homes of choice

Annual Report 2020

Contents

Chair report

Firstly, the Board would like to acknowledge and thank the previous Chair, Peter Alexander, who resigned in October 2019. Peter was dedicated to Homes of Choice and guided the organisation through the formative and initial stages during the past five years. We certainly appreciate all his hard work to ensure the business is strong and effective in its purpose.

We would also like to acknowledge and thank Ian Redshaw, who resigned as Director of Homes of Choice in October 2019. His understanding of the property market greatly assisted Homes of Choices during his tenure.

In November 2019, I accepted the role of Chair and would like to take this opportunity to welcome Brian Donnelly who joined the Board at the same time. Brian brings to the table many years of experience in the community and social housing sector, talent that Homes of Choice will benefit from.

We would also like to take this opportunity to thank Colin Theyers and Sean Stowers for remaining on the Board to provide background context, along with their enthusiasm for the work of Homes of Choice to provide accommodation to some of the most disadvantaged in our communities.

As we turned the page into 2020, the world began to experience the impact of a global pandemic, last written into the history books some 100 years past. These have been very challenging times for Homes of Choice as we reset to a new way of working, and a new way of supporting whānau and their loved ones. We continue to find our new normal in these uncertain times, flexing and moving as best we can to ensure the portfolio of homes become fit for purpose.

Much to the disbelief of New Zealand economists, the residential property market has thrived this year and values continue to increase. This trend has a profound impact on affordable housing which, in turn, impacts the ability of people with disabilities and their whānau to purchase suitable homes in communities that are close to public amenities and in areas that are safe. Unfortunately, funding remains a challenge and there also remains increasing demand being placed on Homes of Choice as a community housing provider, which then means New Zealand's most in need continue to be significantly disadvantaged – especially those living in Auckland.

Much of this year has been spent revising our strategy and objectives. While we initially intended to focus on the next five years, the impact of COVID-19 has necessitated a refinement to the next 12-18 months, as New Zealand (and the world) comes to terms with the shifting economic sands, the impact this may have on whānau we support and the property market, including the contractors we engage across our portfolio.

To this end, the Board has agreed that we will review our entire portfolio of homes to ensure they are all completely suitable to support our customers. We therefore need to assess and, where required, reconfigure our homes to better meet both existing and additional needs with our commitment to ensure Spectrum Care and their clients will continue to be accommodated in housing.

Our portfolio does need to be fit for purpose. Therefore, this may mean that some of the homes will be vacated and sold or lease contracts terminated. Rest assured homes will remain available for our customers.

Over the past five years, Homes of Choice has poured $4 million into our portfolio to complete deferred repairs and maintenance of our homes. This work now nears completion and we thank Spectrum Care Trust Board for their financial contribution of $1 million. We've also invested $1 million over the past two years into fire and safety system installations and upgrades.

In the coming months, Homes of Choice will implement programmes to house people better by constructing a small number of new homes based on design principles that meet the needs of disabled people. These are exciting times. A notable achievement has been the completion of some infill housing projects to support people who are seeking more independent living. A further notable achievement we are proud of is the specialist housing programme to deliver homes where people require more individual attention.

Our Vision of 'Great homes enabling choice and affordability for people with disabilities' remains.

Our strategy for the next three-to-five years will be based on gathering accurate data of the need that is in front of us and rolling this into annualised plans. To enable this, Homes of Choice will need to consider the amount and type of funding it requires. Considerations relating to location, accessibility, indoor amenity and outdoor environments for our homes will need to be thoroughly scrutinised to ensure our future portfolio meets the requirements of the changing needs of the people we support. Our homes need to demonstrate they are a 'place to call home' having a friendly, warm and welcoming environment.

While our portfolio is presently either owned by Homes of Choice or leased from third-party owners, we're making a strategic commitment to explore different ownership constructs that empower and enfranchise the people we support, including assisted ownership, private ownership or other forms of home ownership where we place our people at the centre of what we are delivering.

In closing, I'd like to thank the Homes of Choice Board members and management team for their dedication towards ensuring Homes of Choice thrives in these uncertain and challenging times. This support has been very much appreciated.

Louise Ward
Chair Homes of Choice Board of Directors

Our five-year focus

House people better

- Develop and implement five-year property plan
- Benchmark housing portfolio to agreed 'fit for purpose' standard
- Replace/Redesign/Repurpose/Redevelop according to outcomes of benchmarking process
- Develop future housing to agreed 'fit for purpose' standard to meet strategic needs of our partners and stakeholders

House more people

- Prioritise and complete current developments
- Increase focus on infill development opportunities for alternate living options
- Develop wider range of Supported and Independent Living options
- Identify and scope Auckland-based 'hub and spoke' development opportunities
- Build regional market presence and identify residential development opportunities

Grow and diversify

- Actively explore development/redevelopment, subdivision and investment opportunities on existing titles
- Identify opportunities for commercial expansion
- Identify and scope partnership opportunities and shared home ownership models
- Explore philanthropic and other funding opportunities, including shared ownership and investment models

General Manager's report

Over the past year, Homes of Choice has focused significant effort on the completion of deferred repairs and maintenance, with $4 million invested into our portfolio over a five-year work programme. This is now nearing completion and complements a $1 million investment over the past two years into fire and safety system installations and upgrades.

Key among our achievements over the past year is the continued development and delivery of infill projects that increase opportunities for independent living and specialised housing for people requiring higher levels of support. The last phase of our planned construction for FY2019-20 was delivered and occupied just two days before the alert Level Four pandemic 'lockdown' began on 25 March.

It is noteworthy that the completion of our deferred maintenance programme and these infill developments have contributed significantly towards our financial sustainability goals by increasing Homes of Choice Return on Investment to our parent body, Spectrum Care Trust Board.

Another important milestone achieved in FY2019-20 – despite the complexities of the alert Level Three restrictions – was the development and delivery of a purpose-built respite home in Hutt City, Wellington, which now provides 'planned break' support options for more than 40 people and whānau.

These achievements notwithstanding, COVID-19 has undeniably delayed some of our planned portfolio maintenance. To address this, Homes of Choice has prioritised a programme of work focused on ensuring we comply with the proposed changes to the Residential Tenancies Act and Healthy Homes Standards, primarily in relation to insulation and efficient heating.

To this end, we undertook an independent insulation audit of our property portfolio and completed all required upgrades to ensure full compliance. An upgrade and replacement programme was also undertaken to replace electric heating with heat pumps in all main living areas across our residential portfolio. This programme was 90 per cent complete as at 30 June.

Engagement and consultation with the people we support remains a key focus, and Spectrum Care's Advisory Team (aka the 'A Team') of people with lived experience of disability play a key role in ensuring our objectives remain aligned with those of our customers. Over the past year, the A Team has been pivotal in facilitating a customer survey programme to help us identify housing preferences. This customer feedback will form a key pillar of our 2020-23 strategic planning process.

Reflecting sentiment across the social housing sector, rising values and increasing demand for affordable housing continue to profoundly impact the ability of people with disabilities and their whānau to purchase suitable homes.

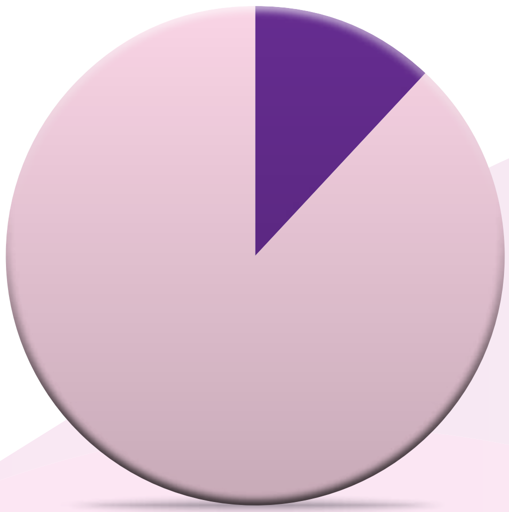
As a result, Homes of Choice remains steadfast in its commitment to finding a way together to support freedom, choice and independence for people and whānau, and delivering our Vision of 'Great homes enabling choice and affordability for people with disabilities.'

Peter Sanders
General Manager Homes of Choice

Financial overview

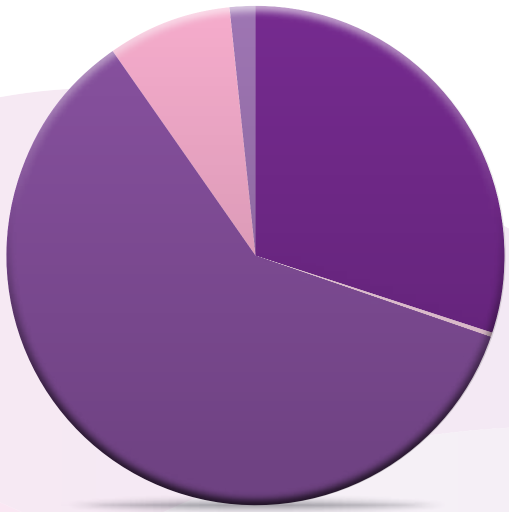
Expenditure

	$000	%
Employee costs	481	12
Supplies	3,566	88
Total expenditure	4,047	100



Breakdown of Supplies

	$000	%
Administration	1,053	30
Transport	17	1
Property repairs and maintenance	2,156	60
Utilities, rates, rent	298	8
Depreciation	42	1
Total supplies	3,566	100



This financial information has not been audited. It is a summary of financial information extracted from full audited financial statements starting on page 11.

Corporate information

Directors

L Ward Chair (Commenced 1st November 2019)
B Donnelly (Commenced 1st November 2019)
C D Theyers
S Stowers
P Alexander Chair (resigned 22nd October 2019)
I Redshaw (resigned 22nd October 2019)

Registered Office

270 Neilson Street
Onehunga
Auckland 1061
New Zealand

Principal place of business

270 Neilson Street
Onehunga
Auckland 1061
New Zealand
Phone: +64 9 634 3790

Bankers

BNZ
Auckland Store
80 Queen Street
Auckland 1010
New Zealand

Kiwibank
151 Victoria Street West
Auckland 1010
New Zealand

Auditor

Grant Thornton New Zealand Audit Partnership
152 Fanshawe Street
Auckland 1010
New Zealand

Directors

The names and details of Homes of Choice Directors in office during the financial period and until the date of this report are as follows. Trustees were in office for this entire period unless otherwise stated.

Louise Ward BBS

Commenced 1 November 2019

Louise was appointed as the Homes of Choice Board Chair in 2019 and brings with her over 30 years of business and management experience.

She currently holds governance roles in housing, infrastructure and property focused organisations, including Care Group Limited, Te Tumu Kianga and Ormiston Health Properties Limited.

Louise previously consulted and chaired major housing projects for Housing New Zealand (now Kainga Ora), and led the conceptual feasibility for significant infrastructure in East Cape on behalf of Ngati Porou Holding Company.

Her focus is on financial acumen, relationship management and innovative thinking. Louise is of Ngati Porou descent and places importance on Māori values.

Brian Donnelly

Commenced 1 November 2019

Brian joined the Homes of Choice board in 2019 and has extensive governance knowledge and experience in commercial business property asset management and development.

He is a current member of the New Zealand Property Institute and has been the Board Chair on several housing and property management boards, as well as similar board level positions for ministerial advisory groups.

Brian has a wide range of board experience balancing commercial drivers, business efficiencies and social deliverables .

Colin Theyers CA, GDip (Finance), FInstD

Colin joined the Homes of Choice Board in June 2014.

A professional director and business strategist, Colin sits on eight other boards in professional services, property, finance, investment and logistic companies.

Colin is also a Trustee of Spectrum Care Trust Board and is currently Chair of the Finance and Audit Committee.

Sean Stowers

Sean has been an active contributor to the disability support sector for more than 25 years, in a variety of roles primarily focused on the strategic and operational management of support delivery.

Since joining the Homes of Choice Board of Trustees in 2018, Sean has sought to build on the strong, person-focused foundation upon which the organisation is based, and ensuring people with disabilities and their families have access to housing options that enable choice and affordability.

Sean is a Chartered Member of the Institute of Directors, current Chair of the New Zealand Disability Support Network and current Chief Executive of Spectrum Care.

Peter Alexander BPA, FRICS – Chair

Resigned 22 October 2019

Peter has over 25 years' experience in investment management, including property investment and development in New Zealand and overseas.

Peter is a director of HLC Limited (a subsidiary of HCNZ) and a trustee of the Dilworth Trust Board.

Peter has had a number of senior executive roles in New Zealand property including CEO of Stride Property Group (formerly DNZ Property Fund), a NZX listed property investor, developer and investment manager with portfolios of commercial office, retail and industrial properties.

Prior to this, Peter held senior management roles with Auckland International Airport, Property for Industry, AMP Capital and Goodman. He is a former Board member of Auckland City Council's Property Enterprise Board and a former Chair of the Auckland Branch of the Property Council of New Zealand.

Ian Redshaw BCom (VPM)

Resigned 22 October 2019

Ian has spent over 25 years within the property industry, holding a wide variety of senior management roles during this time.

Currently Ian is an owner and director of Building Compliance Group Limited. He is also Managing Director of AKLD Investments and a Director and owner of both Plastic Rotational Moulding Company and Martinborough Coastal Developments.

Ian is currently the Chairman of the Bledisloe Royston Trust (part of the Royal NZ Foundation of the Blind) and, in 2014, was appointed Chairman of the Board. He is also Chairman of the Staples Education Foundation.

Ian is a member of the Institute of Directors.

Financial Statements

Statement of Comprehensive Revenue and Expenses

For the year ended 30 June 2020

	Notes	2020 $000	2019 $000
Revenue from exchange transactions			
Rental income		3,541	3,373
Other service income		1,591	1,411
Interest revenue		-	77
Revenue		5,132	4,861
Cost of service provided	12	(2,725)	(2,668)
Operating Surplus		2,407	2,193
Loss on revaluation of buildings		-	(293)
Depreciation		(42)	(120)
Administrative expenses	13	(784)	(651)
Finance expenses		(496)	(510)
Total expenses		(1,322)	(1,574)
Surplus for the year		1,085	619
Other comprehensive revenue and expenses			
Gain/(loss) on revaluation of land and buildings		-	(1,253)
Total comprehensive revenue and expenses for the year		1,085	(634)
Attributable to the owners of the controlling entity		1,085	(634)

The above statement of comprehensive revenue and expenses should be read in conjunction with the accompanying notes.

Statement of Changes in Net Assets

For the year ended 30 June 2020

	Share Capital $000	Retained earnings $000	Revaluation reserve $000	Total Equity $000
Balance as at 1 July 2019	45,000	8,294	1,022	54,316
Surplus for the year	-	-	1,085	1,085
Other comprehensive revenue and expenses	-	-	-	-
Total comprehensive revenue and expenses for the year	-	-	1,085	1,085
Derecognition of property revaluation on sale	-	(139)	139	-
Balance as at 30 June 2020	45,000	8,155	2,246	55,401
Balance as at 1 July 2018	45,000	9,602	348	54,950
Surplus for the year	-	-	619	619
Other comprehensive revenue and expenses	-	(1,253)	-	(1,253)
Total comprehensive revenue and expenses for the year	-	(1,253)	619	(634)
Derecognition of property revaluation on sale	-	(55)	55	-
Balance as at 30 June 2019	45,000	8,294	1,022	54,316

The above statement of changes in net assets should be read in conjunction with the accompanying notes

Statement of Financial Position

As at 30 June 2020

	Note	2020 $000	2019 $000
ASSETS			
Current assets			
Cash and cash equivalents		7	1,015
Receivables from exchange transactions	5	449	447
GST receivable		42	42
Related party receivables		-	1,800
Other assets		66	8
Total current assets		564	3,312
Non-current assets			
Property, plant and equipment	6	70,481	68,961
TOTAL ASSETS		71,045	72,273
LIABILITIES			
Current liabilities			
Trade and other payables	7	565	2,870
PAYE payable		10	8
Provisions		1	1
Employee entitlements	8	68	78
Current Loan		-	15,000
Total current liabilities		644	17,957
Non-current liabilities			
Non-current loan		15,000	-
Total non-current liabilities		15,000	-
TOTAL LIABILITIES		15,644	17,957
NET ASSETS		55,401	54,316
EQUITY			
Share capital	10	45,000	45,000
Revaluation Reserve		8,155	8,294
Accumulated surplus		2,246	1,022
TOTAL EQUITY		55,401	54,316

The above statement of financial position should be read in conjunction with the accompanying notes.

For and on behalf of the Board, who authorised the issue of these financial statements on 26 August 2020.

Louise Ward
Board Chair

Colin Theyers
Director

Cash Flow Statement

For the year ended 30 June 2020

	Note	2020 $000	2019 $000
Cash flows from operating activities			
Receipts from rental and other services (inclusive of GST)		5,125	4,888
Payments to suppliers and employees (inclusive of GST)		(3,742)	(3,164)
Interest (Paid)/Received		(496)	78
Net cash flows from/(used in) operating activities	11	887	1,802
Cash flows from investing activities			
Sale of property, plant and equipment		824	535
Purchase of property, plant and equipment		(2,363)	(4,002)
Investment in term deposits		-	500
Net cash flows from/(used in) investing activities		(1,539)	(2,967)
Cash flows from financing activities			
Cash receipts to/from parent company		1,800	1,700
Repayment of accrued interest		(2,156)	-
Net cash flows from/(used in) financing activities		(356)	1,700
Net increase/(decrease) in cash during the year		(1,008)	535
Cash balances at beginning of year		1,015	480
Cash balances at end of year		7	1,015

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2020

1. General information

The reporting entity is Homes of Choice Limited (herein referred to as "Homes of Choice" or "the Company"). It is a public benefit entity and domiciled in New Zealand. It is a wholly owned subsidiary of Spectrum Care Trust Board (the "Trust") and was established to manage and grow the Trust's residential housing portfolio, providing quality housing options for people with disabilities.

This document contains the financial statements of Homes of Choice as a stand-alone entity. Homes of Choice was registered as an independent limited liability company on 10 April 2014 and with the Charities Commission under the Charities Act 2005 in 2014. Homes of Choice commenced its operations 1 April 2015 during which the assets were transferred from the Trust and accordingly shares were issued. These financial statements are for the year ended 30 June 2020. Comparative information presented is for the year ending 30 June 2019.

These financial statements were authorised for issue by the Board of Directors on 26 August 2020.

2. Summary of significant accounting policies

A) Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and the Financial Reporting Act 2013. They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") 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, Homes of Choice is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it does not have public accountability.

The Board has elected 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 the requirements set out on PBE IPSAS 30 Financial Instruments: Disclosures.

B) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for land and buildings which have been measured at fair value. Whilst preparing these financial statements, management have also made an assessment of the entity's ability to continue as a going concern.

C) Functional and presentational currency

The financial statements are presented in New Zealand dollars which is the Company's functional currency. All values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

D) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash. These are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

E) Investments

Investments comprise term deposits which have a term of greater than three months and therefore do not fall into the category of cash and cash equivalents. Investments are held with registered trading banks and are classified as current assets if they have maturities of less than one year from reporting date. Those with maturities greater than 12 months after the reporting date are classified as non-current assets. After initial recognition, investments are measured at amortised cost using the effective interest method less impairment.

F) Property, plant and equipment

Plant and equipment is measured at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Land and buildings are carried at revalued amounts which are the fair values at the date of the revaluation. The fair value of land and buildings is estimated using the revaluation process on a two yearly basis with the last revaluation performed in March 2019. Land and buildings are generally not depreciated as the residual value of property is expected to be higher than the current carrying value. Building improvements are depreciated.

Fair value is determined with reference to market based evidence, which is the amount for which the assets could be exchanged between a willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

Any revaluation gain/(deficit) is recognised in Other Comprehensive Revenue and Expense and credited/(debited) to the asset revaluation reserve in equity to the extent of the revaluation reserve balance accumulated from previous year gains. When no revaluation reserve balance is available to offset a revaluation loss the revaluation deficit is reported in the surplus or deficit for the reporting period.

Revaluation surplus and deficit are offset for assets within the same class of asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is reclassified to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

> Land – zero-rated
> Buildings – depreciation is zero-rated as the future residual value of property is not expected to be less than carrying value
> Building improvements – costs are presented together with the revalued buildings and are depreciated at three to ten years
> Plant and equipment – three to four years.

Depreciation is charged at rates calculated to allocate the cost of the asset less any estimated residual value. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date, and are adjusted if there is a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset.

De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

G) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Revenue and Expenses on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Homes of Choice earns rental income from its property portfolio that it directly leases to Spectrum Care Trust Group at market rate. Rental income is recognized on a straight-line basis over the term of the lease.

H) Impairment

Assets are checked for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Homes of Choice revalues its properties every two years to fair value and monitors its plant and equipment for indications of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

I) Trade and other payables

Trade and other payables are carried at amortised cost however due to their short term nature they are not discounted. They represent liabilities for goods and services provided to Homes of Choice prior to the end of the financial year that are unpaid and arise when Homes of Choice becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

J) Interest-bearing loans and borrowings

All interest bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

K) Employee entitlements

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

L) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised:

Rental revenue

Rental revenue arising from rental of premises is accounted for on a straight-line basis over the lease term.

Interest revenue

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

Service revenue

Service revenue is recognised in the period when the company provides the services. These services include property management, repairs & maintenance recharges and service level agreement charges.

M) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

> when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

> receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the IRD is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the IRD.

N) Financial instruments

Financial assets and financial liabilities are recognised when Homes of Choice becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through surplus or deficit, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated as hedging instruments are classified into the following categories upon initial recognition:

> financial assets at fair value through surplus or deficit
> loans and receivables
> held to maturity investments
> available for sale assets

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income. The Company's financial assets include loans and receivables.

All financial assets except for those at fair value through surplus or deficit are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables: are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Homes of Choice's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

Financial liabilities

Homes of Choice financial liabilities include trade and other payables and interest-bearing loans and borrowings.

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

O) Income tax

Homes of Choice is a registered charity and is exempt from income tax.

P) Operating expenses

Operating expenses are recognised in the Statement of Comprehensive Revenue and Expenses upon utilisation of the service or at the date of their origin.

Q) Cash flow Statement

The Cash Flow Statement has been prepared using the direct approach. Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Operating activities included are the principal revenue-producing activities of Homes of Choice 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 equity and borrowings of Homes of Choice.

R) Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that Homes of Choice can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

S) Equity

Accumulated surplus include all current and prior period retained surplus/ (deficit).

Gains and losses due to the revaluation of property, plant and equipment are accounted for in the revaluation reserve account within equity.

3. Financial risk management objectives and policies

Homes of Choice's principal financial instruments comprise receivables, payables, cash and short-term deposits and interest bearing borrowings.

Primary responsibility for identification and control of financial risks rests with the General Manager under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including interest rate risk and future cash flow forecast projections.

The carrying amounts of financial instruments presented in the Statement of Financial Position relate to the following categories of assets and liabilities:

2020	Weighted Average Effective Interest Rate %	0-6 Months $000	7-12 Months $000	1-2 Years $000	3-5 Years $000	5+ Years $000	Total Carrying Amount
Financial assets (loans and receivables)							
Cash and cash equivalents	0.00	7	-	-	-	-	7
Related party receivable	0.00	-	-	-	-	-	-
Trade and other receivables	0.00	449	-	-	-	-	449
		456	-	-	-	-	456
Financial liabilities (at amortised cost)							
Parent company loan	3.30	-	-	15,000	-	-	15,000
Trade and other payables	0.00	565	-	-	-	-	565
		565	-	15,000	-	-	15,565

2019	Weighted Average Effective Interest Rate %	0-6 Months $000	7-12 Months $000	1-2 Years $000	3-5 Years $000	5+ Years $000	Total Carrying Amount
Financial assets (loans and receivables)							
Cash and cash equivalents	0.00	1,015	-	-	-	-	1,015
Related party receivable	0.00	1,800	-	-	-	-	1,800
Trade and other receivables	0.00	447	-	-	-	-	447
		3,262	-	-	-	-	3,262
Financial liabilities (at amortised cost)							
Parent company loan	3.40	-	15,000	-	-	-	15,000
Trade and other payables	0.00	2,869	-	-	-	-	2,869
		2,869	15,000	-	-	-	17,869

Interest rate risk

Interest rate risk is not material as Homes of Choice's cash and cash equivalents as well as the investments are all held at market rates. Reasonable changes in interest rates do not result in material exposure to interest income or expense.

Credit risk

Credit risk arises from the financial assets of Homes of Choice, which comprise cash and cash equivalents, short term investments and trade and other receivables. Homes of Choice's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at the reporting date is addressed in each applicable note. Homes of Choice trades only with New Zealand registered banks that have a Standard and Poor rating of A or better, as published by the Reserve Bank of New Zealand and as such collateral is not requested.

In addition, receivable balances are monitored on an on-going basis with the result that Homes of Choice exposure to bad debts is not significant. Management considers that all financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. The majority of the receivables are from the Parent who is in good financial condition.

Maximum credit risk	2020 $000	2019 $000
Financial assets and other credit expenses		
Cash and cash equivalents	7	1,015
Trade and other receivables		
Not more than 3 months	449	447
More than 3 months but not more than 6 months	-	-
Related party receivable	-	1,800

Concentration risk

There is a significant concentration of credit risk with respect to receivables of which the majority is owed by Homes of Choice parent company, Spectrum Care Trust Board. Receivables from Spectrum Care Trust Board as at 30 June 2020 are $439,731 (2019: $2,241,819).

Liquidity risk

Homes of Choice objectives are to maintain a balance between continuity of operations from internal cash reserves and rental earned from Spectrum Care Trust. The actual cash flows will include interest based on the contractual interest rates applicable to each financial asset/liability. The interest earned is compounded to the principal upon maturity for renewal. The interest expenses are recognised in the surplus or deficit.

The risk implied from the values reflects a balanced view of cash inflows and outflows. The Board continuously monitors and reviews the investment position and is in the process of formally extending the length of the parent company loan to ensure Home of Choice is able to continue to operate as a standalone subsidiary of Spectrum Care Trust Board.

2020	0-6 Months $000	7-12 Months $000	1-2 Years $000	3-5 Years $000	5+ Years $000	Total Gross Amount $000	Total Carrying Amount $000
Financial assets (loans and receivables)							
Cash and cash equivalents	7	-	-	-	-	7	7
Related party receivable	-	-	-	-	-	-	-
Trade and other receivables	449	-	-	-	-	449	449
	456	-	-	-	-	456	456
Financial liabilities (at amortised cost)							
Parent company loan	-	-	15,000	-	-	15,000	15,000
Trade and other payables	565	-	-	-	-	565	565
	565	-	15,000	-	-	15,565	15,565

2019	0-6 Months $000	7-12 Months $000	1-2 Years $000	3-5 Years $000	5+ Years $000	Total Gross Amount $000	Total Carrying Amount $000
Financial assets (loans and receivables)							
Cash and cash equivalents	1,015	-	-	-	-	1,015	1,015
Related party receivable	1,800	-	-	-	-	1,800	1,800
Trade and other receivables	447	-	-	-	-	447	447
	3,262	-	-	-	-	3,262	3,262
Financial liabilities (at amortised cost)							
Parent company loan	-	15,000	-	-	-	15,000	15,000
Trade and other payables	2,869	-	-	-	-	2,869	2,869
	2,869	15,000	-	-	-	17,869	17,869

Fair value risk

2020	Loans and Receivables $000	Other Amortised Cost $000	Total Carrying Amount $000	Fair Value $000
Financial assets				
Cash and cash equivalents	7	-	7	7
Related party payable	-	-	-	-
Trade and other receivables	449	-	449	449
	456	-	456	456
Financial Liabilities				
Parent company loan	-	15,000	15,000	15,000
Trade and other payables	-	565	565	565
	-	15,565	15,565	15,565

2019	Loans and Receivables $000	Other Amortised Cost $000	Total Carrying Amount $000	Fair Value $000
Financial assets				
Cash and cash equivalents	1,015	-	1,015	1,015
Related party payable	1,800	-	1,800	1,800
Trade and other receivables	447	-	447	447
	3,262	-	3,262	3,262
Financial Liabilities				
Parent company loan	-	15,000	15,000	15,000
Trade and other payables	-	2,869	2,869	2,869
	-	17,869	17,869	17,869

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial assets and financial liabilities reflected in the tables above.

Cash and cash equivalents/trade and other receivables

Due to their relatively short term nature, the carrying amounts of these items are considered a reasonable approximation of fair value.

Trade and other payables

Due to their relatively short term nature, the carrying amounts of these items are considered a reasonable approximation of fair value.

Loans and borrowings

Loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the loans and borrowings. After initial recognition loans and borrowings are subsequently measured at amortised cost using the effective interest method.

The Spectrum Board in collaboration with the Homes of Choice Board will revisit the interest rate on the loan on a regular basis and if necessary it will be adjusted accordingly to ensure it reflects the market rate for loans that have comparable terms.

4. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires Management and the Board of Directors to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions, and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Significant accounting judgements

Impairment of non-financial assets

Homes of Choice assesses impairments of its non-financial assets on a regular basis by evaluating conditions specific to its use in terms of age, safety and efficiency. The performance of plant and equipment is monitored for operating efficiency and effectiveness and upgraded or replaced as appropriate. Houses are subject to a schedule of maintenance and upgrades to meet safety and building standards and resident's outcomes and goals.

Estimation of useful lives of assets

The estimate of the useful lives of assets has been based on historical experience. In addition, the retention of the assets is regularly assessed against the remaining useful life, cost of on-going maintenance and replacement. Adjustments to useful lives are made when considered necessary.

Fair Value of Land and Buildings

The land and buildings are measured at fair value for financial reporting purposes. In March 2019 the company engaged with third party qualified valuers to perform the valuation. The fair value of the assets were determined using either the market approach or the income approach, both of which uses market-observable data for similar properties adjusted to recognise specific circumstances surrounding the properties ie date of sale, size, location, quality, condition, and marketability among other factors, which requires judgement and estimates. Further information on the valuation of land and buildings are disclosed on Note 6. It is the judgement of the Directors that the revaluation of property is performed with sufficient regularity to ensure carrying values of property do not differ materially from a fair value undertaken at reporting date.

5. Receivables from exchange transactions

	Notes	2020 $000	2019 $000
Intercompany receivable	15	440	433
Other receivable		9	14
		449	447

Allowance for impairment loss

Receivables from exchange transactions balance, does not contain impaired assets.

6. Property, plant and equipment

2020	Freehold Land $000	Freehold Buildings $000	Plant and equipment $000	Total $000
At 1 July 2019 net of accumulated depreciation	45,026	23,785	150	68,961
Additions	396	1,967	-	2,363
Disposals	(470)	(233)	(180)	(883)
Revaluations	-	-	-	-
Depreciation on disposal	-	-	82	82
Depreciation charge for the year	-	-	(42)	(42)
At 30 June 2020 net of accumulated depreciation	44,952	25,519	10	70,481
At 30 June 2020				
Cost or fair value	44,952	25,519	466	70,937
Held for sale	-	-	-	-
Accumulated depreciation	-	-	(456)	(456)
Net carrying amount after revaluation	44,952	25,519	10	70,481

2019	Freehold Land $000	Freehold Buildings $000	Plant and equipment $000	Total $000
At 1 July 2018 net of accumulated depreciation	44,308	22,526	265	67,099
Additions	636	3,366	5	4,007
Disposals	(186)	(293)	-	(479)
Revaluations	268	(1,814)	-	(1,546)
Depreciation on disposal	-	-	-	-
Depreciation charge for the year	-	-	(120)	(120)
At 30 June 2019 net of accumulated depreciation	45,026	23,785	150	68,961
At 30 June 2019				
Cost or fair value	45,026	23,785	646	69,457
Accumulated depreciation	-	-	(496)	(496)
Net carrying amount after revaluation	45,026	23,785	150	68,961

*The Group engaged Prendos New Zealand Limited, an accredited independent valuer to determine the fair value of all freehold land and building. The last revaluation was performed in March 2019 and is the most recent revaluation of the land and buildings.

Asset transfer to Homes of Choice

On 1 April 2015 assets amounting to around $60 million, consisting mainly of residential land and buildings were transferred from Spectrum Care to Homes of Choice. In exchange for the assets, Homes of Choice issued 100 per cent of its share capital and recognised a non-current loan from the Spectrum Care for $15 million. The assets were transferred at their fair values at transfer date.

7. Trade and other payables

	2020 $000	2019 $000
Trade payables	214	88
Intercompany payables	30	30
Intercompany interest payable	-	2,156
Other payables	321	595
	565	2,870

8. Employee entitlements

	2020 $000	2019 $000
ACC levy	4	9
Accrued salaries and wages	13	10
Annual leave	49	57
Other	2	2
	68	78

9. Loan

In the previous year, the loan was treated as a current liability as it was initially offered for a term of five years commencing 1 April 2015 and expired within a year from 30 June 2019. During the current reporting year the loan has been extended (until 30 April 2022). It will only be called upon agreement of both parties, making it non current liability, as at 30 June 2020. The loan earns interest of 3.30% (2019: 3.40%) and is reviewed periodically.

10. Equity

Capital management

Homes of Choice's capital is made up of Share Capital and its Retained Earnings. When managing capital, the Board and Management's objective is to ensure the entity continues as a going concern as well as to maintain optimal benefits for its stakeholders. The Board and Management monitor capital through the gearing ratio (total liability/equity) and working capital ratio. There are no externally imposed financial covenants or other such requirements.

Homes of Choice's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Homes of Choice uses annual cash flow to fund its activities and achieve its annual objectives. Any surplus cash flow may be carried over to the next year to facilitate future activities.

The Company's share capital consists of 100 issued and fully paid ordinary shares at $450,000 per share.

	2020	2019
Beginning of the year	100	100
Share issue	-	-
Total shares authorised at 30 June	100	100

11. Statement of cash flows reconciliation

	2020 $000	2019 $000
Reconciliation of net surplus to net cash flows from operations		
Surplus for the period	1,085	619
Adjustments for:		
Depreciation	42	120
Net (gain)/loss on disposal of property, plant and equipment	(22)	(70)
Loss on revaluations	-	293
Provision for long term maintenance	-	(148)
Related Party Interest	-	510
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(8)	105
(Decrease)/increase in trade and other payables	(210)	373
Net cash from operating activities	887	1,802

12. Cost of service provided

	2020 $000	2019 $000
Occupancy expenses	2,244	2,189
Staff expenses	481	479
	2,725	2,668

13. Administrative expenses

	2020 $000	2019 $000
Management services	324	324
Consultants	51	13
Recruitment	17	-
Marketing expense	7	9
Loss on disposal of fixed asset	7	-
Other expenses	378	305
	784	651

16. Operating leases

As at 30 June 2020 Homes of Choice was leasing 85 (2019: 89) of its residential properties to Spectrum Care Trust Board. The agreed rental income is $252,013 (2019: $249,419) per month. Homes of Choice also has agreements to lease six (2019: four) residential properties from external parties. Five of these leases do not have a fixed maturity date and are on a periodic basis on a one month's notice for termination. The total amount the Company expects to pay each year for these leases is $174,200 (2019: $85,800). The future minimum lease amounts include the rental expense expected to be paid for the five properties on periodic lease as the Company expects to be leasing the properties on a continuing basis at least for the next twelve months after balance date. The remaining lease is for a fixed term expiring on 1 July 2023.

Future minimum lease expense is shown below:

	2020 $000	2019 $000
Less than one year	205	117
Between one and two years	31	31
Between two and five years	31	62
More than five years	–	–
Total minimum lease payments	267	210

15. Related party transactions

Homes of Choice is a wholly owned entity of Spectrum Care Trust Board. At 30 June 2020, the remaining payable to the Trust amounts to $30,179 (2019: $30,008). The remaining receivable from the Trust amounts to $439,731 ($432,896).

The Trust is the Company's major source of revenue. Total rental revenue during the period amounted to $3,063,368 (2019: $3,089,421). Total receivable in relation to the above arrangement at 30 June 2020 amounted to $252,012 (2019: $249,419).

A Service Level Agreement exists between the two entities for administrative services provided by the Trust to Homes of Choice for which a monthly fee of $27,000 (2019: $27,000) was agreed. Total expense during the period in relation to this agreement is $324,000 (2019: $324,000). There is an outstanding payable in relation to this at year end of $27,000 (2019: $27,000) as it is paid a month in arrears.

A Service Level Agreement also exists between the two entities for administrative services and property service provided by Homes of Choice to the Trust, a monthly fee of $63,371 (2019: $62,309) is charged, total for the year $760,453 (2019: $747,708). There is an outstanding receivable in relation to this at year end of $57,988 (2019: $63,418) as it is paid a month in arrears.

In the past, cash transfers were made to Spectrum Care for investment purposes. During the year, this balance has been repaid leaving a nil balance outstanding (2019: $1,800,000).

During the year Home of Choice managed repairs for the Trust. For the year this amounted to $895,812 (2019: $713,437). The Trust provided a lawn mowing service to Homes of Choice and the costs of this were $19,380 (2019: $20,938).

A loan amounting to $15,000,000 (2019: $15,000,000) was obtained by the Company from the Trust in April 2015 (Note 9). Interest for this loan was $496,356 (2019: $510,000).Homes of Choice and Spectrum Care Trust have one Director in common on their Board of Trustees (2019: one). Spectrum Care Trust made no payments to the Directors during the year (2019: nil) on behalf of Homes of Choice.

Compensation to Key Management Personnel in the form of short term employee benefits totalled $223,742 (2019: $225,362). Key Management Personnel is comprised of four Directors and one General Manager (2019: five).

16. Events after the reporting period

There were no events subsequent to the reporting period that would materially affect the financial statements (2019: nil).

17. Auditor's remuneration

	2020 $000	2019 $000
Amounts paid or payable to Grant Thornton New Zealand Audit Partnership for:		
Audit of the financial statements	23	23
	23	23

18. Contingent Liabilities and Contingent Assets

There are no contingent assets and liabilities as at 30 June 2020 (2019: nil).

19. Capital Commitments

During the year the Group entered into several construction contracts with unrelated parties. Due to COVID 19 lockdown and the subsequent delays, there is work still to be completed on some of these contracts. As at 30 June 2020, total capital commitments are $202,000 (2019: $160,060).

20. COVID-19 impact

Since 30th June 2020, the spread of COVID-19 has continued to severely impact many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

In April 2020, Ministry of Health (MOH) announced a change to their payment scheduling to support providers during COVID-19. This scheme, known as Surety of Funding, was put in place to ease the burden of invoicing, processing and payments for all parties. The amount to be paid was based on the amount MOH paid providers in February 2020, pro-rated up to 30 or 31 days. This is paid in the first third of the month of activity (not to usual payment terms), with the aim of providing an easing of cash flow pressures and to ensure trained staff were retained during the 8 week lock down period. In the vast majority of cases, these staff were re-deployed to other essential services within Spectrum Care. This regime is forecasted to remain in operation until 30 September 2020, where it will then be reviewed by MOH as to the risk New Zealand is facing around on-going COVID-19 cases.

As a wholly owned subsidiary of Spectrum Care Trust Board and the major provider of rental properties to Spectrum Care, Homes of Choice was also protected by financial support that Surety of Funding offered.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 30 June 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods. Note: this disclosure assumes there is no significant doubt about the entity's ability to continue as a going concern.

Independent auditor's report

To the Shareholder of Homes of Choice Limited.

Report on the Audit of the Financial Statements.

GrantThornton

Opinion

We have audited the financial statements of Homes of Choice Limited ("Entity") on pages 11 to 37 which comprise the Statement of Financial Position as at 30 June 2020, and the Statement of Comprehensive Revenue and Expenses, Statement of Changes in Net Assets and Cash Flow Statement 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 present fairly, in all material respects, the financial position of Homes of Choice Limited as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with Public Benefit International Sector Accounting Standards (Not For Profit) Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. 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 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Other information

The Directors are responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Directors' responsibilities for the Financial Statements

The Directors' are responsible on behalf of Homes of Choice Limited for the preparation and fair presentation of these financial statements in accordance with Public Benefit entity International Sector Accounting Standards (Not for Profit) Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are 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 Directors' either intend 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 (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 the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurancepractitioners/auditors-responsibilities/audit-report-8/

Restriction on use of our report

This report is made solely to the Entity's shareholders, as a collective body. Our audit work has been undertaken so that we might state to the Entity's shareholders, as a collective body 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 Entity and the Entity's shareholders, as a collective body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton

Grant Thornton New Zealand Audit Partnership
Auckland, New Zealand
26 August 2020

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