

Independent Auditor's Report

To the readers of Niue Bond Liquor Company Limited's financial statements for the year ended 30 June 2022

The Auditor-General is the auditor of the Niue Bond Liquor Company Limited (the Company). The Auditor-General has appointed me, Rehan Badar, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Company on his behalf.

We have audited the financial statements of the Company on pages 4 to 15, that comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in equity and statement of cash flows for the year ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for our qualified opinion section of our report, the financial statements of the Company have been prepared, in all material respects, in accordance with the accounting policies described in note 2, Summary of Significant Accounting Policies.

Our audit was completed late

Our audit was completed on 28 May 2024. This is the date at which our qualified opinion is expressed. We acknowledge that our audit was completed later than required by section 130 of the Niue Companies Act 2006. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

The basis for our qualified opinion is explained below, and we draw attention to other matters. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our qualified opinion

The scope of our audit was limited because we were unable to obtain sufficient appropriate audit evidence for the matters described below to determine whether they were completely and properly recorded and disclosed. There were no satisfactory audit procedures that we could adopt to determine the effect of these limitations in scope.

Our work over sales revenue, debtors, and Niue Consumption Tax (NCT) was limited

The Company did not maintain adequate systems and controls, nor provide all supporting documentation for recording sales revenue. Therefore, we were unable to determine whether any adjustments were needed to the recorded sales revenue of \$1,526,728 nor the associated debtors of \$88,866 and NCT of \$9,753 (as set out in note 8).

Our work over income tax refund, provision for income tax, and deferred tax asset was limited

The Company has not filed income tax returns since 2013 (as set out in note 3.5.2). For this reason and the possible effects of the above limitations, we were unable to determine whether any adjustments were needed to the income tax refund and deferred tax asset of \$69,632 nor the associated provision for income tax of \$690,050.

Our work over cost of goods sold was limited

We were unable to attend the inventory stocktake as at 30 June 2021 due to restrictions on travel as a result of Covid-19. This meant the scope of our work over inventory and the associated cost of goods sold in the prior period, presented as comparative information, was limited.

While we obtained sufficient assurance over the valuation of inventory as at 30 June 2022, any misstatement of the carrying value of inventory as at 30 June 2021 would consequently affect the costs of goods sold for the year ending 30 June 2022 of \$1,253,344.

As a result, we are unable to obtain sufficient audit assurance to support the costs of goods sold for the year ending 30 June 2022.

Our work over the comparative information was limited as we expressed a disclaimer of opinion in the prior period

Our work over sales revenue, debtors, cost of goods sold, inventory, personnel expenses, income tax expense and provision for income tax was limited in the prior period. Accordingly, we expressed a disclaimer of opinion on the 30 June 2021 financial statements.

Our opinion on the current period's financial statements is qualified because of the possible effects of these matters on the comparability of the current period's figures and the comparative information.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter - Comparative financial statements were prepared for a multi-year period

Without further modifying our opinion, we draw attention to the footnotes to the statement of financial performance and the statement of cashflows and note 2.2, that outline the comparative period was a multi-year period, with one set of financial statements compiled for the period 1 July 2018 to 30 June 2021. As a result, the financial performance and cash flows for the comparative period are not directly comparable with those for the year ended 30 June 2022.

Other legal requirements

In accordance with the Niue Companies Act 2006, we report that, in our opinion:

- except for the matters described in the Basis for our qualified opinion section of the report, proper accounting records have been kept by the Company, as far as appears from an examination of those records; and
- the financial statements comply with applicable regulations made under the Act.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Company for preparing financial statements that comply with the accounting policies described in note 2, Summary of Significant Accounting Policies.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors' responsibilities arise from the Niue Companies Act 2006.

Responsibilities of the auditor 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 carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We 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.
- We 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 Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 information we audited 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 Company to cease to continue as a going concern.

We communicate with the Board of Directors 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.

Our responsibility arises from section 138 of the Niue Companies Act 2006 and Article 60 of the Niue Constitution 1974.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 15, but does not include the financial statements, and our auditor's report thereon.

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

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

Independence

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *Code of Ethics for Assurance Practitioners* (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

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



Rehan Badar
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand