

ROYAL NEW ZEALAND PLUNKET TRUST
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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ROYAL NEW ZEALAND PLUNKET TRUST

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ROYAL NEW ZEALAND PLUNKET TRUST

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	2018 \$000
Income		
Contract Income	5	34,025
Sponsorship/Donations/Grants Income		3,557
Donated Goods and Services from Sponsors and Service Providers		1,607
Other Income		<u>1,219</u>
Total Income		40,408
Expenses		
Salaries and Wages		30,868
Other Employee Costs		2,970
Donated Goods and Services from Sponsors and Service Providers		1,607
Information, Communication and Technology		2,441
Property and Equipment		2,424
Travel		1,777
Marketing and Promotion Costs		669
Education		161
Administration		945
Professional Fees	6	547
Depreciation and Amortisation		2,651
Loss on Disposal of Assets		<u>86</u>
Total Expenses		<u>47,146</u>
OPERATING (DEFICIT) FOR THE PERIOD		(6,738)
Net Change in Fair Value of Available for Sale Financial Assets		<u>(4)</u>
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE PERIOD		<u>(6,742)</u>

The notes are an integral part of these financial statements.



ROYAL NEW ZEALAND PLUNKET TRUST
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Accumulated Revenue and Expense 2018 \$000
EQUITY BALANCE AT 1 JANUARY 2018		<u>0</u>
Movements for the Period		
Operating (Deficit) for the Period		(6,738)
Net Assets transferred from Royal New Zealand Plunket Society Incorporated	7	42,482
Net Change in Fair Value of Available for Sale Financial Assets		<u>(4)</u>
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE PERIOD		<u>35,740</u>

The notes are an integral part of these financial statements.



ROYAL NEW ZEALAND PLUNKET TRUST

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 \$000
CURRENT ASSETS		
Receivables		1,247
Government Contract Grants Exchange Receivable		158
Prepayments		453
Inventory		146
Income Accrued		<u>970</u>
TOTAL CURRENT ASSETS		<u>2,974</u>
NON CURRENT ASSETS		
Property, Plant and Equipment	8	<u>43,456</u>
Intangible Assets	9	<u>11,804</u>
Other Receivable	10	<u>652</u>
Investments		
Fixed Interest Investments		138
Shares in Listed Companies		<u>178</u>
		<u>316</u>
TOTAL NON CURRENT ASSETS		<u>56,228</u>
TOTAL ASSETS		<u>59,202</u>

The notes are an integral part of these financial statements.



ROYAL NEW ZEALAND PLUNKET TRUST

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 \$000
EQUITY		
TRUST'S FUNDS		
General Funds and Reserves	11	<u>35,740</u>
TOTAL FUNDS HELD		<u>35,740</u>
CURRENT LIABILITIES		
Overdraft	12	1,221
Payables		2,144
Accruals		642
Employee Entitlements	13	6,664
Income Received in Advance	14	9,568
Lease Provision		42
Finance Leases	15	<u>972</u>
TOTAL CURRENT LIABILITIES		<u>21,253</u>
TERM LIABILITIES		
Lease Provision		19
Finance Leases	15	1,562
Make Good Provision		<u>628</u>
TOTAL TERM LIABILITIES		<u>2,209</u>
TOTAL EQUITY AND LIABILITIES		<u>59,202</u>

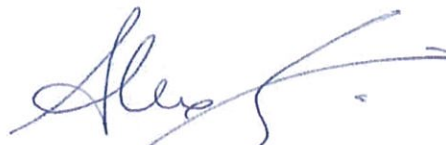
The notes are an integral part of these financial statements.

For and on behalf of the Royal New Zealand Plunket Trust:

19 September 2018



Christine Lake
Chairperson



Alex Skinner
Trustee



ROYAL NEW ZEALAND PLUNKET TRUST

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	2018 \$000
CASHFLOWS FROM OPERATING ACTIVITIES	
Cash Receipts	29,864
Cash Receipts in Advance	8,253
Interest and Dividends Received	30
Cash Paid to Suppliers	<u>(40,254)</u>
NET CASH INFLOWS / (OUTFLOWS) FROM OPERATING ACTIVITIES	<u>(2,107)</u>
 CASHFLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Property Plant and Equipment	522
Proceeds from Sale of Investments	0
Cash and Cash Equivalents from Integration of Royal New Zealand Plunket Society Incorporated	2,476
Acquisition of Intangibles	(372)
Acquisition of Property Plant and Equipment	(1,086)
Acquisition of Other Investments	(80)
NET CASH INFLOWS / (OUTFLOWS) FROM INVESTING ACTIVITIES	<u>1,460</u>
 CASHFLOWS FROM FINANCING ACTIVITIES	
Proceeds from Loans and Borrowings	0
Repayment of Finance Lease Liabilities	(574)
NET CASH INFLOWS / (OUTFLOWS) FROM FINANCING ACTIVITIES	<u>(574)</u>
 NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,221)
Add Cash at Beginning of Period	0
CASH AT END OF PERIOD	<u>(1,221)</u>

The notes are an integral part of these financial statements.



ROYAL NEW ZEALAND PLUNKET TRUST
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	2018 \$000
RECONCILIATION OF SURPLUS/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES	
Surplus / (Deficit) for Period	<u>(6,738)</u>
Items not Involving Cash Flows	
Depreciation and Amortisation	2,651
Interest on Finance Leases	100
Unrealised Profit / (Loss) on Investments	<u>1</u>
	<u>2,752</u>
Impact of Changes in Working Capital Items	1,879
Net Cash Inflow / (Outflow) from Operating Activities	<u>(2,107)</u>



ROYAL NEW ZEALAND PLUNKET TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. REPORTING ENTITY

On 29 November 2016 at the Annual General Meeting, the members of the former Royal New Zealand Plunket Society (the "Incorporated Society") voted to dissolve the Incorporated Society and form a Trust. The Incorporated Society was dissolved on 31 December 2017 and effectively all the assets and liabilities were transferred to the Trust at book value. The financial statements of the Trust have been prepared for the six month period ended 30 June 2018 and no comparatives have been disclosed.

The Royal New Zealand Plunket Trust (the 'Trust') is a not-for-profit organisation registered under the Charities Act 2005, 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 Trust's registered office and principal place of business is the Plunket Support Office based at 40 Mercer Street, Wellington.

The Trust 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 Trust and Plunket Groups maintain close and responsive links with communities throughout New Zealand. The complementary activities provided by the 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 Trust is required to prepare financial statements in accordance with NZ GAAP as specified in standard XRB A1. The Trust has elected to report under the Tier 1 reporting standards.

The financial statements have been prepared on a going concern basis in accordance with the PBE Standards. In making this determination, the Trustees considered the ongoing funding from the Ministry of Health beyond 30 June 2019, cash forecasts for the year ahead and the Trust's credit arrangements with its bankers.

These financial statements were authorised for issue by the Board on 19 September 2018.

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
- Long-term employee benefits

c) Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (\$) which is the Trust'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.



ROYAL NEW ZEALAND PLUNKET TRUST

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)
- Valuation of Property, Plant and Equipment – realisable values of leasehold properties
- Valuation of Intangible Assets – remaining useful economic lives of non-cash generating assets

4. SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Trust. Revenue is measured at the fair value of consideration received or receivable. The following specific recognition criteria in relation to the Trust'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.

ii) Revenue from Non-Exchange Transactions

Non-exchange transactions are those where the Trust 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 is 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 or satisfy a condition (or milestone), and the failure of which will result in the refund of any funding that has been received in relation to the specified condition (or milestone). The following are the recognition criteria in relation to the Trust'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 Trust 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 Trust are acknowledged elsewhere in the Annual Report. The donated goods and services received by the Trust include advertising, printing and promotion material, sample products and the use of equipment at no cost.

b) 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.

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

Items of PP&E, 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.



ROYAL NEW ZEALAND PLUNKET TRUST

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 |

d) 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.

The ePHR asset is accounted for as three separate components: the front-end application component has an expected useful life of three years; the back end and integration layer components have expected lives of 10 years.

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 Trust 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.

e) 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.

f) 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.

g) 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 Trust assesses at each reporting date whether there is an indication of impairment. If any indication exists, the Trust estimates the asset's 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.

h) 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.

i) Income Tax

The Trust is wholly exempt from New Zealand income tax and gift duty having fully complied with all statutory conditions for these exemptions.

j) 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.

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k) 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 Trust's financial statements except as disclosed below,

PBE FRS 48 Service Performance Reporting

This standard establishes requirements for Tier 1 and Tier 2 public benefit entities to select and present service performance information. This standard is effective for annual periods beginning on or after 1 January 2021. As a Tier 1 not-for-profit entity, the Trust will be required to present service performance information for the first time in its financial statements for the year ended 30 June 2022.

5. CONTRACT INCOME

	Six Months 2018 \$000
Ministry of Health	26,601
Ministry of Education	1,341
District Health Boards	2,754
Ministry for Children	805
Other Contracts	<u>2,524</u>
	<u>34,025</u>

The core "Well Child Health" contract with the Ministry of Health is a four year contract and will expire on 30 June 2019. The Ministry of Health has provided the Trust with written confirmation of its intention to continue contracting Well Child Health services from Plunket into the foreseeable future.

6. AUDITOR'S EXPENSES

	2018 \$000
<i>Operating expenses include the following:</i>	
Auditor's Fees (for the audit of the financial statements)	75
Auditor's Fees (for other audit services)	<u>8</u>
	<u>83</u>

7. NET ASSETS TRANSFERRED FROM ROYAL NEW ZEALAND PLUNKET SOCIETY INCORPORATED

The following table summarises the recognised amounts of assets integrated and liabilities assumed at the date of integration 1 January 2018.

Net Assets of Areas	Notes	\$000's
Cash and Cash Equivalents		2,476
Receivables		2,391
Inventory		200
Prepayments		179
Property, Plant & Equipment	8	43,134
Intangibles	9	13,111
Investments		242
Sundry Creditors and Payables		(2,882)
Employee Entitlements		(4,341)
Income in Advance		(9,615)
Finance Leases		(2,331)
Other Liabilities		(82)
Total Identifiable Net Assets Integrated		<u>42,482</u>



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8. PROPERTY PLANT AND EQUIPMENT

	Land and Buildings 2018 \$000	Plant and Equipment 2018 \$000	Fixture and Fittings 2018 \$000	Total 2018 \$000
Costs				
Balance as at 1 January 2018	0	0	0	0
Transfer from Incorporated Society	39,594	4,872	1,988	46,454
Additions	838	705	97	1,640
Disposals	(409)	(86)	(27)	(522)
Balance as at 30 June 2018	40,023	5,491	2,058	47,572
Accumulated Depreciation and impairment deficits				
Balance as at 1 January 2018	0	0	0	0
Transfer from Incorporated Society	259	2,226	835	3,320
Depreciation	245	608	120	973
Disposals	(55)	(93)	(29)	(177)
Balance as at 30 June 2018	449	2,741	926	4,116
Carrying Amounts				
At 1 January 2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
At 30 June 2018	<u>39,574</u>	<u>2,750</u>	<u>1,132</u>	<u>43,456</u>

9. INTANGIBLES ASSETS

Intangible assets comprise separately identifiable information systems;

	2018 \$000
Period Ended 30 June	
At 1 January 2018, Net of Accumulated Amortisation	0
Transfer from Incorporated Society	13,111
Additions	371
Disposals	(131)
Amortisation Charge for the Period	(1,547)
At 30 June, Net of Accumulated Amortisation	<u>11,804</u>
As at 30 June	
Cost or Fair Value	21,456
Accumulated Amortisation and Disposals	(9,652)
Net Carrying Amount	<u>11,804</u>

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 Trust has recognised the effort of the cost of developing the above capability onto the balance sheet, as part of "intangible assets".



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10. OTHER RECEIVABLE

The Trust holds a bond of \$652,495 which is pledged as collateral over the rental at Plunket 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.

11. GENERAL FUNDS AND RESERVES

Under the Incorporated Society, Special Funds was the recording of equity transferred from the Area Societies and Branches as they transitioned into the Incorporated Society. As transition is now complete, these funds are no longer shown separately in the financial statements.

Any funds tagged by the Plunket Board on transition are held on a separate register and managed internally.

12. OVERDRAFT

	2018 \$000
ASB	26
BNZ	(1,255)
Forsyth Barr	<u>8</u>
	<u>(1,221)</u>

13. EMPLOYEE ENTITLEMENTS

	2018 \$000
Annual Leave	3,442
Salary and Wage Accrual	<u>3,222</u>
	<u>6,664</u>

14. INCOME RECEIVED IN ADVANCE

	2018 \$000
Contract Income – Ministry of Health	8,253
Other Contracts	166
Grants	<u>1,149</u>
	<u>9,568</u>

15. FINANCE LEASES

Finance lease liabilities are payable as follows:

	Future Minimum Lease Payments	Interest
	2018 \$000	2018 \$000
Less than One Year	1,210	238
Between One and Five Years	1,850	288
More than Five Years	<u>0</u>	<u>0</u>
Total	<u>3,060</u>	<u>526</u>



ROYAL NEW ZEALAND PLUNKET TRUST

16. FINANCIAL INSTRUMENTS

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

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

Market Risk

A decrease of 100 basis points in interest rates at the reporting date would have (decreased) profit and loss by (\$12,000). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Other Price Risk

Equity price risk arises from available-for-sale equity securities held by the Trust. It is estimated a 10% increase (decrease) in the market value of equity investments would have increased or decreased equity by \$18,000. 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.

Credit Risk

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

Liquidity Risk

The Trust pays trade and other payables when they fall due. Staff are encouraged to take leave within the year in which it vests.

17. RELATED PARTY DISCLOSURE

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.

	2018
	\$000
• Total remuneration	39
• Number of persons	9 persons

Board remuneration includes the honoraria paid to the Chair and meeting fees paid to Board Members. The total number of meeting days involving Board Members held during the period was 6.

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:

	2018
	\$000
• Senior Management	853
• External Consultants	0
• Number of persons	9 persons



ROYAL NEW ZEALAND PLUNKET TRUST

18. CAPITAL COMMITMENTS AND LEASES

	2018 \$000
Capital Commitments	
Capital expenditure contracted for at the end of the reporting period but not yet incurred for property, plant and equipment	<u>0</u>
Non-Cancellable Operating Leases	
Due within One Year	2,807
Due One to Two Years	1,834
Due Two to Five Years	1,594
Over Five Years	<u>170</u>
	<u>6,405</u>

The Trust has entered into commercial leases for rental properties, motor vehicles, and photocopiers where it is not in the best interest of the Trust 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.

19. CONTINGENT LIABILITIES

At the date of this report there are no known contingent liabilities for which the Trust may be liable.





Independent Auditor's Report

To the beneficiaries of Royal New Zealand Plunket Trust

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Royal New Zealand Plunket Trust (the Trust) on pages 1 to 14:

- i. present fairly in all material respects the Trust's financial position as at 30 June 2018 and its financial performance and cash flows for the 6 month period ended on that date; and
- ii. comply with Public Benefit Entity Standards (Not For Profit).

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 30 June 2018;
- the statements of comprehensive revenue and expenses, changes in net assets / equity and cash flows for the 6 month period 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 Trust 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 financial statements section of our report.

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



Use of this independent auditor's report

This independent auditor's report is made solely to the beneficiaries as a body. Our audit work has been undertaken so that we might state to the beneficiaries 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 beneficiaries as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Trustees for the financial statements

The Trustees, on behalf of the Trust, are responsible for:

- the preparation and fair presentation of the 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 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 financial statements

Our objective is:

- to obtain reasonable assurance about whether the 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 financial statements.

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

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

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



KPMG
Wellington

19 September 2018