

**PAVITT COTTAGE TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

1. Statement of Accounting Policies

Basis of reporting

The financial statements of the Pavitt Trust ("the Trust") are general purpose financial statements which have been prepared according to generally accepted accounting practice.

The Trust is a qualifying entity within the Institute of Chartered Accountants of New Zealand Differential Reporting Framework. The Trust qualifies for differential reporting as it is not publicly accountable and is not considered large within the terms of reference in paragraph 4.23 of the Framework for Differential Reporting. The Trust has taken advantage of all differential reporting concessions available to it.

The measurement base adopted is that of historical cost. Accrual accounting is used to recognise expenses and revenue when they occur.

Fixed assets and depreciation

Land and buildings are recorded at rating valuations as at 1 July 2003. Current rating valuations record land at \$183,000 and buildings at \$265,000.

Furniture and appliances acquired since the Trust's establishment, on 23 October 2002, are recorded at cost less depreciation. Depreciation has been provided on a straight line basis over five years.

Other assets, such as furnishings and kitchen appliances taken over from the Settlor, are included in the financial statements at a nominal value of \$30,000.

Goods and Services Tax (GST)

The Trust is not registered for GST. All transactions have been recorded inclusive of GST.

Reporting period

The Trust was established on 23 October 2002.

2. Trust Capital

The assets acquired by the Trust from the Settlor consisted of land and buildings at Robinson's Bay, plus various items of furnishings and appliances. For the purposes of these financial statements, the Trust's capital at the date of its inception was deemed to be the land and buildings at government valuation and other sundry assets at their insurable value.

3. Provision for Deferred Maintenance

A deferred maintenance provision has been established to provide for anticipated future maintenance costs e.g. painting of buildings. 10% of gross rental income has been credited to the provision in the current period.

Movements in the reserve during the year:

Balance 1 October 2009	3,329
Current years transfer (10% of accommodation income)	<u>428</u>
	3,757
Less cost of painting the buildings incurred in the current year	<u>3,497</u>
	<u>260</u>

4. Depreciation

No provision has been made for depreciation on the Trust's buildings.

Assets acquired since 23 October 2002 are being depreciated over five years on a straight-line basis.

5. Land, buildings and other assets acquired from the Settlor

The property at Robinsons Bay, now owned by the Trust, was purchased for \$135,000 by the late John Fernyhough on 14 July 2000. Subsequent to the date of purchase, Mr Fernyhough engaged contractors to restore the cottage and outbuilding to as near as possible to their original conditions and this work was completed in late September 2002. The amount expended by Mr Fernyhough on restoration and refurbishment is not known but the costs are estimated to be significantly in excess of the original purchase price. The property was transferred to the Trust in October 2002.

For the purpose of these financial statements, Trustees have adopted rateable values for land and buildings and an estimated value for the internal fittings, appliances and furnishings as set out hereunder:

Land	\$65,000
Buildings	\$135,000
Furniture and fittings	\$30,000

The Trust's buildings, and furniture and fittings are insured on a replacement basis for \$246,899 and \$30,036 respectively.

6. Furniture & fittings

	Cost	Depn	BV
Fire Extinguisher	203	202	1
Sofas (2)	<u>270</u>	<u>245</u>	<u>25</u>
	<u>473</u>	<u>447</u>	<u>26</u>

7. Friends of Pavitt Cottage and donations

This item comprises donations received and membership subscriptions from the "Friends of Pavitt Cottage".

8. Repairs and maintenance

Painting the exterior of the buildings	3,497
Sundry maintenance	<u>396</u>
	<u>3,893</u>

**PAVITT COTTAGE TRUST
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

	Notes	2010		2009
		\$	\$	\$
Income				
Accommodation contributions		4,285		3,655
Friends of Pavitt Cottage and donations	7	2,521		507
Interest (net of RWT)		61		63
			6,867	4,225
Expenses				
Cleaning		823		559
Depreciation	4	24		24
Electricity		513		433
Gas		215		321
Ground maintenance		579		556
Insurance		988		983
Promotion & advertising		574		188
Rates		1,355		1,330
Repairs & maintenance	8	3,893		-
Stamps, stationery & sundry expenses		133		138
			9,097	4,532
Deficit before providing for deferred maintenance			(2,230)	(307)
Transfers from/to provision for deferred maintenance	3		3,069	(365)
Net surplus/(deficit) for the year			839	(672)

**STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

		2010	2009
Accumulated funds at 30 September 2009		234,939	235,611
Deficit before providing for deferred maintenance		(2,230)	(307)
		232,709	235,304
Other movements:			
Transfer from/(to) provision for deferred maintenance	3	3,069	(365)
		3,069	(365)
Accumulated funds at 30 September 2010		235,778	234,939

The notes to the financial statements appearing on pages 1 and 2 form an integral part of these accounts.

**PAVITT COTTAGE TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010**

	Notes	2010	2009
		\$	\$
Trust Capital			
Accumulated funds		235,778	234,939
Represented by:			
Current assets			
Bank of New Zealand - current account		2,836	5,166
Bank of New Zealand - rapid save account		3,176	3,052
		6,012	8,218
Fixed assets			
Land, buildings and other assets acquired from Settlor	5	200,000	200,000
Furniture and fittings	6	30,026	30,050
		230,026	230,050
Total assets		236,038	238,268
Less:			
Current liabilities			
Provision for deferred maintenance	3	260	3,329
		260	3,329
		235,778	234,939

Nancy M Tichborne Chairperson

Richard F Fernyhough Treasurer

The notes to the financial statements appearing on pages 1 and 2 form an integral part of these accounts.