

**Parkwood Trust Incorporated**  
**Financial Statements**  
**For the year ended 31 January 2017**

**Parkwood Trust Incorporated**  
**Statement of Comprehensive Revenue and Expense**  
**For the year ended 31 January 2017**

	Notes	2017 \$	2016 \$
<b>Revenue</b>	2	<u>6,620,093</u>	<u>6,885,057</u>
<b>Expenses</b>			
ACC levy		28,820	72,957
Advertising and promotion		41,938	49,183
Audit fees and other services	3	41,278	38,367
Bank fees		1,720	3,531
Computer expenses		15,867	15,582
Depreciation and amortisation	4	312,724	300,456
Food costs		349,260	345,499
Gas heating		43,870	46,816
General expenses		86,541	85,027
Insurance		145,921	158,456
Legal expenses		-	-
Medical expenses		176,118	175,160
Motor vehicle expenses		36,901	31,313
Postage		1,703	3,134
Power and light		80,026	77,809
Printing and stationery		19,581	17,633
Local body rates		373,893	360,156
Repairs and maintenance		631,325	644,645
Residents' entertainment		8,726	11,337
Salaries and wages	3	4,755,608	4,470,411
Statutory compliance		15,429	12,332
Telephone and tolls		18,250	20,859
Valuation fees		7,014	9,430
<b>Total expenses</b>		<u>7,192,513</u>	<u>6,950,093</u>
<b>(Deficit) from operating activities</b>		(572,420)	(65,036)
Interest income		70,985	68,683
Interest paid	3	-	298
<b>Net finance income</b>		<u>70,985</u>	<u>68,385</u>
<b>(Deficit)/Surplus for the year before fair value changes</b>		(501,435)	3,349
Gain on revaluation of Investment Property	9	1,382,223	971,509
Increase in licensees' interest on revaluation of Investment Property	13	(2,289,550)	(486,750)
Total fair value changes		<u>(907,327)</u>	<u>484,759</u>
<b>(Deficit)/Surplus for the year</b>		(1,408,762)	488,108
<b>Other comprehensive revenue and expense</b>			
Gain on revaluation of Property, Plant & Equipment	10	574,979	241,364
Increase in licensees' interest on revaluation of Property, Plant & Equipment	13	(383,000)	(80,000)
<b>Total other comprehensive revenue and expense</b>		<u>191,979</u>	<u>161,364</u>
<b>Total Comprehensive Revenue and Expense</b>		<u>(1,216,783)</u>	<u>649,472</u>

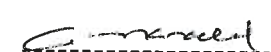
The notes on pages 5 to 17 form an integral part of the financial statements

**Parkwood Trust Incorporated**  
**Statement of Financial Position**  
**As at 31 January 2017**

	Notes	2017 \$	2016 \$
<b>Current Assets</b>			
Cash and cash equivalents		1,909,198	2,299,154
Trade and other receivables	6	437,830	355,060
Prepayments	8	34,974	38,780
<b>Total Current Assets</b>		<u>2,382,002</u>	<u>2,692,994</u>
<b>Non-Current Assets</b>			
Other financial assets	7	1,567	1,567
Construction in progress on investment property		81,664	29,492
Investment property	9	75,902,553	74,382,041
Property, plant and equipment	10	12,080,061	11,670,261
Intangible assets	11	3,720	756
<b>Total Non-Current Assets</b>		<u>88,069,565</u>	<u>86,084,117</u>
<b>Total Assets</b>		<u><u>90,451,567</u></u>	<u><u>88,777,111</u></u>
<b>Current Liabilities</b>			
Trade and other payables	12	1,202,881	1,212,829
Licensees' interest liability	13	62,180,641	59,435,999
Provisions	14	377,511	342,036
Site donations		1,287,112	1,166,042
<b>Total Current Liabilities</b>		<u>65,048,145</u>	<u>62,156,906</u>
<b>Total Liabilities</b>		<u>65,048,145</u>	<u>62,156,906</u>
<b>Funds and Reserves</b>			
Accumulated funds	15	21,980,135	23,306,778
Property revaluation reserve	15	2,761,804	2,569,825
Maintenance reserve	15	661,483	743,602
<b>Total Funds and Reserves</b>		<u>25,403,422</u>	<u>26,620,205</u>
<b>Total Liabilities and Equity</b>		<u><u>90,451,567</u></u>	<u><u>88,777,111</u></u>

This financial report has been approved on 2 May 2017 on behalf of the Board of Trustees by

 2/5/17  
Trustee Date

 2/5/17  
Trustee Date

The notes on pages 5 to 17 form an integral part of the financial statements

**Parkwood Trust Incorporated**  
**Statement of Changes in Net Assets/Equity**  
**For the year ended 31 January 2017**

	<b>Accumulated Funds \$</b>	<b>Property Revaluation Reserve \$</b>	<b>Maintenance Reserve \$</b>	<b>Total \$</b>
<b>Balance at 1 February 2015</b>	22,863,482	2,408,461	698,790	25,970,733
Revaluation of property, plant and equipment	-	161,364	-	161,364
<b>Other Comprehensive Revenue and Expense</b>	-	161,364	-	161,364
				-
Surplus for the period	488,108	-	-	488,108
<b>Total Comprehensive Revenue and Expense for the period</b>	488,108	161,364	-	649,472
Transfer to maintenance reserve	(44,812)	-	44,812	-
<b>Balance at 31 January 2016</b>	<u>\$ 23,306,778</u>	<u>\$ 2,569,825</u>	<u>\$ 743,602</u>	<u>\$ 26,620,205</u>
	<b>Accumulated Funds \$</b>	<b>Property Revaluation Reserve \$</b>	<b>Maintenance Reserve \$</b>	<b>Total \$</b>
<b>Balance at 1 February 2016</b>	23,306,778	2,569,825	743,602	26,620,205
Revaluation of property, plant and equipment	-	191,979	-	191,979
<b>Other Comprehensive Revenue and Expense</b>	-	191,979	-	191,979
				-
Deficit for the period	(1,408,762)	-	-	(1,408,762)
<b>Total Comprehensive Revenue and Expense for the period</b>	(1,408,762)	191,979	-	(1,216,783)
Transfer from maintenance reserve	82,119	-	(82,119)	-
<b>Balance at 31 January 2017</b>	<u>21,980,135</u>	<u>2,761,804</u>	<u>661,483</u>	<u>25,403,422</u>

The notes on pages 5 to 17 form an integral part of the financial statements

**Parkwood Trust Incorporated**  
**Statement of Cash Flows**  
**For the year ended 31 January 2017**

	<b>Note</b>	<b>2017</b> \$	<b>2016</b> \$
<b>Cash Flows From Operating Activities</b>			
Cash was provided from:			
Receipts from residents		6,674,915	6,812,921
Receipts from donations		5,980	-
Interest		70,985	68,683
		<u>6,751,880</u>	<u>6,881,604</u>
Cash was disbursed to:			
Payment to suppliers and employees		(6,958,866)	(6,617,166)
Interest		-	(298)
		<u>(6,958,866)</u>	<u>(6,617,464)</u>
Net cash flows from operating activities	16	(206,986)	264,140
<b>Cash Flows From Investing Activities</b>			
Cash was provided from:			
Sale of property, plant and equipment		158,000	138,000
Cash was disbursed to:			
Purchase of property, plant and equipment		(150,509)	(138,258)
Purchase of investment properties		<u>(190,461)</u>	<u>(7,696)</u>
Net cash outflows from investing activities		(182,970)	(7,954)
<b>Cash Flows From Financing Activities</b>			
Cash was provided from:			
Incoming contributions for licences to occupy		8,408,200	8,292,000
		<u>8,408,200</u>	<u>8,292,000</u>
Cash was disbursed to:			
Repayments of licences to occupy		(8,408,200)	(8,292,000)
Repayments of loans from residents		-	-
		<u>(8,408,200)</u>	<u>(8,292,000)</u>
Net cash flows from financing activities		-	-
<b>Net Increase in Cash Held</b>		(389,956)	256,186
Cash at beginning of period		<u>2,299,154</u>	<u>2,042,968</u>
<b>Cash at End of Period</b>		<u><u>1,909,198</u></u>	<u><u>2,299,154</u></u>
Closing bank balance comprises:			
Bank of New Zealand		<u><u>1,909,198</u></u>	<u><u>2,299,154</u></u>

The notes on pages 5 to 17 form an integral part of the financial statements

**Parkwood Trust Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 January 2017**

**Note 1**

**Statement of Accounting Policies**

**Reporting Entity**

Parkwood Trust Incorporated (the "Trust") is a charitable trust, incorporated under the Charitable Trusts Act 1957, and registered as a charitable entity under the Charities Act 2005 that operates a retirement village, rest home and geriatric hospital based in Waikanae, New Zealand.

**Statement of Compliance**

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZGAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE standards") and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-for-Profit entities. The financial statements have been prepared in accordance with tier 2 PBE standards and disclosure concessions have been applied ("Reduced Disclosure Regime"), Parkwood Trust Incorporated is a public benefit not-for-profit entity and is eligible to apply Tier 2 PBE standards applicable to not-for-profit entities on the basis that it does not have public accountability and is not defined as large.

**Basis of Preparation**

The financial statements have been prepared on the historical costs basis, except for the revaluation of certain non-current assets. The reporting currency is New Zealand dollars.

**Effect of First-Time Adoption of the PBE Standards on Accounting Policies and Disclosures**

This is the first set of financial statements of Parkwood Trust Incorporated that are presented in accordance with PBE Standards. The Trust has previously reported in accordance with New Zealand equivalent to International Financial Reporting Standards ("NZIFRS"). The Trust applied transitional provisions of PBE Financial Reporting Standard 46 - "First Time Adoption of PBE Standards by Entities Previously Applying IFRS". There were no material financial adjustments required for the comparative figures presented for the year ended 31 January 2016 as a result of adopting Tier 2 PBE Standards.

**Critical judgement in applying the entity's accounting policies**

**Classification of Properties**

With the exception of Parkwood Lodge (the Trust's rest home and hospital) all land and buildings are classified as Investment Properties.

Parkwood Lodge is classified as Property, Plant and Equipment due to the significant level of services provided to residents in Parkwood Lodge.

**Key Sources of Estimation Uncertainty**

The following material judgements and assumptions have been made in the preparation of the financial statements:

**Investment properties:**

The fair value of investment properties has been determined by an independent qualified valuer using assumptions relating to future cash-flows arising from the investment properties and assumptions relating to future growth rates of retirement village licence to occupy agreement amounts, the average duration of residency of occupants and appropriate discount rates. The fair value of investment properties is subjective and changes to assumptions can have a significant impact on both profit and the fair value. Refer to note 9 for details on assumptions.

**Licensees' interest liability:**

The licensees' interest liability has been revalued based on 90% of the market values of the properties prior to 1 July 2013 and 85% of the market values of properties sold since 1 July 2013. This represents the actual share of the Licensees' interest in the properties.

**Recognition of retention fees and site donations:**

Retention fees and site donations are recognised over the expected life of the occupancy, which is 9 years. (2016: 8 years)

**Parkwood Trust Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 January 2017**

**Specific Accounting Policies**

**a. Revenue**

**i. Revenue from Exchange Transactions**

**Residents fees and charges**

Resident fees are the charge to the residents of the rest home and hospital for accommodation and services, and the charge to village residents to cover the costs of running the village. They are recognised as revenue on an invoice basis, at the time of rendering the service.

**Retention Fees**

Retention fees are the proportion of the value of the sale of a Licence to Occupy (LTO) that is retained by the Trust at the end of the occupancy period. Retention fee revenue is recognised over the expected life of the occupancy (9 years) and the receivable netted off against the licensees' interest liability.

**Site Donations**

Site Donations received at the start of the residents' licence to occupy are deferred and recognised over the expected life of occupancy, which is 9 years.

**External Maintenance Charges**

External maintenance charges relate to cash received from the incoming resident for external maintenance necessary on a villa when a LTO is sold. External maintenance charge income is recognised as revenue when the related maintenance expense has occurred. Any unrecognised maintenance charge income is recognised as deferred income on the statement of financial position.

**ii. Interest Income**

Interest income on loans is calculated using the effective interest method.

**iii. Revenue from Non-Exchange Transactions**

**Donations and Legacies**

Donations and legacies income is recorded when the money is received by the Trust.

**b. Interest Expense**

Interest payable on the bank overdraft and resident loans are recognised as an expense using the effective interest method.

**c. Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

**d. Financial Assets**

Financial Assets are categorised as loans and receivables and are presented as follows:

**Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method less impairment.

**Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each balance date.

Financial assets are impaired where 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 impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

**Parkwood Trust Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 January 2017**

**Specific Accounting Policies**

**d. Financial Assets (continued)**

**Impairment of financial assets (continued)**

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**e. Licenses held for Transfer**

Licenses held for transfer are recognised once a licence agreement becomes unconditional. The receivable is recorded at its nominal value and collection terms are based on the specific terms of individual licence to occupy agreements.

**f. Investment Properties**

Investment properties include land and buildings (units) in Woodlands and Parklands including communal facilities (Plateau and Parklands Social Centres, Office, Workshop, Croquet Pavilion, and Implement Shed), from which the Trust's primary sources of revenue are the site donation and retention fees earned from the issue of LTOs.

Land and buildings (apartments and studios) associated with the resthome/hospital are classified within Property Plant and Equipment (Parkwood Lodge) as these assets are held with the primary purpose of the provision of care services to the residents therein.

Investment properties are initially recorded at cost, then revalued on an annual basis and the LTO liability adjusted for the future cash flows already received in the statement of financial position and restated to fair value as determined by an independent valuer. Any fair value change determined by the annual revaluation is reflected in the surplus or deficit. The valuation of investment property is grossed up for the cash flows relating to the licensees' interest liability recognised separately on the Statement of Financial Position and is determined as disclosed in note 9.

Where an investment property is disposed of, the surplus or deficit recognised in the Statement of Comprehensive Revenue and Expense is the difference between the net sale price and the carrying value of the property.

Investment properties are not depreciated.

**g. Property, Plant and Equipment**

Property, Plant and Equipment are recorded at historical cost less accumulated depreciation and any impairment in value, with the exception of Parkwood Lodge. The Lodge is stated at fair value and is revalued annually by Independent Registered Valuers on the market value method. Any increase determined by the annual revaluation is taken to the Revaluation Reserve, except when the increase is recognised in the (Deficit)/Surplus for the year to the extent that it reverses a revaluation decrease of the same assets previously recognised in the (Deficit)/Surplus for the year. Any of the licensees' share of the capital gain from the revaluation of the Lodge subject to a LTO are also included in the Licensees' interest liability. On the subsequent sale or retirement of a revalued asset the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to accumulated funds.

Historical cost includes expenditure directly attributable to the acquisition of the asset. Subsequent expenditure is added to the carrying value of the asset only when it is probable that future economic benefits will flow to the Trust. All other repairs and maintenance expenditure are expensed as incurred.



**Parkwood Trust Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 January 2017**

**Specific Accounting Policies**

**g. Property, Plant and Equipment (continued)**

All items of property, plant and equipment, except land, are depreciated on a straight line basis at rates calculated to allocate their cost or revalued amount over their expected useful life and reviewed at the end of each reporting period.

Buildings	50 years
Plant and Equipment	10 years
Fixture and Fittings	10 years
Motor Vehicles	5 years
Computer Equipment	5 years

**h. Intangible Assets**

Software is a finite life intangible and is recorded at costs less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful life of 3 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

**i. Financial Liabilities**

Financial liabilities include Trade Creditors and other payables, Licensees' Interests and Loans from Residents. All financial liabilities are measured at fair value net of transaction costs on inception and then amortised cost.

**j. Licensees' Interest Liability**

The incoming contributions received from the commencement of a Licence to Occupy (LTO) are recorded and treated as current liabilities. Any of the Licensees' share of capital gain from revaluations of assets subject to a LTO are also included in this liability. On termination of their occupancy rights, the village winding up, or on the disposal of the land, the licensees are entitled to repayment of the incoming contribution less the retention fee which includes any gain or loss in capital. There is no obligation on the Trust to pay out the licensee after a LTO has been terminated until a replacement licensee has purchased the licence.

LTOs confer the right to occupancy of a unit or apartment until such time as the residents' occupancy terminates and the occupancy rights are transferred to another resident. The LTOs do not include any other rights to surplus and do not have a specific maturity date.

The increase in the value of the licensees' interest liability that are attributable to movements in the value of the property are recognised in the Statement of Comprehensive Revenue and Expense, in surplus.

**k. Employee Benefits**

Provision is made for all employee benefits accumulated in respect of wages and salaries, annual leave, sick leave and long service leave.

Liabilities for employee benefits which are expected to be paid or settled within 12 months of balance date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

**l. Taxation**

The Trust is exempt from income tax under section CW 41(1) of the Income Tax Act 2007 by virtue of it being registered as a charitable entity under the Charities Act 2005.

**m. Goods and Services Tax**

All transactions are recorded exclusive of GST unless GST cannot be recovered. Cash flows are included in the Cash Flow Statement on a net basis.

**Parkwood Trust Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 January 2017**

**Specific Accounting Policies**

**n. Impairment**

At each reporting date, the Trust reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Trust estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in surplus/deficit immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in the prior years. A reversal of an impairment loss is recognised in surplus/deficit immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**o. Deferred Revenue**

Income received from common facility site donations from residents when they purchase a licence to occupy is treated as revenue in advance and spread over the expected period of the occupancy (Villas: 9 years).

**p. Cash Flow Statement**

The following are the definitions of the terms used in the statement of cash flows:

Operating activities - These activities include all transactions and other events that are not investing or financing activities.

Investing activities - Those activities relating to the purchase and selling of property, plant and equipment as well as investment properties.

Financing activities - Those activities relating to the changes in LTOs and the loans from residents.

Cash is considered to be cash on hand and current accounts in banks.

**q. Maintenance Reserve**

This maintenance reserve has been capitalised in Funds and Reserves for future external maintenance of residents' dwellings. The reserve is subject to specific conditions accepted as binding by the Trust. Transfers from this maintenance reserve can only be made for external maintenance on residents' dwellings and maintenance of village infrastructure.

**Parkwood Trust Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 January 2017**

**Note 2**  
**Revenue**

**(a) Revenue from exchange transactions**

	2017	2016
	\$	\$
External Maintenance Charges	189,362	247,841
Retention Fees	559,808	692,403
Site Donations	229,759	318,446
Parkwood Lodge	4,502,875	4,509,374
Residents' Maintenance	1,119,484	1,101,015
Other	12,825	15,978
	<u>6,614,113</u>	<u>6,885,057</u>

**(b) Revenue from non-exchange transactions**

Donations	5,980	-
	<u>5,980</u>	<u>-</u>

**Total Revenue**

	<u>6,620,093</u>	<u>6,885,057</u>
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**Note 3**  
**Surplus for Period**

Surplus for the period has been arrived at after charging the following expenses:

Auditor's Remuneration

Fees paid to auditors for audit of financial statements  
Other fees paid to auditors

	2017	2016
	\$	\$
Fees paid to auditors for audit of financial statements	36,281	35,377
Other fees paid to auditors	4,997	2,990
	<u>41,278</u>	<u>38,367</u>

Employee costs

Salaries and wages  
Employer contributions to KiwiSaver  
Other employee benefits

Salaries and wages	4,607,860	4,314,123
Employer contributions to KiwiSaver	112,274	103,228
Other employee benefits	35,474	53,060
	<u>4,755,608</u>	<u>4,470,411</u>

Finance Costs

Interest on bank overdraft

Interest on bank overdraft	-	298
	<u>-</u>	<u>298</u>

**Note 4**  
**Depreciation and Amortisation**

Comprises

Depreciation on:

Parkwood Lodge - Buildings  
Motor Vehicles  
Plant and Equipment  
Fixture and Fittings  
Computer Equipment

	2017	2016
	\$	\$
Parkwood Lodge - Buildings	206,756	205,544
Motor Vehicles	22,482	20,725
Plant and Equipment	58,217	52,690
Fixture and Fittings	17,504	13,799
Computer Equipment	5,933	7,698
	<u>310,892</u>	<u>300,456</u>

Amortisation on:

Software

Software	-	-
	<u>1,832</u>	<u>-</u>

Total

	<u>312,724</u>	<u>300,456</u>
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**Note 5**  
**Bank Loan Facilities**

The Trust does not have an overdraft facility (2016: Nil).

**Parkwood Trust Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 January 2017**

**Note 6**

**Trade and Other Receivables from exchange transactions**

	2017	2016
	\$	\$
Trade Receivables	158,674	94,075
Other	279,156	260,985
	<u>437,830</u>	<u>355,060</u>

Bad Debts

There were no bad debts during the year (2016:Nil).

**Note 7**

**Other Financial Assets**

	2017	2016
	\$	\$
Share in Farmlands	1,567	1,567
<b>Total</b>	<u>1,567</u>	<u>1,567</u>

The Trust considers the fair value of the shares in Farmlands to be cost.

**Note 8**

**Other Current Assets**

	2017	2016
	\$	\$
Prepayments	34,974	38,780
	<u>34,974</u>	<u>38,780</u>

**Note 9**

**Investment Properties**

	Freehold land at fair value	Buildings at fair value	Total
	\$	\$	\$
Balance at 1 February 2015	15,609,118	57,767,295	73,376,413
Additions	-	34,119	34,119
Net gain from fair value adjustments		971,509	971,509
<b>Balance at 31 January 2016</b>	<u>15,609,118</u>	<u>58,772,923</u>	<u>74,382,041</u>
Additions	-	138,289	138,289
Net gain from fair value adjustments	-	1,382,223	1,382,223
<b>Balance at 31 January 2017</b>	<u>15,609,118</u>	<u>60,293,435</u>	<u>75,902,553</u>

As at 31 January 2017, the valuation of the investment property has been prepared by Robertson Valuations Ltd of Paraparaumu, an independent valuer, which has extensive experience in undertaking valuations of businesses and assets including retirement villages in the Kapiti area for financial reporting and other purposes.

The valuation is on a discounted cash flow basis whereby the future cash flows expected to be generated by the Trust from such property has been discounted to the valuation date at a discount rate reflecting the risk of the investment. Significant assumptions include:

- \* Inflation rate of 2% per annum (2016:3%)
- \* A capital growth rate of 2% over the rate of inflation. (2016:1%)
- \* A discount rate of 13% which recognises the risk of this property. (2016:13%)
- \* The average length of tenure in a licence to occupy a unit is nine years. (2016: 8 years)
- \* The valuation of investment property was performed on a basis that cash flows would be attributable to the Trust as if it was a for profit organisation under the following terms.
  - A current retention rate of 15% applies from 1 July 2013.
  - A retention rate of 25% applies to any agreements signed from January 2018 onwards and is based on the purchase price of the properties.
  - Any capital gain on a property would be received by the Trust as if it was a for profit organisation and not passed on to the licence holder.
- \* Cashflow was based on future cash flows and projected sales forecasts for the next 20 years.
- \* The discounted cash flow is based on market evidence.

**Parkwood Trust Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 January 2017**

**Note 9**  
**Investment Properties (continued)**

The valuation of investment properties by Robertson Valuations Ltd is grossed up for cash flows relating to refundable licence to occupy agreements recognised separately on the balance sheet. Reconciliation between the Robertson Valuation Ltd valuation amount and the amount recognised on the balance sheet as investment property is as follows:

	2017	2016
	\$	\$
Independent valuation of investment property made up of:		
Trust's interest in Investment property	21,225,800	22,030,000
Plus: Refundable licence to occupy agreements	58,824,050	56,534,500
Plus: Site donations	1,287,112	1,166,042
Less: Licence Retention Due	(5,434,409)	(5,348,501)
	<u>75,902,553</u>	<u>74,382,041</u>

All investment properties are subject to licences to occupy agreements except the Trust's social centres, office, pavilion, and implement shed. The licensees' share of the change in the values of the apartments in Parkwood Lodge have been recognised in the SOCI.

	2017	2016
	\$	\$
Direct operating expenses of investment properties		
Local body rates	326,517	314,180
Insurance	42,667	44,428
Unit external maintenance	418,036	416,664
Social centre maintenance	8,260	14,209
Power and gas	36,792	32,158
	<u>832,272</u>	<u>821,639</u>

**Note 10**  
**Property, Plant and Equipment**

	Freehold land at fair value Parkwood Lodge \$	Buildings at fair value Parkwood Lodge \$	Motor vehicles at cost \$	Plant and equipment at cost \$	Fixture and fittings at cost \$	Computer equipment at cost \$	Total \$
<b>Gross carrying amount</b>							
Balance at 1 February 2015	1,000,000	10,196,000	258,455	1,440,839	404,028	56,964	13,356,286
Additions	-	81,180	-	55,599	8,537	-	145,316
Disposals	-	-	-	(39,077)	-	-	(39,077)
Depreciation	-	(205,544)	-	-	-	-	(205,544)
Revaluation	-	241,364	-	-	-	-	241,364
<b>Balance at 31 January 2016</b>	<u>1,000,000</u>	<u>10,313,000</u>	<u>258,455</u>	<u>1,457,361</u>	<u>412,565</u>	<u>56,964</u>	<u>13,498,345</u>
Additions	-	24,777	8,782	73,071	25,876	13,207	145,713
Disposals	-	-	-	-	-	-	-
Depreciation	-	(206,756)	-	-	-	-	(206,756)
Revaluation	-	574,979	-	-	-	-	574,979
<b>Balance at 31 January 2017</b>	<u>1,000,000</u>	<u>10,706,000</u>	<u>267,237</u>	<u>1,530,432</u>	<u>438,441</u>	<u>70,171</u>	<u>14,012,281</u>
<b>Accumulated depreciation and impairment</b>							
Balance at 1 February 2015	-	-	191,729	1,185,719	345,574	41,412	1,764,434
Disposals	-	-	-	(31,262)	-	-	(31,262)
Net adjustments from revaluation increments	-	(205,544)	-	-	-	-	(205,544)
Depreciation expense for the year	-	205,544	20,725	52,690	13,799	7,698	300,456
<b>Balance at 31 January 2016</b>	<u>-</u>	<u>-</u>	<u>212,454</u>	<u>1,207,147</u>	<u>359,373</u>	<u>49,110</u>	<u>1,828,084</u>
Disposals	-	-	-	-	-	-	-
Net adjustments from revaluation increments/(decrements)	-	(206,756)	-	-	-	-	(206,756)
Depreciation expense for the year	-	206,756	22,482	58,217	17,504	5,933	310,892
<b>Balance at 31 January 2017</b>	<u>-</u>	<u>-</u>	<u>234,936</u>	<u>1,265,364</u>	<u>376,877</u>	<u>55,043</u>	<u>1,932,220</u>
<b>Net Book Value</b>							
As at 31 January 2015	1,000,000	10,196,000	66,726	255,120	58,454	15,552	11,591,852
As at 31 January 2016	1,000,000	10,313,000	46,001	250,214	53,192	7,854	11,670,261
As at 31 January 2017	1,000,000	10,706,000	32,301	265,068	61,564	15,128	12,080,061

As at 31 January 2017, the valuation of Parkwood Lodge has been prepared by Robertson Valuations Ltd of Paraparaumu, an independent registered valuer, which has extensive experience in undertaking valuations of businesses and assets for financial reporting and other purposes. Parkwood Lodge has been valued at fair value using the market value method, and considering recent activity in the market. The total fair value of property, plant and equipment valued by the valuer is \$11,706,000 and consists of Parkwood Lodge land and buildings.

Licence to occupy agreements confer the right of occupancy of the apartments in Parkwood Lodge. The licensees' share of the increases in the values of the apartments in Parkwood Lodge have been disclosed in the SOCI surplus. Restrictions on property, plant and equipment arise to the extent that the Trust must meet the requirements under the Retirement Villages Act 2003, which involve consulting with the Statutory Supervisor.

**Parkwood Trust Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 January 2017**

**Note 11**  
**Intangibles**

	2017	2016
	\$	\$
Software		
Opening Cost	94,339	93,583
Additions	4,796	756
Total Cost	99,135	94,339
Opening Accumulated Amortisation	93,583	93,583
Amortisation for the year	1,832	-
Closing Accumulated Amortisation	95,415	93,583
Net Book Value	3,720	756

**Note 12**  
**Trade and Other Payables**

	2017	2016
	\$	\$
Trade Creditors	194,242	249,707
Other Payables	971,962	922,875
GST Payable	36,677	40,247
	1,202,881	1,212,829

The Trust has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

**Note 13**  
**Licensees' Interest Liability**

	2017	2016
	\$	\$
Opening balance	64,784,500	64,079,750
Trust's sale of licence to occupy of property, plant and equipment	158,000	138,000
Unrealised increase in value of property, plant and equipment	383,000	80,000
Unrealised increase in value of investment properties	2,289,550	486,750
	67,615,050	64,784,500
The licensees' interest liability comprise:		
Licensees' interest in Property, plant and equipment	8,791,000	8,250,000
Licensees' interest in Investment Property	58,824,050	56,534,500
	67,615,050	64,784,500
Less License Retentions Due	(5,434,409)	(5,348,501)
Net Licensees' interest liability	62,180,641	59,435,999

The value of the Licensees' Interest Liability has been shown net of licence retention fees due to reflect the fact that at the end of the occupancy, the net amount will be paid to the resident.

**Note 14**  
**Current Provisions**

	2017	2016
	\$	\$
Employee benefits		
Holiday pay accrual	368,302	332,827
Sick leave accrual	9,209	9,209
	377,511	342,036

**Parkwood Trust Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 January 2017**

**Note 15**  
**Reserves**

**Accumulated Funds**

Accumulated funds equals retained earnings less amounts in respect of maintenance kept in a separate reserve. These funds are held and reinvested for charitable purposes which will benefit the aged community in Waikanae, New Zealand.

	2017	2016
	\$	\$
<b>Property Revaluation Reserve</b>		
Opening balance	2,569,825	2,408,461
Revaluation increase	191,978	161,364
Closing balance	<u>2,761,803</u>	<u>2,569,825</u>
<b>Maintenance Reserve</b>		
Opening balance	743,602	698,790
Trust contribution (from accumulated funds)	40,000	40,000
Resident maintenance contribution	295,917	421,476
Resident maintenance costs	(418,036)	(416,664)
Closing balance	<u>661,483</u>	<u>743,602</u>

This maintenance reserve has been capitalised in Funds and Reserves for future external maintenance of residents' dwellings. The reserve is subject to specific conditions accepted as binding by the Trust. Transfers from this maintenance reserve can only be made for external maintenance on residents' dwellings and maintenance of village infrastructure. Residents are charged an external maintenance fee. The surplus/(deficit) for the year is transferred to the maintenance reserve. Trust contributed \$40,000 (2016:\$40,000) to the maintenance reserve.

**Note 16**  
**Reconciliation of Reported Surplus with Net Cash Flows from Operating Activities**

	2017	2016
	\$	\$
Reported Surplus/(Deficit)	(1,408,762)	488,108
Add/ Deduct Non Cash Items:		
Increase in investment properties fair value	(1,382,223)	(971,509)
Increase in licensees' interest on revaluation on Investment Property	2,289,550	486,750
Site Donations	(229,759)	(318,446)
Depreciation and amortisation	312,724	300,456
	<u>990,292</u>	<u>(502,749)</u>
Movement in Working Capital		
Receivables	(82,772)	(119,803)
Licence retentions due	(85,905)	(278,500)
Prepayments	3,806	1,534
Payables	376,355	675,550
	<u>211,484</u>	<u>278,781</u>
Net cash flows from operating activities	<u>(206,986)</u>	<u>264,140</u>

**Note 17**  
**Related Party Transactions**

	2017	2016
	\$	\$
Key management personnel compensation (7 full-time equivalents)	745,655	725,661
Short-term employee benefits	19,786	19,308
Employer contributions to KiwiSaver		
Total	<u>765,441</u>	<u>744,969</u>

During the period a Board member sold a villa licence to occupy for \$350,000 and purchased an apartment licence to occupy for \$290,000.

**Note 18**  
**Capital Commitments**

At balance date the Trust had no capital commitments (2016:\$Nil).

**Parkwood Trust Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 January 2017**

**Note 19**

**Financial Instruments**

**(A) Capital risk management**

The management of Parkwood Trust manages its capital to ensure that the entity will be able to continue as a going concern. The capital structure of Parkwood Trust consists of debt, cash and cash equivalents and equity comprising accumulated funds, maintenance reserve and revaluation reserves.

**(B) Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

**(C) Categories of financial instruments**

	Financial liabilities at amortised cost	Loans and receivables	Financial Assets designated at fair value through Profit and Loss	Total
<b>31 January 2017</b>				
<u>Assets</u>				
Cash and cash equivalents	-	1,909,198	-	1,909,198
Trade and other receivables	-	437,830	-	437,830
Other financial assets	-	-	1,567	1,567
Total financial assets	-	2,347,028	1,567	2,348,595
Total non financial assets	-	-	-	88,102,972
<b>Total assets</b>	-	2,347,028	1,567	90,451,567
<u>Liabilities</u>				
Trade and other payables	1,202,881	-	-	1,202,881
Other financial liabilities	377,511	-	-	377,511
Borrowings and other financial liabilities	62,180,641	-	-	62,180,641
Total financial liabilities	63,761,033	-	-	63,761,033
Total non financial liabilities	-	-	-	1,287,112
<b>Total liabilities</b>	63,761,033	-	-	65,048,145
<b>31 January 2016</b>				
<u>Assets</u>				
Cash and cash equivalents	-	2,299,154	-	2,299,154
Trade and other receivables	-	355,060	-	355,060
Other financial assets	-	-	1,567	1,567
Total financial assets	-	2,654,214	1,567	2,655,781
Total non financial assets	-	-	-	86,121,330
<b>Total assets</b>	-	2,654,214	1,567	88,777,111
<u>Liabilities</u>				
Trade and other payables	1,212,829	-	-	1,212,829
Other financial liabilities	342,036	-	-	342,036
Borrowings and other financial liabilities	59,435,999	-	-	59,435,999
Total financial liabilities	60,990,864	-	-	60,990,864
Total non financial liabilities	-	-	-	1,166,042
<b>Total liabilities</b>	60,990,864	-	-	62,156,906



**Parkwood Trust Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 January 2017**

**Note 19 Financial Instruments (continued)**

**(D) Financial risk management objectives**

The Trust does not enter into derivative financial instruments for trading or speculative purposes.

**(E) Foreign currency risk management**

The Trust has not undertaken any transactions denominated in foreign currencies (2016:Nil).

**(F) Interest rate risk management**

Interest is received on cash balances and the interest rate is 4% at year end. (2016:4%)

The Trust's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

**Interest rate sensitivity**

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A one percent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. At reporting date, if interest rates had been one percent higher or lower and all other variables were held constant, the Trust's surplus would increase/decrease by \$19,092 (2016: increase/decrease by \$22,991).

**(G) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Trust. The Trust has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Trust's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Trust.

Trade receivables consist of a large number of customers, most of which are resident in the village. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Trust does not have any significant credit risk exposure to any single counterparty. The credit risk on liquid funds is limited because the counterparty is a bank with high credit-ratings assigned by international credit-rating agencies.

There is no significant credit risk on Trade receivables and Licence retentions because the Trust can recover these fully on settlement of the Licence to Occupy.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Trust's maximum exposure to credit risk without taking account of the value of any collateral obtained.

**(H) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of trustees, who have built an appropriate liquidity risk management framework for the management of the Trust's short, medium and long term funding and liquidity management requirements. The Trust manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 5 is a listing of additional undrawn facilities that the Trust has at its disposal to further reduce liquidity risk.

**Liquidity and interest risk tables**

The following tables detail the Trust's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Trust can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the estimated possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the Statement of Financial Position.

**Parkwood Trust Incorporated**  
**Notes to the Financial Statements**  
**For the year ended 31 January 2017**

**Note 19 Financial Instruments (continued)**

**(H) Liquidity risk management (continued)**

Contractual	Weighted average effective interest rate	Contractual maturity periods					Adjustment	Carrying Value
		Less than 1 month	1-3 months	3 months to 1 year	1-5 years			
%	\$	\$	\$	\$	\$	\$		
2017	%	\$	\$	\$	\$	\$	\$	
Non-interest bearing	0.00%	62,180,641	-	-	-	-	62,180,641	
Variable interest rate instruments	0.00%	-	-	-	-	-	-	
Fixed interest rate instruments	0.00%	-	-	-	-	-	-	
Trade, other payables and provisions	0.00%	1,580,392	-	-	-	-	1,580,392	
		63,761,033	-	-	-	-	63,761,033	
2016								
Non-interest bearing	0.00%	59,435,999	-	-	-	-	59,435,999	
Variable interest rate instruments	0.00%	-	-	-	-	-	-	
Fixed interest rate instruments	0.00%	-	-	-	-	-	-	
Trade, other payables and provisions	0.00%	1,554,865	-	-	-	-	1,554,865	
		60,990,864	-	-	-	-	60,990,864	

The table above details the contractual maturity periods which indicated that the licensees' interest liability is payable on demand. The liability is payable on demand because the Trust has no legal right to defer payment if a sale is achieved. The licensees' interest liability is presented as a current liability on the Statement of Financial Position as this is in line with the contractual obligations of the instrument, however it is expected that the portion to be realised within 12 months to be \$6,908,960 and greater than 12 months to be \$55,271,681 (2016: \$52,006,499).

**(I) Fair value of financial instruments**

The fair values of financial assets and financial liabilities are determined as follows:

The trustees consider that the carrying amounts of financial assets and financial liabilities, except for the licensees' interest liability, at amortised cost in the financial statements approximates their fair values.

The fair value of the licensees' interest liability is considered to be \$38,622,112 (2016: \$37,436,696) as calculated on a discounted cash flow basis. The carrying amount of the licensees' interest liability is reflected in note 13.

Significant assumptions used in determining the DCF valuation include:

- \* Inflation rate of 2% per annum. (2016:3%)
- \* A capital growth rate of 2% over the rate of inflation. (2016:1%)
- \* A discount rate of 13% which recognises the risk of the licensees' interest in the property. (2016:13%)
- \* The average length of the licensees' tenure is nine years. (2016: 8 years)
- \* The valuation of the licensees' interest was performed on a commercial operation.
- \* Cashflow was based on previous years and projected licence terminations.

**Note 20**  
**Contingencies**

There are no known significant contingent liabilities in existence at balance date (2016:Nil).

**Note 21**  
**Subsequent Events**

There have been no events subsequent to balance date requiring adjustment to these financial statements (2016:Nil).

**SUPPLEMENTARY INFORMATION (unaudited)**

**Parkwood Trust Incorporated**  
**Parkwood Lodge**  
**Income Statement**  
**For the year ended 31 January 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Income</b>		
Apartment Fees	1,781,084	1,691,348
Nursing Care Studio Fees	2,440,251	2,529,456
Casual Fees	25,117	50,862
Casual Meals	139,468	143,063
Extra Care	14,367	11,416
Other Income	105,578	83,229
<b>Total Income</b>	<b>4,505,865</b>	<b>4,509,374</b>
<b>Staff costs</b>		
Administration	245,894	227,115
Carers	1,484,753	1,355,616
Domestic	189,186	167,861
Gardeners	4,546	4,601
Kitchen	503,488	490,451
Laundry	60,433	64,105
Maintenance	76,935	69,837
Nurses	1,163,164	1,100,602
Casual Staff	-	186
ACC Levy	22,614	56,282
Staff Training	11,483	10,550
Staff Uniforms	4,009	4,750
<b>Total Staff costs</b>	<b>3,766,505</b>	<b>3,551,956</b>
<b>Total Food costs</b>	<b>349,260</b>	<b>345,499</b>
<b>Operating costs</b>		
Certification costs	5,463	-
Cleaning	53,528	55,760
Depreciation	268,652	258,021
Gas Heating	43,870	46,816
General Expenses	23,604	22,512
Insurance	68,717	80,045
Medical	176,118	175,160
Motor Vehicle Expenses	3,741	1,978
Postage	366	70
Power & Light	43,234	45,651
Printing and Stationery	7,292	6,790
Rates	47,376	45,976
Repairs & Maintenance - Buildings	1,878	1,260
- Equipment & Furniture	83,139	69,740
- Grounds	2,733	4,903
Replacement - Crockery & Cutlery	2,029	3,111
Telephone and Tolls	4,529	5,085
<b>Total operating costs</b>	<b>836,269</b>	<b>822,878</b>
<b>Total expenses</b>	<b>4,952,034</b>	<b>4,720,333</b>
<b>(Deficit) for the period</b>	<b>\$(446,169)</b>	<b>\$(210,959)</b>

**SUPPLEMENTARY INFORMATION (unaudited)**

**Parkwood Trust Incorporated**  
**Residents' Maintenance Account**  
**Income Statement**  
**For the year ended 31 January 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Income</b>		
Parklands & Woodlands Maintenance Charges	1,122,474	1,101,015
<b>Total Income</b>	<u>1,122,474</u>	<u>1,101,015</u>
<b>Administration &amp; Office Expenses</b>		
ACC Levy	3,865	9,752
Depreciation	21,455	26,584
General Expenses	20,855	16,190
Motor Vehicle Expenses	31,603	27,137
Power & Light	36,792	32,158
Printing and Stationery	2,348	1,155
Staff Training	1,005	767
Telephone and Tolls	11,053	11,905
Travelling Expenses	780	875
Wages - Administration	54,286	52,261
Wages - Village Care	242,186	239,488
<b>Total Administration &amp; Office Expenses</b>	<u>426,228</u>	<u>418,272</u>
<b>Grounds</b>		
Fuel for Equipment	549	678
Rates	326,517	314,180
Repairs & Maintenance - Equipment	16,110	13,285
Repairs & Maintenance - Grounds & Roothing	40,681	62,469
Salaries & Wages	297,171	272,688
<b>Total Grounds Expenses</b>	<u>681,028</u>	<u>663,300</u>
<b>Social Centre</b>		
Insurance	42,667	44,428
Repairs & Maintenance - Social Centres	8,260	14,209
Security	6,259	6,356
Wages	21,002	19,515
<b>Total Social Centre Expenses</b>	<u>78,188</u>	<u>84,508</u>
<b>Total Expenses</b>	<u>1,185,444</u>	<u>1,166,080</u>
<b>(Deficit) for the Year</b>	<u>\$ (62,970)</u>	<u>\$ (65,065)</u>

## Independent Auditor's Report

### To the Board of Trustees of Parkwood Trust Incorporated

#### Opinion

We have audited the financial statements of Parkwood Trust Incorporated, which comprise the statement of financial position as at 31 January 2017, and the statement of comprehensive revenue and expenses, statement of changes in net assets/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 financial statements, on pages 1 to 17, present fairly, in all material respects, the financial position of the Parkwood Trust Incorporated as at 31 January 2017, and its 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 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 entity 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.

#### Other information

The Board of Trustees is responsible for the other information. The other information comprises of the supplementary information on page 18 to 19 that accompanies the financial statements and the audit report.

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

Our responsibility is to read the other information report, and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

#### Board of Trustees' responsibilities for the financial statements

The Board of Trustees is responsible on behalf of the entity for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Board of Trustees determines 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 Board of Trustees is responsible for assessing the entity'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 Board of Trustees either intends to liquidate the entity 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 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 financial statements.

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

[https://www.xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Page8.aspx](https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx)

This description forms part of our auditor's report.

**Restriction on use**

This report is made solely to the Board of Trustees, as a body, in accordance with Section 8(a) of the Constitutions and Rules. Our audit has been undertaken so that we might state to the Board of Trustees those matters 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 Board of Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

*Deloitte Limited*

Wellington, New Zealand  
2 May 2017