TOLL GROUP (NZ) LIMITED
Consolidated Financial Statements
For the financial year ended 31 March 2017

The Directors are pleased to present the report including the consolidated financial statements of Toll Group (NZ) Limited for the financial year ended 31 March 2017.

In accordance with section 211(3) of the Companies Act 1993, a unanimous shareholders resolution has been passed to allow exemption from disclosure requirements under section 211(1) (a), and (e) to (j).

For, and on behalf of, the Board

Bruce Houghton
DIRECTOR

Greg Miller
DIRECTOR

25th August 2017

TOLL GROUP (NZ) LIMITED
Consolidated statement of profit and loss and other comprehensive income
For the financial year ended 31 March 2017

	Note	12 months to **31 March 2017** *$000*	9 months to **31 March 2016** *$000*
Revenue		385,540	278,342
Direct transport and logistics costs		(229,735)	(168,036)
Repairs and maintenance costs		(7,152)	(5,111)
Employee benefit expense		(75,761)	(54,463)
Occupancy and property costs		(24,113)	(17,701)
Depreciation expense		(5,713)	(4,045)
Other expenses		(55,480)	(21,571)
Results from operating activities		(12,414)	7,415
Net finance income		1,288	348
Profit/(loss) before tax		(11,126)	7,763
Taxation expense	*1*	(3,070)	(1,817)
Profit/(loss) for the period		(14,196)	5,946
Other comprehensive income for the period net of tax		-	-
Total comprehensive income for the period		(14,196)	5,946

The accompanying statement of accounting policies and notes form part of and should be read in conjunction with these financial statements.

TOLL GROUP (NZ) LIMITED
Consolidated statement of financial position
As at 31 March 2017

	Note	31 March 2017 *$000*	31 March 2016 *$000*
Current assets			
Cash at bank		31,739	23,849
Trade and other receivables	*2*	43,830	38,543
Inventory		454	386
Prepayments		1,082	1,896
Total current assets		77,105	64,674
Non-current assets			
Goodwill	*3*	-	20,851
Property, plant and equipment	*4*	26,159	28,233
Deferred tax asset		2,751	4,015
Total non-current assets		28,910	53,099
TOTAL ASSETS		106,015	117,773
Current liabilities			
Trade and other payables	*5*	57,531	54,548
Employee benefits		5,039	5,236
Current tax payable		560	903
Deferred income		828	833
Total current liabilities		63,958	61,520
TOTAL LIABILITIES		63,958	61,520
NET ASSETS		42,057	56,253
EQUITY			
Share capital	*6*	426,268	426,268
Retained deficit		(384,211)	(370,015)
TOTAL EQUITY		42,057	56,253

The accompanying statement of accounting policies and notes form part of and should be read in conjunction with these financial statements.

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TOLL GROUP (NZ) LIMITED

Consolidated statement of changes in equity

For the financial year ended 31 March 2017

	Share Capital *$000*	Retained Earnings/(deficit) *$000*	Total Equity *$000*
Balance at 1 July 2015	426,268	(365,961)	60,307
Total comprehensive income			
Profit for the period	-	5,946	5,946
Transactions with others recognised directly in equity			
Dividends paid	-	(10,000)	(10,000)
Balance at 31 March 2016	**426,268**	**(370,015)**	**56,253**
Balance at 1 April 2016	426,268	(370,015)	56,253
Total comprehensive income			
Loss for the period	-	(14,196)	(14,196)
Transactions with others recognised directly in equity			
Dividends paid	-	-	-
Balance at 31 March 2017	**426,268**	**(384,211)**	**42,057**

The accompanying statement of accounting policies and notes form part of and should be read in conjunction with these financial statements.

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TOLL GROUP (NZ) LIMITED
Consolidated statement of cash flows
For the financial year ended 31 March 2017

	12 months to **31 March 2017**	9 months to **31 March 2016**
	$000	*$000*
Operating activities		
Profit/(loss) before tax	(11,126)	7,763
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation	5,713	4,045
Finance income	(557)	(218)
Loss/(gain) on disposal of property, plant and equipment	403	(385)
Goodwill impairment	20,851	-
Net foreign exchange gain	(731)	(130)
Movements in provisions	(411)	(15)
Working capital adjustments:		
Increase in trade receivables and prepayments	(4,062)	(155)
Increase in inventories	(68)	(73)
Increase in trade and other payables and employee benefits	2,781	1,457
	12,793	12,289
Income tax paid	(2,149)	-
Net cash flows from operating activities	**10,644**	**12,289**
Investing activities		
Purchases of property, plant and equipment	(4,732)	(7,293)
Proceeds from sale of property, plant and equipment	690	2,140
Interest received	557	218
Net cash flows used in investment activities	**(3,485)**	**(4,935)**
Financing activities		
Dividends paid	-	(10,000)
Net cash flows used in financing activities	**-**	**(10,000)**
Net increase /(decrease) in cash and cash equivalents	7,159	(2,646)
Net foreign exchange differences	731	130
Cash and cash equivalents at the beginning of the period	23,849	26,365
Cash and cash equivalents at the end of the period	**31,739**	**23,849**

The accompanying statement of accounting policies and notes form part of and should be read in conjunction with these financial statements.

A. REPORTING ENTITY

The financial statements of the Toll Group (NZ) Limited (the Company) and its subsidiary companies (collectively, the Group) for the financial year ended 31 March 2017 were authorised for issue by the Directors on 25th August 2017.

Toll Group (NZ) Limited is a profit oriented company incorporated and domiciled in New Zealand, and registered under the Companies Act 1993. The Company's registered office is: 339 Neilson Street, Onehunga, Auckland.

B. NATURE OF OPERATIONS

The Company is a holding company for investments in transport, warehousing and logistics, financing and investment activities in New Zealand for its immediate parent company, Toll Holdings Limited, and the ultimate parent company – Japan Post Holdings Co. Ltd. The Group is a specialist in the provision of supply chain management and third party logistics, international and domestic freight forwarding.

The consolidated financial statements of the Group include:

	Nature of activities	% Holding 2017	% Holding 2016
Toll Finance (NZ) Limited	Group investment	100%	100%
Toll (New Zealand) Limited	Group investment	100%	100%
Toll Networks (NZ) Limited	Domestic/international freight forwarding	100%	100%
Toll Logistics (NZ) Limited	Transport and logistics services	100%	100%
Toll Carriers Limited	Specialised freight services	100%	100%

All companies are incorporated in New Zealand and have a 31 March reporting date.

C. BASIS OF PREPARATION

1. Change of the balance date

In order to align the financial reporting year to the Company's ultimate parent entity, Japan Post Holdings Co. Ltd., the Company changed its financial year end from 30 June to 31 March with effect from the period ended 31 March 2016.

The financial statements for the current financial period represent the financial year from 1 April 2016 to 31 March 2017, with the comparative representing the 9 month period from 1 July 2015 to 31 March 2016.

2. Basis of preparation and statement of compliance

The consolidated financial statements of Toll Group (NZ) Limited have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to profit-oriented entities that qualify for the Reduced Disclosure Regime (RDR) applicable to Tier 2 entities. The Group is eligible to report under the Reduced Disclosure Regime as a Tier 2 entity on the basis it has no public accountability and is not a large for-profit public sector entity. All available reporting exemptions allowed under the Reduced Disclosure Regime have been taken. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

D. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the

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circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

E. FUNCTIONAL CURRENCY

The functional currency of the Company and Group is New Zealand dollars. The financial statements of the Company and Group are presented in New Zealand dollars. Unless otherwise specified, all dollar amounts in these financial statements and accompanying notes are stated in New Zealand dollars rounded to the nearest thousand.

F. SIGNIFICANT ACCOUNTING POLICIES

1. Consolidated financial statements

1.1 Subsidiary companies

Subsidiary companies are those entities that are controlled, directly or indirectly, by the Group. The financial statements of subsidiary companies are included in the consolidated financial statements using the purchase method of consolidation, from the date that control commences to the date that control ceases.

1.2 Transactions eliminated on consolidation

The effects of intra-group transactions are eliminated in preparing the consolidated financial statements.

2. Goodwill

Goodwill represents the excess payment over the fair value of the identifiable assets and liabilities (including contingent liabilities) obtained during an acquisition. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the statement of comprehensive income.

3. Property, plant and equipment

Property, plant and equipment is shown in the financial statements at historical cost, less accumulated depreciation and any impairment losses.

3.1 Owned assets

All property, plant and equipment owned by the Group is initially recorded at cost and, except for land, depreciated. Initial cost includes the purchase consideration, or fair value in the case of subsidised assets, and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. These costs include, where applicable, site preparation costs, installation costs, costs of obtaining resource consents, all materials used in construction, direct labour on the project, financing costs that are directly attributable to the project, and an appropriate proportion of variable and fixed overheads. Initial cost also includes the original estimate of the costs of dismantling and removing the item and restoring the site on which it is located. All feasibility costs are expensed as incurred.

3.2 Subsequent expenditure

Subsequent expenditure relating to a specific asset is added to its gross carrying amount when such expenditure either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time.

4. Depreciation

All property, plant and equipment is written off or, if applicable, written down to residual value over its useful life using the straight line method of depreciation. Depreciation commences from the date the asset

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enters service. The average depreciable lives for major categories of property, plant and equipment are as follows:

- Buildings 40 years
- Plant and equipment 7-10 years
- Leasehold improvements 6 years

5. **Impairment**

The carrying amount of the Group's assets is reviewed at each reporting date to determine if there is any indication of impairment. If any such indication exists, the asset is tested for impairment by comparing its recoverable amount to its carrying amount. If there is any indication that an asset is impaired, the recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit to which the asset belongs will be determined. A cash generating unit is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss will be recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses recognised in respect of a cash generating unit will be allocated to reduce the carrying amount of the assets in the unit on a pro rata basis to their carrying amounts. Any impairment loss is recognised in the statement of comprehensive income in the period in which it arises.

6. **Accounts payable**

Payables are initially recognised at fair value. Subsequent to initial recognition payables are recognised at amortised cost.

7. **Accounts receivable**

Receivables are initially valued at their original invoice amount and subsequently reduced by appropriate allowances for estimated non-recoverable amounts. Bad debts are expensed to the statement of comprehensive income when identified.

8. **Inventory valuation**

Purchased inventory is valued on a weighted average cost basis. Owned inventory is valued at the lower of cost and the net realisable value.

9. **Operating leases**

Operating leases are defined as leases under which substantially all the benefits and risks of ownership of the applicable asset or assets remain with the lessor.

The Group is the lessee of certain property, plant and equipment under operating leases. Expenses relating to operating leases are charged to the statement of comprehensive income on a basis that is representative of the pattern of benefits expected to be derived from the leased asset. Additionally, the Group is the sub-lessor of certain property, plant and equipment under an operating lease. Rental income applicable to operating leases is taken to revenue as earned.

Preliminary expenses and establishment costs incurred in connection with operating leases are deferred and amortised to the statement of comprehensive income on a basis proportionate to the term of the facility to which they relate.

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10. Employee entitlements

Employee benefits are all forms of consideration given in exchange for services rendered by employees. Employee benefits include:

- short term employee benefits e.g., salaries and wages;
- short term compensated absences e.g., sick leave and annual leave;
- long term employee benefits e.g., long service leave and retirement leave;
- profit sharing and bonus plans;
- other benefits e.g., contributions to superannuation plans and travel privileges; and
- termination benefits.

Provisions for employee entitlements are recognised as a liability in respect of benefits earned by employees but not yet received at the reporting date. The liability for employees' compensation for future absences is accrued in respect of employees' services already rendered and where the obligation relates to rights which have vested. The provision is determined by reference to the benefits vested, the current rate of pay adjusted for consideration of future increases in wage and salary rates, and the inclusion of related on-costs.

Additionally, the Group estimates the liability for leave to be provided at the time an employee qualifies for long service leave and retirement leave on an actuarial basis and accrues the estimated future liability.

11. Recognition of revenue

Revenue comprises revenue earned (net of GST, returns, discounts and allowances) from the provision of services to entities outside the Group:

- freight revenue is recognised based on relative transit time in each reporting period and includes estimated amounts relating to movements in progress for which the settlement process is not complete;
- revenue from warehousing services is recognised over the period of the contract;
- other miscellaneous revenue (e.g., property revenue) is recognised as earned;
- dividend revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

When the Group acts in the capacity of an agent rather than as a principal in the transaction, the revenue recognised is the net amount of commission made by the Group.

12. Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will

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be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

13. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of the GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to, the taxation authorities is included as a current asset or current liability in the statement of financial position.

The statement of cash flows is stated exclusive of GST.

14. Foreign currency

Foreign currency transactions are translated to New Zealand currency at the exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities in foreign currencies at the reporting date are translated at exchange rates ruling at the reporting date. All exchange differences arising on the translation of monetary assets and liabilities in foreign currencies, whether realised or unrealised, are recognised in the statement of comprehensive income.

Non-monetary items are translated at the exchange rate ruling at the date of the transaction.

G. CHANGES IN ACCOUNTING POLICIES

All accounting policies have been applied consistently to all periods presented in these financial statements.

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1. Income tax

	12 months to 31 March 2017	9 months to 31 March 2016
	$000	*$000*
Current tax:		
Current tax on profit/ (loss) for the period	3,115	(2,174)
Non-deductible expenditure	(5,838)	-
Prior period adjustment	917	258
Total current tax	**(1,806)**	**(1,916)**
Deferred tax:		
Prior period adjustment	(1,264)	99
Total deferred tax	(1,264)	99
Income tax expense	**(3,070)**	**(1,817)**

	12 months to 31 March 2017		9 months to 31 March 2016	
	$000	*%*	*$000*	*%*
Profit/(loss) before tax	**(11,126)**	**(100.0)**	**7,763**	**100.0**
Income tax (expense)/credit at 28%	3,115	28.0	(2,174)	(28.0)
Tax effect of:				
Non-deductible expenditure	(5,838)	(52,5)	-	-
Prior period adjustment	(347)	(3.1)	357	4.6
Tax expense	**(3,070)**	**(27.6)**	**(1,817)**	**(23.4)**

As at 31 March 2017, the Group had $2,370,937 imputation credits available to its shareholders (2016: Nil). As at 31 March 2017, the Group had no unrecognised tax losses (2016: $nil).

2. Trade and other receivables

	31 March 2017	31 March 2016
	$000	*$000*
Trade receivables	42,749	37,612
Trade receivables from related party (note 9)	1,081	931
	43,830	38,543

	12 months to 31 March 2017	9 months to 31 March 2016
	$000	*$000*
Impairment gains/(losses) on accounts receivable:		
Written off	(178)	(107)
Decrease/(increase) in provision for doubtful receivables:	(233)	122

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3. Goodwill

Goodwill allocation

For the purposes of impairment testing goodwill has been allocated to the following cash-generating units:

	31 March 2017 *$000*	31 March 2016 *$000*
Toll Logistics	-	1,518
Toll Freight Forwarding	-	1,823
Toll Priority	-	484
Toll Carriers	-	8,092
Toll Global Forwarding	-	8,934
	-	**20,851**

Goodwill Impairment

As at 31 March 2017, following the completion of intangible asset impairment testing, impairment charges against goodwill were recognised. These charges were a consequence of reduced forecast cash flows due to continuing difficult market conditions, resulting in reduced growth and margin assumptions being applied and an increase in the risk adjusted discount rate compared with 31 March 2016.

4. Property, plant and equipment

	Buildings and leasehold improvements *$000*	Plant and Equipment *$000*	Total *$000*
Cost	8,626	43,815	52,441
Accumulated depreciation	(3,155)	(21,053)	(24,208)
Carrying amount 31 March 2016	5,471	22,762	28,233
Additions	992	3,740	4,732
Disposals	(24)	(1,069)	(1,093)
Depreciation	(1,165)	(4,548)	(5,713)
	(197)	(1,877)	(2,074)
Cost	9,549	45,034	54,583
Accumulated depreciation	(4,275)	(24,149)	(28,424)
Carrying amount 31 March 2017	5,274	20,885	26,159

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5. Trade and other payables

	31 March 2017 $000	31 March 2016 $000
Trade payables	26,323	23,283
Trade payables to related party (note 9)	11,946	11,773
Accrued payroll liabilities	917	747
Accrued and other payables	18,345	18,745
	57,531	54,548

6. Share capital

279,008,783 fully paid ordinary shares with no par value (2016: 279,008,783)
The following rights attach to the ordinary share issued and authorised by the Company:

- the right to one vote on a poll at a meeting of the Company on any resolution, including any resolution to appoint or remove a Director or auditor, alter the Company's constitution, approve a major transaction, approve an amalgamation, and put the Company into liquidation;
- the right to an equal share of dividends approved by the Board; and
- the right to an equal share in the distribution of the surplus assets of the Company.

	31 March 2017	31 March 2016
Fully paid ordinary shares:		
Balance at beginning of the year	279,008,783	279,008,783
Balance at end of the year	279,008,783	279,008,783

7. Commitments for expenditures

Capital expenditure commitments
There were no capital expenditure commitments as at 31 March 2017 (2016: $nil)

Lease commitments
The Group has entered into commercial leases on property, certain motor vehicles and items of equipment, with lease terms between three and thirty five years. The Group has the option, under some of its leases, to lease the assets for additional terms of three to twenty years.
Future minimum rentals payable under non-cancellable operating leases as at the end of period are, as follows:

	31 March 2017 $000	31 March 2016 $000
Within one year	19,030	17,250
After one year but not later than five years	49,671	36,369
More than five years	4,634	1,959
	73,335	55,578

7. Commitments for expenditures (continued)

	12 months to **31 March 2017** *$000*	9 months to **31 March 2016** *$000*
Lease and rental costs	30,598	22,246

8. Contingent liabilities

Group guarantees
The Group form part of the Toll Australian group guarantee deed in respect to facilities and derivatives held by Toll Finance Pty Limited:

	31 March 2017 *$000*	**31 March 2016** *$000*
Debt drawdown	2,120,804	1,626,326
Derivative assets	327	22,092
USPP notes	-	472,695

Bank guarantee
During the year Bank of New Zealand issued a guarantee bond capped at $1,351,000 (2016:$1,342,000) to the International Air Transport Association (IATA), on behalf of Toll Networks (NZ) Limited to facilitate IATA accreditation for Toll Global Forwarding NZ.

9. Related party transactions

The Group has a related party relationship with: the parent company; subsidiary and associate companies of the parent company; the Group's associate companies and directors and executive officers of the Group.

Terms and conditions of transactions with related parties
Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: $nil).

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9. Related party transactions (continued)

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Compensation to related parties *$000*	Sales to related parties *$000*	Purchases from related parties *$000*	Amounts owed by related parties* *$000*	Amounts owed to related parties* *$000*
Toll Holdings Limited,	2017	-	-	1,759	-	29
the immediate parent	2016	-	-	2,216	-	5
Subsidiaries and associates of Toll	2017	-	7,475	25,502	1,081	11,917
Holdings Limited	2016	-	4,141	16,758	931	11,768
Key management personnel of the	2017	1,059	-	-	-	-
Group**	2016	793	-	-	-	-

**The amounts are classified as trade receivables and trade payables, respectively (see note 2 and note 5).*

***The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel's short-term remuneration.*

There were no transactions between the Group and Japan Post Holdings Co. Ltd, the ultimate parent during the financial period (2016: $nil).

Commitments with related companies

During the period the Group formed part of a guaranteeing group of companies in respect of debt facilities held by the immediate parent company, Toll Holdings Limited and disclosed as a contingent liability in note 8.

10. Subsequent events

On 16 June 2017 the Company acquired land in Auckland for the consideration of $58,100,000.

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Independent Auditor's Report

To the shareholders of Toll Group (NZ) Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Toll Group (NZ) Limited (the company) and its subsidiaries (the Group) on pages 2 to 15:

i. present fairly in all material respects the Group's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 March 2017;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the 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.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report.

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

Use of this Independent Auditor's Report

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

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

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime);

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

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

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx.

This description forms part of our Independent Auditor's Report.

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Auckland

25 August 2017