermal Reserve
Te Wananga Raranga	Retail Shop
Te Takapu o Rotowhio	Te Pō
	Café

Basis of preparation

Statement of Compliance

The financial statements of the New Zealand Maori Arts and Crafts Institute have been prepared in accordance with Section 24 of the New Zealand Maori Arts and Crafts Institute Act 1963, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP").

The financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the Institute.

Functional and presentation currency

The financial statements are presented in New Zealand dollars. The functional currency of the Institute is New Zealand dollars.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

There are no standards, amendments and interpretations issued but not yet effective that has not been early adopted, and which are relevant to the Institute.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

Significant Accounting Policies

Revenue

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

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.

Rental income

Lease receipts under an operating sub-lease are recognised as revenue on a straight-line base over the lease term.

Vested assets

Where a physical asset is gifted to or acquired by the Institute for nil or nominal cost, the fair value of the asset received is recognised as income. Such assets are recognised as income when control over the asset is obtained.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

Finance leases

Leases that transfer to the Institute substantially the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred, are classified as finance leases.

At the commencement of the lease term, the Institute recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance costs are charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Institute will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Institute are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of comprehensive income.

Lease incentives received are recognised in the statement of comprehensive income over the lease term as an integral part of the total lease expense.

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Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with domestic banks and bank overdrafts.

Debtors and other receivables

Debtors and other receivable 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 Institute 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

At each balance date the institute assesses whether there is any objective evidence that an investment is impaired.

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.

For bank deposits, impairment is established when there is objective evidence that the Institute 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.

Inventories

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at cost, adjusted when applicable for loss of service potential. The cost of purchased inventory is determined using the weighted average cost method, adjusted when applicable for loss of service potential.

The write-down from cost to current replacement cost or net realisable value is recognised in the statement of comprehensive income in the period when the write-down occurs.

An inventory of collectors' items, some of which are presently used for display purposes, but available for sale, is shown separately from trading inventory. Because of the specialized nature of work performed by trainee and graduate carvers, items are not given any value (as work in progress) until completed. This policy is consistent with previous years. Where collectors' items have been held for more than twelve months, the value of those items has been discounted by 20%.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

Property, plant and equipment

Property, plant and equipment asset classes consist of land, buildings, leasehold improvements, furniture and office equipment, and motor vehicles.

Property, plant and equipment are shown at cost, less any accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Institute and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Institute and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as they are incurred.

Depreciation

Depreciation is provided on a straight-line or diminishing value basis on all property, plant and equipment at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Leasehold Improvements	6.66 - 50 years	3%-30%
Buildings	40 - 100 years	2%-5%
Office Furniture and Equipment	3 - 20 years	10%-60%
Plant and Equipment	3 - 20 years	10%-60%
Motor Vehicles	5 - 10 years	20%-40%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

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Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by the Institute, are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the maintenance of the Institute's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in statement of comprehensive income.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired computer software	3 - 4 years	40%-60%
Developed computer software	3 - 4 years	40%-60%

Impairment of non-financial assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Institute would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss is recognised in the statement of comprehensive income.

Creditors and other payables

Creditors and other payables are measured at fair value.

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Employee entitlements

Employee entitlements are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date, retiring and long service leave entitlements and sick leave.

Superannuation schemes

Obligations for contributions to Kiwisaver Retirement Savings Scheme are accounted for as defined contribution superannuation scheme and are recognised as an expense in the statement of comprehensive income as incurred.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables which presented on a GST inclusive basis. Where GST is not recoverable as an 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 either current assets or current liabilities in the statement of financial position.

The net GST paid to, or received from the IRD; including GST relating to investing and financing activities is classified as an operating cash flow in the statement of cash flows.

Income Tax

The Institute is exempt from paying Income Taxation being a registered charitable entity.

Budget figures

The budget figures are those approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Institute for the preparation of the financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are referred to below:

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Future ownership

The Whakarewarewa and Roto-a-Tamaheke Vesting Act 2009 has completed the transfer of the Institute's Crown leased land (Refer to Note 18). However, on the future ownership of the Institute, this was committed by the New Zealand government in October 2008 that the Institute is vested at nil value to Ngati Whakaue and Ngati Wahiao-Tuhorangi. The Ministerial responsibility for this transfer has been assigned to the current Minister of Maori Affairs Honourable Dr Pita Sharples under the letter from the Prime Minister Honourable John Key dated 29 March 2010. The letter noted an expectation that safeguards be put in place to ensure the Institute's significant national and pan-iwi role in fostering Maori arts and crafts are not lost in the legislation of the transfer.

Since there has been no further significant activity in the transfer process as of this report, it has been business as usual for the Institute.

NOTE 2 OTHER REVENUE

	2012	2011
Rent received	1,600	45,127
Rental income from property sub-leases	26,530	26,529
Recognised assets	0	(127,200)
Education Revenue	115,608	95,969
Product Development	166,168	93,317
Pounamu	12,797	17,302
Other revenue	19,817	3,092
Total other revenue	**342,520**	**154,136**

NOTE 3 GAINS

	2012	2011
Net foreign exchange gains	13,005	9,398
Total gains	**13,005**	**9,398**

NOTE 4 PERSONNEL COSTS

	2012	2011
Salaries and wages	3,717,885	3,163,061
Employer contributions to Kiwisaver	47,482	35,349
Increase/(decrease) in employee entitlements (note 15)	94,422	(39,175)
Total personnel costs	**3,859,789**	**3,159,235**

NOTE 5 FINANCE COSTS

	2012	2011
Interest on bank overdraft	478	0
Interest on secured loans	0	0
Interest on GST liability	0	7,364
Total finance costs	**478**	**7,364**

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 OTHER EXPENSES

	2012	2011
Audit fees for financial statements audit	36,000	35,500
Board members fee	121,500	135,000
Board members expenses	27,048	26,214
Legal expenses	66,187	40,356
Operating lease expense	12,243	12,243
Lease of Land (Crown/Whakarewarewa) expense (Note 18)	491,920	472,866
Impairment of receivables (Note 8)	0	1,076
Website development costs	2,204	27,426
Net loss (gain) on sale of property, plant and equipment	0	(2,065)
Write off of property, plant and equipment	5,276	68,716
Write off of intangibles	0	887
Write off of heritage assets (Note 13)	0	66,724
Advertising and marketing	512,918	375,689
Overheads	241,224	317,020
Administration	646,862	483,040
Total other expenses	**2,163,382**	**2,060,692**

NOTE 7 CASH AND CASH EQUIVALENTS

	2012	2011
Cheque Accounts (2.0% pa)	741	58,589
Treasury Call Accounts (2.0% pa)	230,403	136,099
Call Accounts	795	165
Cash on Hand	24,439	18,000
Total cash and cash equivalents	**256,378**	**212,853**

The Institute has an overdraft facility with BNZ of $100,000 that is secured by a perfected security interest in all present and after acquired property of the Institute. Although the bank account is still open, on 1 October 2011 the Institute has transferred its operating bank account from BNZ to Westpac and this facility will be closed once formal bank closure has been organised. The Institute has an unsecured overdraft facility with Westpac amounting to $100,000.

The current interest rate on the bank overdraft is 7.95% to $100,000 and 14.95% to over $100,000.

NOTE 8 DEBTORS AND OTHER RECEIVABLES

	2012	2011
Customer debtors	1,285,011	902,890
Other receivables	178,147	146,028
	1,463,158	1,048,918
Less Provision for impairment	0	1,210
Total debtors and other receivables	**1,463,158**	**1,047,708**

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The carrying value of receivables approximates their fair value.

As at 31 March 2012 and 2011, all overdue debtors have been assessed for impairment and appropriate provisions applied, as detailed below:

	2012			2011		
	Gross	**Impaired**	**Net**	**Gross**	**Impaired**	**Net**
Current	742,077	0	742,077	557,013	0	557,013
31-60 days	304,355	0	304,355	244,272	0	244,272
61-90 days	180,027	0	180,027	75,385	0	75,385
91-120 days	43,878	0	43,878	17,208	0	17,208
> 121 days	14,674	0	14,674	9,012	1,210	7,802
Total	**1,285,011**	**0**	**1,285,011**	**902,890**	**1,210**	**901,680**

The provision for impairment has been calculated based on expected losses for the Institute's pool of debtors. Expected losses have been determined based on an analysis of the Institute's losses in previous periods, and review of specific debtors.

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

	2012	**2011**
Balance at 1 April	1,210	3,236
Additional provisions made during the year (note 6)	0	1,210
Receivables written-off during period	(1,210)	(3,236)
Balance at 31 March	**0**	**1,210**

NOTE 9 INVENTORIES

	2012	**2011**
Retail Shop inventory	175,831	182,560
Food & Beverages (Café & Kitchen) inventory	40,867	0
Product Development (Pounanu, Whale Bone, Bronze, Wine)	75,119	14,800
Carving timber inventory	69,072	67,866
Carving tools	17,309	15,607
Uniforms	0	8,708
Rainwear	0	4,343
Whanau card stock	0	12,487
Marketing collateral	0	26,294
Total inventories	**378,198**	**332,665**
Collectors' Items inventories	**421,951**	**346,324**

The write-down of Retail Shop inventories amounted to $20,360 (2011 $20,483). There have been no reversals of write-downs. No inventories are pledged as security for liabilities; however some inventories are subject to retention of title clauses.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 INVESTMENTS

There were no impairment provisions for investments. The carrying amounts of term deposits with maturities less than 12 months approximate their fair value.

	2012	2011
Bank of New Zealand		
Term deposits, average 207 days, average 4.54% pa	4,800,000	
Term deposits, average 275 days, average 5.20% pa		1,600,000
ASB Bank		
Term deposits, average 273 days, average 4.61% pa	1,900,000	
Term deposits, average 226 days, average 5.18% pa		3,100,000
ANZ National Bank		
Term deposits, average 158 days, average 4.70% pa	2,300,000	
Term deposits, average 286 days, average 5.41% pa		2,800,000
Westpac Bank		
Term deposits, average 233 days, average 4.50% pa	1,800,000	
Term deposits, average 365 days, average 5.20% pa		500,000
Total investments	**10,800,000**	**8,000,000**

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

There were no impairment provisions for Property, Plant and Equipment. There has been no change in circumstances or any indicator of impairment since the last impairment test in 2011 to this reporting period.

Movements for each class of property, plant and equipment are as follows:

	Lease Improv.	Buildings	Furniture, Office Equip.	Plant and Equip.	Motor Vehicles	Total
Cost						
1 April 2010	8,919,044	15,022,201	904,351	5,232,740	246,758	30,325,094
Additions	21,571	94,369	12,354	207,564	0	335,858
Disposals	(22,684)	(318,302)	(26,072)	(285,017)	(746)	(652,821)
31 March 2011	8,917,931	14,798,268	890,633	5,155,287	246,012	30,008,131
1 April 2011	8,917,931	14,798,268	890,633	5,155,287	246,012	30,008,131
Additions	51,216	110,290	9,864	304,620	78,164	554,154
Disposals	0	(1,339)	0	(37,864)	(33,000)	(72,203)
31 March 2012	8,969,147	14,907,219	900,497	5,422,043	291,176	30,490,082
Depreciation						
1 April 2010	2,215,025	2,332,889	396,634	3,263,977	203,112	8,411,637
Depreciation	294,505	441,041	65,738	413,206	11,277	1,225,767
Disposals	(10,153)	(151,241)	(23,352)	(271,310)	(742)	(456,798)
31 March 2011	2,499,377	2,622,689	439,020	3,405,873	213,647	9,180,606

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1 April 2011	2,499,377	2,622,689	439,020	3,405,873	213,647	9,180,606
Depreciation	280,512	420,933	59,615	379,706	17,081	1,157,847
Disposals	(1)	(648)	0	(26,299)	(24,399)	(51,347)
31 March 2012	2,779,888	3,042,974	498,635	3,759,280	206,329	10,287,106
Book value						
1 April 2010	6,704,019	12,689,312	507,717	1,968,763	43,646	21,913,457
31 March 2011	6,418,554	12,175,579	451,613	1,749,414	32,365	20,827,525
31 March 2012	6,189,259	11,864,245	401,862	1,662,763	84,847	20,202,976

The total amount of property, plant and equipment in the course of construction at 31 March 2012 is $nil (2011: $nil).

NOTE 12 INTANGIBLE ASSETS

There were no impairment provisions for Intangible Assets. There has been no change in circumstances or any indicator of impairment since the last impairment test in 2011 to this reporting period. Movements for each class of intangible assets are as follows:

	Acquired software	Internally generated software	Total
Cost			
1 April 2010	193,227	103,137	296,364
Additions	19,341	0	19,341
Disposals	(26,631)	0	(26,631)
31 March 2011	185,937	103,137	289,074
1 April 2011	185,937	103,137	289,074
Additions	0	0	0
Disposals	0	0	0
31 March 2012	185,937	103,137	289,074
Amortisation			
1 April 2010	143,501	100,048	243,549
Amortisation	30,268	2,346	32,614
Disposals	(25,744)	0	(25,744)
31 March 2011	148,025	102,394	250,419
1 April 2011	148,025	102,394	250,419
Amortisation	19,685	743	20,428
Disposals	0	0	0
31 March 2012	167,710	103,137	270,847
Book value			
1 April 2010	49,726	3,089	52,815
31 March 2011	37,912	743	38,655
31 March 2012	18,227	0	18,227

There are no restrictions over the title of the Institute’s intangible assets, nor are any intangible assets pledged as security for liabilities.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13 HERITAGE ASSETS

The Institute has purchased a number of items it regards as taonga. These items are valued at cost.

	2012	2011
Bronze tuatara	1,578	1,578
Velvet portraits	13,800	13,800
Etched glass panels	16,200	16,200
Porcelain Maori dolls	4,300	4,300
6 huia feathers	770	770
2 huia birds	4,800	0
Total heritage assets	**41,448**	**36,648**

A valuation of the Institute's Heritage Assets was completed as at 31 March 2007. This valuation has been used for disclosure only and has not been updated as at 31 March 2012. The value of the Heritage Assets has been included at historical costs in the Statement of Financial Position as at 31 March 2012.

NOTE 14 CREDITORS AND OTHER PAYABLES

	2012	2011
Creditors	638,461	605,690
Income in advance	14,759	36,377
Accrued expenses	26,161	37,101
Accrued interest	0	0
Total creditors and other payables	**679,381**	**679,168**

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.

NOTE 15 EMPLOYEE ENTITLEMENTS

	2012	2011
Current portion		
Accrued salaries and wages	112,818	77,235
Annual leave	259,061	215,044
Alternative leave	24,714	20,525
Long service	20,165	10,506
Sick leave	7,103	6,061
	423,861	329,371
Non-current portion		
Gratuity (retirement)	68,125	68,193
Total employee entitlements	**491,986**	**397,564**

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 16 EQUITY

	2012	2011
General funds		
Balance at 1 April	29,711,882	27,331,903
Surplus	2,735,358	2,379,979
Balance as at 31 March	**32,447,240**	**29,711,882**

NOTE 17 RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	2012	2011
Net surplus/(deficit)	2,735,358	2,379,979
Add/(less) non-cash items:		
Depreciation and amortisation expense	1,178,274	1,258,381
Total non-cash items	1,178,274	1,258,381
Add items classified as investing or financing activities:		
Loss on sale/disposal of property, plant and equipment	5,276	133,375
Loss on sale/disposal of intangibles	0	887
Loss on sale/disposal of heritage assets	0	127,200
Total items classified as investing or financing activities	5,276	261,462
Add/(less) movements in working capital items:		
Debtors and other receivables	(415,450)	(141,740)
Prepayments	6,882	5,362
Inventories	(121,160)	(122,768)
Creditors and other payables	213	(26,264)
Employee entitlements	94,422	(39,175)
Goods and services tax	17,493	10,737
Net movements in working capital items	(417,600)	(313,848)
Net cash from operating activities	**3,501,308**	**3,585,974**

NOTE 18 CAPITAL COMMITMENTS AND OPERATING LEASES

	2012	2011
Capital Commitments		
Property, plant and equipment:		
Building in Doubtless Bay - Te Wānanga-a-Kupe Mai Tawhiti	177,000	
Front entry development including electronic gates	900,000	0
Total capital commitments	**1,077,000**	**0**

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Operating leases as lessee

The minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2012	2011
Lease of Land -Crown/Whakarewarewa (noted below)		
Lease of photocopier (matures February 2015)	22,540	46,060
Lease of Eftpos equipment (matures August 2011)	0	1,996
Total non-cancellable operating leases	**22,540**	**48,056**

Lease of Land

On 9 November 1965, the Crown entered in a lease agreement with the Institute in respect of the Land and the Arikikapakapa and Other Reserve Land registered under Vol 2021 Folio 47 (South Auckland Registry). This lease, including renewal and variation of Lease registered under B.457107.1, was held in computer interest register SA2021/47 (the "*Original Lease*").

In 1999, being the latest renewal date under the Original Lease, a new lease term of 30 years commencing February 1999 has been agreed with permanent rights of renewal, and a commercial rental base of 6.75% p.a. plus GST of the net admissions income.

On 19 November 2010, under the Whakarewarewa and Roto-a-Tamaheke Vesting Act 2009, the Trustees of the Whakarewarewa Joint Trust (the *"Joint Trustees"*) have been vested Southern Arikikapakapa Reserve, the Whakarewarewa Thermal Springs Reserve, and the Roto-a-Tamaheke Reserve. Under this Act, as a precondition of the vesting of the land, the Institute and the Joint Trustees have agreed to surrender the Original Lease and in consideration entered a new lease agreement now described as Southern Arikikapakapa Lease and the Whakarewarewa Thermal Springs Lease (the "*Whakarewarewa Leases*").

Under the Whakarewarewa Leases, the initial term will be to 31 January 2028 and with first, second and subsequent renewals (if exercised) shall be for a period of 30 years commencing on 1 February in each year following the expiry of the previous term. These rights of renewal are exercisable in perpetuity.

The rental base of 6.75% p.a. plus GST of the net admissions income has been retained until the next review being 1 February 2013. Under the Side Letter to the Whakarewarewa Leases dated 29 October 2010, it was further agreed that the rental base (which is currently at 6.75%) will be reviewed rather than the mechanism for determining the rent. The Side Letter ensures that all parties and any successors are bound by this agreement.

Please refer to Note 1 (Critical Accounting Estimates and Assumptions).

NOTE 19 CONTINGENCIES

The Institute has no contingent assets or liabilities as at 31 March 2012 (2011 $nil).

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NOTE 20 EVENTS AFTER THE BALANCE DATE

Te Wānanga-a-Kupe Mai Tawhiti

The Institute has committed to establish *Te Wānanga-a-Kupe Mai Tawhiti (called as Te Wananga Whakatere Waka in 2011)* on a leased land in Doubtless Bay, Northland in 2011. However, due to delay in the building construction this was deferred to open in 2012.

The wananga is to be led by Hekenukamai Busby (Ngāti Kahu, Te Rarawa), a renowned Māori navigator and canoe builder, as the head tutor. The initial capital investment is estimated at $177,000 and estimated on-going annual operating cost commitment is $218,000.

Waka Tapu - Rapanui (Easter Island) Voyage

The Institute has committed to sponsor a waka voyage from New Zealand to Rapanui (Easter Islands); a voyage of approximately 4400 nautical miles. The voyage on traditional Māori double-hulled sailing canoes will take place under the leadership of Hekenukumai Busby.

The Institute has committed to this project $500,000, which was an increase of $350,000 from the 2011 commitment, and will lead the development of the project, including seeking further funding elsewhere. The estimated cost of the voyage is around $1.5m. The voyage is expected to commence in August 2012.

NOTE 21 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties.

All related party transactions have been entered into on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

			Transaction value year ended 31 March		Balance outstanding year ended 31 March	
	Transaction	**Ref**	**2012**	**2011**	**2012**	**2011**
M Waaka Director	Provision of goods and services to the Institute		0	1463	0	0
M Waaka Director	Provision of goods and services to the Institute		0	9299	0	0
G Osborne Director	Provision of goods and services to the Institute		0	4253	0	0
D Shaw Director	Provision of goods and services to the Institute	a	3,973	3,990	362	382
O Nathan Director	Provision of goods and services to the Institute	b	620	1,316	0	0
O Nathan Director	Provision of goods and services to the Institute		0	7,828	0	0
O Nathan Director	Provision of goods and services to the Institute	c	987	300	0	0

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O Nathan Director	Provision of goods and services to the Institute	d	3,501	0	0	0
O Nathan Director	Provision of goods and services to the Institute	e	304	0	0	0
H Burkhardt Director	Provision of goods and services to Ngāti Kuri	f	(55,890)	0	(64,274)	0

(a) Purchases of visitor analysis services from APR Consultants, of which Deryck Shaw is a Director, were made in 2012 and 2011 on normal commercial terms. Amounts were billed based on normal rates for such services and were due and payable under normal commercial terms.

(b) Purchases of subscriptions and business luncheons from Rotorua Chamber of Commerce, of which Oscar Nathan is a Board member, were made in 2012 and 2011 on normal commercial terms. Amounts were billed based on normal rates for such services and were due and payable under normal commercial terms.

(c) Purchases of subscriptions from Maori in Tourism Rotorua, of which Oscar Nathan is a Board member, were made in 2012 and 2011 on normal commercial terms. Amounts were billed based on normal rates for such services and were due and payable under normal commercial terms.

(d) Purchases of subscriptions from Tourism Industry Association (NZ), of which Oscar Nathan is a Board member, were made in 2012 on normal commercial terms. Amounts were billed based on normal rates for such services and were due and payable under normal commercial terms.

(e) The Institute sponsored a team to a local netball competition organised by Waiariki Institute of Technology of which Oscar Nathan is a member. Amounts were billed based on normal rates for such services and were due and payable under normal commercial terms.

(f) The Ngati Kuri Trust Board of which Harry Burkhardt is a member, commissioned Te Puia to complete some carving work. Amounts were billed based on normal rates for such services and were due and payable under normal commercial terms.

No provision has been required, nor any expense recognised for impairment of receivables from related parties (2011 $nil).

Key management personnel compensation

	2012	**2011**
Salaries and other short-term employee benefits	600,855	573,853
Post-employment benefits	0	0
Other long-term benefits	0	0
Termination benefits	50,000	87,500
Total key management personnel compensation	**650,855**	**661,353**

Key management personnel include all board members, and Chief Executive and the executive team.

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NOTE 22 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

	2012	2011
Loans and receivables		
Cash and cash equivalents	256,378	212,853
Debtors and other receivables	1,463,158	1,047,708
Investments - term deposits	10,800,000	8,000,000
Total loans and receivables	**12,519,536**	**9,260,561**
Financial liabilities measured at amortised cost		
Creditors and other payables	679,381	679,168
Borrowings - secured loans	0	0
Total financial liabilities measured at amortised cost	**679,381**	**679,168**

NOTE 23 FINANCIAL INSTRUMENT RISKS

The Institutes activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Institute 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

The interest rates on the Institute's investments are disclosed in note 10.

Fair value interest rate risk

A 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 Institute's exposure to fair value interest rate risk is limited to its bank deposits which are held at fixed rates of interest.

Cash flow interest rate risk

A 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 Institute to cash flow interest rate risk.

The Institute's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. The institute currently has no variable interest rate investments. The Institute's borrowing policy requires a spread of interest rate re-pricing dates on borrowings to limit the exposure to short-term interest rate movements. The Institute's borrowing policy does not permit the use of interest rate derivatives to manage interest rate risk.

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.

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The Institute purchases minimal goods and services overseas which require it to enter into transactions denominated in foreign currencies. All financial instruments are in New Zealand Dollars. As a result of these activities, minimal exposure to currency risk arises.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Institute is not exposed to price risk.

Credit risk

A Credit risk is the risk that a third party will default on its obligation to the Institute, causing the Institute to incur a loss.

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

The Institute has processes in place to review the credit quality of customers prior to the granting of credit.

The Institute's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents (note 7), net debtors (note 8), and term deposits (note 10). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

The institute has no significant concentrations of credit risk, as it has a large number of individual credit customers and only invests funds with registered banks with specified Standard and Poor's credit ratings of AA. The latest bank ratings was based on June 2011 Reserve Bank of New Zealand's report and there has been no change since its latest credit rating report in February 2012 on the banks that the Institute uses.

Liquidity risk

Liquidity risk is the risk that the Institute will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Institute aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Institute maintains a target level of investments that must mature within specified timeframes.

The table below analyses the Institute's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate at the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 6 months	**Between 6 months and 1 year**	**Between 1 and 5 years**
2011			
Creditors and other payables (note 14)	679,168	0	0
2012			
Creditors and other payables (note 14)	679,381	0	0

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NOTE 24 CAPITAL MANAGEMENT

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

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

NOTE 25 FRAUD DISCLOSURE

In December 2010, two of the Institute's ticket sellers were confirmed as having been involved in unrelated cases of theft which were detected as a result of an internal random check of the surveillance camera footage. Given that this was a significant theft, and in accordance with the Institute's policy, these staff members were summarily dismissed. They have been or are being dealt with through the Court system.

Judgment in the High Court was entered against one of the former employees and she was subsequently adjudicated bankrupt due to her inability to pay the judgment sum. In the criminal court she pleaded guilty and was sentenced to imprisonment for 2 years and nine months. She is currently serving this term.

In regard to the other former employee, in April 2012 judgment in the High Court was entered in the amount admitted taken. The outcome of the criminal proceedings is underway and she is due for sentencing on 22 June 2012. It is anticipated that she will receive a term of imprisonment. The Institute has a caveat against dealings over a property she owns and is in the process of registering a mortgage however it is noted that there are several mortgages which take priority ahead of the Institute.

Since this event, the Institute has been constantly improving its internal controls on ticketing and is in the process of implementing the electronic gates in 2012. Please refer to Note 18.

NOTE 26 EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Revenue

Total Revenue generated fell below budget expectations by $546k (4%) due to the following:

Thermal Reserve Income (Admission Revenue) was unfavourable to budget by $178k (2%) mainly due to lower than expected group visitor market which was affected by economic downturn and the impact of the Japan and Christchurch earthquakes.

Te Po revenue was relatively similar to last year's results however was unfavourable by $346k (16%) to budget. This was due to budget being planned on increased visitor numbers but was negatively affected by increased competition within Rotorua market.

Café is a new business in 2012 with over optimistic budget which resulted in unfavourable variance of $142k (24%).

On the positive note, Retail Shop revenue is favourable than budget by $85k (3%) mainly due to increased yield generated in spite of the decline in the Admission visitor numbers.

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Also, interest income is favourable to budget by $59K due to the Institute managing its cash more effectively and being able to place more funds on higher interest yielding term deposits.

Expenditure

Total expenditure is favourable to budget by $1,068k (8%) mainly due to the following:

Savings on personnel costs of $88k were mainly due to a result of budgeted positions remaining vacant in 2012.

Depreciation is favourable to budget by $192k due to unspent and deferred budgeted capital expenditure of $1.2m.

The budgeted cultural activities did not happen resulting to a favourable variance of $157k and with the wānanga being underspent by $189k. The planned Te Wānanga-a-Kupe Mai Tawhiti was delayed which resulted in unspent budget of $105k.

Other expenses was below budget by $341k (14%) mainly due to unspent interim CEO's costs of $128k, unspent website development budget of $160k, underspend on marketing brochures of $61k and unspent budgeted market research of $42k.