

## AUDIT REPORT

### TO THE READERS OF LCo NEW ZEALAND LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Auditor-General is the auditor of LCo New Zealand Limited (the Company). The Auditor-General has appointed me, Brent Penrose, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the company, on his behalf, for the year ended 31 December 2007.

#### Unqualified Opinion

In our opinion:

- the financial statements of the Company on pages 3 to 14:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the Company's financial position as at 31 December 2007; and
    - the results of operations and cash flows for the year ended on that date.
- Based on our examination the company kept proper accounting records.

The audit was completed on 28 March 2008, and 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 of Directors and the Auditor, and explain our independence.

#### Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements whether caused by fraud or error.

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.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;

- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

#### **Responsibilities of the Board of Directors and the Auditor**

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the Company as at 31 December 2007. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date. The Board of Director's responsibilities arise from the Financial Reporting Act 1993, the Education Act 1989 and the Crown Entities Act 2004.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.

#### **Independence**

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

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

A handwritten signature in black ink that reads 'Brent Penrose'.

Brent Penrose  
Ernst & Young  
On behalf of the Auditor-General  
Wellington, New Zealand

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# **LCo New Zealand Limited**

**Annual Report  
For the year ended  
31 December 2007**

# LCo New Zealand Limited

## Annual Report

For the year ended 31 December 2007.

The Board of Directors present their Annual Report including the financial statements of the Company for the year ended 31 December 2007 and the auditor's report thereon.

The shareholders of the Company have exercised their rights under section 211 (3) of the Companies Act 1993 and unanimously agreed that this Annual Report need not comply with any of paragraphs (a), and (e) to (j) of section 211 (1) of the Act.

Authorised for and on behalf of the Board:



Director

28 March 2008



Director

28 March 2008

# **LCo New Zealand Limited**

## **Statement of Accounting Policies**

for the year ended 31 December 2007

### **Corporate Information**

The financial statements of LCo New Zealand Limited for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 28 March 2008.

LCo New Zealand Limited (the "Company") is incorporated in New Zealand under the Companies Act 1993. The financial statements of the Company have been prepared in accordance with the Crown Entities Act 2004 and Financial Reporting Act 1993.

The Company provides library solutions to four consortium universities within New Zealand.

### **Basis of Preparation**

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993, the Crown Entities Act 2004 and Financial Reporting Act 1993. The financial statements have also been prepared on a historical cost basis.

The financial statements are presented in New Zealand Dollars and all values are rounded to the nearest dollar (\$).

### **Statement of compliance**

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for non-profit-oriented entities that qualify for and apply differential reporting concessions. The company is a public benefit entity for the purposes of complying with NZ GAAP.

This is the first set of financial statements prepared based on NZ IFRS and comparatives for the year ended 31 December 2006 have been restated accordingly. Reconciliations of equity at 1 January 2006 and 31 December 2006 and profit for the year ended 31 December 2006 under NZ IFRS to the balances reported in the 31 December 2006 financial statements are detailed in note 15 below.



## Summary of Significant Accounting Policies

The following significant accounting policies which materially affect the measurement of financial position and financial performance have been applied:

**Accounts receivable** which have a 30 day term, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**Cash and cash equivalents** include cash at bank and in hand and short term deposits with an original maturity of three months or less.

**Cash flows.** For the purpose of the Statement of Cash Flows, cash includes cash and cash equivalents.

**Differential reporting.** The Company qualify for differential reporting as:

- a) the Company does not have public accountability;
- b) there is no separation between the owners and the governing body;  
and
- c) the Company is not considered large, as defined by the Framework.

The Company has taken advantage of all available differential reporting exemptions with the exception of New Zealand Equivalent to International Accounting Standard (NZ IAS 7) as a Statement of Cash Flow has been provided.

**Financial instruments.** Non-derivative financial instruments comprise of trade and other receivables, cash and cash equivalents, and trade and other payables (as outlined within these accounting policies).

Financial instruments are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. All purchases and sales of financial assets are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, financial assets are periodically revalued to the current fair value. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Revenue, costs and fair value movements in relation to all financial instruments are recognised in the Statement of Financial Performance.

**Foreign currency:** Both the functional and presentation currency of the Company is New Zealand dollars (\$). Transactions have been recorded in the functional currency at the exchange rate prevailing at the date of the transaction. Where these transactions are on-charged to the consortium universities, the same foreign exchange rate applies. Foreign exchange gains or losses have been recognised in the Statement of Financial Performance.

**Goods and Service Tax (GST).** Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the IRD, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the IRD.

**Intangible assets** include both software and capitalised development assets.

- a) Software assets are recorded at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recorded in the Statement of Financial Performance on a straight line basis over their expected useful lives (not exceeding 4 years).
- b) Capitalised development assets are costs associated with development and implementation of products and services currently being utilised by the consortium members for which various fees are charged. These costs are recorded at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recorded in the Statement of Financial Performance on a straight line basis over their expected useful lives (not exceeding 4 years).

**Plant & equipment** assets are recognised at cost less aggregate depreciation and any impairment\* in value. Plant and equipment assets include hardware assets. Depreciation has been calculated for all plant and equipment assets on a straight-line basis for a four year period.

\* Impairment: the carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recovered. Impairment losses are recognised in the Statement of Financial Performance

**Recoverable amount of non-current assets.** At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of

fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is determined for the cash-generating unit to which the assets belong. In assets value in use, the estimated future cash flows are discounted to their present value using a discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**Provision for annual leave** represents the Company's present legal obligation at balance date to employees as a result of their past employment, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any movement in the provision is presented in the Statement of Financial Performance.

**Revenue** is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- a) Operational Revenue relates to the number of searches completed on the library solution. The revenue is accounted for when earned
- b) Interest revenue is recognised as the interest accrues using the effective interest rate when the cash is placed on short term deposit with a banking institution.
- c) Licence fee is reflected in the Statement of Financial Position as "Revenue in Advance" when an invoice is issued. It will reflect in the Statement of Financial Performance as revenue is earned.

**Taxation.** The Inland Revenue Department treats the Company, for the purposes of income tax, as a charitable organisation. Accordingly no charges for income tax apply or have been provided for.

## **Changes in Accounting Policies**

All accounting policies were consistently applied over both years presented.



**LCo New Zealand Limited**  
**Statement of Financial Performance**  
for the year ended 31 December 2007

		31-Dec-07	31-Dec-07 Unaudited Budget	31-Dec-06
	Note	\$	\$	\$
<b>Revenue</b>				
Operational revenue	1	1 118 180	1 094 474	1 026 007
Non-operational revenue		375 371	386 317	334 292
Interest		150 402	87 911	120 529
<i>Total revenue</i>		1 643 953	1 568 702	1 480 828
<b>Staff costs</b>				
Staff costs		94 804	97 000	148 698
Operating expenses	2	719 289	824 521	620 049
Impairment loss on intangible assets	7	57 511	-	-
Software licence fee		318 366	225 613	334 292
Depreciation and amortisation	3	251 425	208 512	269 439
<i>Total expenditure</i>		1 441 395	1 355 646	1 372 478
<b>Surplus for the year</b>		<b>202 558</b>	<b>213 056</b>	<b>108 350</b>

**Statement of Changes in Equity**  
for the year ended 31 December 2007

		31-Dec-07	31-Dec-07	31-Dec-06
		\$	\$	\$
Surplus for the year		202 558	213 056	108 350
<i>Total recognised revenue and expenses for the year</i>		202 558	213 056	108 350
Dividends paid		(119 941)	-	-
<i>Total movements in equity</i>		82 617	213 056	108 350
Equity at start of the year		2 455 945	2 455 945	2 347 595
<b>Equity at end of the year</b>	9	<b>2 538 562</b>	<b>2 669 001</b>	<b>2 455 945</b>

The budget amounts for 2007 are not subject to audit. The Statement of Accounting Policies and the Notes to the Financial Statements form part of and should be read in conjunction with these Statements.

**LCo New Zealand Limited**  
**Statement of Financial Position**  
as at 31 December 2007

		31-Dec-07	31-Dec-07	31-Dec-06
	Note	\$	Unaudited Budget	\$
<b>Current assets</b>				
Cash and cash equivalents	4	1 937 416	2 332 800	1 464 672
Accounts receivable	5	120 792	74 018	188 933
Interest receivable		15 442	-	10 849
Pre-payments		307 769	3 504	283 324
GST receivable		576	-	-
Other receivables		62 996	-	37 326
<hr/>				
Plant & equipment	6	64 269	94 618	175 308
Intangible assets	7	93 675	149 886	277 708
Capital work in progress		22 501	96 349	96 349
Impairment loss on intangible assets				
<i>Total non-current assets</i>		180 445	340 853	549 365
<hr/>				
<b>Total assets</b>		<b>2 625 436</b>	<b>2 751 175</b>	<b>2 534 469</b>
<b>Current liabilities</b>				
Accounts payable and accruals	8	58 789	63 734	60 132
Employee entitlements		-	-	2 796
Revenue in advance		9 909	-	-
Statement of Changes in Equity		14 464	14 311	11 467
GST payable		-	2 135	2 135
Provision for annual leave		3 712	1 994	1 994
<hr/>				
<b>Total liabilities</b>		<b>86 874</b>	<b>82 174</b>	<b>78 524</b>
<hr/>				
<b>Total net assets</b>		<b>2 538 562</b>	<b>2 669 001</b>	<b>2 455 945</b>
<hr/>				
<i>Represented by:</i>				
<b>Equity</b>	9	<b>2 538 562</b>	<b>2 669 001</b>	<b>2 455 945</b>

The budget amounts for 2007 are not subject to audit. The Statement of Accounting Policies and the Notes to the Financial Statements form part of and should be read in conjunction with these Statements.



**LCo New Zealand Limited**  
**Statement of Cash Flows**  
for the year ended 31 December 2007

	Note	31-Dec-07 \$	31-Dec-07 Unaudited Budget \$	31-Dec-06 \$
<b>Operating activities</b>				
<i>Cash was provided from:</i>				
Customers		1 545 931	1 643 929	1 214 847
Interest received		145 809	87 911	115 896
		<u>1 691 740</u>	<u>1 731 840</u>	<u>1 330 743</u>
<i>Cash was applied to:</i>				
Suppliers and employees		1 099 055	863 712	1 156 439
<b>Net cash flows from operating</b>	<b>12</b>	<b>592 685</b>	<b>868 128</b>	<b>174 304</b>
<i>Cash was provided from:</i>				
Sales of non-current assets		-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash was applied to:</i>				
Impairment loss on intangible assets		-	-	88 847
<b>Net cash flows from investing</b>		<b>-</b>	<b>-</b>	<b>(88 847)</b>
<b>Financing activities</b>				
<i>Cash was applied to:</i>				
Dividends to shareholders		119 941	-	-
<b>Net cash flows from financing</b>		<b>(119 941)</b>	<b>-</b>	<b>-</b>
<b>Statement of Changes in Equity</b>				
Net cash flows for the year		472 744	868 128	85 457
Add cash at start of period		1 464 672	1 464 672	1 379 215
<b>Cash at end of the year</b>		<b>1 937 416</b>	<b>2 332 800</b>	<b>1 464 672</b>
<i>Cash at end of the year comprises:</i>				
Cash and cash equivalents		1 937 416	2 332 800	1 464 672
<b>Cash at end of the year</b>		<b>1 937 416</b>	<b>2 332 800</b>	<b>1 464 672</b>

The budget amounts for 2007 are not subject to audit. The Statement of Accounting Policies and the Notes to the Financial Statements form part of and should be read in conjunction with this Statement.

**LCo New Zealand Limited**  
**Notes to the 31 December 2007 Financial Statements**

**Note 1 Operational Revenue**

The company is a consortium of four New Zealand universities. The company provides library solutions to these universities (related parties) and non-related parties for which various fees are charged. The related party charges are outlined in note 10.

**Note 2 Operating expenses**

Operating expenses include:

	31-Dec-07 \$	31-Dec-06 \$
Auditors - audit fees	6 427	6 021
Directors fees	15 058	15 000

**Note 3 Depreciation and amortisation**

	31-Dec-07 \$	31-Dec-06 \$
Depreciation:		
Computer hardware	124 903	123 747
Amortisation:		
Computer software	9 321	8 522
Capitalised development costs	117 201	137 170
Office Equipment		
	<u>251 425</u>	<u>269 439</u>

**Note 4 Cash and Cash Equivalents**

	31-Dec-07 \$	31-Dec-06 \$
Cash at bank and in hand	37 416	44 672
Short term deposits	1 900 000	1 420 000
	<u>1 937 416</u>	<u>1 464 672</u>

**Note 5 Accounts receivable**

	31-Dec-07 \$	31-Dec-06 \$
Trade receivables	-	110 465
	<u>-</u>	<u>110 465</u>
Related party receivables	120 792	78 468
	<u>120 792</u>	<u>188 933</u>

For terms and conditions relating to related party receivables refer to note 10

**Note 6 Plant & equipment**

	<b>Computer hardware</b>
<b>At Cost</b>	<b>\$</b>
As at 1 January 2006	494 988
Additions	-
Disposals	-
As at 31 December 2006	494 988
Additions	13 863
Disposals	-
<b>As at 31 December 2007</b>	<b>508 851</b>
<b>Depreciation</b>	
As at 1 January 2006	195 932
Depreciation for the year	123 747
Disposals	-
As at 31 December 2006	319 679
Depreciation for the year	124 903
Disposals	-
<b>As at 31 December 2007</b>	<b>444 582</b>
<b>Carrying Amounts</b>	
As at 1 January 2006	299 056
As at 31 December 2006	175 309
As at 31 December 2007	64 269

**Note 7 Intangible assets**

	<b>Capitalised development costs</b>	<b>Computer software</b>	<b>Total</b>
<b>At Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
As at 1 January 2006	548 681	34 088	582 769
Additions	-	-	-
Impairment	-	-	-
As at 31 December 2006	548 681	34 088	582 769
Additions	-	-	-
Impairment *	(76 681)	-	(76 681)
<b>As at 31 December 2007</b>	<b>472 000</b>	<b>34 088</b>	<b>506 088</b>
<b>Amortisation</b>			
As at 1 January 2006	145 876	13 493	159 369
Amortisation for the year	137 170	8 522	145 692
Amortisation	-	-	-
As at 31 December 2006	283 046	22 015	305 061
Amortisation for the year	117 201	9 321	126 522
Impairment *	(18 371)	( 799)	(19 170)
<b>As at 31 December 2007</b>	<b>381 876</b>	<b>30 537</b>	<b>412 413</b>
<b>Carrying Amounts</b>			
As at 1 January 2006	402 805	20 595	423 400
As at 31 December 2006	265 635	12 073	277 708
<b>As at 31 December 2007</b>	<b>90 124</b>	<b>3 551</b>	<b>93 675</b>

Impairment \*: Write off of software for product that is no longer in use

**Note 8 Accounts payables and accruals**

	31-Dec-07	31-Dec-06
	\$	\$
Trade payables	58 741	60 132
	<u>58 741</u>	<u>60 132</u>
Related party payables	48	-
	<u>58 789</u>	<u>60 132</u>

**Note 9 Equity**

	Issued Capital	Retained Earnings	Total Equity
	\$	\$	\$
As at 1 January 2006	2 085 956	261 639	2 347 595
Surplus for the year	---	108 350	108 350
As at 31 December 2006	2 085 956	369 989	2 455 945
Surplus for the year	---	202 558	202 558
Equity Dividends @ 5.75 cents per share	---	(119 941)	(119 941)
<b>As at 31 December 2007</b>	<b>2 085 956</b>	<b>452 606</b>	<b>2 538 562</b>

2 085 956 ordinary shares have been issued. The Company does not have authorised share capital. Shares do not have a par value. Each shareholder has equal voting rights. However receive dividends and surplus on winding up according to the number of shares held.



## Note 10 Related Parties

The company is a consortium of 4 New Zealand universities - Auckland University of Technology ("AUT"), University of Otago, Victoria University of Wellington and University of Waikato.

### (a) Shareholdings

Year	AUT %	Otago %	Victoria %	Waikato %	Total %
% of shares held 2007	22.02	30.22	24.37	23.39	100.00
% of shares held 2006	22.02	30.22	24.37	23.39	100.00

The Company provides library solutions to these universities for which various fees are charged. These fees are included in the company's operational revenue.

### (b) Related party transactions

Year	AUT \$	Otago \$	Victoria \$	Waikato \$	Total \$
Total Revenue charged to related parties 2007	312 875	378 441	376 088	314 449	1 381 653
Total Revenue charged to related parties 2006	275 752	358 325	349 023	273 688	1 256 788

Included in accounts receivable and other receivables at balance date, the company had outstanding balances with the 4 consortium universities:

Year	AUT \$	Otago \$	Victoria \$	Waikato \$	Total \$
Accounts receivable 2007	44 661	21 274	1 733	53 124	120 792
Other receivables 2007	15 365	15 879	16 910	14 842	62 996
	<u>60 026</u>	<u>37 153</u>	<u>18 643</u>	<u>67 966</u>	<u>183 788</u>
Accounts receivable 2006	36 727	40 753	988	-	78 468
Other receivables 2006	8 723	9 359	10 448	8 796	37 326
	<u>45 450</u>	<u>50 112</u>	<u>11 436</u>	<u>8 796</u>	<u>115 794</u>

Included in accounts payable and accruals at balance date, the company had outstanding balances with the 4 consortium universities:

Year	AUT \$	Otago \$	Victoria \$	Waikato \$	Total \$
Trade payables 2007	-	-	-	48	48
Accruals 2007	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>48</u>	<u>48</u>
Trade payables 2006	-	-	-	-	-
Accruals 2006	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### (c) Terms and conditions of transactions with related parties:

Sales to and purchases from related parties are made in arm's length transactions at both normal market prices and normal commercial terms.

Outstanding balances at 31 December 2007 and 2006 are unsecured and settlement occurs in cash.

For the year ended 31 December 2007, the Company has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2006: \$nil). This assessment is undertaken each financial year through examining the financial position and the market in which the related parties operates in.

### (d) Directors

	Appointed	Resigned	Directors Fees	Transactions	Shareholdings
R Bruce (Chairperson)	Mar-05	-	15 058	-	-
J Patrick	May-04	May-07	-	-	-
W Clegg	May-04	Jun-07	-	-	-
S Pharo	May-04	-	-	-	-
W Morgan	Jun-07	-	-	-	-
D Postlewaight	Jul-07	-	-	-	-
S Roberts	Sep-07	-	-	-	-
A Dewe	May-04	-	-	-	-

### (e) Key personnel

No key employee earned in excess of \$100,000 nor entered any non-employment related transactions.

**Note 11 Commitments and Contingences**

At balance date the company had no capital commitments or outstanding contingencies.

Other commitments:

	Network Hosting 31-Dec-07 \$	Network Hosting 31-Dec-06 \$
Due not later than one year	452 483	452 483
Due between one and two years	452 483	452 483
Due between two and five years	-	452 483
Due later than five years	-	-
	<u>904 966</u>	<u>1 357 449</u>

**Note 12 Reconciliation of surplus for the year with net cash flows from operating activities**

	31-Dec-07 \$	31-Dec-06 \$
<b>Surplus from the Statement of Financial Performance</b>	<u>202 558</u>	<u>108 350</u>
<b>Add / (Less) Changes in working capital items</b>		
Decrease / (Increase) in accounts receivable	12 857	60 061
Increase / (Decrease) in accounts payable	(3 277)	(17 690)
Increase / (Decrease) in revenue in advance	9 909	(243 388)
Increase / (Decrease) in annual leave provision	1 718	(2 468)
<b>Net movements in working capital items</b>	<u>21 207</u>	<u>(203 485)</u>
<b>Add / (Less) Items included in Surplus of a non-cash nature</b>		
Depreciation and amortisation	251 424	269 439
Impairment of fixed assets	57 511	-
<b>Net movement of items included in Surplus of a non-cash nature</b>	<u>308 935</u>	<u>269 439</u>
Purchases included in Capital work in progress which were expensed	59 985	-
<b>Net cash inflow from operating activities</b>	<u>592 685</u>	<u>174 304</u>

**Note 13 Events after balance date**

On 28 March 2008, the directors of LCo New Zealand Limited declared a final dividend on ordinary shares in respect of the 2007 financial year. The total amount of the dividend is \$119,941 which represents a dividend of 5.75 cents per share. The dividend has not been provided for in the 31 December 2007 financial statements.

**Note 14 Capital Management**

LCoNZ actively manages its capital position. Management's objective is to ensure the company continues as a going concern, has adequate funds for company expansion and obtain optimal returns to shareholders and benefits for other stakeholders. Additional capital will be sought where the opportunity arises to ensure the business continues to take up growth opportunities as they arise. Dividends are paid to shareholders when cash flows and business circumstances allow.

LCoNZ is not exposed to any externally imposed capital requirements.

**Note 15 Impact of adoption of NZ IFRS**

There was no impact on the Company's equity as disclosed in these financial statements as a result of adopting NZ IFRS.

