



**CRAIGS**<sup>®</sup>  
INVESTMENT PARTNERS

# Craig's KiwiSaver Scheme

## Financial Statements

For the year ended 31 March 2016

Craig's Investment Partners  
Superannuation Management Limited

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Prior to 30 November 2016 known as the Craig's  
Investment Partners kiwiSTART<sup>®</sup> Select Scheme.



**KiwiSaver**  
*Poua he Oranga*

**NZX** Firm

# **Craigs Investment Partners kiwiSTART Select Scheme**

**Financial Statements  
For the year ended 31 March 2016**

# Craigs Investment Partners kiwiSTART Select Scheme

## Statement of Changes in Net Assets

for the year ended 31 March 2016

	Note	2016	2015
<b>INVESTMENT ACTIVITIES</b>			
<b>Investment Income</b>			
Dividends		1,345,097	946,383
Interest income		106,753	75,802
Net foreign exchange gain/(loss) (excluding investment assets)		168,761	139,068
Net changes in fair value of investment assets	3	4,807,512	13,013,256
<b>Net investment (loss)/income</b>		<b>6,428,123</b>	<b>14,174,509</b>
<b>Expenses</b>			
Brokerage fees	10(a)	190,232	189,309
Management fees	10(c)	539,128	440,435
Administration fees	10(d)	120,955	118,032
Audit fees			
- audit of financial statements	10(e)	8,500	7,737
- other assurance services (trustee reporting, prospectus and summary financial statements)	10(e)	3,571	3,571
Other operating expenses	10(e)	111,561	19,813
<b>Total expenses</b>		<b>973,947</b>	<b>778,897</b>
<b>Net profit before membership activities</b>		<b>5,454,176</b>	<b>13,395,612</b>
Taxation expense	4	607,408	1,016,808
<b>Net profit/(loss) before membership activities after tax</b>		<b>4,846,768</b>	<b>12,378,804</b>
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions received</b>			
Member contributions from members		12,133,556	14,674,746
Member contributions from employers		5,244,085	4,853,098
Member contributions from the Crown		1,778,151	1,910,304
Transfers in from other KiwiSaver schemes		4,866,702	6,283,432
<b>Total contributions</b>		<b>24,022,494</b>	<b>27,721,580</b>
<b>Payments to members</b>			
Entitlement withdrawals		3,953,255	2,743,804
First home		793,307	253,697
Emigration		87,937	165,979
Hardship claims		85,392	60,215
Transfers to other schemes		2,747,047	2,552,282
Serious Illness		6,074	96,538
Death		18,268	139,031
<b>Total payments</b>		<b>7,691,280</b>	<b>6,011,546</b>
<b>Net membership activities</b>		<b>16,331,214</b>	<b>21,710,034</b>
<b>Net increase in Net Assets during the year</b>		<b>21,177,982</b>	<b>34,088,838</b>
Net assets available for benefits at the beginning of the year		126,694,967	92,606,129
<b>Net assets available for benefits at the end of the year</b>		<b>147,872,949</b>	<b>126,694,967</b>

Please read in conjunction with the attached notes set out on pages 5 to 15.

# Craigs Investment Partners kiwiSTART Select Scheme Statement of Net Assets

as at 31 March 2016

	Note	2016	2015
<b>Assets</b>			
Cash and cash equivalents	5	5,021,318	5,166,493
Accrued interest		7,264	6,223
Tax receivable		-	24,530
Investment assets	6	143,334,215	121,694,829
<b>Total assets</b>		<b>148,362,797</b>	<b>126,892,075</b>
<b>Liabilities</b>			
Accounts payable and accruals	10(e)	310,494	197,108
Tax payable		179,354	-
<b>Total liabilities</b>		<b>489,848</b>	<b>197,108</b>
<b>Net assets available for benefits</b>		<b>147,872,949</b>	<b>126,694,967</b>
<b>Members' funds</b>		<b>147,872,949</b>	<b>126,694,967</b>

On behalf of Craigs Investment Partners Superannuation Management Limited who authorised the issue of these financial statements on 23 June 2016.




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Director:

Date:  
23 June 2016




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Director:

Date:  
23 June 2016



Please read in conjunction with the attached notes set out on pages 5 to 15.

# Craigs Investment Partners kiwiSTART Select Scheme

## Statement of Cash Flows

for the year ended 31 March 2016

	Note	2016	2015
<b>Cash flows from operating activities</b>			
Dividends <i>and/or</i> distributions received		1,345,097	946,383
Interest received		105,713	69,579
Other operating expenses paid		(860,561)	(851,502)
Income taxes paid		(403,524)	(1,047,924)
Sale of investment assets		18,600,568	10,826,901
Purchases of investment assets		(35,432,443)	(32,633,603)
<b>Net cash flows from operating activities</b>	7	(16,645,150)	(22,690,166)
<b>Cash flows from financing activities</b>			
Proceeds from contributions by members		24,022,494	27,726,550
Payments for withdrawals by members		(7,691,280)	(6,011,546)
<b>Net cash flows from financing activities</b>		16,331,214	21,715,004
<b>Net increase in cash and cash equivalents</b>		(313,936)	(975,162)
Cash and cash equivalents at the beginning of the year		5,166,493	6,009,044
Effect of exchange rate fluctuations on cash held		168,761	132,611
<b>Cash and cash equivalents at the end of the year</b>	5	5,021,318	5,166,493



Please read in conjunction with the attached notes set out on pages 5 to 15.

# Craigs Investment Partners kiwiSTART Select Scheme

## Notes to the Financial Statements

for the year ended 31 March 2016

### 1. General Information

#### (a) Reporting Entity

These financial statements are for the Craigs Investment Partners kiwiSTART Select Scheme (the “scheme”).

The scheme was originally established under an umbrella Trust Deed dated 18 December 2006 with subsequent amendments. This Trust Deed was rescinded on 21 September 2012 immediately replaced with a new Trust Deed dated 21 September 2012. The scheme is a defined contribution scheme. The scheme invests in a variety of equities and unlisted unit trusts in order to gain direct and indirect exposure to cash, bonds, equity and property markets.

The scheme is registered under the KiwiSaver Act 2006 under the registration number KSS/10054. The financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013 and The Financial Reporting Act 1993. The scheme applies NZ IFRS, as applicable for tier 1 for-profit entities.

The retirement benefits are determined by contributions to the scheme, together with investment earnings on these contributions over the period of the membership.

The most recent prospectus for the scheme was registered with the Companies Office on 18 September 2015.

The investment and administration activities of the scheme are managed by Craigs Investment Partners Superannuation Management Limited (the “manager”).

The New Zealand Guardian Trust Company Limited (the statutory trustee) is licenced under the Securities Trustees and Statutory Supervisors Act 2011.

The scheme is domiciled in New Zealand. The registered office of the manager of the scheme is 158 Cameron Road, Tauranga, New Zealand.

#### (b) Statement of compliance

The financial statements have been prepared by the manager in accordance with the Trust Deed, the Financial Reporting Act 1993, the Financial Markets Conduct Act 2013, the Superannuation Schemes Act 1989, the KiwiSaver Act 2006 and New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (“IFRS”).

The financial statements are prepared for the year ended 31 March 2016.

The financial statements were authorised for issue by the directors of Craigs Investment Partners Superannuation Management Limited on 23 June 2016.



# Craigs Investment Partners kiwiSTART Select Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2016

### 1. General Information (continued)

#### (c) Basis of preparation

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

Except where noted in specific accounting policies below, the financial statements are prepared on a fair value basis.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and 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. There are no significant estimates and judgements used in preparing these financial statements.

The accounting policies have been applied consistently across all the financial periods presented in these financial statements.

### 2. Summary of significant accounting policies

#### (a) Investments

##### **Recognition and derecognition**

Investment assets are recognised on the date that the scheme becomes party to the contractual agreement (trade date). Investment assets are derecognised when the contractual rights to the cash flows expire or the scheme has transferred substantially all risks and rewards of ownership.

##### **Measurement**

The scheme measures its investment assets on a fair value basis, and carries them at their fair value, with changes recognised in the Statement of Changes in Net Assets. Investment assets are designated as "fair value through profit or loss" on initial recognition. The fair value of investments is based on their quoted market prices at the reporting date using last trade prices.

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds.

#### (b) Other financial assets and liabilities

Other financial assets and liabilities, including cash and cash equivalents, receivables and payables, are initially recognised at fair value and subsequently carried at their amortised cost using the effective interest rate method. Their carrying value closely approximates their fair value.

For cash flow statement presentation purposes, cash and cash equivalents comprise current accounts with banks, members' funds held by the trustee, demand deposits and bank overdrafts (if any). Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Other financial assets are classified as loans and receivables.

Other financial liabilities are classified as financial liabilities at amortised cost.



# Craigs Investment Partners kiwiSTART Select Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2016

### 2. Summary of significant accounting policies (continued)

#### (c) Foreign currency transactions

Investments and other monetary assets and liabilities denominated in foreign currencies are translated to New Zealand dollars at the exchange rate ruling at the reporting date. Transactions in foreign currencies are recorded at the exchange rate ruling on the day. Foreign exchange gains and losses on investment assets are recognised together with other net changes in the fair value of investment assets in the Statement of Changes in Net Assets.

#### (d) Investment income

Interest income is recognised in the Statement of Changes in Net Assets as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Income distributions from unit trusts are recognised in the Statement of Changes in Net Assets as dividend income on an entitlement basis. Dividends are recognised upon securities applicable ex-date. Net changes in fair value of investment assets are recognised immediately in the Statement of Changes in Net Assets.

#### (e) Expenses

Expenses are recognised on an accrual basis.

#### (f) Net assets available for benefits

The net assets available for benefits is the scheme's present obligation to pay benefits to members and has been calculated as the difference between the fair value of the assets and the fair value of the liabilities as at balance date.

Issued units provide members with the right to require redemption for cash at the value proportionate to the members' share in the scheme's net assets. These units are puttable instruments and are classified as equity as they meet all of the following criteria: (i) members are entitled to a pro rata share of the scheme's net assets in the event of the scheme's liquidation, (ii) apart from the contractual obligation of the issuer to redeem the instrument for cash or another financial asset, the instrument does not include contractual obligations to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under potentially unfavourable conditions to the entity and (iii) the total expected cash flows attributable to the instrument over its life is based substantially on the profit or loss and changes in the recognised net assets or the change in fair value of the recognised and unrecognised net assets of the entity over the life of the instrument.

As members' contributions are received, they are held in trust by The New Zealand Guardian Trust Company Limited until the next trading day when they are transferred into the scheme.

#### (g) New standards and interpretations not yet adopted

The following new standard has been issued, but is not effective for the current period and has not been early adopted. This standard is not expected to have any significant impact on the financial statements for the scheme.

- NZ IFRS 9 Financial Instruments effective for period ended 31 March 2019. This standard introduces new requirements for the classification and measurement of financial assets based on the business model in which they are held and the characteristics of their contractual cash flows.

The entity does not plan to early adopt this standard and management have not yet determined the impact of these changes.

#### (h) New Standards and pronouncements relevant to the Scheme

No new standards were adopted in the preparation of the financial statements for the year ended 31 March 2016.



# Craigs Investment Partners kiwiSTART Select Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2016

### (i) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (j) Goods and Services Tax ("GST")

The scheme is not registered for GST. The Statement of Changes in Net Assets and the Statement of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Statement of Net Assets are stated inclusive of GST.

### 3. Net changes in fair value of investment assets

	2016	2015
Realised change in fair value	462,380	770,306
Unrealised change in fair value	4,345,132	12,242,950
<b>Total net changes in fair value of investment assets</b>	<b>4,807,512</b>	<b>13,013,256</b>

### 4. Taxation

	2016	2015
<b>Reconciliation of tax expense</b>		
Profit/(Loss) for the year before taxation	5,454,175	13,395,612
Income tax using the schemes tax rate of 28%	1,527,169	3,750,771
Non assessable (gains)/losses on investment assets	(820,389)	(2,544,143)
Imputation credits	(69,063)	(36,395)
Foreign tax credits	-	(39,657)
Recognition of previously unrecognised tax losses	(30,309)	(113,768)
<b>Taxation expense</b>	<b>607,408</b>	<b>1,016,808</b>
<i>Represented by:</i>		
PIE tax paid	317,516	1,016,808
Current taxation	289,892	-
	<b>607,408</b>	<b>1,016,808</b>



# Craigs Investment Partners kiwiSTART Select Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2016

### 4. Taxation (continued)

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2016	2015
Opening balance 1 April	10,865	238,926
Recognition of previously unrecognised tax losses	(30,309)	(113,768)
Prior period adjustment for unrecognised tax losses	19,444	(114,293)
<b>Closing balance 31 March</b>	<b>-</b>	<b>10,865</b>

Tax losses relate to foreign currency translation losses on financial arrangements. Deferred tax assets have not been recognised in respect of these losses.

### 5. Cash and cash equivalents

	2016	2015
NZD cash at bank	2,065,030	2,210,122
AUD call account	339,571	257,731
GBP call account	1,112,123	1,791,295
USD call account	788,706	249,955
NZD term deposit	590,030	270,000
Members' funds held by trustee	125,858	387,390
<b>Total cash and cash equivalents</b>	<b>5,021,318</b>	<b>5,166,493</b>

Members' funds held by trustee represent member contributions which are being held by the Trustee in a separate bank account. At balance date, the funds have not yet been invested into the scheme.

	2016	2015
<b>6. Investment assets</b>		
NZ equities & listed unit trusts	10,293,810	9,219,481
NZ fixed interest securities	492,381	346,622
Australian equities & listed unit trusts	5,409,933	3,965,633
Other international equities & listed unit trusts	27,419,953	25,161,388
NZ unlisted unit trusts (see note 10(a))	99,718,138	83,001,705
<b>Total investment assets</b>	<b>143,334,215</b>	<b>121,694,829</b>

The following investments exceeded 5% of the net assets available for benefits by the funds at 31 March:

QuayStreet Unit Trusts – Conservative Fund	8,561,669 5.8%	7,441,624 5.9%
QuayStreet Unit Trusts – Balanced Fund	25,018,404 16.9%	21,313,751 16.8%
QuayStreet Unit Trusts – Balanced SRI Fund	8,702,346 5.9%	7,824,051 6.2%
QuayStreet Unit Trusts – Growth Fund	40,841,316 27.6%	33,861,173 26.7%

# Craigs Investment Partners kiwiSTART Select Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2016

### 6. Investment assets (continued)

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### 31 March 2016

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
NZ fixed interest securities	240,977	251,403	-	492,380
Listed equities and unit trusts	43,123,697	-	-	43,123,697
Unlisted NZ unit trusts	-	99,718,138	-	99,718,138
<b>Total</b>	<b>43,364,674</b>	<b>99,969,541</b>	<b>-</b>	<b>143,334,215</b>

#### 31 March 2015

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
NZ fixed interest securities	149,152	197,470	-	346,622
Listed equities and unit trusts	38,346,502	-	-	38,346,502
Unlisted NZ unit trusts	-	83,001,705	-	83,001,705
<b>Total</b>	<b>38,495,654</b>	<b>83,199,175</b>	<b>-</b>	<b>121,694,829</b>

### 7. Reconciliation of net profit to net cash flows from operating activities

	2016	2015
Net profit before membership activities	4,846,768	12,378,804
<i>Non-cash items</i>		
Unrealised change in fair value	(4,345,132)	(12,283,094)
Foreign exchange losses	(168,761)	(139,068)
<i>Movement in operating balances</i>		
Deferred tax asset	-	-
Accounts payable and accruals	113,386	(78,829)
Tax receivable/payable	203,884	9,027
Investment assets	(17,295,295)	(22,577,006)
<b>Net cash flows from operating activities</b>	<b>(16,645,150)</b>	<b>(22,690,166)</b>



# Craigs Investment Partners kiwiSTART Select Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2016

### 8. Financial risk management

The scheme's investment portfolio consists of investments in listed and unlisted unit trusts, New Zealand and international equity securities and cash that it intends to hold for an indefinite period of time. Through the holding of these investments, the scheme is exposed directly and also indirectly to a variety of financial risks including: credit, foreign exchange, interest rate, market price and liquidity risks. The risk management policies employed by the scheme are discussed in the notes below.

Financial instruments of the scheme comprise of investments in financial assets for the purpose of generating a return on investment made by members. In addition, the scheme may have financial assets and liabilities in the form of derivatives, cash and cash equivalents, dividends and other receivables, and accounts payable which arise directly from its daily operations.

The Trust Deed requires the manager to invest the scheme's assets in accordance with relevant investment mandates. Asset allocation is determined by the manager who manages the distribution of assets to achieve investment objectives. Divergence from target allocations and the composition of the portfolio is monitored by the manager on a daily basis. The manager reports on asset allocations to the trustee on a monthly basis.

#### (a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract. The maximum credit risk is considered to be the carrying value of the assets set out in the Statement of Net Assets.

Where the scheme invests in unit trusts managed by the related entity QuayStreet Asset Management Limited, as set out in Note 6, the investment strategies of these unit trusts ensure an appropriate diversification of investments so that the scheme indirectly has no significant concentrations of counterparty or credit risk.

Cash and cash equivalents are held via a related entity, CIP Cash Management Nominees Limited in call and short term deposits with the ANZ Bank New Zealand Limited. CIP Cash Management Nominees Limited acts as an agent. The credit rating of ANZ Bank New Zealand Limited is AA- according to Standard & Poors.

The credit risk disclosures have been prepared on the basis of the scheme's direct investments and not on a look through basis for investments held indirectly through unit trusts. Consequently the disclosure of credit risk in the notes does not fully represent the true credit risk profile of the scheme.

#### (b) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The scheme is directly exposed to foreign exchange risk as a result of holding investments in foreign currencies.

The scheme is indirectly exposed to foreign exchange risk as a result of investments in unit trusts, which in turn invest in financial instruments denominated in foreign currencies.



# Craigs Investment Partners kiwiSTART Select Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2016

### 8. Financial risk management (continued)

#### (b) Foreign exchange risk (continued)

The foreign exchange risk disclosures have been prepared on the basis of the schemes' direct investments and not on a look through basis for investments held indirectly through unit trusts. As noted above, the scheme's direct exposures are currently limited to their direct investment in international equity securities, unit trusts and cash held in foreign currencies. Consequently, the disclosure of foreign currency risk does not fully describe the true currency risk profile of the scheme where the scheme has significant investments in unit trusts, which also have exposure to the foreign currency markets.

In accordance with the scheme's investment policy, the manager monitors the scheme's currency position on a regular basis through reviewing the scheme's indirect foreign currency exposure.

The table below indicates the currencies to which the scheme had significant exposure as at the end of the reporting period. The table shows the effect of a reasonably possible movement in the foreign currency rate against the New Zealand Dollar on the Statement of Changes in Net Assets.

	Change against NZ (\$)	2016	2015
Australian Dollar	5%	287,475	211,168
Great British Pound	5%	701,131	785,862
US Dollar	5%	764,909	574,269

#### (c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The scheme's interest bearing financial assets expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows.

The majority of the scheme's financial assets are non-interest bearing. As a result, the scheme is not directly subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

Cash and cash equivalents are held in a call account and receive the prevailing bank interest rate on credit balances. The weighted average interest rate on cash and cash equivalents as at 31 March 2016 was 1.93% (2015: 2.24%).

Short-term deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited. The weighted average interest rate on short-term deposits was 3.7% as at 31 March 2016 (2015: 4.7%). The scheme, through its investments in unit trusts has indirect exposure to interest rate risk.

The interest rate risk disclosures have been prepared on the basis of the scheme's direct investments and not on a look through basis for investments held in unit trusts. Consequently the disclosure of interest rate risk in the notes does not fully represent the true interest rate risk profile of the scheme.

The following table demonstrates the sensitivity of the scheme's Statement of Changes in Net Assets and the increase/(decrease) in the net asset value of the scheme to a reasonably possible change in interest rates, with all other variables held constant. The sensitivity of the Statement of Changes in Net Assets is the effect of the assumed changes in interest rates on changes in fair value of investments, based on revaluing the floating rate financial assets at 31 March:

	Change in interest rate %	2016	2015
Change in interest income for one year based on floating rate financial assets	1%	35,466	23,396

# Craigs Investment Partners kiwiSTART Select Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2016

### 8. Financial risk management (continued)

#### (d) Liquidity risk

Liquidity risk is the risk that the scheme will encounter difficulty in meeting obligations associated with financial liabilities. The scheme is exposed to daily cash redemptions of members' funds, subject to the restrictions imposed by the KiwiSaver Act 2006. Accordingly, all material investments are readily convertible to cash in normal market conditions. The redemption amount is set at the net tangible asset value of each unit, which is set daily.

Accounts payable have no contractual maturity date, but are typically settled within 30 days or within the timeframe as set out in the Trust Deed.

In accordance with the scheme's investment policy, the manager monitors the scheme's liquidity positions through the regular review of cash flow information, which highlights current and known future levels of redemptions.

#### (e) Market price risk

Market price risk is the risk that the value of the scheme's investment portfolio will fluctuate as a result of changes in market prices.

The scheme holds the majority of its investments in unlisted unit trusts managed by the related entity QuayStreet Asset Management Limited. These unit trusts invest in financial instruments, taking positions in traded and over-the-counter instruments to take advantage of short-term market movements in the bond, equity and property markets.

All securities held within these unit trusts present a risk of loss of capital. The manager of these units moderates this risk through careful selection of securities and other financial instruments within specific limits.

Market price risk is managed directly by the manager by ensuring that all activities are transacted in accordance with relevant investment mandates, overall investment strategy and within approved limits. The manager monitors the overall market positions of the scheme and underlying unit trusts on a regular basis.

The following table demonstrates the sensitivity of the scheme's Statement of Changes in Net Assets and the increase/(decrease) in the net asset value of the scheme to a reasonably possible change in the prices of the underlying listed equity securities or unit trusts, with all other variables held constant. The sensitivity of the Statement of Changes in Net Assets is the effect of the assumed changes in the prices of the underlying listed equity securities or unit trusts on changes in fair value of investments at 31 March:

	Change in price %	2016	2015
Change in fair value of investments	5%	7,166,711	6,084,741

### 9. Members' funds

The scheme's capital is represented by members' funds. The scheme's objectives when managing capital are to provide returns for members through both capital growth and income. The scheme does this by investing in accordance with its investment policy. Investment decisions are guided by the mandate included in the Investment Statement and Prospectus.



# Craigs Investment Partners kiwiSTART Select Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2016

### 9. Members' funds (continued)

The scheme strives to invest the members' funds in investments that meet the scheme's objectives while maintaining sufficient liquidity to meet members' redemptions.

The scheme does not have any externally imposed capital requirements. Members' funds may be redeemed on dates as the manager shall from time to time determine, subject to the strict restrictions imposed by the KiwiSaver Act 2006.

Expected cash outflow cannot be reliably estimated given that the scheme does not have sufficient historical redemption rates to predict the expected outflow profile.

### 10. Related party transactions

#### (a) Nature of Relationships

Craigs Investment Partners Superannuation Management Limited is the manager of the scheme.

Craigs Investment Partners Limited, the parent company of the manager, effects trades on behalf of the scheme and collects brokerage. For the year ended 31 March 2016 the brokerage fees amounted to \$190,232 (2015: \$189,309)

The scheme invests primarily into the QuayStreet Unit Trusts (referred to as the "underlying investment entities"), managed by QuayStreet Asset Management Limited. QuayStreet Asset Management Limited is an associated company of the manager of the scheme. The trustee of the scheme is also the trustee of the underlying investment entities. The trustee of the scheme and associated companies of the manager of the scheme receive fees from the underlying investment entities. However, the fees which both the manager (including associated entities) and trustee receive from the scheme are reduced by the fees received from the underlying investment entities. There is no cumulative effect of fees charged by the scheme and the underlying investment entities.

#### (b) Transactions with the manager

All related party transactions are conducted on normal commercial terms and conditions.

#### (c) Management fees

Under the terms of the Trust Deed, the manager is entitled to receive management fees, calculated by reference to the daily gross asset value of the scheme and is inclusive of the trustee fee of \$79,287 (2015: \$64,147) and Citibank N.A. fee. Fees paid directly for the period are disclosed in the Statement of Changes in Net Assets as \$539,128 (2015: \$440,435).

The manager is entitled to receive up to 1.25% of the value of all member accounts per annum of the gross asset value of the scheme, determined upon each valuation day.

Craigs Investment Partners Limited, the parent company of the manager, received fees of \$1,029,152 (2015: \$761,772) via the QuayStreet Unit Trusts from members of this scheme. Fees are deducted by the cancellation of investment units in the underlying unit trusts. These fees are reflected in the change in fair value of investment assets in the Statement of Changes in Net Assets.



# Craigs Investment Partners kiwiSTART Select Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2016

### 10. Related party transactions (continued)

#### (d) Administration fees

Under the terms of the Trust Deed, the manager is entitled to receive administration fees of up to \$30 (2015:\$30) per annum, per member. Administration fees are disclosed in the Statement of Changes in Net Assets as \$120,955 (2015: \$118,032) and are shown net of any rebates.

#### (e) Reimbursement of expenses

Under the terms of the Trust Deed, the manager and the trustee are entitled to be reimbursed for expenses such as audit fees, legal fees and postage expenses. For the year ended 31 March 2016 these were \$123,632 (2015: \$31,121). These expenses have been charged to the scheme and are reflected in the accounts payable and accruals of the scheme.

Where the actual expenses paid by the manager are higher than those charged to the scheme, the manager is able to carry amounts forward to be recovered in future periods. As at 31 March 2016, there was no carry-forward amount owing to the manager (2015: \$Nil).

### 11. Subsequent Events

Subsequent to the end of the Scheme's financial period, the QuayStreet Units Trusts in which the Scheme invests are now governed by a consolidated and amended Master Trust Deed dated 1 June 2016. The QuayStreet Unit Trusts were renamed the QuayStreet Funds. A Product Disclosure Statement lodged on the Disclose Register was issued 20 June 2016 by the QuayStreet Unit Trusts. A revised Investment Statement for the Scheme dated 20 June 2016 was issued to reflect the above changes to the QuayStreet Funds.

No significant events have occurred since the end of the reporting period which would impact on the financial position of the scheme disclosed in the Statement of Net Assets as at 31 March 2016 or on the results and cash flows of the scheme for the year ended on that date.







## Independent auditor's report

### **To the members of Craigs Investment Partners KiwiSTART Select Scheme**

#### **Report on the financial statements**

We have audited the accompanying financial statements of Craigs Investment Partners KiwiSTART Select Scheme ("the scheme") on pages 2 to 15. The financial statements comprise the statement of net assets as at 31 March 2016, the statement of changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the scheme's members those matters we are required to state to them in the 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 scheme's members as a body, for our audit work, this report or any of the opinions we have formed.

#### ***Manager's responsibility for the financial statements***

The manager is responsible on behalf of the scheme for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the manager determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the scheme's preparation of the financial statements that give a true and fair view of the matters to which they relate 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 scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm has also provided other services to the scheme in relation to trustee reporting, prospectus reporting and summary financial statements to be included in the annual report. Subject to certain restrictions, partners and employees of our firm may also deal with the scheme on normal terms within the ordinary course of trading activities of the business of the

scheme. These matters have not impaired our independence as auditor of the scheme. The firm has no other relationship with, or interest in, the scheme.

### ***Opinion***

In our opinion the financial statements on pages 2 to 15:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the scheme as at 31 March 2016 and of its financial performance and cash flows for the year then ended.

### **Report on other legal and regulatory requirements**

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Craigs Investment Partners KiwiSTART Select Scheme as far as appears from our examination of those records.



23 June 2016  
Tauranga