international@afigec.com

HOW TO READ FINANCIAL STATEMENTS IN NEW ZEALAND

The Financial Reporting Act 1993 and the Companies Act 1993 govern the accounting and reporting requirements of Companies and other entities in New Zealand. The Companies Act 1993 requires that proper accounting records must be maintained in English.

Smaller companies may qualify as an exempt company if they are not subsidiaries, otherwise they are a "reporting entity". All reporting entities Financial Statements must comply with New Zealand equivalents to International Financial Reporting Standards (IFRS). Differential reporting is available to entities that do not have public accountability, provided there is no separation between the owners and the governing body, or the entity is not large. "Large" means two of: total income of NZ$20million; Total assets of NZ$10million; 50 employees.

Regardless of whether the entity is a reporting entity and required to comply with IFRS, or whether the entity is preparing special purpose financial statements, at the very least you can expect to see the following:

- Statement of Financial Performance (P & L, income statement);
- Balance Sheet (Statement of Financial Position);
- Statement of Movements in Equity;
- Notes to the accounts

A cash flow statement is only required for full reporting entities (IFRS).

Profit and Loss (P & L, income statement, statement of financial performance)
In the determination of profit, you can expect to see the following:

- All income and expenses derived/incurred during the year related to the normal running of the business and considered "revenue" in nature;
- Depreciation and amortisation on capital and intangible assets;
- Interest on loans
- Current tax expense

Statement of Movements in Equity
The equity at the beginning of the year, plus the current year net surplus and transactions with owners. The balance of equity at the end of the year flows through to the Balance Sheet.

Balance Sheet (statement of financial position)
The equity section will contain the final balance from the Statement of Movements in Equity usually broken down into share capital, retained earnings and reserves.

All assets and liabilities are listed and will be split between Current and Non-Current. Current reflects those assets and liabilities that are expected be collected or paid by company within the next 12 months. Non-current represents all assets and liabilities with a lifespan of greater than 12 months. If one figure is shown on the face of the balance sheet, it will be usual to see more detail in the notes to the accounts.

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