



**diabetes**  
new zealand

**Diabetes New Zealand Incorporated**  
**Financial Statements**

**For the year ended 30 June 2018**

**Diabetes New Zealand Incorporated**  
**Consolidated Statement of Comprehensive Revenue and Expense**  
**For the Year Ended 30 June 2018**

	Note	2018 \$	2017 \$
<b>REVENUE</b>			
<b>Revenue from Exchange Transactions</b>			
Membership fees and subscriptions		95,587	129,504
Sales of goods and services		105,406	126,223
Rendering of services		55,213	91,458
Interest received		119,903	129,051
Dividends received		100,793	106,387
Rent received		33,913	19,854
Gain on sale of held-to-maturity bonds		-	2,415
Gain on revaluation of investments		243,684	165,263
Other exchange revenue		69	4,062
<b>Total Revenue from Exchange Transactions</b>		<b>754,568</b>	<b>774,217</b>
<b>Revenue from Non-exchange Transactions</b>			
Donations		439,100	153,277
Fundraising		257,558	224,289
Other fundraising from the public		123,410	69,739
Rendering of services - Ministry of Health		270,000	270,000
Grants	8	1,033,540	955,044
Legacies, bequests and endowments		463,250	104,367
<b>Total Revenue from Non-exchange Transactions</b>		<b>2,586,858</b>	<b>1,776,716</b>
<b>Total Revenue</b>		<b>3,341,426</b>	<b>2,550,933</b>
<b>EXPENSES</b>			
<b>Expenses Associated with Revenue Generation</b>			
Costs of sale of goods and services		349,274	337,114
Service delivery expenses		422,798	488,642
Fundraising expenses		162,139	142,976
Grants for research		25,799	56,750
<b>Total Expenses Associated with Revenue Generation</b>		<b>960,010</b>	<b>1,025,482</b>
<b>Operating Expenses</b>			
Employee benefits		998,776	922,208
Board member honoraria	19	30,600	30,733
Audit Fees	20	34,722	39,081
Depreciation and amortisation	12, 13	51,375	64,412
Other operating expenses		640,071	562,585
<b>Total Operating Expenses</b>		<b>1,755,544</b>	<b>1,619,019</b>
<b>Total Expenses</b>		<b>2,715,554</b>	<b>2,644,501</b>
<b>Total Comprehensive Revenue and Expense for the year</b>		<b>625,872</b>	<b>(93,568)</b>

*This financial statement is to be read in conjunction with the accounting policies and notes to the financial statements.*

**Diabetes New Zealand Incorporated**  
**Consolidated Statement of Financial Position**  
**As at 30 June 2018**

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	2,125,935	2,418,966
Receivables (from exchange transactions)	10	81,840	101,608
Prepayments		35,008	3,923
Inventories		43,318	33,171
GST Receivable		22,225	7,345
Investments	11	1,765,891	1,075,621
<b>Total Current Assets</b>		<b>4,074,217</b>	<b>3,640,634</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	12	110,882	149,262
Intangible assets	13	22,343	5,763
Investments	11	4,096,880	3,815,980
<b>Total Non-Current Assets</b>		<b>4,230,105</b>	<b>3,971,005</b>
<b>TOTAL ASSETS</b>		<b>8,304,322</b>	<b>7,611,639</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables (from exchange transactions)	14	203,096	175,091
Deferred exchange revenue		30,601	37,620
Deferred non-exchange revenue	16	238,343	192,518
<b>Total Current Liabilities</b>		<b>472,040</b>	<b>405,229</b>
<b>TOTAL NET ASSETS / EQUITY</b>		<b>7,832,282</b>	<b>7,206,410</b>

*This financial statement is to be read in conjunction with the accounting policies and notes to the financial statements.*

**Diabetes New Zealand Incorporated**  
**Consolidated Statement of Financial Position (continued)**  
**As at 30 June 2018**

	Note	2018 \$	2017 \$
<b>NET ASSETS / EQUITY</b>			
<b>Total Accumulated Revenue and Expense</b>	17	<b>2,266,710</b>	<b>2,125,157</b>
<b>Special Purpose Reserves</b>			
Unspent Grants Reserve	17	122,844	186,907
Defined Funds			
- Sir Don Beaven Fund	17	400,000	337,536
- McLaren Fund	17	150,000	73,002
- Grocery Charity Ball	17	35,764	-
- Joan Nesfield Memorial Fund	17	2,208	2,208
- Sir Ernest Davis Endowment Fund	17	1,704,558	1,407,203
- John Nesfield Trust Fund	17	2,142,418	2,076,361
- Mack Estate Research Fund	17	1,007,780	998,036
<b>Total Special Purpose Reserves</b>		<b>5,565,572</b>	<b>5,081,253</b>
<b>TOTAL NET ASSETS / EQUITY</b>		<b>7,832,282</b>	<b>7,206,410</b>

*This financial statement is to be read in conjunction with the accounting policies and notes to the financial statements.*



Patrick Waite  
 Chairperson Finance, Audit and Risk

Date: 15/10/2018



Heather Verry  
 Chief Executive

Date: 15/10/2018

**Diabetes New Zealand Incorporated**  
**Consolidated Statement of Changes in Net Assets / Equity**  
**For The Year Ended 30 June 2018**

	Note	Accumulated Revenue and Expense	Land and Building Revaluation Reserve	Unspent Grants Reserve	Sir Don Beaven Fund	McLaren Fund	Grocery Charity Ball	International Diabetes Federation Fund	Joan Nesfield Memorial Fund	Sir Ernest Davis Diabetes (Auckland) Endowment Fund	John Nesfield Memorial Trust	Mack Estate Research Fund	Total Net Assets / Equity
17		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Net Assets / Equity as at 30 June 2016</b>		<b>1,941,946</b>	<b>267,709</b>	<b>348,442</b>	<b>325,643</b>	<b>72,244</b>	-	<b>1,809</b>	<b>2,208</b>	<b>1,339,693</b>	<b>1,977,666</b>	<b>1,022,618</b>	<b>7,299,978</b>
Net surplus/(deficit) 2016/17		(93,568)											(93,568)
Transfers to/(from) funds and reserves 2016/17		276,779	(267,709)	(161,535)	11,893	758	-	(1,809)	-	67,510	98,695	(24,582)	-
<b>Total Movements in Net Assets / Equity 2016/17</b>		<b>183,211</b>	<b>-</b>	<b>(161,535)</b>	<b>11,893</b>	<b>758</b>	<b>-</b>	<b>(1,809)</b>	<b>-</b>	<b>67,510</b>	<b>98,695</b>	<b>(24,582)</b>	<b>(93,568)</b>
<b>Net Assets / Equity as at 30 June 2017</b>		<b>2,125,157</b>	<b>-</b>	<b>186,907</b>	<b>337,536</b>	<b>73,002</b>	<b>-</b>	<b>-</b>	<b>2,208</b>	<b>1,407,203</b>	<b>2,076,361</b>	<b>998,036</b>	<b>7,206,410</b>
Net surplus/(deficit) 2017/18		625,872											625,872
Grocery Charity Ball transfer of Funds		(50,000)					50,000						-
South Canterbury Branch transfer to Beaven Fund		(50,607)			50,607								-
Transfers to/(from) funds and reserves 2017/18		(383,712)	-	(64,063)	11,857	76,998	(14,236)	-	-	297,355	66,057	9,744	-
<b>Total Movements in Net Assets / Equity 2017/18</b>		<b>141,553</b>	<b>-</b>	<b>(64,063)</b>	<b>62,464</b>	<b>76,998</b>	<b>35,764</b>	<b>-</b>	<b>-</b>	<b>297,355</b>	<b>66,057</b>	<b>9,744</b>	<b>625,872</b>
<b>Net Assets / Equity as at 30 June 2018</b>	17	<b>2,266,710</b>	<b>-</b>	<b>122,844</b>	<b>400,000</b>	<b>150,000</b>	<b>35,764</b>	<b>-</b>	<b>2,208</b>	<b>1,704,558</b>	<b>2,142,418</b>	<b>1,007,780</b>	<b>7,832,282</b>

*This financial statement is to be read in conjunction with the accounting policies and notes to the financial statements.*

**Diabetes New Zealand Incorporated**  
**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2018**

	Note	2018 \$	2017 \$
<b>Cash Inflows from Operating Activities</b>			
Member fees and subscriptions		87,895	110,366
Goods and services provided		411,691	478,237
Grants, donations, legacies and bequests		1,843,040	748,469
Fundraising		406,343	261,528
Rental income from sub-lease of operating leases		34,586	19,854
Other cash receipts from operating activities		-	4,011
<b>Total Cash Inflows from Operating Activities</b>		<b>2,783,555</b>	<b>1,622,465</b>
<b>Cash Outflows from Operating Activities</b>			
Payments to suppliers and employees		2,629,346	2,661,565
Net GST paid		14,880	79,273
<b>Total Cash Outflows from Operating Activities</b>		<b>2,644,226</b>	<b>2,740,838</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>139,329</b>	<b>(1,118,373)</b>
<b>Cash Inflows from Investing Activities</b>			
Interest received		125,895	123,405
Dividends received		100,793	106,387
Proceeds from disposal of property, plant and equipment		-	632,507
Diabetes Youth NZ transfer of funds		102,417	-
<b>Total Cash Inflows from Investing Activities</b>		<b>329,105</b>	<b>862,299</b>
<b>Cash Outflows from Investing Activities</b>			
Payments for purchase of property, plant, equipment and software		33,979	32,775
Net payments for purchase of investments		727,486	125,618
<b>Total Cash Outflows from Investing Activities</b>		<b>761,465</b>	<b>158,393</b>
<b>Net Cash Inflow/(Outflow) from Investing activities</b>		<b>(432,360)</b>	<b>703,906</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents held</b>		<b>(293,031)</b>	<b>(414,467)</b>
<b>Opening Cash and Cash Equivalents at 1 July</b>		<b>2,418,966</b>	<b>2,833,433</b>
<b>Closing Cash and Cash Equivalents at 30 June</b>	<b>9</b>	<b>2,125,935</b>	<b>2,418,966</b>

*This financial statement is to be read in conjunction with the accounting policies and notes to the financial statements.*

# Diabetes New Zealand Incorporated

## Notes to the Financial Statements for the year ended 30 June 2018

### 1. Reporting Entity

The reporting entity is Diabetes New Zealand Incorporated (Diabetes NZ), incorporated under the Incorporated Societies Act 1908. Diabetes NZ is a charitable organisation registered under the Charities Act 2005 on 25 October 2007, registration number CC11432.

Due to its charitable status Diabetes NZ is exempt from income tax.

Diabetes NZ consists of a National Office and 16 branches spread throughout New Zealand.

The consolidated financial statements also incorporate the Sir Ernest Davis Diabetes (Auckland) Endowment Fund and the John Nesfield Trust.

The Sir Ernest Davis Diabetes (Auckland) Endowment Fund is an endowment fund with the purpose of assisting Diabetes NZ Auckland Branch (Diabetes Auckland). Diabetes Auckland has the right to appoint 4 out of 5 of the Trustees of the Fund and therefore has control over the Fund.

The John Nesfield Trust is a charitable trust which has been set up to assist Diabetes Auckland to deal with, and manage matters relating to land and buildings which the Branch may acquire, lease or possess. Diabetes Auckland has the right to appoint 3 out of 4 of the Trustees and therefore has control over the Trust.

The financial statements for the year ended 30 June 2018 and the accompanying notes consolidate and summarise the financial results of activities carried out by Diabetes NZ and its 16 branches, and The Sir Ernest Davis Diabetes (Auckland) Endowment Fund and The John Nesfield Trust.

### 2. Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for not-for-profit entities. For the purposes of complying with NZ GAAP, Diabetes NZ is a public benefit not-for-profit entity and qualifies as a Tier 2 not-for-profit PBE on the basis it does not have public accountability and for the current and prior periods it has had between \$2m and \$30m in expenditure.

Diabetes NZ qualifies to report in accordance with Tier 2 not-for-profit PBE accounting standards and, in doing so, has taken advantage of all applicable reduced disclosure regime (RDR) disclosure concessions, except for PBE FRS 47 *First-time adoption of PBE standards by entities other than those previously applying NZ IFRS paragraphs RDR27.2 and RDR27.3*.

These financial statements have been approved and were authorised for issue by the Diabetes NZ Board on 11 October 2018.

### 3. Use of Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made in applying accounting policies that have had the most significant effects on the amounts recognised in the consolidated financial statements include the following:

#### *Exchange and Non-Exchange Transactions*

Determining whether a transaction is exchange or non-exchange in nature requires judgement about the substance of the transaction.

Management has assessed the impact of this distinction on its main revenue streams from grants, legacies, bequests and endowments, and has concluded that these are non-exchange revenue transactions. Where there is an effective obligation or requirement to repay any unspent funding at balance date this is recorded as a non-exchange liability at year end.

### 4. Basis of Measurement

These financial statements have been prepared on the basis of historical cost, except for investments in equity securities and bonds held by Diabetes Auckland, which are measured at fair value at 30 June each year.

## Diabetes New Zealand Incorporated

### Notes to the Financial Statements for the year ended 30 June 2018

#### 5. Functional and Presentational Currency

The financial statements are presented in New Zealand dollars (\$), which is Diabetes NZ's functional and presentational currency. All information presented in New Zealand dollars has been rounded to the nearest dollar.

#### 6. Basis of Consolidation – Controlled Entities

Controlled entities are entities controlled by the Group, being where the Group has power to govern the financial and operating policies of another entity so as to benefit from that entity's activities. The financial statements of the Group's controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### 7. Summary of Accounting Policies

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to both years presented in these financial statements.

##### 7.1 Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis where GST is applicable.

##### 7.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to Diabetes NZ and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

The following specific recognition criteria in relation to Diabetes NZ's revenue streams must also be met before revenue is recognised.

##### Revenue from Exchange Transactions

###### *Membership Fees*

Membership fee revenue is recognised over the 12 month membership period. Because the subscription year of each member begins on the anniversary of their joining, the membership fee revenue is apportioned over the relevant twelve month period with the unexpired portion shown as a current liability (Deferred Exchange Revenue) at year end.

###### *Sales of Goods and Services*

Revenue from the sale of goods and services in the ordinary course of activities is measured at the fair value of the consideration received, net of returns, trade discounts and rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The timing of the transfers of risks and rewards varies depending on the individual terms of sale agreement.

- For online sales of goods transfer occurs when the product is despatched from Branch premises.
- For sales that occur on Branch premises, transfer occurs at the point of sale.

###### *Magazine Subscriptions*

Revenue from annual magazine subscriptions is recognised in full on receipt.

###### *Rendering of Services*

Revenue from services rendered each month is recognised at the end of each month in which the service is provided.

## Diabetes New Zealand Incorporated

### Notes to the Financial Statements for the year ended 30 June 2018

#### **Interest Income**

Interest revenue is recognised as it accrues using the effective interest method.

#### **Dividends**

Income from dividends is recognised when Diabetes NZ's right to receive payment is established, and the amount can be reliably measured.

#### **Rental income from sub-lease of operating leases**

Rental income from sub-lease of operating leases is recognised on a straight-line basis over the term of the lease.

#### **All Other Income**

All other revenue from exchange transactions is recognised when earned and is reported in the financial year to which it relates.

#### **Revenue from Non-exchange Transactions**

Non-exchange transactions are those where Diabetes NZ receives resources (i.e. cash and other tangible or intangible items) but provides no (or nominal) direct consideration in return.

With the exception of services-in-kind, inflows of resources from non-exchange transactions are only recognised as assets where both:

- It is probable that the associated future economic benefit or service potential will flow to the Diabetes NZ Group, and
- Fair value is reliably measurable.

Inflows of resources from non-exchange transactions that are recognised as assets are recognised as non-exchange revenue, to the extent that a liability is not recognised in respect to the same inflow.

Liabilities are recognised in relation to inflows of resources from non-exchange transactions when there is a resulting present obligation as a result of the non-exchange transactions, where both:

- It is probable that an outflow of resources embodying future economic benefit or service potential will be required to settle the obligation, and
- The amount of the obligation can be reliably estimated.

The following specific recognition criteria in relation to the Group's non-exchange transaction revenue streams must also be met before revenue is recognised.

#### **Fundraising**

Diabetes NZ's fundraising activities includes public cash collections, donor letter campaigns, raffles and sponsorship. Fundraising non-exchange revenue is recognised at the point at which cash is received.

#### **Rendering of services - Ministry of Health**

Revenue provided by the Ministry of Health for the rendering of services is recognised at the end of each month in which the contracted service is provided.

#### **Grants, Donations, Legacies and Bequests**

The recognition of non-exchange revenue from grants, donations, legacies and bequests depends on the nature of any stipulations attached to the inflow of resources received, and whether this creates a liability (i.e. present obligation) rather than the recognition of revenue.

Stipulations that are 'conditions' specifically require Diabetes NZ to return the inflow of resources received if they are not utilised in the way stipulated, resulting in the recognition of a non-exchange liability that is subsequently recognised as non-exchange revenue as and when the 'conditions' are satisfied.

Stipulations that are 'restrictions' that do not specifically require Diabetes NZ to return the resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, allows the immediate recognition of non-exchange revenue.

### **7.3 Employee Benefits**

#### ***Short-term Employee Benefits***

Short-term employee benefit liabilities, such as annual leave obligations, are recognised when Diabetes NZ has a legal or constructive obligation to remunerate employees for services provided within 12 months of reporting date, and are measured on an undiscounted basis and expensed in the period in which employment services are provided.

#### ***Termination Benefits***

Termination benefits are recognised as an expense when Diabetes NZ is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if Diabetes NZ has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

### **7.4 Financial Instruments (Financial Assets and Financial Liabilities)**

Diabetes NZ has the following financial assets: cash and cash equivalents, receivables and investments including bank term deposits; and the following financial liabilities: payables and accruals.

Financial assets and financial liabilities are initially recognised when Diabetes NZ becomes a party to the contractual provisions of the financial instrument.

Diabetes NZ derecognises a financial asset when the asset matures (contractual rights to the cash flows from the asset expire), or is sold (it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred).

Diabetes NZ derecognises a financial liability, when the liability is paid or satisfied (its contractual obligations are discharged, cancelled, or expire).

Diabetes NZ classifies financial assets into the following categories: *fair value through surplus or deficit, held-to-maturity, loans and receivables and available-for-sale.*

Diabetes NZ classifies financial liabilities into the following categories: *fair value through surplus or deficit and amortised cost.*

#### ***Financial Assets***

Where Diabetes NZ has the positive intent and ability to hold debt securities to maturity then these financial assets are classified as held-to-maturity financial assets.

Held-to-maturity financial assets held by Diabetes NZ comprise bank term deposits and bonds held by the Diabetes NZ National Office. New held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest method less any impairment losses.

A financial instrument is classified as fair value through surplus or deficit if it is:

- Held-for-trading; or
- Designated to be measured at fair value at initial recognition: This applies where the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy.

Investments are designated to be measured at fair value at initial recognition. At 30 June each year investments are measured at fair value with gains and losses being recognised in surplus or deficit, except for held-to-maturity bonds held by the Diabetes NZ National Office which are valued at cost.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these assets are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise Diabetes NZ's cash and cash equivalents, short-term investments including term deposits and receivables from exchange and non-exchange transactions.

Cash and cash equivalents represent highly liquid investments that are readily converted into a known amount of cash with an insignificant risk of changes in value, with original maturities of 3 months or less. Because these assets are short term, their fair value is equivalent to their carrying amount.

**Financial Liabilities**

Diabetes NZ’s financial liabilities include trade and other creditors (excluding goods and services tax (GST) and pay as you earn (PAYE) tax and employee entitlements). The fair value of these liabilities is equivalent to their carrying amounts which are recognised through surplus or deficit. After initial recognition, these liabilities are measured at amortised cost using the effective interest method. Because these liabilities are short term, their fair value is equivalent to their carrying amount.

**Impairment of financial assets**

At 30 June each year investments are measured at fair value with gains or losses being recognised in surplus or deficit.

Other financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence that they are impaired.

*Financial assets classified as loans and receivables*

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

Impairment losses are recognised in surplus or deficit. Interest on the impaired asset continues to be recognised.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

**7.5 Inventories**

Inventory is initially measured at cost, except items acquired through non-exchange transactions which are instead measured at fair value as their deemed cost at initial recognition.

Inventories are subsequently measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle.

**7.6 Furniture, Equipment, Motor Vehicles and Software**

Items of furniture, equipment, motor vehicles and software are initially measured at cost, except those acquired through non-exchange transactions which are instead measured at fair value as their deemed cost at initial recognition.

Items of furniture, equipment, motor vehicles and software are subsequently measured under the Cost model; being cost (or deemed cost) less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

For furniture, equipment and motor vehicles, depreciation is based on the cost of an asset less its residual value. Depreciation is recognised predominately on a diminishing value basis over the estimated useful lives of each item of furniture, equipment and motor vehicle. Within branches some assets are depreciated on a straight line basis. The predominant estimated useful lives and depreciation rates and method are:

<b>Asset Class</b>	<b>Useful Life</b>	<b>Depreciation %</b>
Furniture and fittings	5 years	20% DV
Office Equipment	4-10 years	10-25% DV
Motor vehicles	5 years	20% SL and 30% DV
Computer Software	1.7 Years	50-60% DV
Other Intangibles	10 Years	10% SL

Depreciation methods, useful lives, and residual values are reviewed at reporting date and adjusted if appropriate. No changes have been made in 2018 compared to 2017.

**7.7 Operating leases**

Operating leases are not recognised in Diabetes NZ’s statement of financial position. Payments made under operating leases are recognised as an expense on a straight-line basis over the term of the lease.

**Diabetes New Zealand Incorporated**  
**Notes to the Financial Statements for the year ended 30 June 2018**

**8. Revenue from non-exchange transactions**

Grants totalling \$1,033,540 were recognised as revenue in 2018 (2017: \$955,044) comprising as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Funding Bodies</b>		
Akarana Community Trust	4,450	1,230
ANZ Bank	12,000	-
Auckland Airport Twelve Days of Christmas	-	10,000
Auckland Council	4,449	3,969
Blue Waters Community Trust	3,608	219
Community Organisation grants – Department of Internal Affairs	14,112	4,700
David Levene Trust	-	5,000
Dragon Trust	2,000	-
DV Bryant Trust	2,000	2,500
Dunedin Casino Charitable Trust	-	2,200
Elsie Mary Steele Trust	14,175	-
First Sovereign Trust Limited	7,200	-
Foundation North	20,000	20,000
Four Winds	61,250	19,963
Freemasons Foundation	25,000	4,833
Hamilton City Council	6,400	3,933
Hugh Green Foundation	100,000	100,000
Infinity Foundation	-	9,000
Invercargill Licensing Foundation	10,521	2,883
Invercargill Licensing Trust	1,352	348
JM Thompson	-	38,000
Len Reynolds Trust	-	4,000
Lois Dalley Trust	3,000	-
Milestone Foundation	-	24,005
NH Taylor Charitable Trust	18,000	-
Pelorus Trust	1,856	-
Pub Charity	150,000	194,458
Rotorua Energy Trust	3,000	9,900
Sir Ernest Davis and Ted & Mollie Carr	50,000	30,000
Sir John Logan Campbell Residual Estate	8,142	6,858
The Lion Foundation	31,674	4,522
The New Zealand Lottery Grants Board	401,562	400,000
The North and South Trust Limited	14,416	6,469
The Southern Trust	19,150	-
The Trusts Community Foundation	15,000	15,000
Trillian Trust	-	5,600
Trust Waikato	1,917	2,280
UBP Limited	5,000	5,000
Waikato WDFP Karamu Trust	2,000	-
Wel Energy Trust	-	5,000
Youthtown	5,000	-
Other grants received	15,306	13,174
<b>Total Grants</b>	<b>1,033,540</b>	<b>955,044</b>

## Notes to the Financial Statements for the year ended 30 June 2018

### 9. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

	2018	2017
	\$	\$
<b>Current Assets</b>		
Petty cash	735	930
Cash at bank	1,727,031	2,051,048
Short term investments (deposits ≤90 days)	398,169	366,988
<b>Total Cash and Cash Equivalents</b>	<b>2,125,935</b>	<b>2,418,966</b>

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

There are no restrictions over any of the cash and cash equivalent balances held by Diabetes NZ.

### 10. Receivables – exchange transactions

	2018	2017
	\$	\$
Trade receivables from exchange transactions	68,583	82,359
Accrued Interest	13,257	19,249
<b>Total Receivables – Exchange Transactions</b>	<b>81,840</b>	<b>101,608</b>

### 11. Investments

	2018	2017
	\$	\$
<b>Current Fixed Interest Investments &lt; 1 year</b>	<b>1,765,891</b>	<b>1,075,621</b>
Fixed Interest Investments > 1 year	152,134	232,041
Alternative investments Legg Mason Brandywine Global	-	81,055
Australasian Equities	279,968	282,569
NZ Equities	453,045	547,981
International Equities	468,912	259,782
NZ Property	62,727	67,040
NZ & Offshore Bonds	806,560	741,468
NZ Bonds held to maturity	203,890	203,890
Philanthropy Fund	1,669,644	1,400,154
<b>Total Non-Current Investments</b>	<b>4,096,880</b>	<b>3,815,980</b>
<b>Total Investments</b>	<b>5,862,771</b>	<b>4,891,601</b>

**Diabetes New Zealand Incorporated**  
**Notes to the Financial Statements for the year ended 30 June 2018**

**12. Property, plant and equipment**

	Plant and Equipment Cost \$	Furniture and Fittings Cost \$	Computer Equipment Cost \$	Motor Vehicles Cost \$	Total \$
<b>Cost / Valuation</b>					
Balance at 1 July 2017	480,788	197,860	30,306	121,561	830,515
Additions	5,682	1,217	-	2,000	8,899
Disposals	(142,841)	(91,778)	(4,178)	-	(238,797)
<b>Balance at 30 June 2018</b>	<b>343,629</b>	<b>107,299</b>	<b>26,128</b>	<b>123,561</b>	<b>600,617</b>
<b>Accumulated depreciation</b>					
Balance at 1 July 2017	428,361	136,579	25,894	90,420	681,254
Depreciation Expense	12,950	7,248	1,702	20,975	42,875
Eliminated on disposal	(139,469)	(90,927)	(3,998)	-	(234,394)
<b>Balance at 30 June 2018</b>	<b>301,842</b>	<b>52,900</b>	<b>23,598</b>	<b>111,395</b>	<b>489,735</b>
<b>Carrying amount at 30 June 2018</b>	<b>41,787</b>	<b>54,399</b>	<b>2,530</b>	<b>12,166</b>	<b>110,882</b>

	Plant and Equipment Cost \$	Furniture and Fittings Cost \$	Computer Equipment Cost \$	Motor Vehicles Cost \$	Total \$
<b>Cost / Valuation</b>					
Balance at 1 July 2016	450,824	198,566	27,511	147,122	824,023
Additions	29,964	-	2,811	-	32,775
Disposals	-	(706)	(16)	(25,561)	(26,283)
<b>Balance at 30 June 2017</b>	<b>480,788</b>	<b>197,860</b>	<b>30,306</b>	<b>121,561</b>	<b>830,515</b>
<b>Accumulated depreciation</b>					
Balance at 1 July 2016	402,849	128,761	23,082	79,857	634,549
Depreciation Expense	25,512	8,093	2,827	20,468	56,900
Eliminated on disposal	-	(276)	(15)	(9,905)	(10,196)
<b>Balance at 30 June 2017</b>	<b>428,361</b>	<b>136,578</b>	<b>25,894</b>	<b>90,420</b>	<b>681,253</b>
<b>Carrying amount at 30 June 2017</b>	<b>52,427</b>	<b>61,282</b>	<b>4,412</b>	<b>31,141</b>	<b>149,262</b>

**Diabetes New Zealand Incorporated**  
**Notes to the Financial Statements for the year ended 30 June 2018**

**13. Intangible Assets**

	Computer Software	Other Intangibles	Total
	\$	\$	\$
<b>Cost</b>			
Balance at 1 July 2017	40,610	1,300	41,910
Additions	25,080	-	25,080
Disposals	-	-	-
<b>Balance at 30 June 2018</b>	<b>65,690</b>	<b>1,300</b>	<b>66,990</b>
<b>Accumulated amortisation</b>			
Balance at 1 July 2017	35,615	532	36,147
Amortisation Expense	8,483	17	8,500
Eliminated on disposal	-	-	-
<b>Balance at 30 June 2018</b>	<b>44,098</b>	<b>549</b>	<b>44,647</b>
<b>Carrying amount at 30 June 2018</b>	<b>21,592</b>	<b>751</b>	<b>22,343</b>
	\$	\$	\$
<b>Cost</b>			
Balance at 1 July 2016	40,610	1,300	41,910
Additions	-	-	-
Disposals	-	-	-
<b>Balance at 30 June 2017</b>	<b>40,610</b>	<b>1,300</b>	<b>41,910</b>
<b>Accumulated amortisation</b>			
Balance at 1 July 2016	28,122	513	28,635
Amortisation Expense	7,493	19	7,512
Eliminated on disposal	-	-	-
<b>Balance at 30 June 2017</b>	<b>35,615</b>	<b>532</b>	<b>36,147</b>
<b>Carrying amount at 30 June 2017</b>	<b>4,995</b>	<b>768</b>	<b>5,763</b>

**14. Payables – Exchange Transactions**

	2018	2017
	\$	\$
Payables	35,006	23,941
Employee benefit liability	108,253	100,673
Accrued expenses	59,837	50,477
<b>Total Payables – Exchange Transactions</b>	<b>203,096</b>	<b>175,091</b>

**Diabetes New Zealand Incorporated**  
**Notes to the Financial Statements for the year ended 30 June 2018**

**15. Financial Instruments**

<b>Financial Assets and Liabilities</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
<b>Measured at fair value through surplus &amp; deficit</b>		
Investments	3,740,856	3,380,049
<b>Measured at amortised cost</b>		
<b>Loans and Receivables</b>		
Cash & cash equivalents	2,125,935	2,418,966
Receivables	81,328	101,608
<b>Investments</b>		
Held-to-maturity bonds	203,890	203,890
Bank Term Deposits > 90 days	1,918,025	1,307,662
<b>Financial Liabilities</b>		
<b>Measured at amortised cost</b>		
Payables	35,006	23,941
Accrued expenses	59,837	50,477

The fair value of all financial assets and liabilities is equivalent to the carrying value except for held-to-maturity bonds. The fair value of held-to-maturity bonds is \$205,720 (2017: \$204,043).

**Diabetes New Zealand Incorporated**  
**Notes to the Financial Statements for the year ended 30 June 2018**

**16. Non-exchange liabilities**

**Deferred non-exchange revenue**

Deferred non-exchange revenue relates to grants, donations, legacies and bequests received, to which there are stipulated conditions attached. Non-exchange revenue in relation to this balance is recognised as each stipulated condition is satisfied.

Deferred non-exchange revenue at year end awaiting utilisation in the following year comprises:

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Funding Bodies</b>		
Auckland Council	-	6,643
Blue Waters Community Trust	-	2,781
Community Organisation Grants – Department of Internal Affairs	-	4,612
First Sovereign Trust	4,920	-
Four Winds	5,000	-
Hamilton City Council	-	3,400
ILT Foundation	497	4,368
Kiwanis Charity Golf Tournament	5,000	-
Medieval Market	1,290	-
Mt Wellington Foundation Ltd	1,000	-
Norah Howell Charitable Trust	1,304	-
Pelorus Trust	144	-
Pub Charity Limited	200,000	150,000
Rangitikei District Council	-	610
Sir John Logan Campbell Residuary Estate	-	8,142
Spark Foundation	2,000	2,000
The New Zealand Lottery Grants Board	3,438	-
The Lion Foundation	9,288	4,228
The NZ-South Pacific Kiwanis	364	983
The North and South Trust Ltd	865	4,031
Trust Waikato	1,803	720
Waiapa District Council	1,430	-
<b>Total Deferred Non-exchange Revenue</b>	<b>238,343</b>	<b>192,518</b>

**Diabetes New Zealand Incorporated**  
**Notes to the Financial Statements for the year ended 30 June 2018**

**17. Capital and reserves**

***Unspent Grants Reserve***

Diabetes NZ receives funding grants with an expectation and/or understanding by the funder that the funds will be used in a particular way. Where there are no enforceable stipulations, grants will be recognised as revenue in the year received and transferred to this special purpose reserve where they are restricted for the express purpose for which they are given.

As these performance obligations are fulfilled the amount held in reserve will decrease to reflect the remaining obligations to be fulfilled. At 30 June 2018, unfulfilled obligations from grants received and held in reserve to meet those obligations totalled \$122,844 (2017: \$186,907).

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Funding Bodies</b>		
Diabetes Youth Auckland Starship Fund	704	643
Hugh Green Foundation	113,740	107,065
JM Thompson Charitable Trust	-	38,000
NH Taylor Charitable Trust	2,400	-
Onehunga Rotary	6,000	6,000
Ted and Mollie Carr Endowment Fund	-	30,199
Ted and Mollie Carr Endowment Fund & Estate of Ernest Hyam Davis	-	5,000
<b>Total Unused Grants Reserve</b>	<b>122,844</b>	<b>186,907</b>

***Sir Don Beaven Fund***

This fund was established for the purpose of promoting diabetes treatment and prevention. No distribution will be made from this fund until the capital has reached at least \$500,000.

***McLaren Fund***

This fund was established to financially assist New Zealand Youth affected by diabetes to attend sporting, academic and cultural events at a national and international level

***Grocery Charity Ball***

This fund was established to assist in the purchase of Jerry the Bear to distribute to children with Type 1 diabetes under certain criteria.

***International Diabetes Federation Fund***

This fund was established to support membership and attendance at activities associated with the International Diabetes Federation.

***Joan Nesfield Memorial (Children's Camp) Fund***

This Fund was established in 1986 as a capital fund with income earned being available to assist children to attend the annual Diabetes NZ Auckland children's camp where their family's economic circumstances would not otherwise permit and where funding is not available from other sources.

***The John Nesfield Trust Fund***

The John Nesfield Trust is a charitable trust (registration number CC49695) set up to assist Diabetes NZ Auckland to deal with, and manage matters relating to land and buildings which the branch may acquire, lease or possess from time to time.

The trustees comprise up to three trustees appointed from time to time by Diabetes NZ Auckland and one trustee appointed from time to time by Diabetes NZ.

Trustees holding office in the period 1 July 2017 to 30 June 2018 were:

<b>Trustee</b>	<b>Effective Date</b>
Timothy James Shaw (Chair)	9 April 2013 – 26 September 2017
Andrew Gordon Archer (Chair)	26 September 2017
Matthew James Roberts	10 February 2015
Rodney Desmond Slater	26 September 2017

**Diabetes New Zealand Incorporated**  
**Notes to the Financial Statements for the year ended 30 June 2018**

**Sir Ernest Davis Diabetes (Auckland) Endowment Fund**

The Sir Ernest Davis Diabetes (Auckland) Endowment Fund is a charitable trust (registration number CC38506) set up to assist Diabetes Auckland to maintain and develop support services to those affected by or at risk of developing diabetes within the greater Auckland area from time to time.

The trustees comprise up to four trustees appointed from time to time by Diabetes Auckland and one trustee appointed from time to time by New Zealand Guardian Trust Company Limited.

Trustees holding office in the period 1 July 2017 to 30 June 2018 were:

<b>Trustee</b>	<b>Effective Date</b>
Timothy James Shaw (Chair)	5 November 2013 - 26 September 2017
Anne Blackburn	12 November 2008 - 26 September 2017
Christopher John Blincoe	18 August 2009
Thane Briton Smith	10 June 2011 - 26 September 2017
Richard Grant Cutfield	30 June 2016
Andrew Gordon Archer (Chair)	26 September 2017
Rodney Desmond Slater	26 September 2017
Matthew James Roberts	26 September 2017

**Mack Estate Research Fund**

A bequest from Graeme Douglas Mack was received by Diabetes Auckland in 2015 for an amount of \$1,053,700 for the purpose of providing "research grants to suitable persons engaged in research relating to Diabetes and such grants to be made at the discretion of the Board" (Auckland Branch Committee). A further \$8,961 was received in 2017. The Fund earned \$19,361 (2017: \$23,207) during the year. One grant of \$15,000 from the 2017 round was paid in February 2018, while another grant recipient refunded \$5,383 being the unspent portion on a discontinued project. Applications for 2018 grants have not been called for.

**18. Operating leases**

**Lease of Premises – Auckland Branch, 92-94 Beachcroft Avenue, Onehunga**

On the 22 September 2014, John Nesfield Trust entered into a 4 year lease with Robert Lin Limited for premises at 92-94 Beachcroft Avenue, Onehunga being the location of Diabetes Auckland.

On 31 May 2016 with the agreement of Robert Lin Limited, the lease was transferred from John Nesfield Trust to Diabetes New Zealand.

There are two four-year right of renewals within the lease with the first renewal date being 22 September 2018. The lease is not being renewed from that date.

**Lease of Premises – National Office, 14 Murphy Street, Thorndon**

On 1 December 2012 Diabetes NZ entered into a 3 year lease with the C & T Griffiths Family Trust for premises at 14 Murphy Street, Thorndon. The lease includes two three-year rights of renewals the first of which was taken up on 1 December 2015, with the next renewal date being 1 December 2018.

**Lease of Premises – Otago Branch, 137 Frederick Street, Dunedin North**

On 1 August 2016 Diabetes NZ entered into a 6 year lease with HRJ Properties Ltd for premises at 137 Frederick Street, Dunedin. The lease includes four three-year rights of renewals with the first renewal date being 31 July 2022.

**Lease of Premises – Rotorua Branch, 1147 Pukaki Street, Rotorua**

On 28 June 2016 Diabetes NZ entered into a 3 year lease with Mervyn John & Sylvia Stewart Taylor and Sharlene Sylvia & Adrian Charles Willemson for premises at 1147 Pukaki Street, Rotorua. The lease includes two three-year rights of renewals with the first renewal date being 1 August 2019.

**Lease of Premises – Waikato Branch, 20 Palmerston Street, Hamilton**

On 13 April 2018 Diabetes NZ entered into a 1 year lease with life Unlimited Charitable Trust for premises at 20 Palmerston Street, Hamilton. The lease may be extended for a further term of a year, two months prior to the expiry date of 12 April 2019.

**Lease of Premises – Wanganui Branch, Community House, Wanganui**

On 1 June 2018 Diabetes NZ Wanganui entered into a tenancy agreement with Community House (Wanganui) Association Inc for premises at Community House, Wanganui. The tenancy agreement may be terminated in writing by either party giving three months' notice.

**Lease of multi-function device (Photocopier, printer etc.)**

Diabetes NZ has entered in to a non-cancellable operating lease on behalf of Diabetes Auckland for the lease of a multi-function device (Photocopier, printer etc.). The lease is for five years and commenced on 21<sup>st</sup> of December 2017.

**Diabetes New Zealand Incorporated**  
**Notes to the Financial Statements for the year ended 30 June 2018**

<b>Individual Lease Agreements</b>	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Auckland Branch, 92-94 Beachcroft Avenue, Onehunga</b>		
Not later than one year	24,001	94,124
Later than one year and no later than five years	-	23,531
<b>Total non-cancellable operating lease payments</b>	<b>24,001</b>	<b>117,655</b>
<b>National Office, 14 Murphy Street, Thorndon</b>		
Not later than one year	51,480	49,800
Later than one year and no later than five years	127,310	20,750
<b>Total non-cancellable operating lease payments</b>	<b>178,790</b>	<b>70,550</b>
<b>Otago Branch, 137 Frederick Street, Dunedin</b>		
Not later than one year	20,000	20,000
Later than one year and no later than five years	61,667	80,000
Later than five years	-	1,667
<b>Total non-cancellable operating lease payments</b>	<b>81,667</b>	<b>101,667</b>
<b>Rotorua Branch, 1147 Pukaki Street, Rotorua</b>		
Not later than one year	16,500	16,500
Later than one year and no later than five years	1,375	17,875
<b>Total non-cancellable operating lease payments</b>	<b>17,875</b>	<b>34,375</b>
<b>Waikato Branch, 20 Palmerston Street, Hamilton</b>		
Not later than one year	7,725	18,000
<b>Total non-cancellable operating lease payments</b>	<b>7,725</b>	<b>18,000</b>
<b>Wanganui Branch, Community House, Wanganui</b>		
Not later than one year	725	-
<b>Total non-cancellable operating lease payments</b>	<b>725</b>	<b>-</b>
<b>Multi-function device (Photocopier, printer etc.)</b>		
Not later than one year	12,936	12,873
Later than one year and no later than five years	44,198	37,730
Later than five years	-	-
<b>Total non-cancellable operating lease payments</b>	<b>57,134</b>	<b>50,603</b>
<b>Total Lease Commitments</b>	<b>2018</b>	<b>2017</b>
	\$	\$
Not later than one year	133,367	211,297
Later than one year and no later than five years	234,550	179,886
Later than five years	-	1,667
<b>Total non-cancellable operating lease payments</b>	<b>367,917</b>	<b>392,850</b>

**Diabetes New Zealand Incorporated**  
**Notes to the Financial Statements for the year ended 30 June 2018**

**19. Related party transactions**

New Zealand Guardian Trust Company Ltd is related to Diabetes NZ Auckland through the position Christopher Blincoe holds as Philanthropy Manager for Perpetual Guardian and as the New Zealand Guardian Trust Company Ltd appointee to the Board of Trustees of the Sir Ernest Davis Diabetes (Auckland) Endowment Fund. At year end \$1,669,644 was held in the Perpetual Guardian Philanthropy Fund (2017: \$1,400,154) by the Endowment Fund. During the year grant income of \$68,000 was received from the Philanthropy fund 2017: \$30,000). The Endowment Fund paid investment management fees of \$14,365 (2017: \$7,398) to the New Zealand Guardian Trust Company Ltd.

**Key management personnel remuneration**

The key management personnel, as defined in PBE IPSAS 20 Related Party Disclosures, comprise four classes:

- Diabetes NZ Board members;
- Diabetes NZ Advisory Council members; and
- Senior executive and operating officers comprising the Diabetes NZ Chief Executive, Director Corporate Services, and Director of Business Development, and Diabetes Auckland Branch Manager and Finance Manager.

The aggregate level of remuneration paid and number of persons (measured in 'people' for members of the Diabetes NZ Board, and 'full-time-equivalents' (FTE's) for senior executive and operating officers) in each class of key management personnel is presented below:

Key Management Personnel	2018 Remuneration \$	2018 Number of Individuals	2017 Remuneration \$	2017 Number of Individuals
Diabetes NZ Board members	9,750	7	8,917	6
Diabetes Advisory Council	20,850	9.8	21,816	9.1
Senior executive and operating officers	542,018	3.8	554,139	4.6

**20. Auditors Remuneration**

BDO New Zealand Ltd, Wellington provides audit services to Diabetes NZ. The total amount recognised for audit fees is \$34,722 (2017: \$39,081). No non-audit services are provided by BDO.

**21. Contingent liabilities**

At year-end, Diabetes NZ had no contingent liabilities. (2017: Nil).

**22. Contingent assets**

At year-end Diabetes NZ have no contingent assets. (2017: Nil).

**23. Events after the reporting date**

The management of Diabetes Auckland have found new premises and will recommend a satisfactory lease to be entered in to by Diabetes NZ Incorporated once the terms of the lease are settled.

There are no other events to report after balance date. (2017: Nil)

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF DIABETES NEW ZEALAND INCORPORATED**

**Qualified Opinion**

We have audited the financial statements of Diabetes New Zealand Incorporated (“the Society”) and its subsidiaries (together, “the Group”), which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (“PBE Standards RDR”) issued by the New Zealand Accounting Standards Board.

**Basis for Qualified Opinion**

Control over Other Fundraising from the Public income prior to being recorded is limited, and there are no practical audit procedures to determine the effect of this limited control. Consequently, we were unable to determine whether any adjustments should be made to the reported amounts for this income stream.

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 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 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 qualified opinion.

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

**Board’s Responsibilities for the Financial Statements**

The Board is responsible on behalf of the Group for the preparation and fair presentation of the financial statements in accordance with PBE Standards RDR, and for such internal control as the Board 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 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 Board 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 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board 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.

#### Who we Report to

This report is made solely to the Society's Members, as a body. 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 Society and the Society's Members, as a body, for our audit work, for this report or for the opinions we have formed.

*BDO Wellington Audit Limited*

BDO Wellington Audit Limited  
Wellington  
New Zealand  
15 October 2018