

STELLAR INVESTMENT GROUP
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 17 FEBRUARY 2017

Stellar Investment Group
Financial Statements
For the period ended 17 February 2017

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Stellar Investment Group

Directory

For the period ended 17 February 2017

Nature of Business	Commercial Property Investment
Address	33-35 Vickery Street, Te Rapa Hamilton
Proportionate Ownership Units	16 Units
Property Manager	Property Managers Limited PO Box 2034 Tauranga
Accountant	Sharon Dresner Tauranga
Auditors	Staples Rodway Audit Limited PO Box 743 Tauranga
Solicitors	Cooney Lees Morgan PO Box 143 Tauranga
Bankers	ASB Tauranga Branch
IRD Number	83-893-591

Stellar Investment Group
Statement of Comprehensive Income
For the period ended 17 February 2017

	Note	17/02/2017	2016
		\$	\$
Revenue			
Rental income		1,054,211	1,179,590
Recovered Expenses		74,274	95,291
		<u>1,128,485</u>	<u>1,274,881</u>
Expenses			
Repairs & Maintenance		31,805	13,685
Accountancy Fees		3,000	890
Auditors Remuneration		9,500	3,500
AGM Expenses		619	348
Compliance Costs		646	2,348
Consultancy Fees		168	-
General Expenses		183	-
Health & Safety Expenses		600	-
Legal Expenses		519	-
Property Management		48,328	58,979
Rates		74,274	95,004
Valuation Expenses		6,905	2,335
Warrant of Fitness		157	-
Bank Fees		58	23
Interest - Loan ASB		76,092	108,096
		<u>252,855</u>	<u>285,207</u>
Net operating income		875,630	989,674
Interest Received		813	2,008
Depreciation	3	(190,342)	(94,409)
Net profit/(loss)		686,101	897,272
Other comprehensive income		-	-
Total comprehensive income		<u>686,101</u>	<u>897,272</u>

These financial statements should be read in conjunction with the notes on pages 7 to 14.



Stellar Investment Group
Statement of Changes in Equity
For the period ended 17 February 2017

	Note	Specified Participatory Securities \$	Current Accounts \$	Total Equity \$
Equity as at 1 April 2015		8,391,056	(1,666,399)	6,724,657
Total comprehensive income		0	897,272	897,272
Gain on sale of assets		0	101,717	101,717
Less distribution to investors		0	(762,263)	(762,263)
		0	236,726	236,726
Equity as at 31 March 2016	2	8,391,056	(1,429,672)	6,961,384
Equity as at 1 April 2016		8,391,056	(1,429,672)	6,961,384
Total comprehensive income		0	686,101	686,101
Less distribution to investors		(8,391,056)	743,571	(7,647,485)
		(8,391,056)	1,429,672	(6,961,384)
Equity as at 17 February 2017	2	0	0	0

These financial statements should be read in conjunction with the notes on pages 7 to 14.



Stellar Investment Group
Statement of Financial Position
As at 17 February 2017

	Note	17/02/2017	2016
		\$	\$
Current Assets			
Cash and cash equivalents		-	165,535
Trade and other receivables		-	-
		<u>-</u>	<u>165,535</u>
Non-Current Assets			
Investment property	3	-	8,663,248
		<u>-</u>	<u>8,663,248</u>
Total Assets		<u>-</u>	<u>8,828,782</u>
Current Liabilities			
Trade and other payables		-	57,569
Accrued Interest - Loan		-	7,973
Current Portion - Loan	4	-	225,043
		<u>-</u>	<u>290,584</u>
Non-Current Liabilities			
Borrowings - ASB	4	-	1,576,814
		<u>-</u>	<u>1,576,814</u>
Total Liabilities		<u>-</u>	<u>1,867,398</u>
Equity	2	-	6,961,384
Total Liabilities and Equity		<u>-</u>	<u>8,828,782</u>

These financial statements have been issued for and on behalf of the Investment Group by:

..... Director, Property Managers Limited

..... Director, Property Managers Limited

20 June 2017

These financial statements should be read in conjunction with the notes on pages 7 to 14.



Stellar Investment Group
Statement of Cash flows
For the period ended 17 February 2017

	Note	17/02/2017 \$	2016 \$
<u>Cash flows from operating activities</u>			
Cash was provided from:			
Receipts from Tenants		1,128,485	1,300,109
GST		(14,191)	2,086
Interest Received		813	2,008
		<u>1,115,107</u>	<u>1,304,203</u>
Cash was applied to:			
Payments to suppliers		(189,715)	(281,633)
Interest Paid		(76,093)	(108,096)
		<u>(265,808)</u>	<u>(389,729)</u>
Net cash inflow/(outflow) from operating activities		849,300	914,473
<u>Cash flows from financing activities</u>			
Cash was applied to:			
Term Loan		(203,419)	(205,163)
Distributions to Investors		(811,416)	(659,899)
		<u>(1,014,835)</u>	<u>(865,062)</u>
Net cash inflow/(outflow) from financing activities		(1,014,835)	(865,062)
Net increase/(decrease) in cash and cash equivalents held		(165,535)	49,411
Add opening cash and cash equivalents balance		<u>165,535</u>	<u>116,124</u>
Cash and cash equivalents balance at end of year		(0)	165,535
<u>Reconciliation of Net Profit</u>			
Net Profit/(Loss) After Taxation		686,101	897,272
<i>Add/(Less): Non Cash Items</i>			
Depreciation Expense		190,342	94,409
Gain on sale of assets		0	(101,717)
<i>Add/(less) movements in other working capital items:</i>			
Decrease/(increase) in accounts receivable		0	29,012
Increase/(decrease) in accounts payable		(5,726)	14
Increase/(decrease) in accrued interest		(7,973)	(2,817)
Increase/(decrease) in GST payable		(13,444)	(1,700)
		<u>849,300</u>	<u>914,473</u>
Net cash flow from operating activities		849,300	914,473

These financial statements should be read in conjunction with the notes on pages 7 to 14.



Stellar Investment Group

Notes to the Financial Statements

For the period ended 17 February 2017

1. Statement of Accounting Policies

Reporting Entity

These are the financial statements of the Stellar Investment Group, a scheme registered under the Securities Act (Real Property Proportionate Ownership Schemes) Exemption Notice 2002. This exemption notice expired on 1 October 2012. The scheme is an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

The nature of the scheme's business is commercial property investment.

The financial statements were authorised for issue by the Managers on 20 June 2017. Once issued the Managers do not have the power to amend these financial statements.

Basis of Preparation

These financial statements comply with generally accepted accounting practice in New Zealand ("NZ GAAP"). For the purposes of complying with NZ GAAP, the Stellar Investment Group is a for-profit entity. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards ("IFRS").

The financial statements are presented in New Zealand dollars, which is the scheme's functional currency, and are rounded to the nearest whole dollar.

The financial statements are not entirely comparable due to the property being transferred to a new proportionate share scheme on the 17th of February 2017, with the revenue and expenses reported for the period to this date when the investment activity ceased.

Going Concern

The financial statements were not prepared on a going concern basis. The investment property, assets and liabilities owned by the Scheme were transferred to a new proportionate share scheme on the 17th of February 2017.

These are the final accounts for the investment group as the group has been wound up.



Stellar Investment Group

Notes to the Financial Statements

For the period ended 17 February 2017

1. Statement of Accounting Policies continued

Summary of Significant Accounting Policies

The following significant accounting policies have been applied to the comparative period which was prepared on a going concern basis:

a) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the scheme and that the revenue can be reliably measured. The principal sources of revenue are operating lease income, recovered expenses and interest.

Operating lease income (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the lease.

Recovered expenses are recognised on an accrual basis as the expenses are invoiced to tenants.

Interest income is recognised on a time-proportion basis using the effective interest method.

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities on the statement of financial position.

c) Financial Assets

At balance date all of the Scheme's financial assets are classified as loans and receivables.

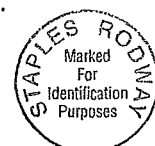
Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Individual debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Scheme will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered objective evidence of impairment.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the reversal is recognised in profit or loss. Subsequent recoveries of amounts written off are recognised in profit or loss.



Stellar Investment Group

Notes to the Financial Statements

For the period ended 17 February 2017

1. Statement of Accounting Policies continued

d) Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Out of the money derivatives are classified as financial liabilities at fair value through profit or loss. They are carried at fair value and changes in fair value are recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including trade payables and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial liability.

Derecognition of financial liabilities

The scheme derecognises financial liabilities when, and only when, the scheme's obligations are discharged, cancelled or they expire.

e) Goods and Services Tax (GST)

All amounts are shown exclusive of GST, except for receivables and payables, which are stated inclusive of GST.

f) Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is recognised initially at cost. Subsequent to initial recognition, it is carried at cost less, where applicable, any accumulated depreciation and any accumulated impairment losses.

The depreciable amount of all investment property assets are depreciated over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Where material parts of an item of Investment property have different useful lives, they are accounted for as separate items of Investment property.

The depreciation rates used for each class of assets are:

<i>Class of fixed asset</i>	<i>Depreciation basis</i>	
Investment Property	2% - 3.60%	Straight Line or
	18% - 20%	Diminishing Value

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal and is calculated as the difference between the proceeds of sale and the carrying value of the item.

Stellar Investment Group

Notes to the Financial Statements

For the period ended 17 February 2017

1. Statement of Accounting Policies continued

g) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

h) Taxation

No account has been taken for income tax under the scheme as each subscriber will be assessed individually on their proportional share of rent and any other distribution from the scheme. Subscribers will be individually responsible for the payment of their taxes.

i) Statement of Cash Flows

The following terms are used in the Statement of Cash Flows:

- Operating activities are the principal revenue producing activities of the scheme 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; and
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the scheme.

j) Critical Accounting Estimates, Assumptions and Judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the scheme's accounting policies.

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 reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Due to the assets and liabilities of the Group having been transferred to a Share Proportionate Ownership Scheme and the financial statements being prepared to the date of wind up there are no critical estimates or judgements required to be made by management.

Stellar Investment Group

Notes to the Financial Statements

For the period ended 17 February 2017

2. Equity

The scheme has issued specified participatory securities in a proportionate ownership scheme in accordance with the Securities Act (Real Property Proportionate Ownership Schemes) Exemption Notice 2002. This exemption notice expired on 1 October 2012. The scheme comprises 16 titles of \$524,441 each, all fully paid. Each title confers upon the holder a proportionate share in the investment property; equal rights and obligations in respect of entitlements to income and capital of the scheme and one vote in respect of matters on which subscribers are entitled to vote, in accordance with the terms of the Terms and Conditions of Ownership.

Capital distributions have been paid at a rate of 7.72% of the initial investment from April 2016 to February 2017 (2016: 9.08% of the initial investment from April 2015 to March 2016).

Equity includes specified participatory securities and investors current accounts. The capital management objectives include maintaining sufficient cash reserves to meet liabilities as they fall due, to preserve and enhance the subscribers' capital value and to make distributions to subscribers and meet bank covenants.

All titles were transferred during this current period and the scheme wound up.

3. Investment Property

	2017 \$	2016 \$
Reconciliation of Carrying amount of Investment Property:		
Carrying amount at beginning of year	8,663,248	8,655,942
Depreciation for the year	(190,342)	(94,409)
Plus capital gain on sales	0	101,715
Transfer of Property to Proportionate Share Scheme	(8,472,906)	0
	-----	-----
Carrying amount at end of year	0	8,663,248
	=====	=====
Reconciliation of Accumulated Depreciation:		
Accumulated Depreciation at beginning of the year	2,117,232	2,061,743
Depreciation/Impairment recognised for the year	190,342	94,409
Less sales and Assets scrapped during year	0	(38,920)
Transfer of Property to Proportionate Share Scheme	(2,307,574)	0
	-----	-----
Accumulated Depreciation at the end of the year	0	2,117,232
	=====	=====
Reconciliation of Gross Carrying Amount:		
Gross Carrying Amount at beginning of the year	10,780,480	10,717,685
Plus sales and assets scrapped during year	0	62,795
Transfer of Property to Proportionate Share Scheme	(10,780,480)	0
	-----	-----
Carrying Amount at the end of the year	0	10,780,480
	=====	=====

Stellar Investment Group

Notes to the Financial Statements

For the period ended 17 February 2017

3. Investment Property continued

The investors held a proportionate title or titles in respect of the property at 33-35 Vickery Street, Hamilton as part of the Stellar Investment Group ("Proportionate Title Scheme"). The Investors have resolved to wind up the Title Scheme and to transfer their Proportionate Titles to the Nominee Company as consideration for being issued shares in a new proportionate share scheme. The investors remain as the Stellar Investment Group under the new proportionate share scheme.

The land and building have been transferred to the new proportionate share scheme at cost less accumulated depreciation.

4. Borrowings

The scheme had a term loan with the ASB bank. This term loan was repaid in full on the 17th of February 2017 when the property was transferred to a proportionate share scheme.

5. Financial Instruments

Exposure to interest rate, credit and liquidity risks arise in the normal course of the scheme's business.

Market Risk

Interest rate risk

Interest rate risk is the risk that the future cash flows of the scheme's assets and liabilities will fluctuate due to changes in market interest rates. Management actively review exposure with a view to keeping borrowings at a minimum.

As at balance date, the scheme had the following assets and liabilities exposed to interest rate risk:

	2017 \$	2016 \$
Cash and cash equivalents	0	165,535
Borrowings	(0)	(1,801,857)

The following demonstrates the sensitivity to the scheme profit and equity, resulting from a change in interest rates, with all other variables held constant.

2017	Carrying Amount \$	+0.5%	-0.5%
Financial liabilities			
Borrowings	0	0	(0)
2016	Carrying Amount \$	+0.5%	-0.5%
Financial liabilities			
Borrowings	1,801,857	9,009	(9,009)



Stellar Investment Group

Notes to the Financial Statements

For the period ended 17 February 2017

5. Financial Instruments continued

Liquidity risk

Liquidity risk is the risk that the scheme will encounter difficulty in meeting obligations associated with financial liabilities.

The scheme's policy for management of liquidity risk is to maintain a minimum level of funds in a separate bank account to meet working capital requirements. The scheme manages its risk by monitoring cash flow on an ongoing basis.

The following table details the remaining contractual maturity for the scheme's financial assets and liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the scheme can be required to pay.

2017	< 1 Year	1-5 Years	> 5 Years	Total
	\$	\$	\$	\$
Financial liabilities				
Accounts payable	(0)	0	0	(0)
Interest Payable	(0)	0	0	(0)
Borrowings	(0)	(0)	(0)	(0)
Total financial liabilities	(0)	(0)	(0)	(0)

2016	< 1 Year	1-5 Years	> 5 Years	Total
	\$	\$	\$	\$
Financial liabilities				
Accounts payable	(44,125)	0	0	(44,125)
Interest Payable	(7,973)	0	0	(7,973)
Borrowings	(311,726)	(1,246,903)	(580,716)	(2,139,354)
Total financial liabilities	(363,824)	(1,246,903)	(580,716)	(2,191,452)

Interest Rate Risk

The interest payable represents interest payable on the borrowings at the floating interest rate at balance date, plus the bank's margin. Management have frameworks in place to monitor the scheme's liquidity and to ensure that the banking covenants are complied with.

Credit Risk

Credit risk is the risk that the counterparty to a transaction with the scheme will fail to discharge its obligations, causing the scheme to incur a financial loss. Financial instruments which potentially subject the scheme to credit risk consist of cash and cash equivalents and trade and other receivables. The scheme's policy is to assess the creditworthiness of prospective tenants and rent payments are required in advance. Where tenants do fall into default, this is actively managed to collect arrears. Cash and cash equivalents are held with a registered bank. The scheme manages its exposure to credit risk on an ongoing basis.

Maximum exposures to credit risk at balance date are the carrying amounts of financial assets in the statement of financial position.



Stellar Investment Group

Notes to the Financial Statements

For the period ended 17 February 2017

5. Financial Instruments continued

Credit risk is concentrated being the bank and a sole tenant. No financial assets are past due or impaired.

Fair Value

Cash and cash equivalents, trade and other receivables and trade and other payables are recorded at their carrying values that are a reasonable approximation of their fair values. They are short term and attract market interest rates (cash and cash equivalents) and are subject to impairment testing (receivables).

6. Related Parties

The assets of the Scheme are managed under a Management Agreement between the Investors and Property Managers Limited. Property Managers Limited is a related party under IAS 24 due to their ability to exercise significant influence over the Scheme. Management fees are an arm's length transaction. Management fees are calculated at 5% of Net Rental Income. Management fees payable at balance date were \$Nil (2016: \$5,726).

7. Lessor Operating Lease

The scheme's investment property has the following minimum lease payments receivable under non-cancellable operating leases:

	2017 \$	2016 \$
Not later than one year	0	1,195,000
Later than one year and not later than five years	0	4,681,781
Later than five years	0	0
	-----	-----
Total lease receivable	0	5,876,781
	=====	=====

The leases are subject to rent reviews and have renewal dates, whereby lessees have the right to renew for an agreed term.

8. Capital Commitments

The scheme has no capital commitments at balance date. (2016: The Scheme has a capital commitment for approximately \$25,000 plus GST for works to a tenancy wall.)

9. Contingent Liabilities

The scheme has no material contingent liabilities at balance date (2016: Nil).

10. Subsequent Events

There were no material events subsequent to balance date as the scheme was wound up on the 17th of February 2017. (2016: Nil).



INDEPENDENT AUDITOR'S REPORT

To the Investors of Stellar Investment Group

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stellar Investment Group ('the Investment Group') on pages 3 to 14, which comprise the statement of financial position as at 17 February 2017 (being the date the Investment Group was wound up), and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 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 the Investment Group as at 17 February 2017, and its financial performance and its cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

This report is made solely to the Investors of Stellar Investment Group. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Investors of Stellar Investment Group, for our audit work, for this report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Investment Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, Stellar Investment Group.

Emphasis of Matter

We draw attention to Note 1 of the financial statements, which states that the financial statements have been prepared on a realisation basis as the investment property, assets and liabilities of the Investment Group were transferred to a new proportionate share scheme and the Investment Group has been wound up. Our opinion is not modified in respect of this matter.

Responsibilities of the Manager for the Financial Statements

The Manager is responsible on behalf of the Investment Group for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

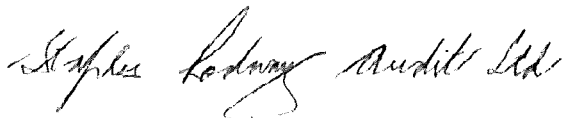
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Investment Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Investment Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is R A Elms.



STAPLES RODWAY AUDIT LIMITED

Wellington, New Zealand

20 June 2017