PACIFIC CATASTROPHE RISK INSURANCE COMPANY
ANNUAL REPORT
For the period from the date of incorporation (10 June 2016) to 30 June 2017

Contents | **Page**

PACIFIC CATASTROPHE RISK INSURANCE COMPANY
DIRECTORY
For the period from the date of incorporation (10 June 2016) to 30 June 2017

Board of Directors:

Lesley Katoa	10 June 2016
Garth Henderson	10 June 2016

Auditor:
KPMG
18 Viaduct Harbour Avenue
Auckland
New Zealand

Banker:
ANZ Banking Group Limited
Maire Nui Drive, Avarua
Rarotonga
Cook Islands

Registered Office:
Asiaciti Trust Pacific Limited
Bermuda House
Tutakimoa Road
Avarua
Rarotonga
Cook Islands

Postal Address:
Bermuda House
Tutakimoa Road
Avarua
Rarotonga
Cook Islands

Shareholder:

Pacific Catastrophe Risk Insurance Foundation	One ordinary share

PACIFIC CATASTROPHE RISK INSURANCE COMPANY
DIRECTORS' REPORT
For the period from the date of incorporation (10 June 2016) to 30 June 2017

Results
The net profit after tax for the period from the date of incorporation (10 June 2016) to 30 June 2017 is $6,552,543.

Grant Income
The Company received Grant Income from the World Bank Multi-Donor Trust Fund equal to US$ 6.5 million. The income received was for two purposes, $6 million was received to assist the company with the capital required to support the Season 5 insurance programme, and $0.5 million was received to fund the first establishment and operational expenses of the Company. This income is key to the establishment of the Company and its future sustainability and also forms a part of the wider Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI). The Grant Income received is accordance with the PCRAFI Multi-Donor Trust Fund Agreement.

Disclosures of Interests by Directors
There have been no transactions in which Directors have had an interest.

Auditor
The Auditor, KPMG New Zealand has been appointed and continues in office in accordance with Section 19 of the Captive Insurance Act 2013.

General
This is the first period of operations. There has been no change in the main activities of the Company during the period.

The Directors consider the state of the Company's affairs to be satisfactory.

For and on behalf of the Board of Directors

Lesley Katoa
Resident Director
29 November 2017

Garth Henderson
Interim Director
29 November 2017

PACIFIC CATASTROPHE RISK INSURANCE COMPANY
DIRECTORS' RESPONSIBILITY STATEMENT
For the period from the date of incorporation (10 June 2016) to 30 June 2017

The Directors are pleased to present the financial statements of Pacific Catastrophe Risk Insurance Limited for the period ended 30 June 2017 on pages 4 to 14.

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Company as at 30 June 2017 and the results of its operations and cash flows for the period ended 30 June 2017.

The Directors consider that the financial statements of the Company have been prepared using accounting policies appropriate to the Company circumstances, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable New Zealand PBE Accounting Standards have been followed.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

For and on behalf of the Directors

Lesley Katoa
Resident Director

Garth Henderson
Interim Director

PACIFIC CATASTROPHE RISK INSURANCE COMPANY
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES
For the period from the date of incorporation (10 June 2016) to 30 June 2017

	NOTE	2017
		US$
Gross written premium		230,000
Less unearned premium		(78,137)
Premium income		151,863
Reinsurance Premiums		-
Outwards reinsurance expense		-
Net premium income		151,863
Claims expense		-
Net claims incurred		-
Net underwriting profit		**151,863**
Revenue from non-exchange transactions	7	6,500,000
Interest income		7,620
Auditor's remuneration	6	(25,625)
Management fee expense		(64,000)
Directors' fees		-
Other expenses		(17,315)
SURPLUS FOR THE PERIOD		6,552,543
TOTAL COMPREHENSIVE REVENUE AND EXPENSES		6,552,543

The notes to the financial statements on pages 8 to 14 form part of and should be read in conjunction with this statement.

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PACIFIC CATASTROPHE RISK INSURANCE COMPANY
STATEMENT OF CHANGES IN EQUITY
For the period from the date of incorporation (10 June 2016) to 30 June 2017

	Share Capital US$	Retained Earnings US$	Total US$
Balance at 10 June 2016	-	-	-
Capital issued on 14 October 2016	100,000	-	**100,000**
Surplus for the period	-	6,552,543	**6,552,543**
Other comprehensive revenue and expenses for the period	-	-	-
Total comprehensive revenue and expenses for the period	-	6,552,543	**6,552,543**
Balance at 30 June 2017	100,000	6,552,543	**6,652,543**

The notes to the financial statements on pages 8 to 14 form part of and should be read in conjunction with this statement.

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PACIFIC CATASTROPHE RISK INSURANCE COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	NOTE	2017 US$
EQUITY		
Share capital	3	100,000
Retained Earnings		6,552,543
TOTAL EQUITY		6,652,543
Represented By:		
CURRENT ASSETS		
Cash and cash equivalents		6,880,509
Other receivable		526
Deferred licence fee		2,270
TOTAL CURRENT ASSETS		6,883,305
TOTAL ASSETS		6,883,305
CURRENT LIABILITIES		
Payables	9	152,625
Claim payables		-
Unearned premium reserve		78,137
TOTAL CURRENT LIABILITIES		230,762
NET ASSETS		6,652,543

The notes to the financial statements on pages 8 to 14 form part of and should be read in conjunction with this statement.

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PACIFIC CATASTROPHE RISK INSURANCE COMPANY
STATEMENT OF CASH FLOWS
For the period from the date of incorporation (10 June 2016) to 30 June 2017

	NOTE	2017 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from insurance contracts		230,000
		230,000
Cash was disbursed to:		
Claims paid		-
Payments to suppliers		(56,585)
Reinsurance premiums		-
		(56,585)
NET CASH INFLOW FROM OPERATING ACTIVITIES		173,415
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Interest received		7,094
		7,094
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		7,094
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Share capital		100,000
Cook Islands Ministry of Finance		100,000
Receipts from revenue from non-exchange transactions	7	6,500,000
		6,700,000
NET CASH INFLOW FROM FINANCING ACTIVITIES		6,700,000
NET INCREASE IN NET CASH		6,880,509
Cash and cash equivalents at the beginning of the period		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		6,880,509
Represented by:		
Bank balance		6,880,509

The notes to the financial statements on pages 8 to 14 form part of and should be read in conjunction with this statement.

1 REPORTING ENTITY

Pacific Catastrophe Risk Insurance Company (PCRIC / the Company) is a body constituted in the Cook Islands under the Pacific Catastrophe Risk Insurance Facility Act 2016. The Pacific Catastrophe Risk Insurance Foundation (the Foundation) is the sole shareholder of PCRIC. The purpose of the Company is to undertake captive insurance business within the meaning of the Captive Insurance Act 2013. The primary objective of the Company is to provide services for the benefit of the Pacific Island Countries rather than to make a financial return. The Company is a Public Benefit Entity (PBE) for financial reporting purposes. These financial statements for the Company are for the period ended 30 June 2017 and were authorised for issue by the Board on 29 November 2017.

Basis of Financial Statement Preparation

Statement of Compliance

The financial statements have been prepared on a going concern basis.

These financial statements have been prepared in accordance with the New Zealand Generally Accepted Accounting Practice (NZ GAAP). The management has elected to prepare these financial statements in accordance with Tier 1 PBE accounting standards. The financial statements comply with PBE accounting standards for Tier 1 not-for-profit public benefit entities.

The period covered by the financial statements is from the date of incorporation on 10 June 2016 up to 30 June 2017. As this is the first period of trading for PCRIC there are no comparative balances.

The financial statements are presented in United States dollars, rounded to the nearest dollar, being the functional currency.

The financial statements have been prepared on the historical cost basis unless otherwise stated. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Standards issued and not yet effective and not early adopted

PBE IFRS 9 Financial Instruments replaces the existing guidance in PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

PBE IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2021, with early adoption permitted. Based on management's initial impact assessment of this Standard, this Standard is not expected to have a material impact on the Company's financial statements.

Summary of Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements. Significant accounting policies that do not relate to a specific note are outlined below:

Income Tax

The Company is exempt from income tax in accordance with the Pacific Catastrophe Risk Insurance Facility Act 2016. Accordingly, no provision has been made for income tax.

1 REPORTING ENTITY (continued)

Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with PBE IPSAS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are also reviewed on an ongoing bases and any changes to the estimates are recognised in the period in which they are revised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank and deposits on call, with an original maturity of three months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

2 BASIS OF FINANCIAL STATEMENT PRESENTATION

(a) **Revenue Recognition**

Premium Income

Premium income is recognised by reference to the pattern of risk and the proportion of the policy period covered by the premium that is completed at balance date. The adequacy of the unearned premium liability is assessed by considering the current estimates of the present value of the expected cash flows relating to future claims arising from the rights and obligations under current insurance contracts against the unearned premium liability.

Interest

Interest revenue is recognised in profit or loss using the effective interest method.

Revenue from non-exchange transactions

Where a physical asset in acquired for no cost or nominal cost, the fair value of the asset received is recognised as revenue only when the Company has control of the asset. Refer Note 7 for further details on revenue from non-exchange transactions.

(b) **Outwards Reinsurance**

Premiums ceded to reinsurers are recognised as an expense in accordance with the incidence of risk and pattern of reinsurance service received.

(c) **Claims Expense and Outstanding Claims**

Claims paid are treated as an expense. Provision is made for the estimated cost of all claims notified but not settled at balance date and claims incurred but not yet reported within 40 business days after the date of occurrence of the applicable catastrophe event, that may affect the pattern of unreported claims. During the period ended 30 June 2017, there were no claims reported for which a provision may be required.

(d) **Reinsurance and Other Recoveries Receivable**

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and claims incurred but not reported are assessed in a manner similar to the assessment of outstanding claims.

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2 BASIS OF FINANCIAL STATEMENT PRESENTATION (continued)

(e) Assets Backing General Insurance Liabilities

The assets are assessed under PBE IFRS 4 Insurance Contracts to be assets that are held to back general insurance liabilities.

These financial assets are designated as fair value through surplus or deficit. Initial recognition is at fair value in the statement of financial position with any fair value gains or losses recognised in the statement of comprehensive income.

Loans and other receivables are initially recognised at fair value, being the amount due. Debts which are known to be uncollectible, are written off.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the loans and other receivables.

(f) Other Payables

Other payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Payables are recognised at amortised cost.

(g) Statement of Cash Flows

For the purposes of the statement of cash flows, cash and cash equivalents include bank balances net of outstanding bank overdrafts.

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

Operating activities are the principal revenue producing activities of the Company and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company.

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	2017 US$
3. SHARE CAPITAL	
One ordinary share	100,000

All ordinary shares are fully paid, have equal voting rights and share equally in dividends and net assets on winding up. The shares have no par value.

4. CREDIT RATING

The Company does not have, has not sought and is not required to have a credit rating. The Company is exempted from this requirement as the Company does not insure any third party risks.

5. INSURANCE CONTRACTS - RISK MANAGEMENT POLICIES AND PROCEDURES

The Company was issued with a licence under the Captive Insurance Act 2013 on 10 June 2016.

The financial condition and operation of the Company is affected by a number of key risks including insurance risk, interest rate risk, market risk, compliance risk and operational risk. The Company's policies and procedures in respect of managing insurance risk are set out in this note.

Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Company has an objective to control insurance risk thus minimising substantial unexpected losses that would expose the Company to an adverse financial capital loss.

The Board of the Company has developed, implemented and maintained policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board reviews these systems.

Key aspects of the processes established to mitigate risks include:

- The maintenance and use of management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Models, using information from the management information systems, are used to calculate premiums and monitor claims patterns. Past experience is used as part of the process.
- The management of assets and liabilities is closely monitored to attempt to match the maturity dates of assets with the expected pattern of claims.
- The mix of assets in which we invest is driven by the nature and term of insurance.
- The diversification over separate geographical areas seeks to reduce variability in loss experience.

Insurance Risk

Insurance exposures are managed by the Company through:

- The ability to review insurance contracts in place and in particular adjust future premium rates.
- Concentration risk is mitigated as a result of geographical spread of Pacific Island countries. These counties include Cook Islands, Republic of Marshall Islands, Samoa, Tonga and Vanuatu.

The gross exposure of the Company is US$ 4,033,822.

6. AUDITOR'S REMUNERATION	US$
- Audit of financial statements	20,500
- Agreed upon procedures engagement on utilisation of grant	5,125
Total	**25,625**

7. REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are those where the Company receives value from another entity without giving approximately equal value in exchange. The Company receives non-exchange transactions by way of grant funding under the Multi-Donor Trust Fund Agreement entered into with International Bank for Reconstruction and Development, and International Development Association.

Recognition of non-exchange revenue from grants depends on whether the grant comes with any stipulations imposed on the use of a transferred asset.

Stipulations that are 'conditions' specifically require the Company to return the inflow of resources received if they are not used in the way stipulated, and therefore do not result in the recognition of a non-exchange revenue as and when the 'conditions' are satisfied.

Stipulations that are 'restrictions' do not specifically require the Company to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue on receipt.

	2017 US$
MDTF Grant	6,000,000
MDTF Operational Expense Grant	500,000
Revenue from non-exchange transactions	**6,500,000**

8. RISK MANAGEMENT

(a) Capital Management

The Company's capital includes share capital and retained earnings. The Company's policy is to maintain a strong capital base so as to maintain shareholder, creditor and policyholder confidence and to sustain the future development of the business.

Solvency Requirements under the Captive Insurance Act 2013

When managing capital, the Directors' objective is to ensure the Company continues as a going concern, at the same time meeting regulatory obligations in regard to minimum capital requirements.

The Directors monitor the capital structure of the Company in light of economic factors and regulatory requirements, with a view of making adjustments where necessary.

The Company, as a captive insurer, is required to maintain sufficient capital to meet solvency requirements in accordance with the Captive Insurance Act 2013, Captive Insurance Regulations 2013 and related regulations (collectively, "the Act"). The methodology and bases for determining the solvency requirements are in accordance with the requirements of the Act.

Under the Act, the Company is required to maintain minimum prescribed capital and surplus requirements of NZ$100,000.

	2017 US$
Actual solvency capital	6,652,543
Minimum solvency capital (expressed in USD equivalent of NZD $100,000)	73,212
Solvency margin	6,579,331
Solvency margin ratio	90.87

(b) Financial Risk Management Objectives

The Company's activities expose it primarily to interest rate and credit risk.

(c) Interest Rate Risk Management

The Company is exposed to interest rate risk is limited to term deposits included in the cash and cash equivalents balance. Management monitors the level of interest rates on an ongoing basis.

At balance date financial assets are subject to interest rate risk as follows:

	2017	Interest Rate Review Period
Term deposits (within cash and cash equivalents)	0.63%	Weekly

8. RISK MANAGEMENT (continued)

(d) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Financial instruments which potentially subject the Company to credit risk principally consist of cash and cash equivalents and term deposits (investments) held with counterparty banks. The Company maintains these balances with counterparty bank having a credit rating of AA- from Standard & Poors, and does not anticipate a default from the counterparty bank.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

(e) Liquidity Risk Management

The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The maturity profile of financial instruments is disclosed in Note 9.

(f) Categories of Financial Instruments

Financial assets:	2017
Assets at fair value through revenue and surplus	US$
- Cash and cash equivalent (Level 2)	6,880,509
Loans and receivables	
- Other receivables (Level 2)	526
Total financial assets	**6,881,035**

Financial liabilities	
Other financial liabilities	
- Payables (Level 2)	152,625
- Unearned premium liabilities (Level 2)	78,137
Total financial liabilities	**230,762**

The Company considers that the carrying amount of financial assets and liabilities in the financial statements approximates their fair value.

(g) Sensitivity Analysis

In managing interest rate risk the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on profit and equity.

9. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The following tables detail the Company's remaining contractual maturity for its financial instruments. The tables have been drawn up based on the undiscounted cash flows of financial instruments based on the earliest date on which the Company can be required to pay/receive. The table includes both interest and principal cash flows.

2017	Up to 1 month US$	1 month up to 12 months US$	Over one year US$	Total US$
Financial Assets				
- Cash and Cash equivalents	6,880,509	-	-	6,880,509
- Other receivables	526	-	-	526
	6,881,035	-	-	6,881,035
Financial Liabilities				
- Unearned Premiums	-	(78,137)	-	(78,137)
- Audit fee payable	(25,625)	-	-	(25,625)
- Management fee payable	(16,000)	-	-	(16,000)
- Recruitment fee payable	(11,000)	-	-	(11,000)
- Cook Islands Ministry of Finance	(100,000)	-	-	(100,000)
	(152,625)	(78,137)	-	(230,762)

10. LIABILITY ADEQUACY TEST

Liability Adequacy test is performed to determine whether the unearned premium liability as at the balance sheet date is sufficient to cover the present value of the expected cash flows arising from rights and obligations under current insurance contracts. The future cash flows are the future claims, associated claims handling costs, and any administrative costs.

The Liability Adequacy Test identified a surplus at period ended 30 June 2017.

11. NET CASH GENERATED BY OPERATING ACTIVITIES

Reconciliation of profit for the period to net cash generated by operating activities:	2017 US$
Profit for the year	6,552,543
Less revenue from non-exchange transactions	(6,500,000)
Less interest received on Term Deposit	(7,094)
Changes in net assets and liabilities:	
Other receivables	(526)
Deferred licence fee	(2,270)
Payables	52,625
Unearned premium reserve	78,137
Net cash generated by operating activities	**173,415**

12. RELATED PARTY TRANSACTIONS AND BALANCES

The parent of the Company is Pacific Catastrophe Risk Insurance Foundation, which is also the sole shareholder.

Due to the ability of the World Bank to control the financial and operational decisions of the Company, the World Bank is a related party of the Company.

During the period ended 30 June 2017, grants amounting to US$ 6,500,000 were received by the Company from the World Bank, representing related party transactions.

There were no balances owing to / from related parties as at 30 June 2017.

13. EVENTS OCCURRING AFTER BALANCE DATE

Subsequent to the balance date, the Company has received the following additional revenue from non-exchange transactions:

- US$6,130,085 was received on 7 November 2017 from the Department for Investment Development
- US$12,000,000 was received on 15 November 2017

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Independent Auditor's Report

To the Shareholder of Pacific Catastrophe Risk Insurance Company

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Pacific Catastrophe Risk Insurance Company (the "Company") on pages 4 to 14:

i. give a true and fair view, in all material respects, of the Company's financial position as at 30 June 2017 and its financial performance and cash flows for the period from the date of incorporation (10 June 2016) to 30 June 2017; and

ii. comply with Public Benefit Entity Standards (Not For Profit).

We have audited the accompanying financial statements which comprise:

— the statement of financial position as at 30 June 2017;

— the statements of comprehensive revenue and expenses, changes in equity and cash flows for the period from the date of incorporation (10 June 2016) to 30 June 2017; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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 Company in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the Company in relation to reporting on the utilisation of grants received by the Company. Subject to certain restrictions, partners and employees of our firm may also deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. These matters have not impaired our independence as auditor of the Company. The firm has no other relationship with, or interest in, the Company.

Other information

The Directors, on behalf of the Company, are responsible for the other information included in the entity's Annual Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent 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 shareholder as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Report on other legal and regulatory requirements

In accordance with the requirements of Regulations 13(2) and 13(3) of the Captive Insurance Regulations 2013, we report that the financial statements are prepared in accordance with the provisions of Section 18 of the Captive Insurance Act 2013, and Regulation 12 of the Captive Insurance Regulation 2013.

Responsibilities of the Directors for the financial statements

The Directors, on behalf of the Company, are responsible for:

— the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Not For Profit));

— implementing necessary internal control to enable the preparation of a set of financial statements that is free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

— 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 independent 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. They 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 these financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/

This description forms part of our independent auditor's report.

KPMG

KPMG
Auckland
30 November 2017