



# Annual Report

Redwood Trust Incorporated  
For the year ended 31 March 2018

Prepared by WK Advisors and Accountants Limited

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# Entity Information

## Redwood Trust Incorporated For the year ended 31 March 2018

### Legal Name

Redwood Trust Incorporated

### Entity Status and Legal Basis

Incorporated Society  
Registration number 418159

### Date of Incorporation

18 August 1988

### Entity Purpose or Mission

To donate to recognised charitable or amateur sporting organisations funded from gaming machine proceeds.

### Entity Structure

The Incorporated Society is governed by a Board of Trustees which meets monthly to consider funding applications and governance matters. The entity contracts directly with a tavern, through a venue agreement, to operate the entity's gaming machines.

The Board of Trustees is not less than two nor more than four persons who shall be known as the Trustees of the Society and who shall be approved as Trustees and as members of the Management Committee by the Department of Internal Affairs or any other authority responsible for the supervision of gaming machine operations.

### Trustees

Bob Penington - (Chairman)  
Craig Forsyth  
Bruno Dalliesi

### Contact Details

**Physical Address:** 2 Alfred Street, Blenheim 7201  
**Postal Address:** PO Box 349, Blenheim 7240  
**Phone:** 03-578-0180  
**Email:** [enquiries@redwoodtrust.org.nz](mailto:enquiries@redwoodtrust.org.nz)  
**Website:** [www.redwoodtrust.org.nz](http://www.redwoodtrust.org.nz)

### Main Sources of Cash and Resources

Redwood Trust Incorporated has received income from gaming machines sited at the Redwood Tavern, Cleghorn Street, Redwoodtown, Blenheim 7201, and from investments.

### Main Methods Used to Raise Funds

Aside from gaming machines, the entity does not carry out fundraising.

### Reliance on Volunteers and Donated Services

The entity does not rely on volunteers or donated services

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*These statements are to be read in conjunction with the Notes to the Financial Statements and are subject to the Auditors Report*

**IRD Number**

050-432-882

**GST Status**

Payments Basis, Two monthly returns, Coinciding with balance date

**Chartered Accountants**

WK Advisors and Accountants Limited  
P O Box 349  
Blenheim 7240  
Contact - Craig Forsyth

**Auditors**

Crowe Horwath NZ Audit Partnership  
PO Box 764  
Blenheim 7240

**Bankers**

Bank of New Zealand  
92-94 Market Street  
Blenheim 7201

# Statement of Service Performance

## Redwood Trust Incorporated For the year ended 31 March 2018

### Entities Outcomes

The Redwood Trust is a charitable trust that exists for the purpose of raising funds for the community. The entity owns gaming machines installed at a tavern in Marlborough, that manages the machines on their behalf.

Profits from these machines are utilised for authorised purposes, for distribution within the community.

### Quantification of Outputs

	2018	2017
<b>Applied and distributed funds</b>		
Donations	\$417,267	\$408,421
Applied and distributed funds as a percentage of gross proceeds	40.0%	40.5%

For more information visit [www.redwoodtrust.org.nz](http://www.redwoodtrust.org.nz)



# Statement of Financial Performance

## Redwood Trust Incorporated For the year ended 31 March 2018

	NOTES	2018	2017
<b>Revenue</b>			
<b>Revenue from providing Goods or Services</b>			
Proceeds from Gaming Machines		1,043,120	1,004,572
<b>Total Revenue from providing Goods or Services</b>		<b>1,043,120</b>	<b>1,004,572</b>
<b>Interest, Dividends and other Investment Revenue</b>			
Interest Received		61	130
<b>Total Interest, Dividends and other Investment Revenue</b>		<b>61</b>	<b>130</b>
<b>Other Revenue</b>			
Depreciation - Gain on Sale		-	4,922
<b>Total Other Revenue</b>		<b>-</b>	<b>4,922</b>
<b>Total Revenue</b>		<b>1,043,181</b>	<b>1,009,623</b>
<b>Expenses</b>			
<b>Grants and Donations Made</b>			
Donations		417,267	408,421
<b>Total Grants and Donations Made</b>		<b>417,267</b>	<b>408,421</b>
<b>Costs related to providing goods or services</b>			
Advertising and Marketing		886	1,110
Electronic Monitoring Activity		12,295	12,349
Gaming Machine Duty		239,917	231,052
Insurance		6,265	6,205
Intralot Telecom Line Charge		618	618
Licences & Registrations		-	998
Operator's Annual Fee		3,612	3,612
Operator's Licence - Renewal		10,246	10,246
Printing, Stamps & Stationery		1,085	1,171
Problem Gambling Levy		15,595	15,050
Repairs & Maintenance - Gaming Room		872	659
Secretarial Services		45,071	55,010
Service Contract		16,800	16,800
Site Fees and Administration		154,840	128,380
Subscriptions		2,893	1,806
Venue Annual Fee - per Machine		11,955	11,342
Venue Licence - Amendment		169	169
Venue Licence - Renewal		170	170
Website		121	-
<b>Total Costs related to providing goods or services</b>		<b>523,409</b>	<b>496,746</b>
<b>Other Expenses</b>			
Accountancy Fees		7,500	5,579
Audit Fees		2,808	2,376

These financial statements are to be read in conjunction with the Notes to the Financial Statements and are subject to the Statement of Disclaimer.

Statement of Financial Performance

	NOTES	2018	2017
Bank Charges		117	186
Depreciation - Loss on Disposal		4,856	1,657
Depreciation Expense		60,191	68,324
Interest - Loans		7,958	8,669
Loan Fees		370	350
Security		172	-
Trustees Fees		20,000	20,000
<b>Total Other Expenses</b>		<b>103,972</b>	<b>107,141</b>
<b>Total Expenses</b>		<b>1,044,648</b>	<b>1,012,307</b>
<b>Net (Deficit) for the Year</b>		<b>(1,467)</b>	<b>(2,684)</b>

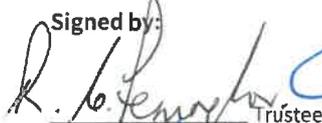
*These financial statements are to be read in conjunction with the Notes to the Financial Statements and are subject to the Statement of Disclaimer.*

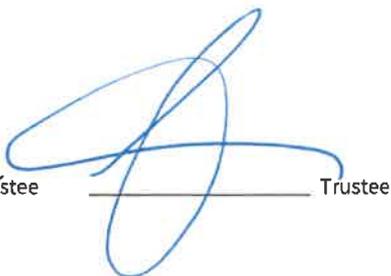
# Statement of Financial Position

## Redwood Trust Incorporated As at 31 March 2018

	NOTES	31 MAR 2018	31 MAR 2017
<b>Assets</b>			
<b>Current Assets</b>			
BNZ Current Account		63,550	53,146
<b>Total Current Assets</b>		<b>63,550</b>	<b>53,146</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment		127,679	198,113
<b>Total Non-Current Assets</b>		<b>127,679</b>	<b>198,113</b>
<b>Total Assets</b>		<b>191,228</b>	<b>251,260</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables		44,128	44,705
Donation Creditors		1,000	-
GST Account		16,606	13,498
Interest Accrued		329	346
Loans - Current Portion		53,039	50,274
<b>Total Current Liabilities</b>		<b>115,103</b>	<b>108,823</b>
<b>Non-Current Liabilities</b>			
<b>Loans</b>			
Heartland Bank - Loan September 2016		11,910	34,359
Heartland Bank - Loan October 2017		30,954	-
Marac Finance - Loan November 2015		-	12,926
<b>Total Loans</b>		<b>42,864</b>	<b>47,285</b>
<b>Total Non-Current Liabilities</b>		<b>42,864</b>	<b>47,285</b>
<b>Total Liabilities</b>		<b>157,966</b>	<b>156,108</b>
<b>Net Assets</b>		<b>33,262</b>	<b>95,152</b>
<b>Accumulated Funds</b>			
Accumulated Funds		33,262	95,152
<b>Total Accumulated Funds</b>		<b>33,262</b>	<b>95,152</b>

Signed by:

  
R. G. Kemp Trustee

  
Trustee

Date: 15/6/18.

These financial statements are to be read in conjunction with the Notes to the Financial Statements and are subject to the Statement of Disclaimer.

# Statement of Cash Flows

## Redwood Trust Incorporated For the year ended 31 March 2018

	2018	2017
<b>Cash Flows from Operating Activities</b>		
<b>Cash was provided from:</b>		
Receipts from gaming machines	1,043,120	1,004,572
Interest, dividends and other investment receipts	61	130
<b>Total Cash was provided from:</b>	<b>1,043,181</b>	<b>1,004,702</b>
<b>Cash was applied to:</b>		
Payments to suppliers and employees	(551,843)	(518,661)
Authorised Distributions	(416,267)	(423,421)
Interest Paid	(7,975)	(8,907)
<b>Total Cash was applied to:</b>	<b>(976,086)</b>	<b>(950,988)</b>
<b>Total Cash Flows from Operating Activities</b>	<b>67,095</b>	<b>53,714</b>
<b>Cash Flows from Investing Activities</b>		
<b>Cash was provided from:</b>		
Receipts from sale of property, plant and equipment	-	10,250
<b>Total Cash was provided from:</b>	<b>-</b>	<b>10,250</b>
<b>Cash was applied to:</b>		
Payments to acquire property, plant and equipment	(55,035)	(74,652)
<b>Total Cash was applied to:</b>	<b>(55,035)</b>	<b>(74,652)</b>
<b>Total Cash Flows from Investing Activities</b>	<b>(55,035)</b>	<b>(64,402)</b>
<b>Cash Flows from Financing Activities</b>		
<b>Cash was provided from:</b>		
Proceeds from loans borrowed from other parties	63,660	74,412
<b>Total Cash was provided from:</b>	<b>63,660</b>	<b>74,412</b>
<b>Cash was applied to:</b>		
Repayments of loans borrowed from other parties	(65,317)	(71,477)
<b>Total Cash was applied to:</b>	<b>(65,317)</b>	<b>(71,477)</b>
<b>Total Cash Flows from Financing Activities</b>	<b>(1,657)</b>	<b>2,935</b>
<b>Net Increase/ (Decrease) in Cash</b>	<b>10,403</b>	<b>(7,753)</b>
<b>Cash Balances</b>		
Cash and cash equivalents at beginning of period	53,146	60,899
Cash and cash equivalents at end of period	63,550	53,146
Net change in cash for period	10,403	(7,753)

These financial statements are to be read in conjunction with the Notes to the Financial Statements and are subject to the Auditors Report.

# Schedule of Fixed Assets and Depreciation

## Redwood Trust Incorporated For the year ended 31 March 2018

NAME	PURCHASED	COST	OPENING VALUE	PURCHASES	DISPOSALS	RATE	DEPRECIATION	CLOSING ACCUM DEP	CLOSING VALUE
<b>Gaming Machines</b>									
00500058 Helix Upr Plus MagicPearl	12 Oct 2017	24,995	-	24,995	-	40.00%	4,999	4,999	19,996
00700483 Pyramid Magic 2c V99	31 Oct 2012	26,495	2,747	-	2,747	40.00%	-	-	-
00700483 White Tiger Conversion	5 Nov 2014	6,000	1,800	-	1,800	40.00%	-	-	-
00700484 Lucky Strike - Conversion	5 Nov 2014	6,000	1,800	-	-	40.00%	720	4,920	1,080
00700484 The Phantom 2c V99	31 Oct 2012	28,995	3,006	-	-	40.00%	1,202	27,191	1,804
00701149 Vir W/S MidR LTB Pure Gold 2c V04	4 Nov 2015	17,000	8,500	-	-	40.00%	3,400	11,900	5,100
00701150 Vir W/S MidR LTB Spark Royal BS 2c V01	4 Nov 2015	17,000	8,500	-	-	40.00%	3,400	11,900	5,100
00868042 Game Conversion	1 Jun 2005	4,750	12	-	-	39.60%	5	4,743	7
01920206 Multistar Dynamic	1 Aug 2010	33,995	457	-	-	48.00%	219	33,757	238
01920206 Multistar Gold Fever Conversion	30 Nov 2013	3,000	540	-	-	40.00%	216	2,676	324
01920207 Multistar Jackpots	1 Aug 2010	33,995	457	-	-	48.00%	219	33,757	238
01920207 Multistar Megastar 3	30 Nov 2013	-	-	-	-	40.00%	-	-	-
01920657 Multistar Gold Fever 2 Conversion	30 Nov 2013	3,000	540	-	-	40.00%	216	2,676	324
01920657 Multistar Mystery Mix Conversion from Multistar GF 2	20 Sep 2016	5,000	3,833	-	-	40.00%	1,533	2,700	2,300
01920657 Multistar Wishes & Dreams	30 Jun 2011	33,995	1,762	-	-	40.00%	705	32,938	1,057
01920658 Multistar Gold Fever 3	30 Nov 2013	3,000	540	-	-	40.00%	216	2,676	324
01920658 Multistar Rock N' Jaguar	30 Jun 2011	33,995	1,762	-	-	40.00%	705	32,938	1,057
01931034 Multistar World Champion Series	20 Sep 2016	26,995	20,696	-	-	40.00%	8,278	14,577	12,418
01960411 Conversion Multistar Foxy Fortune	1 Apr 2008	6,000	64	-	-	39.60%	25	5,961	39
01960411 Multistar Foxy Fortune	1 Oct 2002	18,700	13	-	-	39.60%	5	18,692	8
01970459 Multistar 10G Megastar	1 Sep 2005	24,995	75	-	-	39.60%	30	24,950	45
01980695 Multistar Megastar 2 w Pids	1 Apr 2008	25,995	278	-	-	39.60%	110	25,827	168
01983377 Multistar Foxy Fortune	1 Aug 2010	22,995	309	-	-	48.00%	148	22,834	161

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Schedule of Fixed Assets and Depreciation

NAME	PURCHASED	COST	OPENING VALUE	PURCHASES	DISPOSALS	RATE	DEPRECIATION	CLOSING ACCUM DEP	CLOSING VALUE
01983378 Multistar 11	1 Aug 2010	22,995	309	-	309	48.00%	-	-	-
07993772 PC4 Equinox	5 Nov 2014	25,995	7,799	-	-	40.00%	3,119	21,316	4,679
07993773 Multideluxe Conversion from SL-V Equinox	20 Sep 2016	5,995	4,596	-	-	40.00%	1,838	3,237	2,758
07993773 SL-V Equinox	5 Nov 2014	27,495	8,249	-	-	40.00%	3,299	22,546	4,949
07994088 Conversion to Ironman from Scatterstrike Blue	12 Oct 2017	2,648	-	2,648	-	40.00%	530	530	2,118
07994088 EGM Scatter Strike Blue	4 Nov 2015	23,995	11,998	-	-	40.00%	4,799	16,797	7,199
07994469 Conversion to Bright Lights from Beyond Olympus Fire Surge	12 Oct 2017	2,648	-	2,648	-	40.00%	530	530	2,118
07994469 SL-V Dualos Beyond Olympus Fire Surge	20 Sep 2016	28,995	22,230	-	-	40.00%	8,892	15,657	13,338
07994844 Piggy Bankin Locked and Loaded	12 Oct 2017	24,745	-	24,745	-	20.00%	2,475	2,475	22,271
Display Flags x2	20 Jan 2012	1,058	609	-	-	10.00%	61	510	548
EMS - Wiring & Software	1 Mar 2007	931	1	-	-	50.00%	-	931	-
Jackpot Conversion	1 Mar 2001	950	-	-	-	39.60%	-	950	-
Jackpot System Generation One	30 Nov 2013	29,250	5,265	-	-	40.00%	2,106	26,091	3,159
Jackpot Sinfo Kits AU1 x3	30 Nov 2013	3,300	594	-	-	40.00%	238	2,944	356
Jackpot Sinfo Kits GU4 x2	30 Nov 2013	4,000	720	-	-	40.00%	288	3,568	432
Jackpot Sinfo Kits GU4A x2	30 Nov 2013	4,000	720	-	-	40.00%	288	3,568	432
Mystery Jackpot 1078	1 Oct 1999	8,042	1	-	-	39.60%	-	8,041	1
Notes sorter, s/no 2P105L052	13 Jan 2016	5,300	2,862	-	-	40.00%	1,145	3,583	1,717
Qcom Conversion Kits	1 Apr 2006	2,000	8	-	-	39.60%	3	1,995	5
Qcom Upgrades	1 Apr 2006	17,250	67	-	-	39.60%	27	17,209	41
Revaluation	1 Aug 2004	60,423	60,423	-	60,423	-	-	-	-
Superflat Monitors x5	1 Sep 2005	6,500	20	-	-	39.60%	8	6,488	12
<b>Total Gaming Machines</b>		<b>715,409</b>	<b>184,163</b>	<b>55,035</b>	<b>65,279</b>		<b>55,999</b>	<b>481,577</b>	<b>117,919</b>

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Schedule of Fixed Assets and Depreciation

NAME	PURCHASED	COST	OPENING VALUE	PURCHASES	DISPOSALS	RATE	DEPRECIATION	CLOSING ACCUM DEP	CLOSING VALUE
<b>Plant &amp; Equipment</b>									
Air Conditioning	1 Aug 2003	5,000	957	-	-	11.40%	109	4,152	848
Bar Stools	1 Sep 2003	3,727	138	-	-	21.60%	30	3,619	108
Bases	1 Oct 2006	1,019	172	-	-	15.60%	27	873	146
Bases	1 Sep 2006	10,136	1,690	-	-	15.60%	264	8,710	1,427
Computer System 26.01.12	26 Jan 2012	1,850	51	-	-	50.00%	25	1,825	25
EMS - Wiring	1 Oct 2006	650	-	-	-	50.00%	-	650	-
EMS - Wiring & Software	1 Oct 2006	3,940	3	-	-	50.00%	1	3,939	1
EMS - Wiring & Software Dual Loop	1 Jan 2007	898	1	-	-	50.00%	-	898	-
Gambling Machines Cash Management System	20 Sep 2016	7,667	5,878	-	-	40.00%	2,351	4,140	3,527
Gaming Stools x 6	1 Jul 2007	2,280	260	-	-	20.00%	52	2,072	208
Performance Optimising Monitoring System	24 Nov 2011	5,900	1,772	-	-	20.00%	354	4,482	1,418
Security Cameras	13 Apr 2015	5,162	1,858	-	-	40.00%	743	4,047	1,115
VIR LCD Button Upgrade Kit	5 Nov 2014	1,995	1,170	-	-	20.00%	234	1,059	936
<b>Total Plant &amp; Equipment</b>		<b>50,224</b>	<b>13,951</b>	<b>-</b>	<b>-</b>		<b>4,192</b>	<b>40,465</b>	<b>9,759</b>
<b>Total</b>		<b>765,633</b>	<b>198,114</b>	<b>55,035</b>	<b>65,279</b>		<b>60,191</b>	<b>522,041</b>	<b>127,679</b>

These financial statements are to be read in conjunction with the Notes to the Financial Statements and are subject to the Auditors Report

# Disposal Schedule

## Redwood Trust Incorporated For the year ended 31 March 2018

NAME	PURCHASED	COST	ASSET VALUE	SALE PRICE	DEP RECOVERED	LOSS	CAPITAL GAIN	DISPOSED
<b>Gaming Machines</b>								
00700483 Pyramid Magic 2c V99	31 Oct 2012	26,495	2,747	-	-	2,747	-	12 Oct 2017
00700483 White Tiger Conversion	5 Nov 2014	6,000	1,800	-	-	1,800	-	12 Oct 2017
01983378 Multistar 11	1 Aug 2010	22,995	309	-	-	309	-	12 Oct 2017
Revaluation	1 Aug 2004	60,423	60,423	60,423	-	-	-	31 Mar 2018
<b>Total Gaming Machines</b>		<b>115,913</b>	<b>65,279</b>	<b>60,423</b>	<b>-</b>	<b>4,856</b>	<b>-</b>	
<b>Total</b>		<b>115,913</b>	<b>65,279</b>	<b>60,423</b>	<b>-</b>	<b>4,856</b>	<b>-</b>	

These financial statements are to be read in conjunction with the Notes to the Financial Statements and are subject to the Auditors Report

# Notes to the Financial Statements

## Redwood Trust Incorporated For the year ended 31 March 2018

### 1. Statement of Accounting Policies

#### Basis of Preparation

The financial statements presented here are for the entity Redwood Trust Incorporated an Incorporated Society registered under the Incorporated Societies Act 1908.

Redwood Trust Incorporated is eligible to apply Tier 3 PBE Accounting Standards : PBE SFR-A (NFP) Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit), on the basis that it does not have public accountability and has total annual expenses equal to or less than \$2,000,000. All transactions in the financial statements are reported using the accrual basis of accounting.

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis have been used, with the exception of certain items for which specific accounting policies have been identified.

The financial statements are presented in New Zealand dollars (NZ\$) and all values are rounded to the nearest NZ\$, except when otherwise indicated.

The financial statements are prepared under the assumption that the entity will continue to operate in the foreseeable future.

#### Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

#### Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and revenue can be reliably measured. Revenue shall be recorded on the occurrence of a recognition event. This is when there is a legal right to receive cash either now or sometime in the future. Revenue is measured at the fair value of the consideration received.

#### The following specific recognition criteria must be met before revenue is recognised:

- Interest revenue is recognised as it accrues, using the effective interest method.
- Gaming income is recognised on an accruals basis in accordance with the gaming machine electronic monitoring activity reports.

#### Income Tax

The Redwood Trust Incorporated is exempt from income tax under section CW48 of the Income Tax Act 2007.

#### Going Concern

The Trust continues to adopt the Going Concern assumption in preparing the financial statements as the Trust has, in the opinion of the Trustees, adequate resources to continue operations in the foreseeable future.

	2018	2017
<b>Property, Plant and Equipment</b>		
<b>Gaming Machines</b>		
Opening Balance	184,162	188,098
Purchases	55,035	66,984
Sales	(65,279)	(6,985)
Depreciation	(55,999)	(63,935)
<b>Total Gaming Machines</b>	<b>117,919</b>	<b>184,162</b>
<b>Plant and Machinery</b>		
Opening Balance	13,951	10,673
Purchases	-	7,667
Sales	-	-
Depreciation	(4,192)	(4,389)
<b>Total Plant and Machinery</b>	<b>9,759</b>	<b>13,951</b>
<b>Total Property, Plant and Equipment</b>	<b>127,678</b>	<b>198,113</b>

### Fixed Assets

Fixed Assets have been included at cost less accumulated depreciation. Details of fixed assets are set out in the attached Schedule of Fixed Assets and Depreciation.

### Depreciation

Depreciation has been charged on a diminishing value (DV) basis, at rates approved by the Inland Revenue Department. Details of rates and depreciation claims are set out in the Fixed Asset Register included herein.

### Goods and Services Tax

The Statement of Financial Performance and Statement of Cashflows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of account receivables and payables.

### 2. Audit

These financial statements have been subject to audit, please refer to the Auditor's Report.

### 3. Related Parties

Accountancy and secretarial services have been provided to the Trust by WK Advisors and Accountants Limited, a firm in which Trustee, C.A. Forsyth is a Director.

All related party transactions are carried out on an arms length basis on normal commercial terms. No related party debts have been written off or forgiven during the year.

### 4. Contingent Liabilities

At balance date there are no known contingent liabilities (2017: \$0). Redwood Trust Incorporated has not granted any securities in respect of liabilities payable by any other party whatsoever.

## 5. Capital Commitments

As at balance date there are no significant capital commitments (2017: \$0).

## 6. Events Subsequent to Balance Date

No events or transactions have occurred since balance date which would have a material effect upon the financial statements or which are of such significance as to require mention in the notes to the financial policies. There are no plans or intentions that may materially affect the current value or classification of assets and liabilities (2017: \$0).

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Trustees of Redwood Trust Incorporated**

#### **Opinion**

We have audited the performance report of Redwood Trust Incorporated on pages 5 to 9, and pages 14 to 16 which comprises the entity information, the statement of service performance, the statement of financial performance and statement of cash flows for the year ended 31 March 2018, the statement of financial position as at 31 March 2018, and the statement of accounting policies and other explanatory information.

In our opinion:

- a) the reported outcomes and outputs, and quantification of the outputs to the extent practicable, in the statement of service performance are suitable; and
- b) the performance report on pages 5 to 9 presents fairly, in all material respects,
  - the entity information for the year then ended;
  - the service performance for the year then ended; and
  - the financial position of Redwood Trust Incorporated as at 31 March 2018, and its financial performance, and cash flows for the year then ended

in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit).

#### **Basis for Opinion**

We conducted our audit of the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)), and of the entity information and statement of service performance in accordance with the International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Performance Report* section of our report.

We are independent of the Redwood Trust Incorporated 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 Redwood Trust Incorporated.

## Responsibilities of the Trustees for the Performance Report

Those charged with governance are responsible on behalf of the Redwood Trust Incorporated for:

- (a) Identifying outcomes and outputs, and quantifying the outputs to the extent practicable, that are relevant, reliable, comparable and understandable, to report in the statement of service performance;
- (b) The preparation and fair presentation of the performance report, which comprises:
  - the entity information;
  - the statement of service performance; and
  - the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report

in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) issued in New Zealand by the New Zealand Accounting Standards Board; and

- (c) For such internal control as those charged with governance determine is necessary to enable the preparation of the performance report that is free from material misstatement, whether due to fraud or error.

In preparing the performance report, those charged with governance are responsible for assessing the Redwood Trust Incorporated'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 those charged with governance either intend to liquidate the Redwood Trust Incorporated or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Performance Report

Our objectives are to obtain reasonable assurance about whether the performance report as a whole is 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) and ISAE (NZ) 3000 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance report.

As part of an audit in accordance with ISAs (NZ) and ISAE (NZ) 3000, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the performance report, 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, including performing procedures to obtain evidence about and evaluating whether the reported outcomes and outputs and quantification of the outputs to the extent practicable, are relevant, reliable, comparable and understandable. 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 entity'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 those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity'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 performance report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.



**Crowe Horwath New Zealand Audit Partnership**

CHARTERED ACCOUNTANTS

Dated at Nelson this 15th day of June 2018