

Financial Services Complaints Limited

Financial statements
for the year ended 30 June 2017

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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 2017.

For and on behalf of the Board of Directors:



Director



Director

Dated: 1 September 2017

Company directory

as at 30 June 2017

Registered office	Level 4 101 Lambton Quay Wellington 6011		
Incorporation number	2303993		
IRD number	103-018-668		
Directors	Kenneth Johnston QC Bruce Cronin (resigned 1 October 2016) Raewyn Fox Roger Kerr Gary Young Mary Holm (appointed 1 October 2016)		
Shareholders	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. <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		

Financial Services Complaints Limited

Financial statements for the year ended 30 June 2017

Profit and loss statement

for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue	1	1,675,333	1,623,922
Total revenue		1,675,333	1,623,922
Expenses			
Administration	2	1,418,696	1,534,867
Finance	3	-	1
Non cash items	4	52,371	54,124
Total expenses		1,471,067	1,588,992
Net business surplus		204,266	34,930
Other income			
Interest received		84,304	82,081
FSCL conference	5	2,434	-
		86,738	82,081
Net surplus		291,004	117,011

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

Financial Services Complaints Limited

Financial statements for the year ended 30 June 2017

Statement of movements in equity

for the year ended 30 June 2017

	Note	2017	2016
		\$	\$
Net surplus for the year		291,004	117,011
Equity at beginning of year		2,146,497	2,029,486
Equity at end of year	8	2,437,501	2,146,497

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

Financial Services Complaints Limited

Financial statements for the year ended 30 June 2017

Balance sheet

as at 30 June 2017

	Note	2017 \$	2016 \$
Equity	8	2,437,501	2,146,497
Current assets			
Cash and bank balances	9	126,441	317,092
Accounts receivable	10	45,104	20,078
Prepayments		23,410	24,966
Short term deposits	11	2,181,856	1,695,621
GST refund due		3,923	5,185
Income tax refund	6	24,055	28,114
		2,404,789	2,091,056
Non current assets			
Property, plant and equipment	12	119,081	131,221
Intangibles	13	44,514	76,261
		163,595	207,482
Total assets		2,568,384	2,298,538
Current liabilities			
Accounts payable		43,957	53,779
Income in advance		15,231	-
Accrued charges		69,492	84,059
Lease incentive	14	2,203	14,203
		130,883	152,041
Total liabilities		130,883	152,041
Net assets		2,437,501	2,146,497

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

Statement of cashflow

for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash was provided by (used for)			
Operating activities			
Receipts from Participants		1,688,059	1,623,657
GST movement		1,262	3,582
Operating costs		(1,473,616)	(1,537,639)
Income tax paid		4,059	21,793
	15	219,764	111,393
Investing activities			
Payments to property, plant and equipment and intangible assets		(8,485)	(8,397)
		(8,485)	(8,397)
Financing activities			
Increase of term deposits		(486,234)	(44,272)
Net interest received		84,304	82,080
		(401,930)	37,808
Net movement in cash		(190,651)	140,803
Opening bank balances		317,092	176,289
Closing bank balances		126,441	317,092
Represented by			
Business Current Account		25,908	19,171
Office Current Account		1,224	3,543
Premium Call Account		50,820	294,370
Business First Oncall Account		8	8
Serious Saver 1		2,175	-
Serious Saver 2		46,306	-
Closing bank balances	9	126,441	317,092

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

Statement of accounting policies

for the year ended 30 June 2017

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.

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

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.

Statement of accounting policies

for the year ended 30 June 2017

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.

Notes to the financial statements

1 Operating revenue	2017	2016
	\$	\$
Scheme Participants' fees	1,425,664	1,412,938
Case fees	243,060	206,020
Workshop fees	2,000	2,911
Other revenue	4,609	2,053
Total operating revenue	1,675,333	1,623,922
2 Administration	2017	2016
	\$	\$
ACC Levy	1,648	2,163
Accounting	19,201	23,321
Annual general meeting expenses	4,367	4,146
Audit fees	10,450	10,500
Bad debts	16,699	1,000
Bank charges	5,078	4,763
Board expenses	7,563	9,176
Cleaning	5,976	5,238
Communications	3,590	4,620
Complaint costs	220	2,965
Computer expenses	45,078	42,974
Consulting fees	15,239	11,678
Consumer outreach	484	6,613
Directors fees	102,000	117,000
Employee expenses	870	1,823
Entertainment - deductible	2,162	2,623
Entertainment - non-deductible	2,444	2,965
Fringe Benefit Tax	2,793	2,686
General expenses	12,671	11,110
Heat, light and power	4,732	4,322
Insurance	9,578	9,014
Legal	88,874	85,754
Low cost assets	561	217
Postage and Shipping	615	632
Printing and stationery	10,040	9,295
Promotions and Publications	33,742	20,225
Recruitment	5,888	-
Rent	116,871	116,142
Salaries	826,765	957,832
Seminar expenses	7,862	7,154
Subscriptions	8,382	5,113
Telecommunications	14,090	11,373
Training	10,927	15,827
Travelling	21,014	23,963
Workshop costs	222	640
	1,418,696	1,534,867

Notes to the financial statements

3 Finance	2017	2016
	\$	\$
Interest	-	1
	-	1
4 Non cash items	2017	2016
	\$	\$
Depreciation - Office equipment	7,776	7,656
Depreciation - Furniture and fittings	5,556	6,616
Depreciation - Commercial fit-out	7,293	8,106
	20,625	22,378
Amortisation of intangibles	31,746	31,746
	52,371	54,124
5 FSCL Conference		2016
	\$	\$
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	2017 \$	2016 \$
Net surplus before tax (as per page 5)	291,004	117,011
Adjustments for differences		
Timing differences		
Movement in accounting fee accrual	(550)	1,400
Movement in holiday pay accrual	(19,502)	5,742
Movement in provision for doubtful debts	4,000	-
	(16,052)	7,142
Permanent differences		
Entertainment - non-deductible	2,444	2,965
Amortisation of intangibles	4,745	(22,257)
Non assessable income derived from Scheme Participants	(1,425,664)	(1,412,938)
Non assessable portion of lease incentive	(12,000)	(12,000)
Non deductible expenses related to Scheme Participants	1,144,990	1,297,759
Non deductible depreciation	3,498	4,880
Non deductible salaries	-	20,000
	(281,987)	(121,591)
Total adjustments	(298,039)	(114,449)
Surplus before losses brought forward	(7,035)	2,562
Losses brought forward	(152,223)	(154,785)
Taxable income (loss to carry forward)	(159,258)	(152,222)
Resident withholding tax paid	(24,055)	(28,114)
Income tax refund	(24,055)	(28,114)
Losses carried forward are made up of:		
Business losses	(159,258)	(152,222)
	(159,258)	(152,222)

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

		2017	2016
		\$	\$
Share capital	Quantity 100	-	-
Retained earnings		2,437,501	2,146,497
Equity		2,437,501	2,146,497

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 he is a mere legal owner of the shares, and that he holds 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	2,146,497	2,029,486
Net surplus	291,004	117,011
Balance at end of year	2,437,501	2,146,497

Notes to the financial statements

9 Cash and bank balances	2017	2016
	\$	\$
Business Current Account	25,908	19,171
Office Current Account	1,224	3,543
Premium Call Account	50,820	294,369
Business First Oncall Account	8	8
Serious Saver 1	2,175	-
Serious Saver 2	46,306	-
	126,441	317,092

10 Accounts receivable	2017	2016
	\$	\$
Accounts receivable	49,104	20,078
Provision for doubtful debts	(4,000)	-
	45,104	20,078

Notes to the financial statements

11 Short term deposits

	2017	2016
	\$	\$
ANZ Term Deposit - 1001	596,992	582,778
ANZ Term Deposit - 1002	83,577	81,743
ANZ Term Deposit - 0010	216,322	210,709
ANZ Term Deposit - 1011	-	168,255
ANZ Term Deposit - 1012	361,882	-
ANZ Term Deposit - 1013	254,993	-
BNZ Term Deposit - 1001	668,090	652,136
	2,181,856	1,695,621

The ANZ Term Deposits are held on the following terms:

Term deposit 1001 is for a period of 365 days and is due to mature on 17 July 2017. Interest is earned at 3.55% per annum.

Term deposit 1002 is for a period of 365 days and is due to mature on 7 July 2017. Interest is earned at 3.40% per annum.

Term deposit 0010 is for a period of 365 days and is due to mature on 30 October 2017. Interest is earned at 3.65% per annum.

Term deposit 1012 is for a period of 365 days and is due to mature on 27 April 2018. Interest is earned at 3.75% per annum.

Term deposit 1013 is for a period of 270 days and is due to mature on 11 September 2017. Interest is earned at 3.70% per annum.

The BNZ Term Deposit 1001 is for a period of 365 days and is due to mature on 4 November 2017. Interest is earned at 3.65% per annum.

Notes to the financial statements

12 Property, plant and equipment

	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

	Cost \$	Depreciation \$	Acc depn \$	Carrying value \$
Office equipment	92,853	7,656	73,449	19,404
Furniture and fittings	71,455	6,616	32,413	39,042
Commercial fit-out	109,961	8,106	37,186	72,775
Balance as at 30 June 2016	274,269	22,378	143,048	131,221

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

	2017 \$	2016 \$
Website		
Cost	88,859	88,859
Accumulated amortisation	(44,345)	(29,507)
Net book value	44,514	59,352
Software		
Cost	90,467	90,467
Accumulated amortisation	(90,467)	(73,559)
Net book value	-	16,908
Total intangible assets	44,514	76,261

Notes to the financial statements

14 Lease incentive	2017	2016
	\$	\$
Opening balance	14,203	26,203
Current year portion	(12,000)	(12,000)
	2,203	14,203

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.

15 Net cash flow from operating activities	2017	2016
	\$	\$
Net Surplus	291,004	117,011
Non cash items and (income)/expenditure classified as financing		
Depreciation and amortisation	52,371	54,124
Provision for doubtful debts	4,000	-
Income from disposal of assets	-	131
Interest on term deposits	(84,304)	(82,081)
Interest expense	-	1
	(27,933)	(27,825)
Net cash surplus	263,071	89,186
Movements in working capital items		
Decrease (increase) in accounts receivable	(29,026)	1,184
Decrease (increase) in prepayments	1,556	125
Decrease (increase) in GST receivable	1,262	3,582
Increase (decrease) in accounts payable	(9,822)	(273)
Increase (decrease) in income in advance	15,231	(1,580)
Increase (decrease) in accrued charges	(14,567)	9,376
Increase (decrease) in lease incentive	(12,000)	(12,000)
Decrease (increase) in taxation receivable	4,059	21,793
	(43,307)	22,207
Total net cash flows from operating activities	219,764	111,393

Notes to the financial statements

16 Operating lease commitments

	2017	2016
	\$	\$
Lease commitments under non-cancellable operating leases are as follows:		
Current portion	30,627	122,507
Non current portion	-	30,627
	-	153,134

The Company is party to a six year lease over its current premises, expiring 16 October 2017, with one right of renewal of three years. Subsequent to balance date FSCL have renewed their lease for three years. The total commitment for this is \$400,932

17 Commitments and contingent liabilities

A contingent liability exists at balance date in relation to an appeal of the High Court decision with regards to the application by FSCL for the use of the term "Ombudsman". The maximum liability should the appeal be unsuccessful is approximately \$36,500. However, if the appeal is successful then FSCL will be entitled to recover similar amounts from the Chief Ombudsman. (2016: \$nil)

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 2017

	Private use	Original Cost	Opening WDV	Additions/ (sales)	Profit/(loss) on sale	Capital Gain/(loss)	Depn method	Depn	Accum Depn	Closing WDV
Office equipment										
Toshiba Satellite Laptop		2,310	34				50.0D	17	2,294	17
Dell Inspiron Laptop		1,332	20				50.0D	10	1,322	10
Intel Core PC		2,413	45				50.0D	22	2,390	23
Intel Pentium PC		2,007	37				50.0D	18	1,988	19
Various Computer		1,053	25				50.0D	12	1,040	13
Accessories										
Olympus digital dictation recorders		1,118	29				50.0D	15	1,104	14
Computer Software		793	11				50.0D	6	788	5
MS Office and Security Software and Installation		680	11				50.0D	6	675	5
Case Management Software		25,685	385				50.0D	192	25,492	193
Computer equipment		4,013	147				50.0D	73	3,939	74
Kitchen equipment		781	107				30.0D	32	707	75
Water cooler		749	202				25.0D	50	597	152
Kitchen equipment		1,362	270				30.0D	81	1,173	189
NEC PABX System		10,257	3,712				20.0D	742	7,287	2,970
7 Humanscale M2 Monitor Arms - Clamp Mount		1,925	191				40.0D	76	1,810	115
HP Computer, LCD Display and Software		2,571	121				50.0D	60	2,510	61
2 x Telephones and Programming		315	117				20.0D	23	221	94
Samsung tablet		834	46				50.0D	23	811	23
Laptop		2,113	127				50.0D	64	2,050	63
HP 6300 Pro Computer		1,809	197				50.0D	98	1,710	99
Monitor Arm Clamp Mount		550	107				40.0D	43	486	64
PBX Card and phone		3,690	1,826				20.0D	365	2,229	1,461
HP 6300 Pro Computer		1,461	175				50.0D	88	1,374	87
HP ProDesk 600, Viewsonic 22" Monitor, Microsoft Office 2013 and Installation		2,015	337				50.0D	168	1,846	169
Nespresso Coffee Machine		534	223				30.0D	67	378	156
HP Pavilion Touchsmart Notebook		1,217	229				50.0D	114	1,102	115
Digital Voice Recorder		798	230				40.0D	92	660	138
HP Prodesk 600 DVD		1,928	441				50.0D	220	1,707	221
Wireless Headset		960	323				40.0D	129	766	194
Electronic Dictator		651	67				67.0D	45	629	22
PC and monitor		2,466	565				50.0D	282	2,183	283
Envy Laptop		625	143				50.0D	72	554	71
HP Prodesk computer		1,526	635				50.0D	318	1,209	317
Projector		795	447				25.0D	112	460	335
Television		721	347				40.0D	139	513	208
Wireless headset		945	416				40.0D	166	695	250
Samsung Tablet		590	395				33.0P	195	390	200
ViewSonic monitor and clamp		1,320	1,211				20.0P	264	373	947

This supplementary schedule does not form part of the financial statements

Financial Services Complaints Limited

Financial statements for the year ended 30 June 2017

Statement of property, plant and equipment for the year ended 30 June 2017

	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	5,454				33.0P	1,961	2,448	3,493
2 Computer Screens	May 17		-	-	649			20.0P	22	22	627
3 PCs and related deskcare, SLA and office 365	Dec 16		-	-	4,863			33.3P	941	941	3,922
Samsung Galaxy S7 Edge	Dec 16		-	-	1,217			50.0P	353	353	864
			92,853	19,404	6,728				7,776	81,225	18,356
Furniture and fittings											
Desk and Drawer Unit			497	218				13.0D	28	307	190
Utility room shelving			2,210	800				20.0D	160	1,570	640
8 Steelcase Thick Chair - Black Base, Fixed Arms			6,392	2,886				16.0D	462	3,968	2,424
Office furniture for L4 Sybase House			32,420	14,856				16.0D	2,377	19,941	12,479
Office furniture for L4 Sybase House			3,873	1,775				16.0D	284	2,382	1,491
Prints for office			4,564	1,807				20.0D	361	3,118	1,446
Artwork for office			2,600	2,600				E	-	-	2,600
Furniture for L4 Sybase House			4,716	3,005				13.0D	391	2,102	2,614
Artwork for foyer			1,957	1,957				E	-	-	1,957
Bar stools			2,040	1,578				16.0D	252	714	1,326
Barleaner			2,999	2,285				16.0D	366	1,080	1,919
Coffee machine			522	383				25.0D	96	235	287
Desk components			2,072	1,603				16.0D	256	725	1,347
Kitchen cupboards			1,009	855				10.0D	85	239	770
Refrigerator			904	565				25.0D	141	480	424
Rollerblinds			1,112	625				25.0D	156	643	469
Desks			909	599				13.0D	78	388	521
Coffee table			659	645				8.5P	56	70	589
Desk, screen edge, fitting and freight	Jun 17		-	-	1,757			5.0P	7	7	1,750
			71,455	39,042	1,757				5,556	37,969	35,243
Commercial fit-out											
Design and project management of fit-out of L4 Sybase House			20,595	12,725				10.0D	1,273	9,143	11,452
Design for fit-out of L4 Sybase House			1,175	733				10.0D	73	515	660
Fit-out of of L4 Sybase House			69,959	44,006				10.0D	4,401	30,354	39,605
Refurbishment of L4 Sybase House Foyer			3,297	2,560				10.0D	256	993	2,304
FSCL meeting room			14,339	12,265				10.0D	1,227	3,301	11,038
Sky reciever			595	485				13.0D	63	173	422
			109,961	72,775					7,293	44,479	65,482
Total			274,269	131,221	8,485				20,625	163,673	119,081

This supplementary schedule does not form part of the financial statements

Statement of property, plant and equipment

for the year ended 30 June 2017

	Date	Private use	Original Cost	Opening WDV	Additions/ (sales)	Profit/(loss) on sale	Capital Gain/(loss)	Depn method	Depn	Accum Depn	Closing WDV
Reconciliation to accounts											
Additions/gains			8,485		8,485						
Total Property Plant and Equipment			282,754	131,221	8,485				20,625	163,673	119,081

This supplementary schedule does not form part of the financial statements

**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 balance sheet as at 30 June 2017, and the profit and loss statement, statement of movements in equity, and statement of cashflow 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 2017 are prepared, in all material respects, in accordance with the accounting policies specified in Note 1 to the 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 Note 1 to the 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.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to report financial performance to the Company's shareholder. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Company and the Company's shareholder, as a body, and should not be distributed to or used by parties other than the Company or the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an 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 Company and the Company's shareholder, as a body, for our audit work, for this report or for the opinions we have formed.



BDO Wellington
Wellington
New Zealand
1 September 2017