The Employers' Chamber of Commerce (Inc.)

Consolidated Financial Statements

For the Year Ended 30 June 2017

The Employers' Chamber of Commerce (Inc.)

Contents

The Employers' Chamber of Commerce (Inc.)

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Registered Number	219159
Registered Office	57 Kilmore Street CHRISTCHURCH
Board Members	Hugh Lindo (President) Stephen Bateman (Vice President) Andrew Logie (Vice President) Benjamin Badger Jenni Callaghan Rod Carr Stephen Collins Carl Davidson Peter Davie Shaun Hubbard David Rycroft Tony Sewell
Auditors	Deloitte Limited CHRISTCHURCH
Bankers	Westpac Banking Corporation WELLINGTON ANZ Banking Group WELLINGTON
Solicitors	Cunningham Taylor CHRISTCHURCH

The Employers' Chamber of Commerce (Inc.)

Consolidated Statement of Comprehensive Revenue and Expense
For the Year Ended 30 June 2017

	Note	2017 $	2016 $
Revenue	3		
Subscriptions		1,495,950	1,365,581
Trading Revenue		2,777,429	2,781,427
Sponsorships		761,822	527,596
Other Revenue	4	176,603	272,921
Total Operating Revenue		5,211,804	4,947,525
Operating Expenditure			
Administration & Office Expenses		245,518	100,686
Audit Fee		7,800	7,953
Trading Expenses		1,096,593	1,220,240
Building & Facilities Expenses		91,170	52,422
Lease Payments		-	123,457
Business NZ and Chamber Levies		260,948	281,149
Computing & Internet		96,739	87,315
Depreciation	5	230,996	59,436
External Communications		230,780	150,746
Insurance		21,860	26,745
Loss on Sale of Property, Plant and Equipment		-	6,216
Personnel Expenses		2,826,783	2,689,251
Travelling & Vehicle Expenses		30,183	28,550
Total Operating Expenditure		5,139,370	4,834,166
Surplus Before Taxation Expense		72,434	113,359
Tax Expense on Non-member Activities	6	30	-
Surplus For The Year		72,404	113,359
Other Comprehensive Revenue and Expense for the Year, Net of Tax			
Impairment of Property, Plant and Equipment	7	-	(64,781)
Total Comprehensive Revenue and Expense For The Year		72,404	48,578

The accompanying notes form part of the financial statements

The Employers' Chamber of Commerce (Inc.)

Consolidated Statement of Movements In Equity
For The Year Ended 30 June 2017

	Retained Earnings	Asset Revaluation Reserve	Total
Balance 30 June 2015 (restated)	3,826,201	2,507,874	6,334,075
Profit For the Year	113,359		113,359
Other Comprehensive Income		(64,781)	(64,781)
Total Income for the Year	113,359	(64,781)	48,578
Adjustments			
Balance 30 June 2016	3,939,560	2,443,093	6,382,653
Profit For the Year	72,404	-	72,404
Balance 30 June 2017	4,011,964	2,443,093	6,455,057

The Employers' Chamber of Commerce (Inc.)

Consolidated Statement of Financial Position
As At 30 June 2017

	Note	2017 $	2016 $
Assets			
Non-Current Assets			
Property, Plant and Equipment	8	6,482,698	6,255,890
Total Non-Current Assets		6,482,698	6,255,890
Current Assets			
Trade and Other Receivables	9	451,557	502,664
Term Deposits	10	360,769	1,545,095
Goods and Services Tax Receivable		-	65,284
Cash and Bank Balances	11	725,869	116,845
Total Current Assets		1,538,195	2,229,888
Total Assets		8,020,893	8,485,778
Equity and Liabilities			
Reserves			
Revaluation Reserve	12	2,443,093	2,443,093
Retained Earnings	13	4,011,964	3,939,560
Total Equity		6,455,057	6,382,653
Current Liabilities			
Trade and Other Payables	14	293,259	846,030
Deferred Revenue	15	970,057	1,143,372
Provision for Holiday Pay		163,290	113,723
Goods and Services Tax Payable		139,230	-
Total Current Liabilities		1,565,836	2,103,125
Total Equity and Liabilities		8,020,893	8,485,778

The accompanying notes form part of the financial statements

For and on behalf of the Board

PR Townsend
Chief Executive
25th September 2017

S Bateman
Vice President
25th September 2017

The Employers' Chamber of Commerce (Inc.)

Consolidated Statement of Cash Flows

For The Year Ended 30 June 2017

	Note	2017 $	2016 $
Cash Flows From Operating Activities			
Receipts from Members and Customers		4,343,598	4,323,093
Payments to Suppliers and Employees		(5,411,578)	(4,367,926)
Cash Generated from Operations		(1,067,980)	(44,833)
Commission Received		49,154	47,040
Interest Received		15,497	116,859
Sponsors		675,848	429,961
Taxes Paid		206,808	(188,630)
Cash Generated from Operations		(120,673)	360,397
Cash Flows From Investing Activities			
Sale of Property, Plant and Equipment		-	-
Term Deposits		1,184,326	2,991,669
Purchase of Property, Plant and Equipment		(454,629)	(3,328,885)
Net Cash used in/generated by Investing Activities		729,697	(337,216)
Net Increase/(Decrease) in Cash and Cash Equivalents		609,024	23,181
Cash and Cash Equivalents at the Beginning of the Year		116,845	93,664
Cash and Cash Equivalents at the End of the Year	11	725,869	116,845

The accompanying notes form part of the Financial Statements

The Employers' Chamber of Commerce (Inc.)

Notes To The Financial Statements

For The Year Ended 30 June 2017

1. Statement of Accounting Policies

Reporting Entity:

The reporting entity is The Employers' Chamber of Commerce (Inc.) and its wholly owned subsidiaries, Champion Canterbury Ltd and CECC Management Training Ltd. The Employers' Chamber of Commerce is a New Zealand incorporated society registered under the Incorporated Societies Act 1908. The entity is a not-for-profit orientated entity.

2. Adoption of Public Benefit Entity (PBE) Standards

The Group is eligible to apply Tier 2 Public Benefit Entity (PBE) Standards on the basis that it does not have public accountability and it is not a large not-for-profit public benefit entity.

3. Significant Accounting Policies

3.1 Statement of Compliance and Reporting Framework

The financial statements have been prepared in accordance with Tier 2 Public Benefit Entity (PBE) standards and all disclosure concessions being applied.

3.2 Basis of Preparation

The financial statements have been prepared on the basis of historical cost, with the exception of land, which is revalued to fair value every five years. A market valuation of the land was conducted as at 30 June 2016.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance, reliability and fair value, thereby ensuring that the substance of the underlying transactions or other events is reported.

The functional and presentation currency is New Zealand Dollars (NZD).

3.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

3.4 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

For this reporting period, and future periods, the accrual basis has been adopted for recognising income from subscriptions and all trading income.

3.4.1 Subscription revenue is recognised at the point a member starts or renews a membership subscription through the payment of a subscription. The subscription revenue is recognised over the term of the membership.

3.4.2 Trading revenue is recognised according to the form of contract under which the revenue is derived.

- Contracts for the provision of services over a period of time set out in the contract are treated as being delivered on an equal basis over the term of the contract and the revenue under the contract is spread equally over the term of the contract
- Contracts for specific consultancy services are billed and the revenue recognised at the completion of the contract
- Revenue for the attendance at a specific event or training offering is recognised after the event or training is delivered

3.4.3 Management fees are recognised at the end of the period for which the services were provided.

3.4.3 Interest is accounted for on an accruals basis. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

3.4.5 Commissions are usually advised by a third party and are recognised when the amount receivable is of a high level of certainty.

3.4.6 Sponsorship revenue is recognised according to the form of contract under which the revenue is derived.

- Contracts for sponsorship of events and marketing are treated as being recognised at the date of the event or marketing being undertaken.
- Contracts for general sponsorship are spread over the term of the contract.

3.5 Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.6 Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.6.1 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment. This includes short term deposits.

3.6.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

3.6.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

3.6.4 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

3.7 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.7.1 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially measured at fair value, and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.7.2 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.8 Property, Plant and Equipment

Land and buildings held for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees. As there is no debt related to property in the course of construction, there are no borrowing costs capitalised to the cost of construction. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the diminishing value method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation has been charged at the following rates:

Asset Category	Depreciation Method and Rates
Office Furniture and Equipment	8.5 – 60% DV
Motor Vehicles	36% DV
Buildings	2 – 17.5% CP

There are no assets held under finance leases.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.9 Goods and Services Tax (GST)

The Statement of Financial Performance and Statement of Financial Position have been prepared on a GST exclusive basis except for Accounts Receivable and Accounts Payable which are GST inclusive.

3.10 Trade and Other Receivables

Accounts Receivable are valued at estimated net realisable value. Bad debts are written off as and when incurred. Provision for doubtful debts are created when there is sufficient evidence that accounts may not be recovered.

Other Receivables include amounts prepaid for services to be provided in the future. Other receivables are valued at estimated net realisable value.

3.11 Trade and Other Payables

Trade and other payables are valued at the net carrying amount on initial recognition due to the short period of the liability.

3.12 Deferred Revenue

Deferred Revenue arises through the receipt of revenue in advance of the delivery of the services to which the revenue relates. This is principally through the receipt of income for membership subscriptions and attendance at future events or training fixtures.

Deferred revenue is valued at the net carrying amount on initial recognition due to the short period of the deferral in recognition.

3.13 Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

There are no long term benefits accruing to employees, due to the contractual arrangements with employees.

3.14 Operating Leases

Leases where The Chamber does not assume substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in the Statement of Financial Performance on a straight-line basis over the term of the lease. Lease incentives are recognised in the Statement of Financial Performance over the lease term as an integral part of the lease expense.

3.15 Financial Instruments

Financial instruments include investments, accounts receivable, accounts payable and bank funds. They are stated at estimated net realisable value.

3.16 Changes in Accounting Policies

There have been no changes in accounting policy during the current financial year.

4. Other Revenue

The following is an analysis of the Group's Other Revenue

	2017	2016
Interest	15,497	116,859
Commissions	49,154	47,040
Management Fees	106,098	102,635
Gain on Sale of Property, plant and equipment	3,175	-
Sundry Income	2,679	6,387
	176,603	272,921

5. Depreciation

	2017	2016
Depreciation of Property, plant and equipment	230,996	59,436

6. Taxation Expense

Taxation is calculated at 28% on income earned from non-member activities after allowing for related expenditure and allowances. Transactions between members and The Chamber are covered by the mutuality principle and are exempt from income tax.

The Group has sufficient tax losses to cover any taxation liability, therefore no taxation expense is reported in these accounts, except for a small residual tax liability from 2015 paid by a subsidiary company.

7. Impairment of Property Plant and Equipment

	2017	2016
Impairment loss on property, plant and equipment (see note 8)	-	64,781

8. Property Plant and Equipment

Carrying values of:	30 June 2017	30 June 2016
Freehold Land	2,850,000	2,850,000
Buildings	3,183,687	-
Plant and Equipment	415,152	227,662
Motor Vehicles	33,859	28,163
Buildings Under Construction	-	3,150,065
	6,482,698	6,255,890

Cost or Valuation	Freehold Land at Valuation	Building At Valuation	Plant and Equipment	Motor Vehicles	Building Under Construction	Total
Balance At 30 June 2016	2,850,000	-	365,082	72,595	3,150,064	6,437,741
Additions	-	3,309,096	278,967	24,892	-	3,612,955
Disposals	-	-	-	-20,870	-3,150,064	-3,170,934
Balance 30 June 2017	2,850,000	3,309,096	644,049	76,617	-	6,879,762

Accumulated Depreciation and Impairment	Freehold Land at Valuation	Building At Valuation	Plant and Equipment	Motor Vehicles	Building Under Construction	Total
Balance At 30 June 2016	-	-	(137,420)	(44,431)	-	(181,851)
Eliminated on Disposal of assets	-	-	-	15,783	-	15,783
Depreciation Expense	-	(125,409)	(91,477)	(14,110)	-	(230,996)
Balance 30 June 2017	-	(125,409)	(228,897)	(42,758)	-	(397,064)

Fair Value measurement of the Group's freehold land and buildings

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings as at 30 June 2016 and 30 June 2015 were performed by Jones Lang LaSalle, independent valuers, not related to the Group. Jones Lang LaSalle are members of the Institute of Valuers of New Zealand, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the building under construction was determined using the cost approach, being the costs of construction incurred to balance date. The fair value of the completed building has been determined using the cost approach.

9. Trade and Other Receivables

	30 June 2017	30 June 2016
Trade Receivables	452,749	266,139
Allowance for Doubtful Debts	(5,160)	(5,160)
	447,589	260,979
Prepayments	3,968	241,685
	451,557	502,664

10. Term Deposits

The Group holds term deposits with maturity dates ranging between on call and 12 months from balance date, amounting to $360,769 (2016: $1,545,095). The weighted average interest rate on these deposits is 3.35% (2015: 2.2%).

11. Cash and Cash Equivalents

Cash and Cash Equivalents at the end of the reporting period as shown in the Consolidated Statement of Cash Flows comprise the following:

	30 June 2017	30 June 2016
Petty Cash Imprest	400	400
Bank - Current Accounts	725,469	118,910
Cash and Bank Balances	725,869	119,310
Bank Overdrafts	-	-2,465
	725,869	116,845

12. Reserves

Revaluation Reserve

	30 June 2017	30 June 2016
Balance at beginning of year	2,443,093	2,507,874
Increase arising on revaluation of land		
Impairment losses	-	(64,871)
Balance at end of year	2,443,093	2,443,093

13. Retained Earnings

	30 June 2017	30 June 2016
Balance at beginning of year (restated)	3,939,560	3,826,201
Surplus for the year	72,404	113,358
Other Comprehensive income		
Balance at end of year	4,011,964	3,939,560

14. Trade and other payables

	30 June 2017	30 June 2016
Trade payables	173,505	246,659
Employee Benefits	70,847	81,494
Other payables	48,907	517,877
	293,259	846,030

15. Deferred Revenue

	30 June 2017	30 June 2016
Subscriptions	720,094	785,881
Sponsorship	132,526	218,500
Other	117,437	138,991
	970,057	1,143,372

16. Subsidiaries and Related Parties

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

2016	**Ownership %**	**Control/Voting Power %**	**Profit or loss for year**	**Balance Due to/(from) Parent**
Champion Canterbury Ltd	100	100	(1,427)	0
Collaborate Canterbury Ltd	100	100	31	0
CECC Management Training Ltd	100	100	321	0
Canterbury Regional Business Partners Ltd	50	0	0	35,849

2017	**Ownership %**	**Control/Voting Power %**	**Profit or loss for year**	**Balance Due to/(from) Parent**
Champion Canterbury Ltd	100	100	52,416	14,280
Collaborate Canterbury Ltd	100	100	0	0
CECC Management Training Ltd	100	100	(115)	0
Canterbury Regional Business Partners Ltd	50	0	0	0

All management fees between entities are eliminated on consolidation.

Champion Canterbury Limited operates the annual "Champion Canterbury Business Awards".

Collaborate Canterbury Limited provided services to New Zealand Trade and Enterprise, by way of assisting businesses to collaborate on the rebuild of Christchurch. The contract with New Zealand Trade and Enterprise was completed on 30th June 2016.

CECC Management Training Ltd was set up during current reporting period to provide training at a management level under contract to a national organisation with expertise in management training.

Canterbury Regional Business Partners Ltd is a company set up to provide services on behalf of the Ministry of Business, Innovation and Employment, and New Zealand Trade and Enterprise, by way of providing advice, support, funding and expertise to firms wishing to grow their business and their research and development capabilities. The agreement runs until June 2020. The Employers' Chamber provides agreed personnel and services to the joint venture, and receives payment for these services at agreed rates.

17. Financial Instruments

	30 June 2017	30 June 2016
Financial Assets		
Cash and bank balances	725,869	116,845
Trade Receivables	447,589	260,979
Other Receivables	51,575	126,377
Held to maturity investments – Term Deposits	360,769	1,545,095
	1,585,802	2,049,296
Financial liabilities		
Trade payables	173,505	246,659
Other Payables	48,907	517,902
	222,412	764,561

18. Board Remuneration

There was no remuneration paid to non-executive members of the Board for the year ended 30 June 2017. (2016: Nil)

19. Events Subsequent to Balance Date

In August 2017 the Chief Executive of The Chamber tendered his resignation, with his last day of employment being 30th November 2017. .

20. Commitments for Expenditure

	30 June 2017	30 June 2016
Commitments for the acquisition of property, plant and equipment	-	248,014

21. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 25th September 2017.

Deloitte.

Independent Auditor's Report

To the Audit and Risk Committee of The Employers' Chamber of Commerce (Inc.)

Opinion

We have audited the financial statements of Canterbury Employers' Chamber of Commerce (the 'Entity') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 3 to 16, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2017, and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and 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 Consolidated Financial Statements* section of our report.

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*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the entity or any of its subsidiaries, except that partners and employees of our firm deal with the entity and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the entity and its subsidiaries.

Audit and Risk Committee's responsibilities for the consolidated financial statements

The Audit and Risk Committee is responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Governing body determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Audit and Risk Committee is responsible on behalf of the Group for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Audit and Risk Committee either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are 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 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 and 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 economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7

This description forms part of our auditor's report.

Deloitte Limited

Chartered Accountants
25 September 2017
Christchurch, New Zealand