

Financial Services Complaints Limited

Financial statements
for the year ended 30 June 2018

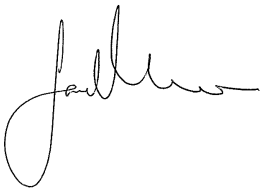
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Approval of Financial statements

The Directors are pleased to present the Financial statements of Financial Services Complaints Limited, for the year ended 30 June 2018.

For and on behalf of the Board of Directors:



Director



Director

Dated: 31 August 2018

Company directory

as at 30 June 2018

Registered office	Level 4 101 Lambton Quay Wellington 6011		
Incorporation number	2303993		
IRD number	103-018-668		
Directors	Kenneth Johnston QC (resigned 31 January 2018) Raewyn Fox (resigned 30 June 2018) Roger Kerr Gary Young Mary Holm Jane Meares (appointed 1 April 2018) Tuhi Leef (appointed 1 July 2018)		
Shareholders	<p>The shareholder of the Company holds the shares on trust for the fulfilment of the objective of the Company, which is to provide an external dispute service for its Participants.</p> <table><tr><td style="text-align: right;">100</td></tr><tr><td style="text-align: right;"><u>100</u> Ordinary shares</td></tr></table>	100	<u>100</u> Ordinary shares
100			
<u>100</u> Ordinary shares			
Accountants	KPMG Level 9 10 Customhouse Quay Wellington 6011		
Auditors	BDO Wellington Level 1 50 Customhouse Quay Wellington 6011		

Profit and loss statement

for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue	1	1,680,639	1,675,333
Total revenue		1,680,639	1,675,333
Expenses			
Administration	2	1,524,797	1,418,696
Non cash items	3	34,443	52,371
Total expenses		1,559,240	1,471,067
Net business surplus		121,399	204,266
Other income	4	142,001	86,738
Total other income		142,001	86,738
Net surplus		263,400	291,004

Statement of movements in equity

for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Net surplus for the year		263,400	291,004
Equity at beginning of year		2,437,501	2,146,497
Equity at end of year	8	2,700,901	2,437,501

Balance sheet

as at 30 June 2018

	Note	2018 \$	2017 \$
Equity	8	2,700,901	2,437,501
Current assets			
Cash and bank balances	9	371,265	126,441
Accounts receivable	10	25,608	45,104
Prepayments		23,270	23,410
Short term deposits	11	2,238,704	2,181,856
GST refund due		2,088	3,923
Income tax refund	6	36,722	24,055
		2,697,657	2,404,789
Non current assets			
Property, plant and equipment	12	110,113	119,081
Intangibles	13	29,676	44,514
Work in progress - Case Management system		18,755	-
		158,544	163,595
Total assets		2,856,201	2,568,384
Current liabilities			
Accounts payable		44,928	43,957
Income in advance		1,575	15,231
Accrued charges		100,444	69,492
Lease incentive	14	3,712	2,203
		150,659	130,883
Non current liabilities			
Lease incentive	14	4,641	-
		4,641	-
Total liabilities		155,300	130,883
Net assets		2,700,901	2,437,501

These statements are to be read in conjunction with the notes to the financial statements

Statement of cashflow

for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash was provided by (used for)			
Operating activities			
Receipts from Participants		1,689,482	1,688,059
Receipts from legal costs awarded		50,430	-
GST movement		1,835	1,262
Operating costs		(1,489,586)	(1,473,616)
Income tax paid		(12,668)	4,059
	15	239,493	219,764
Investing activities			
Payments to property, plant and equipment and intangible assets		(10,637)	(8,485)
Payments to work in progress		(18,755)	-
		(29,392)	(8,485)
Financing activities			
Increase of term deposits		(56,848)	(486,234)
Net interest received		91,571	84,304
		34,723	(401,930)
Net movement in cash		244,824	(190,651)
Opening bank balances		126,441	317,092
Closing bank balances		371,265	126,441
Represented by			
Business Current Account		15,302	25,908
Office Current Account		3,304	1,224
Premium Call Account		55,926	50,820
Business First Oncall Account		8	8
Serious Saver 1		4,095	2,175
Serious Saver 2		292,630	46,306
Closing bank balances	9	371,265	126,441

Statement of accounting policies

for the year ended 30 June 2018

Basis of preparation

Financial Services Complaints Limited is a company domiciled in New Zealand and registered under the Companies Act 1993.

The financial statements comprise of profit and loss statement, movements in equity, balance sheet, statement of cashflows and accounting policies as well as the notes to these statements.

Financial Services Complaints Limited does not have a general purpose financial reporting requirement, on this basis Financial Services Complaints Limited's constitution requires the preparation of special purpose financial statements within five months of the company's balance date.

Financial Services Complaints Limited has elected to apply the Public Benefit Entity Simple Format Reporting - Accrual (Not for Profit) ("PBE SFR-A (NFP)") standard with the exception of an entity information page and the preparation of a statement of service performance on the basis that it does not have public accountability and has total annual expenses of equal to or less than \$2,000,000. The financial statements have been prepared applying the accounting policies of accrual accounting and the double entry method of recording financial transactions. The financial statements have been prepared under the assumption that Financial Services Complaints Limited will continue to operate in the foreseeable future.

The Financial Statements are presented in New Zealand dollars, which is the operational currency of Financial Services Complaints Limited. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

Purpose

The purpose of the financial statements is to provide users with consistent year on year information regarding the financial performance and position of Financial Services Complaints Limited and so that the company can meet its obligations under the Income Tax Act.

Revenue recognition

Revenue on scheme participants' fees and case fees is recognised in the period that it relates to. Revenue on events including workshops is recognised in the period in which the event takes place. Any unearned income at year end is recorded in income received in advance.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property, plant or equipment is disposed of, the gain or loss recognised in the profit and loss statement is calculated as the difference between the sale price and the carrying amount of the asset.

Depreciation

Depreciation is charged to the profit and loss statement at the rate appropriate to spread the cost of the asset over the expected useful life of the asset. The following rates have been used.

Office equipment 20.0 - 67.0% diminishing value and 20.0% - 50.0% straight line

Furniture and fittings 0 - 25.0% diminishing value and 5.0 - 8.5% straight line

Commercial fit-out 10.0 - 13.0% diminishing value

Statement of accounting policies

for the year ended 30 June 2018

Receivables

Receivables are stated at estimated realisable value after providing against debts where collection is doubtful. Bad debts are written off during the period in which they are identified.

Taxation

The income tax recognised in the profit and loss account is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior years.

Goods and services tax

The Company is registered for GST. All amounts are shown exclusive of Goods & Services Tax (GST), except for receivables and payables which are shown inclusive of GST.

Intangible assets

Intangible assets are stated at cost less amortisation. Amortisation is charged to the profit and loss statement at the rate appropriate to spread the cost of the intangible over its expected useful life.

The following rates have been used:

Website 20.0% straight line

Software 50.0% straight line

Trade and other payables

Trade and other payables are stated at cost.

Lease Incentive

Lease incentives received are amortised over the term of the lease and recognised as a reduction in the rent incurred during the financial year.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year, certain comparative balances have been reclassified to reflect the current year presentation.

Notes to the financial statements

1 Operating revenue	2018 \$	2017 \$
Scheme Participants' fees	1,403,989	1,425,664
Case fees	267,418	243,060
Workshop fees	-	2,000
Bad debts recovered	3,826	-
Other revenue	5,406	4,609
Total operating revenue	1,680,639	1,675,333
2 Administration	2018 \$	2017 \$
ACC Levy	1,057	1,648
Accounting	21,548	19,201
Annual general meeting expenses	1,444	4,367
Audit fees	10,455	10,450
Bad debts	2,414	12,699
Bank charges	3,565	5,078
Board expenses	14,172	7,563
Cleaning	5,708	5,976
Communications	3,972	3,590
Complaint costs	122	220
Computer expenses	54,109	45,078
Consulting fees	13,829	15,239
Consumer outreach	3,566	484
Directors fees	109,427	102,000
Doubtful debt provision movement	(3,000)	4,000
Employee expenses	1,071	870
Entertainment - deductible	3,048	2,162
Entertainment - non-deductible	3,247	2,444
Fringe Benefit Tax	3,440	2,793
General expenses	13,600	12,671
Heat, light and power	5,738	4,732
Insurance	11,388	9,578
Legal	20,957	88,874
Low cost assets	1,165	561
Postage and Shipping	312	615
PR & Marketing	26,782	19,769
Printing and stationery	10,020	10,040
Promotions and Publications	7,009	13,973
Recruitment	17,394	5,888
Rent	127,695	116,871
Salaries	955,663	826,765
Seminar expenses	17,132	7,862
Subscriptions	6,534	8,382
Telecommunications	14,421	14,090
Training	16,993	10,927
Travelling	18,800	21,014
Workshop costs	-	222
	1,524,797	1,418,696

Notes to the financial statements

3 Non cash items	2018 \$	2017 \$
Depreciation - Office equipment	8,310	7,776
Depreciation - Furniture and fittings	4,735	5,556
Depreciation - Commercial fit-out	6,560	7,293
	19,605	20,625
Amortisation of intangibles	14,838	31,746
	34,443	52,371

4 Other income	2018 \$	2017 \$
Interest received	91,571	84,304
FSCS conference	5	2,434
Legal costs awarded	50,430	-
	142,001	86,738

5 FSCS Conference	2018 \$	2017 \$
Conference revenue		
Sponsorship	-	1,000
Registrations	-	25,521
Total conference revenue	-	26,521
Conference expenses		
Venue	-	16,362
Travel costs	-	4,339
Conference gifts	-	1,070
Other conference expenses	-	2,316
Total conference expenses	-	24,087
Net conference surplus	-	2,434

Notes to the financial statements

6 Tax	2018 \$	2017 \$
Net surplus before tax (as per page 5)	263,400	291,004
Adjustments for differences		
Timing differences		
Movement in accounting fee accrual	750	(550)
Movement in holiday pay accrual	28,099	(19,502)
Movement in provision for doubtful debts	(3,000)	4,000
	25,849	(16,052)
Permanent differences		
Entertainment - non-deductible	3,247	2,444
Legal fees - non-deductible	1,100	-
Amortisation of intangibles	1,337	4,745
Non assessable income derived from Scheme Participants	(1,403,989)	(1,425,664)
Non deductible/(non assessable) portion of lease incentive	6,150	(12,000)
Non deductible expenses related to Scheme Participants	1,104,283	1,144,990
Non deductible depreciation	2,635	3,498
	(285,237)	(281,987)
Total adjustments	(259,388)	(298,039)
Surplus before losses brought forward	4,012	(7,035)
Losses brought forward	(159,258)	(152,223)
Taxable income (loss to carry forward)	(155,246)	(159,258)
Resident withholding tax paid	(36,722)	(24,055)
Income tax refund	(36,722)	(24,055)
Losses carried forward are made up of:		
Business losses	(155,246)	(159,258)
	(155,246)	(159,258)

7 Imputation credits

In accordance with the Income Tax Act 2007, a New Zealand company is not required to maintain an imputation credit account if it has a constitution which prohibits a distribution to a shareholder. On the basis that the constitution of Financial Services Complaints Limited prohibits distributions to shareholders, it is not required to maintain an imputation credit account.

Notes to the financial statements

8 Equity		2018 \$	2017 \$
Share capital	Quantity 100	-	-
Retained earnings		2,700,901	2,437,501
Equity		2,700,901	2,437,501

The Company's constitution provides that the capital of the Company consists of one hundred fully paid ordinary shares (at nil value) to be held by the person who for the time being occupies the position of Chairperson of the Company. The shareholder of the Company holds the shares on trust for the fulfilment of the objective of the Company, which is to provide an external dispute resolution service for its Participants. By Deed, the Shareholder acknowledges that they are a mere legal owner of the shares, and that they hold the same on behalf of the Company and its participants for the time being.

The Board does not have the power to issue further shares.

Movements in retained earnings			
Balance at beginning of year		2,437,501	2,146,497
Net surplus		263,400	291,004
Balance at end of year		2,700,901	2,437,501

9 Cash and bank balances		2018 \$	2017 \$
Business Current Account		15,302	25,908
Office Current Account		3,304	1,224
Premium Call Account		55,926	50,820
Business First Oncall Account		8	8
Serious Saver 1		4,095	2,175
Serious Saver 2		292,630	46,306
		371,265	126,441

10 Accounts receivable		2018 \$	2017 \$
Accounts receivable		26,608	49,104
Provision for doubtful debts		(1,000)	(4,000)
		25,608	45,104

Notes to the financial statements

11 Short term deposits

	2018 \$	2017 \$
ANZ Term Deposit - 1001	-	596,992
ANZ Term Deposit - 1002	85,303	83,577
ANZ Term Deposit - 1010	222,057	216,322
ANZ Term Deposit - 1012	371,667	361,882
ANZ Term Deposit - 1013	260,363	254,993
ANZ Term Deposit - 1014	618,577	-
BNZ Term Deposit - 1001	680,737	668,090
	2,238,704	2,181,856

The ANZ Term Deposits are held on the following terms:

Term deposit 1002 is for a period of 365 days and is due to mature on 9 July 2018. Interest is earned at 3.60% per annum.

Term deposit 1010 is for a period of 359 days and is due to mature on 24 October 2018. Interest is earned at 3.65% per annum.

Term deposit 1012 is for a period of 365 days and is due to mature on 29 April 2019. Interest is earned at 3.60% per annum.

Term deposit 1013 is for a period of 270 days and is due to mature on 5 March 2019. Interest is earned at 3.30% per annum.

Term deposit 1014 is for a period of 365 days and is due to mature on 17 July 2018. Interest is earned at 3.60% per annum.

The BNZ Term Deposit 1001 is for a period of 365 days and is due to mature on 4 November 2018. Interest is earned at 3.72% per annum.

Notes to the financial statements

12 Property, plant and equipment

	Cost \$	Depreciation \$	Acc depn \$	Carrying value \$
Office equipment	109,416	8,310	89,535	19,881
Furniture and fittings	74,014	4,735	42,704	31,310
Commercial fit-out	109,961	6,560	51,039	58,922
Balance as at 30 June 2018	293,391	19,605	183,278	110,113

	Cost \$	Depreciation \$	Acc depn \$	Carrying value \$
Office equipment	99,581	7,776	81,225	18,356
Furniture and fittings	73,212	5,556	37,969	35,243
Commercial fit-out	109,961	7,293	44,479	65,482
Balance as at 30 June 2017	282,754	20,625	163,673	119,081

Further information can be found in the supplementary summary Statement of property, plant and equipment included at the back of these financial statements.

13 Intangible assets

	2018 \$	2017 \$
Website		
Cost	88,859	88,859
Accumulated amortisation	(59,183)	(44,345)
Net book value	29,676	44,514
Software		
Cost	90,467	90,467
Accumulated amortisation	(90,467)	(90,467)
Net book value	-	-
Total intangible assets	29,676	44,514

Notes to the financial statements

14 Lease incentive	2018 \$	2017 \$
Opening balance	2,203	14,203
Lease incentive received during the year	11,137	-
Current year amortisation	(4,987)	(12,000)
	8,353	2,203
Total lease incentive is classified as follows		
Current portion	3,712	2,203
Non current portion	4,641	-
	8,353	2,203

In the 2012 financial year the Company received a payment of a lease incentive from the lessor of their leased office premises to contribute towards the fit out costs. The contribution has been amortised over the six year term of the lease and recognised as a reduction in the rent incurred during the financial year.

In the 2018 financial year the Company received a lease incentive from the lessor in the form of one month free rental. This incentive has been recognised as rent during the 2018 year and will be amortised over the 3 year term of the lease.

15 Net cash flow from operating activities	2018 \$	2017 \$
Net Surplus	263,400	291,004
Non cash items and (income)/expenditure classified as financing		
Depreciation and amortisation	34,443	52,371
Provision for doubtful debts	(3,000)	4,000
Interest on term deposits	(91,571)	(84,304)
	(60,128)	(27,933)
Net cash surplus	203,272	263,071
Movements in working capital items		
Decrease (increase) in accounts receivable	22,496	(29,026)
Decrease (increase) in prepayments	138	1,556
Decrease (increase) in GST receivable	1,835	1,262
Increase (decrease) in accounts payable	972	(9,822)
Increase (decrease) in income in advance	(13,655)	15,231
Increase (decrease) in accrued charges	30,953	(14,567)
Increase (decrease) in lease incentive	6,150	(12,000)
Decrease (increase) in taxation receivable	(12,668)	4,059
	36,221	(43,307)
Total net cash flows from operating activities	239,493	219,764

Notes to the financial statements

16 Operating lease commitments

	2018 \$	2017 \$
Lease commitments under non-cancellable operating leases are as follows:		
Current portion	133,644	30,627
Non current portion	178,192	-
	311,836	30,627

The Company is party to a three year lease over its current premises, expiring 16 October 2019, with one right of renewal of three years. The total commitment for this was \$400,932, with \$311,836 outstanding at 30 June 2018.

17 Commitments and contingent liabilities

A contingent liability exists at balance date in relation to proceedings issued by a complainant claiming FSCL made an incorrect decision regarding their complaint. FSCL is currently applying to strike out proceedings, the estimated liability should this be unsuccessful is less than \$75,000.

18 Events occurring after balance date

There have been no material subsequent events that have occurred after balance date.

19 Related party transactions

The Company was a party to the following transactions with related parties during the period:

Roger Kerr is personally registered as a participant with the Company.

Statement of property, plant and equipment

for the year ended 30 June 2018

Date	Private use	Original Cost	Opening WDV	Additions/ (sales)	Profit/(loss) on sale	Capital Gain/(loss)	Depn method	Depn	Accum Depn	Closing WDV
Office equipment										
		2,310	17				50.0D	8	2,302	9
		1,332	10				50.0D	5	1,327	5
		2,413	23				50.0D	11	2,401	12
		2,007	19				50.0D	9	1,997	10
		1,053	13				50.0D	6	1,046	7
		1,118	14				50.0D	7	1,111	7
		793	5				50.0D	3	791	2
		680	5				50.0D	2	677	3
		25,685	193				50.0D	96	25,588	97
		4,013	74				50.0D	37	3,976	37
		781	75				30.0D	22	729	53
		749	152				25.0D	38	635	114
		1,362	189				30.0D	57	1,230	132
		10,257	2,970				20.0D	594	7,881	2,376
		1,925	115				40.0D	46	1,856	69
		2,571	61				50.0D	30	2,540	31
		315	94				20.0D	19	240	75
		834	23				50.0D	11	822	12
		2,113	63				50.0D	32	2,082	31
		1,809	99				50.0D	50	1,760	49
		550	64				40.0D	26	512	38
		3,690	1,461				20.0D	292	2,521	1,169
		1,461	87				50.0D	44	1,418	43
		2,015	169				50.0D	84	1,930	85
		534	156				30.0D	47	425	109
		1,217	115				50.0D	57	1,159	58
		798	138				40.0D	55	715	83
		1,928	221				50.0D	110	1,817	111
		960	194				40.0D	78	844	116
		651	22				67.0D	15	644	7
		2,466	283				50.0D	141	2,324	142
		625	71				50.0D	36	590	35
		1,526	317				50.0D	158	1,367	159
		795	335				25.0D	84	544	251
		721	208				40.0D	83	596	125
		945	250				40.0D	100	795	150
		590	200				33.0P	195	585	5
		1,320	947				20.0P	264	637	683

Statement of property, plant and equipment

for the year ended 30 June 2018

	Date	Private use	Original Cost	Opening WDV	Additions/ (sales)	Profit/(loss) on sale	Capital Gain/(loss)	Depn method	Depn	Accum Depn	Closing WDV
Prodesk 600 PC (x3)			5,941	3,493				33.0P	1,961	4,409	1,532
2 Computer Screens			649	627				20.0P	130	152	497
3 PCs and related deskcare, SLA and office 365			4,863	3,922				33.3P	1,621	2,562	2,301
Samsung Galaxy S7 Edge			1,217	864				50.0P	608	961	256
HP prodesk 600 G2 and home	Aug 17		-	-	1,647			33.3P	502	502	1,145
Laptop	Oct 17		-	-	1,330			33.3P	331	331	999
10 x monitors, 3 x screen arms	May 18		-	-	2,799			20.0P	94	94	2,705
3 PC's	Jun 18		-	-	4,059			33.3P	111	111	3,948
			99,581	18,356	9,835				8,310	89,535	19,881
Furniture and fittings											
Desk and Drawer Unit			497	190				13.0D	25	332	165
Utility room shelving			2,210	640				20.0D	128	1,698	512
8 Steelcase Thick Chair - Black Base, Fixed Arms			6,392	2,424				16.0D	388	4,356	2,036
Office furniture for L4 Sybase House			32,420	12,479				16.0D	1,997	21,938	10,482
Office furniture for L4 Sybase House			3,873	1,491				16.0D	239	2,621	1,252
Prints for office			4,564	1,446				20.0D	289	3,407	1,157
Artwork for office			2,600	2,600				E	-	-	2,600
Furniture for L4 Sybase House			4,716	2,614				13.0D	340	2,442	2,274
Artwork for foyer			1,957	1,957				E	-	-	1,957
Bar stools			2,040	1,326				16.0D	212	926	1,114
Barleaner			2,999	1,919				16.0D	307	1,387	1,612
Coffee machine			522	287				25.0D	72	307	215
Desk components			2,072	1,347				16.0D	216	941	1,131
Kitchen cupboards			1,009	770				10.0D	77	316	693
Refrigerator			904	424				25.0D	106	586	318
Rollerblinds			1,112	469				25.0D	117	760	352
Desks			909	521				13.0D	68	456	453
Coffee table			659	589				8.5P	56	126	533
Desk, screen edge, fitting and freight			1,757	1,750				5.0P	88	95	1,662
Screen and installation	Apr 18		-	-	802			5.0P	10	10	792
			73,212	35,243	802				4,735	42,704	31,310
Commercial fit-out											
Design and project management of fit-out of L4 Sybase House			20,595	11,452				10.0D	1,145	10,288	10,307
Design for fit-out of L4 Sybase House			1,175	660				10.0D	66	581	594
Fit-out of of L4 Sybase House			69,959	39,605				10.0D	3,960	34,314	35,645
Refurbishment of L4 Sybase House Foyer			3,297	2,304				10.0D	230	1,223	2,074

Statement of property, plant and equipment

for the year ended 30 June 2018

	Date	Private use	Original Cost	Opening WDV	Additions/ (sales)	Profit/(loss) on sale	Capital Gain/(loss)	Depn method	Depn	Accum Depn	Closing WDV
FSCCL meeting room			14,339	11,038				10.0D	1,104	4,405	9,934
Sky reciever			595	422				13.0D	55	228	367
			109,961	65,482					6,560	51,039	58,922
Total			282,754	119,081	10,637				19,605	183,278	110,113
Reconciliation to accounts											
Additions/gains			10,637		10,637						
Total Property Plant and Equipment			293,391	119,081	10,637				19,605	183,278	110,113

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FINANCIAL SERVICES COMPLAINTS LIMITED**

Opinion

We have audited the financial statements of Financial Services Complaints Limited ("the company"), which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company for the year ended 30 June 2018 are prepared, in all material respects, in accordance with the accounting policies specified in financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Other Information

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report is information contained in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the financial statements in accordance with the accounting policies specified in financial statements and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are 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 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 and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Wellington Audit Limited

BDO Wellington Audit Limited
Wellington
New Zealand
31 August 2018