ROYAL NEW ZEALAND PLUNKET SOCIETY INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

PAGE

ROYAL NEW ZEALAND PLUNKET SOCIETY INCORPORATED

ROYAL NEW ZEALAND PLUNKET SOCIETY INCORPORATED

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $000	2016 $000
Income			
Contract Income		65,555	65,155
Sponsorship/Donations/Grants Income		7,856	6,555
Volunteer Funded Additional Services		5,905	6,236
Donated Goods and Services from Sponsors and Service Providers	7	2,858	985
Investment Income		2,132	740
Other Income		643	134
Other Financial Income		7	13
Total Income		**84,956**	**79,818**
Expenses			
Salaries and Wages		55,301	53,932
Volunteer Services		7,529	6,552
Other Employee Costs		4,953	3,549
Donated Goods and Services from Sponsors and Service Providers	7	2,788	985
Information, Communication and Technology		4,620	4,014
Property and Equipment		4,113	3,057
Travel		4,468	4,384
Marketing and Promotion Costs		1,448	767
Education		196	115
Administration		1,660	1,309
Professional Fees		1,960	1,313
Depreciation & Amortisation		1,434	748
Loss on Disposal of Assets		26	18
Other Financial Expense		68	23
Special Funds Expenses		184	285
Total Expenses		**90,748**	**81,051**
OPERATING (DEFICIT) FROM CONTINUING OPERATIONS		**(5,792)**	**(1,233)**
Transition Related Expenditure		(1,260)	0
OPERATING (DEFICIT) FOR THE YEAR		**(7,052)**	**(1,233)**
Integration of Area Societies' Net Assets		8,487	17,013
Net Change in Fair Value of Available for Sale Financial Assets		(1,222)	134
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR		**213**	**15,914**

The notes are an integral part of these financial statements.

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ROYAL NEW ZEALAND PLUNKET SOCIETY INCORPORATED

STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Accumulated Revenue and Expense	Special Funds	Total
EQUITY BALANCE AT 30 JUNE 2016		1,562	17,196	18,758
Movements for the Year				
Operating Surplus / (Deficit) for the Year		(7,052)	-	(7,052)
Integration of the Net Assets of Area Societies	5	8,487		8,487
Net Change in Fair Value of Available for Sale Financial Assets		(1,222)	-	(1,222)
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR		213	-	213
Transfer Between Equity Reserves				
Transfer General Funds to Special Funds		(7,043)	7,043	-
EQUITY BALANCE AT 30 JUNE 2017		(5,268)	24,239	18,971
EQUITY BALANCE AT 30 JUNE 2015		2,376	468	2,844
Movements for the Year				
Operating Surplus / (Deficit) for the Year		(1,233)	-	(1,233)
Integration of the Net Assets of Area Societies		17,013		17,013
Net Change in Fair Value of Available for Sale Financial Assets		134	-	134
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR		15,914	-	15,914
Transfer Between Equity Reserves				
Transfer General Funds to Special Funds		(16,728)	16,728	-
EQUITY BALANCE AT 30 JUNE 2016		1,562	17,196	18,758

The notes are an integral part of these financial statements.

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ROYAL NEW ZEALAND PLUNKET SOCIETY INCORPORATED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 $000	2016 $000
CURRENT ASSETS			
Receivables		1,192	916
Government Contract Grants Exchange Receivable		35	5,268
Prepayments		231	508
Inventory		207	267
Income Accrued		1,661	1,190
TOTAL CURRENT ASSETS		**3,326**	**8,149**
NON CURRENT ASSETS			
Property, Plant and Equipment	11	**21,256**	**14,824**
Intangible Assets	12	**14,301**	**13,237**
Other Receivable	13	**652**	**652**
Investments			
Fixed Interest Investments	14	0	832
Perpetual Interest Investments	14	0	425
Shares in Listed Companies	15	126	3,316
Loans to Areas		0	30
		126	**4,603**
TOTAL NON CURRENT ASSETS		**36,335**	**33,316**
TOTAL ASSETS		**39,661**	**41,465**

The notes are an integral part of these financial statements.

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ROYAL NEW ZEALAND PLUNKET SOCIETY INCORPORATED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 $000	2016 $000
EQUITY			
SOCIETY'S FUNDS			
General Funds and Reserves		(5,268)	1,562
Special Funds	16	24,239	17,196
TOTAL FUNDS HELD		**18,971**	**18,758**
CURRENT LIABILITIES			
Overdraft	9	2,529	2,029
Payables		2,025	2,696
Accruals		416	410
Employee Entitlements	10	7,081	6,433
Income Received in Advance		5,574	5,493
Lease Provision		42	42
Loans from Areas	18	2,962	5,502
TOTAL CURRENT LIABILITIES		**20,629**	**22,605**
TERM LIABILITIES			
Lease Provision		61	102
TOTAL TERM LIABILITIES		**61**	**102**
TOTAL EQUITY AND LIABILITIES		**39,661**	**41,465**

The notes are an integral part of these financial statements.

For and on behalf of the Royal New Zealand Plunket Society Incorporated:

19 September 2017

Andrēe Talbot
New Zealand President

Amanda Malu
Chief Executive Officer

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ROYAL NEW ZEALAND PLUNKET SOCIETY INCORPORATED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 $000	2016 $000
CASHFLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customers	80,093	77,445
Cash Receipts in Advance from Customers	4,471	0
Interest and Dividends Received	546	690
Cash Paid to Suppliers	(88,485)	(78,155)
NET CASH INFLOWS / (OUTFLOWS) FROM OPERATING ACTIVITIES	**(3,375)**	**(20)**
CASHFLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property Plant and Equipment	92	1
Proceeds from Sale of Investments	6,188	321
Cash and Cash Equivalents from Integration of Area Societies	1,340	2,980
Acquisition of Intangibles	(2,158)	(5,654)
Acquisition of Property Plant and Equipment	(887)	(151)
Acquisition of Other Investments	(1,305)	(271)
NET CASH INFLOWS / (OUTFLOWS) FROM INVESTING ACTIVITIES	**3,270**	**(2,774)**
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loans and Borrowings	7	1,242
Repayment of Borrowings	(402)	(649)
NET CASH INFLOWS / (OUTFLOWS) FROM FINANCING ACTIVITIES	**(395)**	**593**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(500)**	**(2,201)**
Add Cash at Beginning of Year	**(2,029)**	**172**
CASH AT END OF YEAR	**(2,529)**	**(2,029)**

The notes are an integral part of these financial statements.

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ROYAL NEW ZEALAND PLUNKET SOCIETY INCORPORATED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 $000	2016 $000
RECONCILIATION OF SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Operating (Deficit) for Year	(5,792)	(1,233)
Transition Related Expenditure	(1,260)	0
Surplus / (Deficit) for Year	(7,052)	(1,233)
Items not Involving Cash Flows		
Depreciation	1,434	734
Donated Property Plant and Equipment	(69)	0
Unrealised Profit / (Loss) on Investments	(1,867)	(17)
	(502)	**717**
Impact of Changes in Working Capital Items	4,179	496
Net Cash Inflow / (Outflow) from Operating Activities	(3,375)	(20)

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ROYAL NEW ZEALAND PLUNKET SOCIETY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. REPORTING ENTITY

The Royal New Zealand Plunket Society (Inc.) (the 'Society') is a not-for-profit organisation registered under the Charities Act 2005, and domiciled in New Zealand, and is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act (2013). The Society's registered office and principal place of business is the National Support Office based at 40 Mercer Street, Wellington.

These consolidated financial statements comprise the Society and its controlled entities (together referred to as the 'Group'). Refer to Note 5) for details of the integration of certain Area Societies into the Society in the current financial year. The volunteer network of Area Societies and Plunket Groups that have not yet been integrated into the Society do not form part of these consolidated financial statements, but they continue to provide goods and services to support the Society to achieve the Ministry of Health Well Child contract. These Area Societies are separate incorporated societies and continue to report separately from the Society.

The Group is New Zealand's largest provider of support services for the development, health and wellbeing of children under five, and works together with families and communities, to ensure the best start for every child. Through its volunteer network, the Society and the wider Area Societies and Plunket Groups maintain close and responsive links with communities throughout New Zealand. The complementary activities provided by other Area Societies and Plunket Groups include Early Childhood Education Centres, Family Centres, Toy Libraries, Playgroups and Parenting Education.

2. BASIS OF PREPARATION

a) Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards (PBE Standards) and other applicable Financial Reporting Standards, as appropriate for Tier 1 not-for-profit public benefit entities. As a registered charity, the Group is required to prepare financial statements in accordance with NZ GAAP as specified in standard XRB A1. The Group is a Tier 1 reporting entity as it has total expenditure greater than $30 million in the two preceding reporting periods.

The going concern basis of preparing the financial statements has not been used. On 29 November 2016 the members of the Royal New Zealand Plunket Society Incorporated passed a resolution to change the legal structure from a series of interlinked incorporated societies to a single charitable trust board. This will involve dissolving the Royal New Zealand Plunket Society Incorporated in accordance with section 28 of the Incorporated Societies Act 1908 and transferring all of its assets, liabilities and interests to the Royal New Zealand Plunket Trust. The Trust would have similar objects as the Royal New Zealand Plunket Society Incorporated.

In preparing the financial statements on an alternative basis, the group has continued to apply the measurement, recognition and disclosure requirements of the PBE Standards.

These financial statements were authorised for issue by the Board on 19 September 2017.

b) Measurement Basis

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are measured at fair value:

- Available for sale financial instruments
- Property, plant and equipment under the revaluation model
- The initial measurement of assets received from non-exchange transactions
- Long-term employee benefits

c) Functional and Presentation Currency
The financial statements are presented in New Zealand dollars ($) which is the Group's presentation currency, rounded to the nearest thousand.

3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements
Judgements made in applying accounting policies that have had the most significant effects on the amounts recognised in the financial statements include the following:

- Recognition of Revenue – non-exchange revenue (conditions vs. restrictions)
- Timing of integration of Area Societies after resignation of some of the governing Boards. [Note 5) (iv)(i)]
- Determination of the date of integration of the Area Societies. [Note 5) (iv)(ii)]

4. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following significant accounting policies to all periods presented in these consolidated financial statements.

a) Basis of Consolidation
(i) Business Combination
The Group accounts for business combinations using the integration or acquisition method when control is effectively transferred to the Group. The consideration transferred in the integration or acquisition is generally measured at fair value, as are the identifiable net assets integrated. Any gain on a bargain purchase is recognised in surplus or deficit immediately. Transactions costs are expensed as incurred, except if related to the issue of debt securities.

(ii) Controlled Entities
Controlled entities are entities in which the Society has the power to govern the financial and operating policies so as to benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Integration of Entities Under Common Control
Business combinations (including amalgamations) arising from transfers of interests in entities that are under the control of the Society, which controls the whole Group, are accounted for as common control transactions. The assets integrated and liabilities assumed in a common control transaction are recognised at the carrying amounts recognised previously in the Group's consolidated financial statements. The components of equity of the integrated entities are added to the same components within Group equity.

b) Revenue
Revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Society, and measured at the fair value of consideration received or receivable. The following specific recognition criteria in relation to the Society's revenue streams must also be met before revenue is recognised.

i) Revenue from Exchange Transactions
Contract Income
Contract income is recognised in the period in which it relates, with any amounts owing at balance date being included as a current asset. A liability is recognised where contract income is received in advance of the provision of the services to which they relate and where there is an obligation to repay such funds if the services are not performed.

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ii) Revenue from Non-Exchange Transactions

Non-exchange transactions are those where the Society receives an inflow of resources (i.e. cash and other tangible or intangible items) without giving approximately equal value in exchange. Funding received from non-exchange transactions are recognised as non-exchange revenue, to the extent that a liability is not recognised in respect to the same funding received. Liabilities are recognised in relation to funding received when there is a resulting present obligation to perform to satisfy a condition (or milestone), and the failure of which will result in the refund of any funding that have been received in relation to the specified condition (or milestone).The following are the recognition criteria in relation to the Society's non-exchange transactions.

Grants, Donations, Legacies and Bequests

The recognition of non-exchange revenue from *Grants, Donations, Legacies and Bequests* depends on the nature of any stipulation attached to the inflow of resources received, and whether this creates a liability (i.e. use or return obligation) rather than the recognition of revenue.

Donated Goods and Services

The Society has recognised donated goods and services as revenue and expenses when their fair value can be measured with reliability. The recognition of donated goods and services increases both recorded revenue and expenses, and has no impact on the deficit or surplus achieved. Donated services and other forms of assistance provided to the Society are acknowledged elsewhere in the Annual Report.

c) Employee Entitlements

A provision for employee entitlements is recognised for benefits earned by employees but not paid at reporting date. Employee benefits include salaries, wages, annual leave, long service leave and sick leave.

d) Property, Plant and Equipment (PP&E)

Items of PP&E, except for land and buildings, are stated at cost, less accumulated depreciation and impairment losses. The cost of PP&E is generally the purchase cost, together with any incidental costs of integration or acquisition.

Depreciation

Depreciation is calculated so as to write off the cost amounts of PP&E, less any assigned residual value, on a straight-line basis over the expected useful economic lives of the asset.

The estimated useful lives or depreciation rates of assets are as follows:

• Buildings	50 years
• Furniture and Equipment	3 to 5 years
• Computer Equipment	3 to 10 years
• Leasehold Improvements	10 years
• Motor Vehicles	25% per annum DV

Land and Buildings

Land and buildings are measured at fair value, less accumulated depreciation on buildings and impairment losses. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The fair value of items of property is usually determined from market-based evidence by appraisal. Management have determined the fair value of the land and building with reference to Rateable Value ("RV"). As Rateable Valuations are performed by a registered valuer or by a valuation body with reference to market based evidence, Management considers that the use of RV as an approximation for fair value of land and building integrated or acquired is appropriate or will not be materially different from a fair value appraisal.

e) Intangible Assets

Intangible assets are measured at cost less accumulated amortisation. These intangible assets comprise of information systems, which are amortised using the straight line method over a period of 3 -10 years as appropriate for each system.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in surplus or deficit as incurred.

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f) Investments
Shares and perpetual interest bearing investments are classified as available-for-sale financial assets. They are initially recorded at cost and subsequently measured at fair value which is determined based on listed bid prices at the balance sheet date. Subsequent to initial recognition, any changes in fair value, other than impairment losses, are recognised directly in other comprehensive revenue and expense. The cumulative gain or loss in other comprehensive revenue and expense is transferred to the operating income statement when the shares are sold.

Fixed interest investments are designated as held to maturity and measured at amortised cost using the effective interest rate method, less any impairment losses.

The investments are assessed for objective evidence of impairment at each balance date. Losses arising from a significant or prolonged decline in fair value are removed from equity and recognised in the Statement of Revenue and Expense.

g) Receivables
Receivables are recognised at the original invoice amount less impairment losses. Receivables are assessed for impairment at each balance date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Revenue and Expense.

h) Cash and Cash Equivalents
Cash and cash equivalents comprise short term deposits with banks and bank and cash balances. Deposits are included when they have a maturity of three months or less from the date of integration or acquisition.

i) Impairment of Assets
Management perform an annual assessment of financial assets for any indicators of impairment. Any impairment losses are recognised in "Other Financial Expenses" in the Statement of Revenue and Expense.

PP&E and Intangible Assets
All PP&E and intangible assets are non-cash generating assets as they are not held with the primary objectives of generating a commercial return. The Group assesses at each reporting date whether there is an indication of impairment. If any indication exists, the Group estimates the asset recoverable service amount, which is the higher of the non-cash generating asset's fair value less cost to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

j) Payables
Trade and other payables are usually settled within 30 days. Given their short term nature, the carrying values are considered a reasonable approximation of their fair values.

k) Income Tax
The Society is wholly exempt from New Zealand income tax and gift duty having fully complied with all statutory conditions for these exemptions.

l) Goods and Services Tax
The financial statements have been prepared so that all components are stated exclusive of GST, with the exception of receivables and payables, which are stated inclusive of GST.

m) Accounting Standards Not Yet Effective
There are no new, revised or amended standards that have been issued but are not yet effective that would have a significant impact on the Group's financial statements.

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5. INTEGRATION OF AREA SOCIETIES

Following a strategic review, a number of area boards have amended strategies and outcomes and proposed to integrate their Area Societies into the National Society. This integration process involves the Society assuming control by taking over the governance of the Area Societies. Assuming control of the Area Societies will enable greater efficiency in the delivery of the best objectives and outcomes for Society. Subsequent to assuming control, the Area Societies will be dissolved and the assets and operations of the Area Societies will be integrated into the Society by way of amalgamation. The amalgamation process includes transferring the legal titles of the assets to the Society and removing the Area Societies from the Charities Register.

On 30 June 2016, the Society obtained effective control of the Area Societies listed below.

• Royal New Zealand Plunket Society Northland Area Incorporated	• Royal New Zealand Plunket Society Lakes Area Incorporated
• The Royal New Zealand Plunket Society Waitemata Area Incorporated	• Royal New Zealand Plunket Society Manawatu / Wanganui Area (Incorporated)
• Royal New Zealand Plunket Society Counties Manukau Area (Incorporated)	• Royal New Zealand Plunket Society Wellington / Wairarapa Area Incorporated
• Royal New Zealand Plunket Society Waikato Area Incorporated	• The Royal New Zealand Plunket Society West Coast Area Incorporated

On 30 June 2017, the Society obtained effective control of the Area Societies listed below.

• Royal New Zealand Plunket Society Bay of Plenty Area Incorporated	• Royal New Zealand Plunket Society Hawkes Bay Area Incorporated

i. Gain on Integration
On the date of integration of the Area Societies, the Society recognised and measured all identifiable assets and liabilities of the Area Societies at fair value. As no consideration was paid at the time of integration, a total of $8.5 million, representing the fair value of the net assets integrated, was recognised as a gain on integration in the Statement of Revenue and Expense.

ii. Identifiable Assets Integrated and Liabilities Assumed
The following table summarises the recognised amounts of assets integrated and liabilities assumed at the date of integration 30 June 2017.

Net Assets of Bay of Plenty Area and Hawkes Bay Areas	**Notes**	**$000's**
Cash and Cash Equivalents		2,731
Accounts Receivable		192
Other Receivable		167
Property, Plant & Equipment	5)(iii)	5,568
Investments		109
Sundry Creditors and Payables		(23)
Accruals		(127)
Employee Entitlements		(96)
Income in Advance		(34)
Total Identifiable Net Assets Integrated		**8,487**

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iii. Measurement of Fair Values

The valuation used for measuring the fair value of material assets integrated were as follows.

Asset Integrated	Valuation Technique
Land and Buildings	The fair value of property is normally determined from market-based evidence by appraisal. Management have determined the fair value of the land and building with reference to Rateable Value ("RV"). As Rateable Valuations are performed by a registered valuer or by a valuation body with reference to market based evidence, Management considers that the use of RV as an approximation for fair value of land and building integrated is appropriate or will not be materially different from a fair value appraisal.

6. CORE CHILD HEALTH CONTRACT INCOME

The core "Well Child Health" contract with the Ministry of Health is a three year contract and will expire on 30 June 2018.

7. DONATED GOODS AND SERVICES

Sponsors and Service Providers

Additional donated goods and services from sponsors and service providers are valued at fair value and in accordance with any contractual documentation. The effect of this is to increase revenue by \$2,857,655 (2016 \$984,642), expenses by \$2,788,155 (2016 \$984,642) and assets by \$69,500 (2016 \$0)(donated mobile clinic). There is little impact on the year end result as substantially all of the goods have been provided and used within the same accounting period. The donated goods and services received by the Group include advertising, printing and promotion material, sample products and the use of equipment at no cost.

Donated goods and services are also provided directly to volunteer Area Societies and Plunket Groups. These donated goods and services are not included in these financial statements for those Area Societies and Plunket Groups which are separately incorporated.

8. AUDITOR'S EXPENSES

	2017 \$000	2016 \$000
Operating expenses include the following:		
Auditor's Fees (for the audit of the financial statements)	56	49
Auditor's Fees (for non audit services)	0	63
	56	112

9. CASH AND CASH EQUIVALENTS

	2017 \$000	2016 \$000
ASB	26	26
BNZ	(2,556)	(2,067)
Forsyth Barr	1	12
	(2,529)	(2,029)

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10. EMPLOYEE ENTITLEMENTS

	2017 $000	2016 $000
Annual Leave	3,862	3,994
Salary and Wage Accrual	3,219	2,439
	7,081	6,433

11. PROPERTY PLANT AND EQUIPMENT

	Land and Buildings	Plant and Equipment	Fixture and Fittings	Total
Costs				
Balance as at 1 July 2015	-	1,818	928	2,746
Through business integration	13,638	234	296	14,168
Additions		28	124	152
Disposals		(62)		(62)
Balance as at 30 June 2016	**13,638**	**2,018**	**1,348**	**17,004**
Balance as at 1 July 2016	**13,638**	**2,018**	**1,348**	**17,004**
Through business integration	5,522	0	46	5,568
Additions	745	217	184	1,146
Disposals	0	0	0	0
Balance as at 30 June 2017	**19,905**	**2,235**	**1,578**	**23,718**
Accumulated Depreciation and impairment deficits				
Balance as at 1 July 2015		1,491	523	2,014
Depreciation	1	144	83	228
Disposals		(62)		(62)
Balance as at 30 June 2016	1	1,573	606	2,180
Balance as at 1 July 2016	**1**	**1,573**	**606**	**2,180**
Depreciation	35	124	123	282
Disposals	0	0	0	0
Balance as at 30 June 2017	36	1,697	729	2,462
Carrying Amounts				
At 1 July 2015		327	405	732
At 30 June 2016	13,637	445	742	14,824
At 30 June 2017	19,869	538	849	21,256

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12. INTANGIBLES ASSETS

Intangible assets comprise separately identifiable information systems;

	2017 $000	2016 $000
Year Ended 30 June		
At 1 July, Net of Accumulated Amortisation	13,237	7,982
Additions	2,229	5,734
Amortisation Charge for the Year	(1,165)	(479)
At 30 June, Net of Accumulated Amortisation	14,301	13,237
As at 30 June		
Cost or Fair Value	20,788	18,559
Accumulated Amortisation	(6,487)	(5,322)
Net Carrying Amount	14,301	13,237

The intangible assets predominantly relate to the resources required to establish a digital infrastructure; technical, policies, culture and processes, to enable Plunket to improve its technology capability. This effort has provided Plunket with the following information systems, namely, an Electronic Plunket Health Record (ePHR) database, a Human Resource Information System capability, incorporating an in-house payroll system, an upgraded PlunketLine CRM, improved intranet and internet capability that amongst several features has provided enhanced social media connection with clients.

The Intangible Assets have been progressively developed over the past five years. The Society has recognised the effort of the cost of developing the above capability onto the balance sheet, as part of "intangible assets".

13. OTHER RECEIVABLE

The Society holds a bond of $652,495 (2016: $652,495) which is pledged as collateral over the rental at National Support Office, 40 Mercer Street, Wellington. As a result of the arrangement the use of the funds is restricted until expiry of the lease in December 2019, or until the agreement is otherwise terminated.

14. INTEREST EARNING INVESTMENTS

	2017 $000	2016 $000
Fixed Interest – Held to Maturity	0	701
Perpetual Investments	0	425
Cash Management Accounts	0	131
	0	1,257

The market value of fixed interest investments at 30 June 2017 was $0 (2016 $1,287,373).

During the year the Society recognised nil impairment (2016: nil) in regards to fixed interest investments held.

Interest bearing investments are held to maturity investments and designated as Level 1. There are no impairment losses in the year to 30 June 2017 (2016: $nil) as a result of the bid price at 30 June 2017 falling significantly below the cost price for any investments.

15. SHARES IN LISTED COMPANIES

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	2017 $000	2016 $000
New Zealand	126	2,532
Overseas	0	784
	126	3,316

Shares in listed companies are Level 1 available for sale investments under the fair value hierarchy whereby they are valued at listed market rates. There are no impairment losses in the year to 30 June 2017 (2016: $nil) as a result of the bid price at 30 June 2017 falling significantly below the cost price for any investments.

16. SPECIAL FUNDS

	2017 $000	2016 $000
Special Funds Movements		
Balance at Beginning of Year	17,196	468
Surplus / (Deficit) for Year	(184)	(285)
Transfer of Area Society Net Assets from General Funds	7,227	17,013
Closing Balance at End of Year	**24,239**	**17,196**
Total Special Funds Comprise:		
Capital	0	108
Integrated Area Society Net Assets	24,239	17,013
Other	0	75
	24,239	17,196

Nature and Purpose of Special Funds

Integrated Area Society Net Assets
This represents the total value of the equity transfer from integrated Area Societies.

17. FINANCIAL INSTRUMENTS

The Group is risk averse and seeks to minimise its exposure to risks associated with financial assets and liabilities.

The main risks arising from the Group's financial instruments are equity price, interest rate risk, liquidity risk, and credit risk.

Market Risk

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit and loss by ($7,000) (2016: $20,000). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2016.

Other Price Risk

Equity price risk arises from available-for-sale equity securities held by the Group. It is estimated a 10% increase (decrease) in the market value of equity investments would have increased or decreased equity by $13,000 (2016: $330,000). Investments are made in accordance with the Investment Policy, as endorsed by the Board. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2016.

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Credit Risk

The Society does not anticipate non-performance by counterparties and has no significant concentrations of credit risk. The Society further minimises its credit exposure by using only registered banks and other nominated institutes approved by the Society's Investment Policy.

Liquidity Risk

The Group pays trade and other payables when they fall due. Staff are encouraged to take leave within the year in which it vests. The Society has cash and other short term deposits that it can use to meet its ongoing payment obligations.

18. RELATED PARTY DISCLOSURE

Area Societies and Plunket Groups
The Society processes the wages for the Area Societies whom have engaged to provide services supporting Plunket. The total of all wages is $4,563,440 (2016 $5,791,000) which is recovered immediately by the Society.

Funds Held on Behalf of Volunteers
The Society, through the Centralised Accounting team, processes bank statements for all Area Societies and produce monthly and year end financial accounts.

The Society manages term deposits on behalf of the Area Societies and Plunket Groups amounting to $2,177,686 (2016 $4,222,766). The Society invests the funds held on behalf of Area Societies and Plunket Groups in fixed interest securities and on call deposits. These funds do not appear in the financial statements except to the extent they are not controlled by the Society. In doing so the Society is able to earn a higher rate of interest and retains part of the additional income to the extent that the costs of providing the Centralised Accounting and Area Society internal audit services are met.
Investment of volunteer funds is consistent with the Investment Policy of the Society.

The Society also facilitates the transfer of funds between Area Society and Plunket Groups current and call accounts and receives a commission for the value of funds on call. As these current and call account funds do not pass through bank accounts of the Society, they are not included in the above balance of funds held on behalf of Area Societies.

Loans from Area Societies and Plunket Groups
The Society has sought financial assistance from some of its Area Societies and Plunket Groups by lending monies for the purpose of helping to fund its digitisation journey. The loans have varying expiry dates and interest bearing terms.

Key Management Personnel – Remuneration
The total remuneration of members of the Board and the number of individuals receiving remuneration in this category are as follows.

	2017 $000	2016 $000
• Total remuneration	91	97
• Number of persons	10 persons	10 persons

Board remuneration includes the honoraria paid to the President and meeting fees paid to Board Members. The total number of meeting days involving Board Members held during the year was 14 (2016:23).

The total remuneration of the senior management group and the number of managers, on a full-time equivalent basis, receiving remuneration in this category are:

	2017 $000	2016 $000
• Senior Management	1,947	1,736
• External Consultants	119	0
• Number of persons	11 persons	10 persons

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19. CAPITAL COMMITMENTS AND LEASES

	2017 $000	2016 $000
Capital Commitments		
Capital expenditure contracted for at the end of the reporting period but not yet incurred for property, plant and equipment	-	-
Non-Cancellable Operating Leases		
Due within One Year	4,098	3,634
Due One to Two Years	3,173	3,105
Due Two to Five Years	3,104	3,624
Over Five Years	238	16
	10,613	10,379

The Group has entered into commercial leases for rental properties, motor vehicles, and photocopiers where it is not in the best interest of the Society to purchase these assets. These leases have an average life of between 1 and 5 years with renewal terms included in the contracts. The motor vehicle leases contain a variable element based on movements in fuel price and mileage.

20.CONTINGENT LIABILITIES

At the date of this report there are no known contingent liabilities for which the Society may be liable (2016 $nil).

21.SUBSEQUENT EVENTS

On 1 July 2017, the Society obtained effective control of the Area Societies listed below.

- Royal New Zealand Plunket Society Auckland City Area Incorporated
- Royal New Zealand Plunket Society Taranaki Area Incorporated
- Royal New Zealand Plunket Society Gisborne Wairoa Area Incorporated
- Royal New Zealand Plunket Society Nelson Marlborough Area Incorporated
- Royal New Zealand Plunket Society Canterbury Area Incorporated
- Royal New Zealand Plunket Society Mid South Canterbury Area Incorporated
- Royal New Zealand Plunket Society Otago Area Incorporated
- Royal New Zealand Plunket Society Southland Area Incorporated

Identifiable Assets Integrated and Liabilities Assumed

The following table summarises the recognised amounts of assets integrated and liabilities assumed at the date of integration 1 July 2017.

Net Assets of the above Areas	Notes	$000's
Cash and Cash Equivalents		4,132
Accounts Receivable		191
Other Receivable		2,578
Property, Plant & Equipment		20,062
Investments		459
Sundry Creditors and Payables		(66)
Accruals		(143)
Employee Entitlements		(52)
Income in Advance		(105)
Total Identifiable Net Assets Integrated		**27,056**

Independent Auditor's Report

To the members of Royal New Zealand Plunket Society Incorporated

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Royal New Zealand Plunket Society Incorporated (the incorporated society) and its subsidiaries (the group) on pages 1 to 17:

i. present fairly in all material respects the Group's financial position as at 30 June 2017 and its financial performance and cash flows for the year ended on that date; and

ii. comply with Public Benefit Entity Standards (Not For Profit).

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 June 2017;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the group.

Emphasis of matter

We draw attention to Note 2 to the consolidated financial statements which describes that the going concern basis of preparing the consolidated financial statements has not been used because the members of Royal New Zealand Plunket Society Incorporated passed a resolution to change the legal structure from a series of interlinked incorporated societies to a single charitable trust board. This will involve dissolving the Royal New Zealand Plunket Society Incorporated in accordance with section 28 of the Incorporated Societies Act 1908 and transferring all of its assets, liabilities and interests to the Royal New Zealand Plunket Trust. In preparing the financial statements on an alternative basis, the group has continued to apply the measurement, recognition and disclosure requirements of the PBE Standards. Our opinion is not modified in respect of this matter.

Use of this independent auditor's report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.

Responsibilities of the Board for the consolidated financial statements

The Board, on behalf of the incorporated society, are responsible for:

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Not For Profit));

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx.

This description forms part of our independent auditor's report.

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19 September 2017