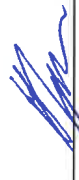


Generate KiwiSaver Scheme  
Financial Statements  
For the year ended 31 March 2017

## Manager's Statement

In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of the Generate KiwiSaver Scheme as at 31 March 2017 and their results for the period ended on that date in accordance with the requirements of the Generate KiwiSaver Scheme Trust Deed dated 31 August 2016.

The directors of the Manager are of the opinion that the Generate KiwiSaver Scheme will be able to pay its debts as and when they fall due.

  
\_\_\_\_\_  
Director

\_\_\_\_\_  
Date                      Wednesday, 19 July 2017

\_\_\_\_\_  
Generate Investment Management Limited

## Statements of Changes in Net Assets

\$	For the period ended 31 March	Note	Conservative		Growth		Focused Growth		Scheme Total	
			2017	2016	2017	2016	2017	2016	2017	2016
<b>Income</b>										
Interest income	1,954,797		613,201	1,060,859	371,625	202,739	147,432	3,218,395	1,132,258	
Dividend and distribution income	610,640		258,618	2,370,112	1,179,432	3,663,619	1,603,486	6,644,371	3,041,536	
Foreign exchange gains/(losses)	49,110		82,659	(16,737)	182,085	16,914	315,914	49,287	580,658	
Net (loss)/gain on financial instruments at fair value through profit or loss	(1,036,511)	6	1,027,084	4,478,878	836,064	9,144,303	(538,636)	12,586,670	1,324,512	
Other income	15,023		3,368	86,425	30,227	134,166	57,558	235,614	91,153	
	<b>1,593,059</b>		<b>1,984,930</b>	<b>7,979,537</b>	<b>2,599,433</b>	<b>13,161,741</b>	<b>1,585,754</b>	<b>22,734,337</b>	<b>6,170,117</b>	
<b>Expenses</b>										
Management fees	576,413		188,247	1,015,503	369,984	1,292,730	494,111	2,884,646	1,052,342	
Supervisor fees	34,441		12,837	60,669	25,221	77,289	33,652	172,399	71,710	
Transaction costs	36,861		23,701	122,402	122,402	151,554	190,907	310,676	337,010	
Other expense	115,644		38,964	169,782	60,646	187,096	67,823	472,522	167,439	
	<b>763,359</b>		<b>263,749</b>	<b>1,368,215</b>	<b>578,253</b>	<b>1,708,669</b>	<b>786,499</b>	<b>3,840,243</b>	<b>1,628,501</b>	
<b>Net profit before membership activities</b>	<b>829,700</b>		<b>1,721,181</b>	<b>6,611,322</b>	<b>2,021,180</b>	<b>11,453,072</b>	<b>799,255</b>	<b>18,894,094</b>	<b>4,541,616</b>	
<b>Contributions</b>										
Member contributions	7,121,115		2,440,615	12,597,283	4,862,383	15,961,825	6,589,891	35,680,223	13,872,889	
Employer contributions	3,332,822		1,192,822	6,501,860	2,583,015	8,644,122	3,524,392	18,478,804	7,300,229	
Crown contributions	1,134,923		580,435	2,201,433	1,161,435	3,118,157	1,829,623	6,454,513	3,571,493	
Transfers from other Funds in the Scheme	3,577,750		1,106,475	3,102,824	356,185	1,821,840	450,098	6,502,414	1,912,758	
Transfers from other schemes	45,372,429		16,396,146	62,779,078	35,621,215	60,040,840	54,130,556	168,192,347	106,147,917	
	<b>60,539,039</b>		<b>21,716,493</b>	<b>87,182,478</b>	<b>44,584,233</b>	<b>89,586,784</b>	<b>66,504,560</b>	<b>237,308,301</b>	<b>132,805,286</b>	
<b>Withdrawals</b>										
Transfers to other Funds in the Scheme	2,658,815		502,909	2,237,737	551,839	3,605,862	858,010	8,502,414	1,912,758	
Transfers to other schemes	3,808,168		1,091,920	5,556,630	1,996,614	7,193,320	2,196,803	16,558,118	5,287,337	
Withdrawals on death	37,483		11,530	29,573	1,461	31,213	1,694	98,269	14,885	
Withdrawals or transfers on permanent emigration				10,621			13,946	10,621	13,946	
Invalid enrolment withdrawals	272		2,529	1,115	1,628	1,113	2,464	2,500	6,621	
Retirement	120,824		254,111	82,481	114,771	660,988	31,448	864,293	400,330	
Serious illness withdrawals	31,750		8,689	58,786	6,821	63,297	10,422	153,833	25,932	
First home purchase withdrawals	3,284,968		916,252	1,818,903	1,071,597	2,189,460	1,015,593	7,403,331	3,003,442	
Significant financial hardship withdrawals	104,083		61,632	200,294	101,928	232,848	152,423	537,225	315,983	
	<b>10,046,363</b>		<b>2,849,572</b>	<b>10,096,140</b>	<b>3,846,859</b>	<b>13,988,101</b>	<b>4,284,803</b>	<b>34,130,604</b>	<b>10,981,034</b>	
Administration fees	141,466		59,469	298,738	146,843	446,983	234,903	887,187	441,215	
PIE Tax	67,576		117,299	197,327	198,618	375,901	266,806	640,804	582,723	
	<b>10,255,405</b>		<b>3,126,340</b>	<b>10,592,205</b>	<b>4,192,320</b>	<b>14,820,011</b>	<b>4,786,512</b>	<b>35,219,395</b>	<b>11,905,072</b>	
<b>Net membership activities</b>	<b>50,283,634</b>		<b>18,690,153</b>	<b>76,590,273</b>	<b>40,392,113</b>	<b>74,775,799</b>	<b>61,716,048</b>	<b>201,648,706</b>	<b>120,800,314</b>	
<b>Members' accounts at the start of the period</b>	<b>30,856,427</b>		<b>10,445,093</b>	<b>60,723,247</b>	<b>18,309,954</b>	<b>84,463,904</b>	<b>21,946,601</b>	<b>176,043,578</b>	<b>50,701,648</b>	
<b>Movement in members' accounts for the period</b>	<b>51,113,334</b>		<b>20,411,334</b>	<b>83,201,595</b>	<b>42,413,293</b>	<b>86,228,871</b>	<b>62,517,303</b>	<b>220,543,800</b>	<b>125,341,930</b>	
<b>Members' accounts at the end of the period</b>	<b>81,969,761</b>		<b>30,856,427</b>	<b>143,924,842</b>	<b>60,723,247</b>	<b>170,692,775</b>	<b>84,463,904</b>	<b>396,597,378</b>	<b>176,043,578</b>	

The Notes form an integral part of, and should be read in conjunction with, these financial statements.

# Statements of Net Assets

\$	As at 31 March	Note	Conservative Fund		Growth		Focused Growth Fund		Schema Total	
			2017	2016	2017	2016	2017	2016	2017	2016
	<b>Members' Funds</b>									
	5.2		81,969,761	30,856,427	143,924,842	60,723,247	170,692,775	84,463,904	396,587,378	176,043,578
<b>Represented by:</b>										
<b>Assets</b>										
			7,066,323	1,829,211	13,752,768	3,935,700	19,538,673	12,994,403	40,357,764	18,759,314
	8		504,435	-	459,560	-	360,427	-	1,324,422	-
	6		74,965,199	29,526,959	131,486,888	57,856,223	153,609,776	72,127,795	360,073,863	159,510,977
			16,040	-	36,503	-	36,227	-	68,770	-
			82,551,997	31,356,170	145,747,719	61,791,923	173,545,103	85,122,198	401,844,819	178,270,291
<b>Total assets</b>										
<b>Liabilities</b>										
			2,070	133,825	449	309,665	34,814	193,549	37,333	637,039
	9		38,840	206,222	46,504	435,800	21,446	9,588	106,790	851,610
	10		72,140	33,412	126,560	69,400	151,391	100,992	350,091	203,804
	6		391,802	9,440	1,430,719	51,922	2,252,671	80,221	4,075,192	141,583
			77,384	116,844	216,645	201,869	392,006	273,944	688,035	592,677
			582,236	499,743	1,822,877	1,068,676	2,852,328	658,294	5,257,441	2,226,713
			81,969,761	30,856,427	143,924,842	60,723,247	170,692,775	84,463,904	396,587,378	176,043,578

These Financial Statements were authorised for issue by the Manager, Generate Investment Management Limited.

Director \_\_\_\_\_ Date Wednesday 19 July 2017

Director  \_\_\_\_\_ Date Wednesday 19 July 2017

The Notes form an integral part of, and should be read in conjunction with, these financial statements.

# Statements of Cash Flows

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Schemes Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>For the period ended 31 March</b>								
<b>Note</b>								
<b>Cash flows from operating activities</b>								
Proceeds from sale of financial assets	5,604,943	3,157,378	4,424,578	2,322,107	5,594,408	982,110	15,623,929	6,461,595
Purchase of financial assets	(51,641,892)	(21,445,771)	(73,205,114)	(40,314,753)	(76,930,942)	(51,554,888)	(201,777,948)	(113,315,412)
Net settlement of derivative financial instruments	4,836	(4,186)	1,440,238	(375,073)	3,006,774	(744,862)	4,451,848	(1,124,121)
Dividend and distribution income	594,530	258,618	1,449,650	670,621	1,728,296	745,204	3,772,476	1,674,443
Interest income received	1,597,835	412,908	937,608	254,241	202,739	147,324	814,473	2,738,182
Other income received	15,023	3,197	26,907	5,360	16,182	4,494	58,112	13,051
Operating expenses paid	(708,442)	(275,360)	(1,280,590)	(551,212)	(1,616,241)	(752,040)	(3,605,273)	(1,578,612)
<b>Net cash outflow from operating activities</b>	<b>(44,533,167)</b>	<b>(17,893,216)</b>	<b>(66,206,723)</b>	<b>(37,988,709)</b>	<b>(67,998,784)</b>	<b>(51,172,658)</b>	<b>(178,738,674)</b>	<b>(107,054,583)</b>
<b>11</b>								
<b>Cash flows from financing activities</b>								
Proceeds from units issued	61,014,707	21,718,171	87,414,269	44,585,279	89,672,811	66,505,173	238,101,787	132,808,623
Redemptions of units	(11,287,334)	(2,731,008)	(11,359,917)	(3,596,813)	(15,129,409)	(4,171,725)	(37,776,660)	(10,499,546)
Tax paid	(6,232)	(17,099)	(14,332)	(9,239)	(18,283)	(1,143)	(38,847)	(27,481)
<b>Net cash inflow from financing activities</b>	<b>49,721,141</b>	<b>18,970,064</b>	<b>76,040,020</b>	<b>40,979,227</b>	<b>74,525,119</b>	<b>62,332,305</b>	<b>200,286,280</b>	<b>122,281,596</b>
<b>Net Increase in cash</b>	<b>5,187,974</b>	<b>1,076,848</b>	<b>9,833,297</b>	<b>2,990,518</b>	<b>6,526,335</b>	<b>11,159,647</b>	<b>21,547,606</b>	<b>15,227,013</b>
Cash at the beginning of the period	1,829,211	669,704	3,935,700	763,097	12,994,403	1,518,842	18,759,314	2,951,643
Effect of exchange rate fluctuations	49,138	82,659	(16,229)	182,085	17,935	315,914	50,844	580,659
<b>Cash at the end of the period</b>	<b>7,066,323</b>	<b>1,829,211</b>	<b>13,752,768</b>	<b>3,935,700</b>	<b>19,538,673</b>	<b>12,994,403</b>	<b>40,357,764</b>	<b>18,759,314</b>

The Notes form an integral part of, and should be read in conjunction with, these financial statements.

# Notes to the Financial Statements

## 1. General information

### Reporting entity

These financial statements ('Financial Statements') are for the Generate KiwiSaver Scheme (the 'Scheme') which comprises the following three investment funds (together the 'Funds' and individually 'Fund').

- Conservative Fund
- Growth Fund
- Focused Growth Fund

The Manager and Issuer of the Scheme is Generate Investment Management Limited ('GIML'). The parent of the Manager is Generate Investment Holdings Limited ('GHL') and the Supervisor of the Scheme is Public Trust ('the Supervisor'). The Scheme is registered and domiciled in New Zealand. The registered office of the Scheme is Level 2, 32 Market Place, Viaduct Harbour, Auckland.

The Scheme is a defined contribution scheme under the KiwiSaver Act 2006, which means that members contribute to the Scheme over time and benefits payable depend on the amount of contributions made and any returns on contributions received.

The Scheme was established under a Trust Deed dated 14 December 2012. The Scheme received contributions from 28 March 2013. It is reporting as a Tier 1 for profit entity as defined in the External Reporting Board's 'Accounting Standards framework'. On 25 August 2016, the Manager and the Supervisor updated the Trust Deed to ensure compliance with the requirements of the Financial Markets Conduct Act 2013 ('FMCA') and the Financial Markets Conduct Regulations 2014 ('FMC Regulations') and all other relevant enactments as amended by the FMCA and the Financial Markets (Repeals and Amendments) Act 2013.

The Scheme's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations of the Scheme, as defined by the liability for promised benefits. The Scheme achieves this through obtaining contributions from members and employers and investing these into financial assets.

The principal objectives of the Funds are described below:

- The objective of the Conservative Fund is to provide a conservative investment return through investment in a portfolio of actively managed cash, fixed interest, property (including aged care) and infrastructure assets. The Fund has a low to medium level of volatility.
- The objective of the Growth Fund is to provide a growth investment return through investment over the long-term investment in a portfolio of actively managed cash, fixed interest, property (including aged care) and infrastructure assets and International Equity Managers. The Fund has a medium level of volatility.
- The objective of the Focused Growth Fund is to provide a higher growth investment return over the long-term through investment in a portfolio of actively managed cash, property (including aged care) and infrastructure assets, and International Equity Managers. The Fund has a medium level of volatility.

### Funding arrangements

Under the Trust Deed contributions are made by members of the Scheme, their employers and the Crown. Members may from time to time make additional voluntary contributions to the Scheme. Employers are required to contribute 3% of members' gross salary or wage to the Scheme. Employer contributions to KiwiSaver are subject to Employer Superannuation Contribution Tax. Up to 21st May 2015 the Crown made a \$1,000 one-off lump sum contribution to members joining the Scheme who were new to KiwiSaver. The Crown will also contribute \$0.50 for every \$1.00 of member contributions annually up to a maximum of \$521.43.

### Retirement benefits

Member benefits will generally be locked into the Scheme until the later of the date for reaching the qualifying age for New Zealand Superannuation or the date on which the Member has been a member of any KiwiSaver Scheme or a member of a Complying Superannuation Scheme for a period of five years. Members may also be able to withdraw their funds under significant financial hardship, serious illness, permanent immigration and first home withdrawal. Retirement benefits are determined by contributions to the Scheme together with investment earnings net of tax on these contributions over the period of membership.

### Termination terms

The Trust Deed sets out the basis on which the Scheme can be terminated.

### Statutory base

The Scheme is registered under the FMCA as a KiwiSaver Scheme. The Scheme is a trust vehicle governed by a Trust Deed dated 25 August 2016.

## 2. Summary of accounting policies

### 2.1 Basis of preparation

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied throughout the periods presented, unless otherwise stated.

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). For the purposes of complying with NZ GAAP, the Scheme is a profit-oriented entity. These Financial Statements have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') as issued by the New Zealand Accounting Standards Board and other applicable reporting standards. The Financial Statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board. These Financial Statements have been prepared under the historical cost method, except for financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Directors of the Manager to exercise their judgement in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 3.

### (a) Presentation

The Financial Statements are presented in New Zealand dollars, which is the Scheme's functional currency. The functional currency reflects the currency in which the Scheme competes for funds and is regulated. All amounts are rounded to the nearest dollar unless otherwise stated.

# Notes to the Financial Statements

## 2.1 Basis of preparation (continued)

### (b) Future accounting developments

The following new standards and amendments to existing standards are not a comprehensive list of standards and amendments not yet effective but are only those that are considered relevant to the Scheme:

NZ IFRS 9 'Financial Instruments' is applicable to annual reporting periods beginning on or after 1 January 2018. This standard will replace the existing standard NZ IAS 39 'Financial Instruments Recognition and Measurement'. The requirements regarding the classification and measurement of financial liabilities have been retained, as well as the requirements for determining when financial liabilities are derecognised. Under the new standard, changes in fair value of financial liabilities at fair value through profit or loss due to changes in own credit risk will be recognised directly in the statement of changes in net assets. The standard also establishes two primary measurement categories for financial assets: amortised cost and fair value, with classification depending on an entity's business model and the contractual cash flow characteristics of the financial asset.

NZ IFRS 9 also contains a new impairment model based on 'expected credit losses'. The model makes use of more forward looking information. In applying this forward looking approach a distinction is made between:

- (a) Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk; and
- (b) Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.

The adoption of this standard may result in additional or amended disclosures and is not expected to have a material impact on the Scheme's reported result or financial position. The Manager has not yet assessed the full impact of NZ IFRS 9 as this standard does not mandatorily apply until the 31 March 2019 reporting date.

NZ IFRS 15 'Revenues from Contracts with Customers' will introduce a change in the recognition of income from contracts with customers effective from 1 January 2018. The standard is not expected to have any impact on the recognition of income of the Scheme as income is derived from investment in securities, not from contracts with customers.

There are no other standards, amendments or interpretations that have been issued but are not yet effective that are expected to impact the Scheme's financial statements.

## 2.2 Financial instruments

### (a) Classification

*Designated financial assets and liabilities at fair value through profit or loss*

The Scheme classifies its investment in equities, Portfolio Investment Entities ('PIEs'), listed and unlisted fixed interest securities and international managed funds and trusts as designated financial assets at fair value through profit or loss at initial recognition. Transaction costs recognition are charged to the statement of changes in net assets. The financial assets can be classified as such, as the Scheme manages its investments and make purchase and sale decisions based on their fair value and in accordance with their investment strategy. Purchases and sales of investments are recognised on the trade date, the date on which the Scheme commits to purchase or sell the investment.

*Held for trading financial assets and liabilities at fair value through profit or loss*

Held for trading financial assets and liabilities at fair value through profit or loss comprise of derivative instruments which are primarily forward foreign exchange contracts and interest rate swaps. The use of these contracts by the Scheme is primarily for the risk management of their investments.

### (b) Recognition

The Funds recognise financial assets and financial liabilities on the date they become parties to the contractual agreement (trade date). Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Changes in Net Assets.

### (c) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date in the principal or, in its absence, the most advantageous market to which the Scheme had access at that date. The fair value of a liability reflects its non-performance risk.

*Financial assets and liabilities held at fair value through profit or loss*

Financial assets and liabilities held at fair value through profit or loss include financial instruments held for trading and financial instruments designated at fair value through profit or loss upon initial recognition. They are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs relating to financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all financial assets and liabilities held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of changes in net assets.

*Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used by the Funds is the last traded market price for both financial assets and financial liabilities where the last traded prices fall within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value. The quoted market price used for fixed interest securities is the current mid price.

*Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Funds' investments in other funds are subject to the terms and conditions of the respective funds' offering documentation. The investments in other funds are primarily valued based on the latest available redemption price of such units for each other fund investment, as determined by the other funds' administrators. The Funds review the details of the reported information obtained from the other funds and consider the liquidity of the other fund or its underlying investments; the value date of the net asset value provided; and restrictions on redemptions; and the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information is obtained from the other funds' advisors.

The rights of the Funds to request redemption of their investments in other funds may vary in frequency from daily to weekly redemptions. As a result, the carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Funds may be materially affected by the actions of other investors who have invested in other funds in which the Funds have invested.

# Notes to the Financial Statements

## (c) Fair value measurement (continued)

If necessary, the Funds make adjustments to the net asset value of various other fund investments to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the Statement of Changes in Net Assets include the change in fair value of each other fund.

Fair value classifications of the Funds' financial assets and liabilities are detailed in Notes 6 and 7. Fair value hierarchy is detailed in Note 5.3.

## (d) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all of the risks and rewards of ownership. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

## 2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of net assets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## 2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and are measured initially at fair value. Subsequent to initial recognition, all cash and cash equivalents are measured at amortised cost.

## 2.5 Revenue recognition

- (a) Dividend and distribution income is recognised in the statement of changes in net assets when the Scheme's right to receive payment is established.
- (b) Interest income is recognised in the statement of changes in net assets as the interest accrues using the effective interest rate method. Interest income is earned on cash and cash equivalents.
- (c) Gains or losses of financial assets at fair value through profit or loss are recognised in the statement of changes in net assets as disclosed in note 2.2.
- (d) Foreign exchange gains and losses on cash and financial instruments at fair value through profit or loss are recognised in the statement of changes in net assets as disclosed in note 2.12.
- (e) Underwriting and brokerage income is recognised in the statement of changes in net assets when the Scheme's right to receive payment is established.
- (f) Dividend and interest income is disclosed net of any resident withholding taxes deducted at source, as these tax credits are allocated to members under the PIE regime.

## 2.6 Expenses

The management fee, supervisory and custody fees and expense allowance is calculated on a daily basis based on the Gross Fund Value of the Scheme and paid monthly. Other expenses including fund administration fees are expensed in the Statement of changes in net assets on an accrual basis. Member administration and registry fees are charged monthly per member via a unit deduction payment when they arise.

## 2.7 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Scheme's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of net assets. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. These assets are all held with high quality counterparties and are regularly reviewed for indication of impairment. Sales of securities and investments which are unsettled at the reporting date are included in receivables.

## 2.8 Trade and other payables

Trade and other payables include liabilities, purchases of securities and investments that are unsettled at the reporting date and accrued expenses owing by the Scheme which are unpaid at the reporting date and are initially measured at fair value and subsequently at amortised cost using the effective interest method. Trades are recorded on trade date, and normally settled within three business days.

## 2.9 Taxation

The Funds are Portfolio Investment Entities (PIEs). Under the PIE regime income is effectively taxed in the hands of the members and therefore the Funds have no tax expense. Accordingly, no income tax expense is recognised in the statement of changes in net assets.

Under the PIE regime, the Manager attributes the taxable income of the Funds to members in accordance with the proportion of their overall interest in the Funds. The income attributed to each member is taxed at the member's 'prescribed investor rate' which is capped at 28%. The Manager accounts for tax on behalf of members and undertakes any necessary adjustments to the members' interests in the Funds to reflect that the Scheme pays tax at varying rates on behalf of members.

Members' funds have been adjusted to reflect the impact of tax on the value of unit holdings.

The tax attributable to members is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Positions taken in attributing taxable income to members, with respect to situations in which applicable tax regulations are subject to interpretation, are evaluated by the Manager as required.

## 2.10 Goods and services tax (GST)

The Scheme is not registered for GST. All items in the statement of changes in net assets and the statement of net assets are stated inclusive of GST.



# Notes to the Financial Statements

## 2.11 Statement of cash flows

Definitions of the terms used in the statement of cash flows are:

- (a) Operating activities include all transactions and other events that are not financing activities; and
- (b) Financing activities are those activities that result in changes in the size and composition of members' funds.
- (c) The Scheme undertook no investing activities during both reporting periods.

## 2.12 Foreign currencies

### Transactions and balances

Transactions denominated in foreign currencies are recognised at the exchange rates on the date of the transactions. Assets and liabilities at the reporting date denominated in foreign currencies are translated at the foreign currency exchange rates on that date. Realised and unrealised exchange gains and losses during the financial period are recognised in the statement of changes in net assets.

## 2.13 Impairment of assets

The carrying amounts of the Scheme's assets other than fair value through profit or loss are reviewed at each reporting date to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of changes in net assets. Assets that are considered for impairment are cash and cash equivalents, and trade and other receivables. The risk of impairment is considered minimal due to the counterparties dealt with.

## 2.14 Net assets attributable to members

The net assets attributable to members represents the liability for promised retirement benefits and are measured at amortised cost. The Funds issue units that are redeemable at the Members' option and do not have identical features and are therefore classified as financial liabilities. The units can be put back to the Funds at any time for the purpose of permitted withdrawals (such as reaching the retirement age of 65 or enduring significant hardship), transferred to another Fund within the Scheme or a separate KiwiSaver Scheme and which are equal to a proportionate share of the respective Fund's net asset value which is the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable at the period end date if Members exercise their right to put the units back to the Funds.

As stipulated in the Trust Deed, each unit represents a right to an individual share in the respective Fund and does not extend to a right in the underlying assets of the respective Fund. Separate classes of units are created within the Funds to reflect the different Prescribed Investment Rates (PIR) of the Members. Each Member's account is invested in classes of units within the relevant Funds based on the member's PIR that has been most recently notified to the Manager. Each unit of a specified class has the same rights attaching to it as all other units of the same class within the relevant Fund. Units are issued and redeemed at the holder's option at prices based on the Funds' net asset value per class of unit at the time of issue or redemption. The Funds' net asset value per class of unit is calculated by dividing the net assets attributable to all holders of units in the same class for each Fund by the total number of units on issue of the same class in each Fund.

## 2.15 Related parties

A party is related to the Scheme if:

- (a) directly or indirectly through one or more of its intermediaries, it controls, is controlled by, or is under common control with, the Scheme;
- (b) it is a parent, subsidiary or fellow subsidiary of a party defined in (i) above;
- (c) it has an interest in or relationship with the Scheme that gives it significant influence over the Scheme;
- (d) the Scheme has an interest in or relationship with the party that gives it significant influence over the party; or
- (e) they are a member of the Manager's key management personnel.

## 2.16 Changes in accounting policies

During the year two accounting policies have been adopted, replacing previous treatment, in order to align with common industry practice of KiwiSaver Schemes:

- (a) Members Accounts have been reclassified as a financial liability from equity. A number of KiwiSaver Schemes attest that the definition of Puttable Instrument under NZ IAS 32 is not met by the nature of these funds. This has led to no change in the measurement of the comparative but rather a reclassification from Equity to Financial Liability within the Financial Statements. This is reflected on the face of the financial statements and within the notes to the financial statements.
- (b) The Generate KiwiSaver Scheme Application bank account has been excluded from the Scheme financial statements in 2017 to align with unit pricing treatment. The Application bank account is included when these funds have been accepted by the Scheme for unitisation. On the basis of materiality the 2016 comparative has not been revised. The 2017 application account has been excluded from the Cash and Cash equivalents within the Statement of Net Assets.

The Scheme has consistently applied the other accounting policies to all periods presented in these financial statements.

## 2.17 Restatement of comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the Financial Statements.

## 3. Accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Scheme's accounting policies. The Manager has applied its judgement in selecting the accounting policy to designate financial assets at fair value through profit or loss at initial recognition. This policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair value of all financial assets as quoted market prices are readily available and in the case of derivatives observable market inputs are readily available. Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at the reporting date. However as with all investments, their value is subject to variation due to market fluctuations.

The Manager has used judgement in the categorisation of its financial assets and liabilities at fair value through profit or loss in accordance with the fair value hierarchy under NZ IFRS 13 'Fair Value Measurement'. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value in its entirety. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability (refer to note 5.3 for further details).

## Notes to the Financial Statements

### 4. Derivatives

#### 4.1 Forward foreign currency contracts

Forward foreign currency contracts are contractual obligations to buy or sell one currency on a future date in exchange for a second currency at a specified forward foreign exchange rate which is established in an organised market. The forward contracts are agreed between the parties to the contract and are not traded on an exchange. The Scheme's open positions in forward contracts at the reporting date are outlined below:

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Forward exchange contracts (notional value in NZ\$)</b>								
Sell AUD/Buy NZD	593,920	634,691	7,521,800	3,429,504	12,180,385	5,660,116	20,296,105	9,724,311
Sell EUR/Buy NZD	-	-	1,806,460	5,051,141	3,651,080	11,149,134	5,457,540	16,200,275
Sell GBP/Buy NZD	-	-	-	474,885	-	1,025,536	-	1,500,421
Sell USD/Buy NZD	-	-	24,470,665	1,421,042	45,038,765	2,958,909	69,509,430	4,379,951
<b>Forward exchange contracts (fair value in NZ\$)</b>								
Sell AUD/Buy NZD	(31,139)	(9,440)	(336,893)	(51,922)	(554,208)	(80,222)	(922,240)	(141,584)
Sell EUR/Buy NZD	-	-	(66,819)	53,033	(135,050)	110,425	(201,869)	163,458
Sell GBP/Buy NZD	-	-	-	35,910	-	77,549	-	113,459
Sell USD/Buy NZD	-	-	(849,184)	397,027	(1,563,413)	859,181	(2,412,597)	1,256,208

### 5. Financial risk management

#### 5.1 Financial risk factors

The Trust Deed for the Scheme requires the Fund Manager to invest the assets of each Fund of the Scheme in accordance with the Scheme's Statements of Investment Policy and Objectives (SIPO). In order to manage risk, the Scheme's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Scheme's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Scheme is exposed and seeks to minimise potential adverse effects on the Scheme's financial performance.

All securities investments present a risk of loss of capital. The Funds of the Scheme hold various financial instruments such as long listed equities, unlisted unit trusts and fixed interest securities where the maximum loss of capital is limited to the carrying value of those positions. The maximum loss of capital on forward foreign exchange contracts is limited to the notional amount of currency that is contracted to be delivered under each contract.

The Scheme is exposed directly, and indirectly to price risks through its holdings of equity and unit trust investments. The unlisted investments have underlying securities comprising primarily domestic, international equity instruments and fixed interest securities. In addition to internal risk management carried out by the Manager, financial risk is also managed by the setting of an investment policy, agreed with and monitored by the Supervisor and set out in the SIPO. The Manager regularly reviews investment assets of the funds against Asset Allocation profiles of the SIPO together with the liquidity and concentration restrictions of the SIPO.

#### 5.1.1 Market risk

##### (a) Price risk

Price risk is the risk that the fair value or future cash flows of non-monetary financial instruments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to an issuer or factors affecting all similar financial instruments traded in the market. All investments in managed funds and listed equities present a risk of loss of capital often due to factors beyond the Manager's control such as competition, regulatory changes, commodity price changes and changes in general economic climate domestically and internationally. The managers of the underlying unit trusts moderate this risk through careful asset selection and diversification of investments, daily monitoring of the positions and adherence to their investment policies. Price risks are managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Any price risk associated with monetary instruments such as the fixed interest securities is considered to be part of the risk captured under interest rate risk and credit risk.

The maximum market risk resulting from financial instruments is determined by their fair value.

Where non-monetary financial instruments, for example, unit trusts and equities denominated in currencies other than NZD, the price initially expressed in foreign currency and then converted into NZD will also fluctuate because of changes in foreign exchange rates. In addition, where the Scheme holds unit trusts which in turn invest in securities denominated in foreign currencies, the value of the unit trust will be indirectly affected by fluctuations in foreign exchange rates. Paragraph (b) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured.

##### Sensitivity Analysis

A variable of 10% was selected for price risk as this is a reasonably expected movement based on historic trends in unit prices. If investments in financial instruments subject to unit price risk at that date increased/decreased by 10% with all other variables held constant, this would have had the following impact on the Statement of Changes in Net Assets:

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
10% increase in prices	2,202,240	937,060	7,729,400	4,412,955	10,009,989	7,108,064	19,941,629	12,458,079
10% decrease in prices	(2,202,240)	(937,060)	(7,729,400)	(4,412,955)	(10,009,989)	(7,108,064)	(19,941,629)	(12,458,079)

Members' Funds would be impacted by the same amount less the PIE tax adjustment that would be attributed to members.

## Notes to the Financial Statements

### 5.1.1 Market risk (continued)

#### (b) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Scheme is exposed to currency risk on monetary instruments through holdings of non-New Zealand dollar cash and cash equivalents, trade and other receivables, trade and other payables and by entering into forward foreign exchange contracts. The Manager may hedge the exposure to currency fluctuations.

The Scheme is also exposed to currency risk on non-monetary instruments through investments in equity securities, unit trusts and derivatives denominated in currencies other than New Zealand dollars.

At the reporting date the Scheme had the following foreign currency exposures due to holdings of monetary assets and liabilities (expressed in NZD equivalents):

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Monetary assets/(liabilities)</b>								
Australian Dollar (AUD)	431,922	(634,348)	(6,184,489)	(3,428,800)	(9,771,062)	(5,659,299)	(15,523,630)	(9,722,447)
Euro (EUR)	-	-	(1,806,460)	(1,421,042)	(3,651,080)	(2,958,909)	(5,457,540)	(4,379,951)
Great British Pound (GBP)	-	-	52,265	(474,885)	103,965	(1,025,536)	156,230	(1,500,421)
United States Dollar (USD)	1,180,777	576,120	(22,388,185)	(3,569,236)	(40,705,309)	(9,132,714)	(61,912,717)	(12,145,830)

The table below summarises the impact on the Statement of Changes in Net Assets on monetary assets and liabilities at the reporting date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 10% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Monetary assets/(liabilities)</b>								
Increase of 10%	(146,609)	5,293	2,756,988	810,360	4,911,226	1,706,951	7,521,605	2,522,604
Decrease of 10%	179,189	(6,470)	(3,369,652)	(990,440)	(6,002,610)	(2,086,273)	(9,193,073)	(3,083,183)

At the reporting date the Scheme had the following foreign currency exposures due to holdings of non-monetary assets and liabilities (expressed in NZD equivalents):

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Non monetary assets/(liabilities)</b>								
Australian Dollar (AUD)	1,221,159	1,333,147	32,303,990	12,753,624	56,646,488	23,843,642	90,171,637	37,930,413
Great British Pound (GBP)	-	-	14,865,958	8,146,346	28,967,179	18,183,319	43,833,137	26,329,665
United States Dollars (USD)	-	-	22,601,528	3,145,968	40,367,532	6,559,635	62,969,060	9,705,603

The table below summarises the impact on the Statement of Changes in Net Assets on non-monetary assets and liabilities at the reporting date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 10% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Non monetary assets/(liabilities)</b>								
Increase of 10%	(111,014)	(121,195)	(6,342,861)	(2,185,994)	(11,452,836)	(4,416,963)	(17,906,711)	(6,724,152)
Decrease of 10%	135,684	148,127	7,752,366	2,671,771	13,997,911	5,398,511	21,865,981	8,218,409

## Notes to the Financial Statements

### 5.1.1 Market risk (continued)

#### (c) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The Funds hold fixed interest securities that expose the Funds to fair value interest rate risk. The Funds hold cash and cash equivalents that expose the Funds to cash flow interest rate risk.

The following table represents the maturity profile of financial instruments subject to interest rate risk at 31 March 2017:

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>As at 31 March</b>								
<b>Cash and cash equivalents</b>								
On Call	7,066,323	1,829,211	13,752,768	3,935,700	19,536,673	12,994,403	40,357,764	18,759,314
<b>Fixed interest securities</b>								
Less than one year	6,160,006	3,528,399	2,833,313	1,836,906	-	-	8,993,319	5,365,305
1-2 years	5,111,023	1,966,446	767,367	573,842	-	-	5,878,390	2,540,288
2-5 years	32,891,201	9,023,137	16,481,739	5,961,824	-	-	49,472,940	14,964,961
Over 5 years	3,000,180	5,578,649	1,119,265	4,828,322	-	-	4,119,445	10,406,971
	47,262,410	20,096,631	21,201,684	13,200,894	-	-	68,464,094	33,297,525
<b>Floating interest securities</b>								
Less than one year	2,379,494	-	2,711,550	-	-	-	5,091,044	-
1-2 years	2,046,145	59,728	1,071,172	39,818	-	-	3,117,317	99,546
2-5 years	1,254,751	-	-	-	-	-	1,254,751	-
	5,680,390	59,728	3,782,722	39,818	-	-	9,463,112	99,546

#### (i) Cash flow sensitivity analysis

The Scheme holds cash and cash equivalents in New Zealand dollars that expose the Funds to cash flow interest rate risk.

A change in interest rates impacts the cash flow of the Scheme's cash and cash equivalents by increasing or decreasing the amount of interest received. A movement of 100 basis points (1%) was selected as this is a reasonably expected movement based on past overnight cash rate movements. The one year cash flow sensitivity to a 100 basis point movement in interest rates (based on assets held at the reporting date), with all other variables held constant, is shown in the following table:

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>As at 31 March</b>								
Increase of 1%	70,663	18,292	137,528	39,357	195,387	129,944	403,578	187,593
Decrease of 1%	(70,663)	(18,292)	(137,528)	(39,357)	(195,387)	(129,944)	(403,578)	(187,593)

#### (ii) Fair value interest rate risk

At the reporting date, had the interest rate increased or decreased by 1% (which is the Manager's assessment of a reasonable movement with regard to historical volatility) with all other variables held constant, the impact on the fair value of the fixed interest portfolio in the respective Funds and the related change in total comprehensive income/(loss) would have been as follows:

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>As at 31 March</b>								
Increase of 1%	(1,404,825)	(201,564)	(654,273)	(132,407)	-	-	(2,059,898)	(333,971)
Decrease of 1%	1,506,932	201,564	701,798	132,407	-	-	2,210,730	333,971

In addition to the Scheme's direct exposure to interest rate changes on the fair value of financial assets and liabilities and on the cash flows of cash and cash equivalents shown above, the Scheme is indirectly affected by the impact of interest rate changes on the earnings of their investments in managed funds, which forms part of the Price Risk sensitivity (see above). Therefore, the above sensitivity analysis may not fully indicate the total effect on the Scheme's net assets attributable to members of future movements in interest rates.



## Notes to the Financial Statements

### 5.1.2 Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Scheme. Financial instruments that subject the Scheme to credit risk consist primarily of fixed interest securities, cash and cash equivalents and trade and other receivables.

The Manager monitors and manages credit risk within the terms of the Schemes' SIFOs. This requires a minimum credit rating of 'investment grade' for issuers of fixed interest securities, or, where unratified for the investment committee to believe the issuer is of a credit quality equivalent to investment grade. For bank deposits, the bank is required to be investment grade. There are also restrictions on the maximum investment of any fixed security issuer of 10% of the assets of a fund size, once the Fund size is over \$50 Million. When the fund size is less than \$50 million the maximum investment is 20%. Cash and cash equivalent holdings with banks cannot exceed 15% of the assets of a fund, except for deposits with the 'Big Four' local banks that have a minimum credit rating of AA-, which cannot exceed 30% of the assets of a fund.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. There is a limited risk of default relating to contributions receivable by the Scheme as this receivable has arisen only due to timing between the date of receipt of the funds and when the units are allocated and the receipts processed. Derivative contracts can only be held with banks with a minimum credit rating of AA-. Forward foreign exchange contracts and interest rate swaps are held with ANZ Bank New Zealand Limited. The ANZ bank has an S&P credit rating of AA-.

The maximum credit risk of financial instruments is considered to be the carrying amount on the statement of net assets. The risk of non-recovery of monetary assets is considered by the Manager to be minimal due to the quality of counterparties dealt with. The Scheme does not require collateral or other security to support financial instruments with credit risk. Cash and cash equivalents are held with ANZ Bank New Zealand Limited and BNP Paribas.

As at 31 March 2017 there were no financial assets past due or impaired (31 March 2016: Nil).

The following table sets out the equivalent Standard and Poor's credit rating for cash and cash equivalents and fixed interest securities held by the Scheme.

\$	As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
		2017	2016	2017	2016	2017	2016	2017	2016
	<b>Cash and cash equivalents</b>								
	ANZ Bank New Zealand Limited	4,946,865	1,252,742	10,444,729	2,350,862	12,845,704	10,977,188	28,237,298	14,580,792
	BNP Paribas SA	2,119,459	576,469	3,308,040	1,584,838	6,692,969	2,017,215	12,120,468	4,178,522
		7,066,324	1,829,211	13,752,769	3,935,700	19,538,673	12,994,403	40,357,766	18,759,314
	<b>Fixed Interest Securities</b>								
	High Grade	22,516,067	9,285,465	9,200,142	4,786,080	-	-	31,716,209	14,051,545
	Upper Medium Grade	4,495,811	2,303,617	3,110,254	3,382,966	-	-	7,606,065	5,686,583
	Lower Medium Grade	16,056,878	3,714,748	7,402,662	2,352,983	-	-	23,459,540	6,067,731
	Unrated	9,874,044	4,872,529	5,271,348	2,718,683	-	-	15,145,392	7,591,212
	<b>Total</b>	52,942,800	20,156,359	24,984,406	13,240,712	-	-	108,992,811	33,397,071

### 5.1.3 Liquidity risk

Liquidity risk represents the risk that the Scheme may not have the financial ability to meet its contractual obligations. The Scheme evaluates its liquidity requirements on an on-going basis and maintains an investment in cash and cash equivalents to cover the possibility of any member withdrawals. All financial assets at fair value through profit and loss can be realised within 12 months. All financial liabilities are payable within 6 months.

The Scheme's investment policies do not state a minimum required level of investment in liquid investments. The Scheme's financial liabilities consist of trade and other payables and derivatives (forward foreign exchange contracts and interest rate swaps) which are short term in nature and classified as a current liability at the reporting date. Current liabilities of financial derivative instruments consist of the fair value of forward foreign exchange contracts and interest rate swaps at period end. The current fair value represents the estimated cash flow that may be required to dispose of the positions. Future cash flows of the Scheme and realised liabilities may differ from current liabilities based on future changes in market conditions.

The following table shows the expected maturity of investments in debt securities at the reporting date.

\$	As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
		2017	2016	2017	2016	2017	2016	2017	2016
	<b>Debt securities</b>								
	0-3 months	1,125,290	1,446,574	856,941	823,681	-	-	1,982,231	2,270,255
	3-6 months	2,377,276	373,665	184,620	105,974	-	-	2,561,896	479,639
	6-12 months	5,036,934	1,708,160	4,503,302	907,251	-	-	9,540,236	2,615,411
	over 12 months	44,400,300	16,627,950	19,439,543	11,403,806	-	-	63,842,843	28,031,766
	<b>Total</b>	52,942,800	20,156,359	24,984,406	13,240,712	-	-	77,927,206	33,397,071

## Notes to the Financial Statements

### 5.1.3 Liquidity risk (continued)

The following table shows the expected maturity of derivative financial liabilities at the reporting date.

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Forward foreign exchange contracts</b>								
0-3 months	31,139	9,595	1,252,897	52,707	2,252,671	81,518	3,536,707	143,810
<b>Interest rate swaps over 12 months</b>	360,663	-	177,822	-	-	-	538,485	-

The following table analyses the contractual undiscounted cash flows of the Scheme's interest rate swaps in a liability position at balance date. It is presented on a contractual maturity basis rather than on an expected maturity basis, as the expected maturities for such contracts are not considered to be essential to an understanding of the timing of cash flows.

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>As at 31 March</b>								
0-3 months	222,117	-	109,513	-	-	-	331,630	-
3-6 months	(112,457)	-	(55,451)	-	-	-	(167,918)	-
6-12 months	105,232	-	51,864	-	-	-	157,116	-
1-2 years	120,474	-	59,399	-	-	-	179,873	-
2-5 years	142,355	-	70,187	-	-	-	212,542	-

The required cash outflow to settle the forward currency contracts which are in a liability position at balance date, will be the fair value as at 31 March 2017 and 31 March 2016, if it was settled on that date. It is expected that the actual undiscounted cash flows will be different, given that the instrument is marked to market. All the open currency contracts which are in a loss position at 31 March 2017, matured within 3 (31 March 2016: 3 months) after balance date.

### 5.2 Capital risk management

Net assets available to pay benefits are considered to be the Scheme's capital for the purposes of capital management not withstanding net assets available to pay benefits is classified as a liability for accounting. The Scheme does not have to comply with externally imposed capital requirements. The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and maximise the Scheme's members' values as well as ensuring its net assets available to pay benefits are sufficient to meet all present and future obligations. In order to meet its objectives for capital management the Scheme's management monitors the Scheme's performance on a regular basis. Compliance with investment management is also monitored by the Manager and the Supervisor. There have been no material breaches of these mandate limits during the period (2016: Nil).

### 5.3 Fair value estimation

The carrying amounts of the Scheme's assets and liabilities at the reporting date are their fair values. Fair value measurements are categorised into a three level hierarchy that reflects the significance of the inputs used in making the measurements. The Scheme recognises transfers between levels of the fair value hierarchy as at the end of the financial reporting period during which the change has occurred.

#### Level one - fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets and liabilities are priced at last sale prices.

#### Level two - fair value in an inactive or unquoted market using valuation techniques and observable market data

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques for which all significant inputs are based on observable market data, either directly (that is, as prices) or indirectly (that is, derived from prices).

#### Level three - fair value in an inactive or unquoted market using valuation techniques without observable market data

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques for which any significant input is not based on observable market data. The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## Notes to the Financial Statements

### 5.3 Fair value estimation (continued)

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into levels 1 to 3 based on the degree to which the fair value is observable. There are no level 3 financial instruments. There have been no transfers between levels.

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Level 1</b>								
<i>Financial assets designated at fair value through profit or loss</i>								
Australasian listed equities	22,022,399	9,370,600	51,127,276	23,359,356	50,948,946	26,224,446	124,098,621	58,954,402
International equities	-	-	26,166,722	11,292,314	48,150,945	24,742,954	75,317,667	36,035,268
Fixed interest securities	22,326,740	8,314,891	12,211,217	5,427,332	-	-	34,537,957	13,742,223
<b>Total level 1 assets</b>	<b>44,349,139</b>	<b>17,685,491</b>	<b>89,505,215</b>	<b>40,079,002</b>	<b>100,099,891</b>	<b>50,967,400</b>	<b>233,954,245</b>	<b>108,731,893</b>
<b>Level 2</b>								
<i>Financial assets held for trading</i>								
Forward foreign exchange contracts	-	-	-	485,970	-	1,047,155	-	1,533,125
<i>Financial assets designated at fair value through profit or loss</i>								
Unlisted International Managed Funds	-	-	29,220,484	9,477,871	53,509,885	20,113,241	82,730,369	29,591,112
Fixed interest securities	30,616,060	11,841,468	12,773,189	7,813,380	-	-	43,389,249	19,654,948
<b>Total level 2 assets</b>	<b>30,616,060</b>	<b>11,841,468</b>	<b>41,993,673</b>	<b>17,777,221</b>	<b>53,509,885</b>	<b>21,160,396</b>	<b>126,119,618</b>	<b>50,779,085</b>

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Level 2</b>								
<i>Financial liabilities held for trading</i>								
Forward foreign exchange contracts	31,139	9,440	1,252,897	51,922	2,252,671	80,221	3,536,707	141,583
Interest rate swaps	360,663	-	177,822	-	-	-	538,485	-
<b>Total level 2 liabilities</b>	<b>391,802</b>	<b>9,440</b>	<b>1,430,719</b>	<b>51,922</b>	<b>2,252,671</b>	<b>80,221</b>	<b>4,075,192</b>	<b>141,583</b>

The fair value of listed equities is determined using quoted market prices in an active market. This measurement basis falls within Level 1 of the fair value hierarchy.

The fair value of fixed interest securities is determined in one of two ways. The first method uses quoted market prices in an active market which falls within Level 1 of the fair value hierarchy. The second method calculates the fair value by using a discounted cash flow calculation based on risk margins and swap yields provided by third party suppliers of financial data. This measurement basis falls within Level 2 of the fair value hierarchy as all inputs used to calculate the fair value are based on observable market data.

The fair value of forward foreign exchange contracts is calculated from spot exchange rates and forward points supplied by WM/Reuters. This measurement basis falls within Level 2 of the fair value hierarchy as all inputs used to calculate the fair value are based on observable market data.

The fair value of swaps is calculated using a discounted cash flow method based on swap yields provided by third party data suppliers. This measurement basis falls within Level 2 of the fair value hierarchy as all significant inputs used to calculate the fair value are based on observable market data.

The Scheme uses valuation models to derive fair value of forward exchange contracts and interest rate swaps which may have various settlement dates. These valuations may incorporate inputs for counterparty risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs used are market observable and have been classified as Level 2.

All Loan and receivable balances are carried at amortised cost and their carrying values approximate fair value.

All trade and other payable balances are carried at amortised cost and their carrying values approximate fair value.

Refer to note 2.2(c) of the accounting policies for further details on the fair value hierarchy.

## Notes to the Financial Statements

### 6. Financial assets and liabilities at fair value through profit or loss

#### 6.1 Financial asset and liabilities classification

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>As at 31 March</b>								
<b>Financial assets held for trading</b>								
Forward foreign exchange contracts	-	-	-	485,970	-	1,047,155	-	1,533,125
<b>Total financial assets held for trading</b>	-	-	-	485,970	-	1,047,155	-	1,533,125
<b>Designated at fair value through profit or loss at inception</b>								
Domestic fixed interest	52,942,800	20,156,359	24,984,406	13,240,712	-	-	77,927,206	33,397,071
Australian listed equities	22,022,398	9,370,600	51,127,276	23,359,356	50,948,946	26,224,445	124,098,621	58,954,401
International listed equities	-	-	26,166,722	11,282,314	49,150,945	24,742,954	75,317,667	36,035,268
International unlisted trusts	-	-	29,220,484	9,477,871	59,509,885	20,113,241	82,730,369	29,591,112
<b>Total designated at fair value through profit or loss at inception</b>	74,965,199	29,526,959	131,498,888	57,370,253	153,609,776	71,080,640	360,073,863	157,977,852
<b>Total financial assets at fair value through profit or loss</b>	74,965,199	29,526,959	131,498,888	57,856,223	153,609,776	72,127,795	360,073,863	159,510,977
<b>Financial liabilities held for trading</b>								
Forward foreign exchange contracts	31,139	9,440	1,252,897	51,922	2,252,671	80,221	3,536,707	141,583
Interest rate swaps	360,663	-	177,822	-	-	-	538,485	-
<b>Total financial liabilities at fair value through profit or loss</b>	391,802	9,440	1,430,719	51,922	2,252,671	80,221	4,075,192	141,583

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>For the period ended 31 March</b>								
<b>Net gains on financial assets and liabilities at fair value through profit or loss</b>								
Net gains and losses on financial assets and liabilities held for trading	(377,381)	(4,186)	(417,206)	(375,073)	194,603	(744,862)	(599,984)	(1,124,121)
Net gains and losses on financial assets and liabilities designated at fair value through profit or loss at inception	(659,130)	1,031,270	4,896,084	1,211,137	8,949,700	206,226	13,186,654	2,448,633
<b>Total (losses)/gains on financial assets at fair value through profit or loss</b>	(1,036,511)	1,027,084	4,478,878	836,064	9,144,303	(538,636)	12,586,670	1,324,512

#### 6.2 Trading securities exceeding 5% of net assets available for benefits

As at 31 March 2017	Conservative Fund		Growth Fund		Focused Growth Fund	
	\$	%	\$	%	\$	%
Berkshire Hathaway Inc	-	-	11,300,764	7.85%	20,183,766	11.82%
Infratil Limited	4,556,074	5.56%	9,731,366	6.22%	10,617,377	6.22%
Magellan Global Fund	-	-	9,708,133	6.75%	17,726,931	10.39%
Platinum International Fund	-	-	9,760,813	6.78%	17,845,542	10.45%
Polar Capital Technology Trust PLC	-	-	-	-	10,387,007	6.09%
T Rowe Price Global Equity Fund	-	-	9,751,538	6.78%	17,937,412	10.51%
Worldwide Healthcare Trust PLC	-	-	-	-	10,069,659	5.89%
<b>As at 31 March 2016</b>						
Berkshire Hathaway Inc	-	-	3,145,968	5.18%	6,589,635	7.77%
Infratil Limited	1,776,661	5.76%	4,507,058	7.42%	5,174,341	6.13%
Jupiter European Opportunities Trust PLC	-	-	-	-	5,493,665	6.50%
Magellan Global Fund	-	-	-	-	6,148,054	7.28%
Platinum International Fund	-	-	3,064,557	5.05%	6,344,988	7.51%
T Rowe Price Global Equity Fund	-	-	-	-	6,181,870	7.32%
Worldwide Healthcare Trust PLC	-	-	-	-	6,890,053	8.16%



## Notes to the Financial Statements

### 6.3 Trading securities exceeding 5% of asset class

As at 31 March 2017		Conservative Fund		Growth Fund		Focused Growth Fund	
	\$	%	\$	%	\$	%	\$
<b>International equities &amp; International unit trusts</b>							
Berkshire Hathaway Inc	-	-	11,300,764	20.40%	20,183,766	19.66%	
Jupiter European Opportunities Trust PLC	-	-	4,215,728	7.61%	6,520,513	8.30%	
Magellan Global Fund	-	-	9,708,133	17.53%	17,726,931	17.27%	
Platinum International Fund	-	-	9,760,813	17.62%	17,845,542	17.38%	
Polar Capital Technology Trust PLC	-	-	5,380,332	9.71%	10,387,007	10.12%	
T Rowe Price Global Equity Fund	-	-	9,751,538	17.61%	17,937,412	17.47%	
Worldwide Healthcare Trust PLC	-	-	5,269,898	9.51%	10,059,659	9.80%	
<b>Australasian listed equities</b>							
Arvida Group Limited	2,207,802	10.03%	4,613,881	9.02%	5,613,998	11.02%	
Contact Energy Limited	2,231,546	10.13%	4,977,735	9.74%	5,748,373	11.28%	
Infra1 Limited	4,556,074	20.69%	9,731,366	19.03%	10,617,377	20.84%	
Metlifecare Limited	1,757,220	7.98%	4,114,217	8.05%	3,763,863	7.39%	
New Zealand Refining Limited	1,529,733	6.95%	3,027,439	5.92%	3,317,703	6.51%	
Ryman Healthcare Limited	2,181,066	9.90%	5,723,501	11.19%	4,756,133	9.34%	
Summerset Group Holdings Limited	1,159,207	5.26%	2,746,356	5.37%	2,658,879	5.22%	
Z Energy Limited	2,067,558	9.39%	5,022,600	9.62%	4,664,147	9.15%	
<b>Domestic fixed interest</b>							
Fonterra Cooperative Group 4.33% 20 Oct 21	-	-	1,351,961	5.41%	-	-	-
Kiwi Income Property Trust 6.15% 20 Aug 21	3,664,418	6.92%	1,590,280	6.37%	-	-	-
Rabobank Nederland New Zealand FRN 08 Oct 37	-	-	2,711,550	10.85%	-	-	-
<b>As at 31 March 2016</b>							
<b>International equities &amp; International unit trusts</b>							
Berkshire Hathaway Inc	-	-	3,145,968	15.15%	6,559,635	14.62%	
Jupiter European Opportunities Trust PLC	-	-	2,638,390	12.70%	5,493,665	12.25%	
Magellan Global Fund	-	-	2,934,648	14.13%	6,148,054	13.71%	
Platinum International Fund	-	-	3,064,557	14.75%	6,344,988	14.15%	
Polar Capital Technology Trust PLC	-	-	1,496,888	7.21%	3,221,029	7.18%	
T Rowe Price Global Equity Fund	-	-	2,779,932	13.38%	6,181,870	13.78%	
Worldwide Healthcare Trust PLC	-	-	2,853,064	13.74%	6,890,053	15.36%	
<b>Australasian listed equities</b>							
Arvida Group Limited	754,817	8.06%	1,855,924	7.95%	2,019,881	7.70%	
Contact Energy Limited	978,590	10.44%	2,491,555	10.67%	2,826,855	10.78%	
Infra1 Limited	1,776,861	18.96%	4,507,058	19.23%	5,174,341	19.73%	
Metlifecare Limited	770,600	8.22%	1,867,866	8.00%	2,174,146	8.23%	
Ryman Healthcare Limited	1,044,610	11.15%	2,566,665	10.99%	2,873,753	10.96%	
Stockland Corporation Limited	574,698	6.13%	1,385,968	5.95%	1,570,645	5.99%	
Summerset Group Holdings Limited	822,731	8.78%	2,009,935	8.60%	2,278,305	8.69%	
Transurban Group Limited	758,449	8.09%	1,885,785	8.07%	2,159,756	8.24%	
Z Energy Limited	506,432	5.40%	1,211,065	5.18%	1,363,790	5.20%	
<b>NZ fixed interest</b>							
ANZ National Bank 5.28% 18 Apr 2018	1,037,736	5.15%	-	-	-	-	-
ASB Bank 4.245% 26 May 2021	1,216,702	6.04%	802,506	6.06%	-	-	-
Fonterra Cooperative Group 4.33% 20 Oct 21	-	-	1,085,238	8.20%	-	-	-
GMT Bond Issuer 7.58% 08 Sep 2017	1,044,876	5.18%	-	-	-	-	-
Port of Tauranga 4.792% 29 Jan 2021	-	-	735,491	5.55%	-	-	-
Port of Tauranga 5.865% 29 Oct 2019	-	-	826,884	6.25%	-	-	-
Precinct Properties NZ 5.54% 17 Dec 2021	1,015,952	5.04%	679,113	5.13%	-	-	-
The Warehouse Group 5.3% 15 Jun 2020	1,009,865	5.01%	1,114,553	8.42%	-	-	-

## Notes to the Financial Statements

### 7. Financial instruments by category

Financial instruments currently recognised in the financial statements comprise trade and other receivables, financial assets at fair value through profit or loss and trade and other payables. The following table details the Scheme's financial assets and liabilities by category.

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>As at 31 March</b>								
<b>Assets at fair value through profit and loss</b>								
Financial assets at fair value through profit or loss	74,965,199	29,526,959	131,498,886	57,856,223	153,609,776	72,127,795	360,073,863	169,510,977
Loans and receivables								
Cash and cash equivalents	7,066,323	1,829,211	13,752,768	3,935,700	19,538,673	12,994,403	40,357,764	18,759,314
Trade and other receivables	504,435	-	459,560	-	360,427	-	1,324,422	-
<b>Total loans and receivables</b>	7,570,758	1,829,211	14,212,328	3,935,700	19,899,100	12,994,403	41,682,186	18,759,314
<b>Total financial assets</b>	82,535,957	31,356,170	145,711,216	61,791,923	173,508,876	85,122,198	401,756,049	178,270,291

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>As at 31 March</b>								
<b>Liabilities at fair value through profit and loss</b>								
Financial liabilities at fair value through profit or loss	391,802	9,440	1,430,719	51,922	2,252,671	80,221	4,075,192	141,583
<b>Other financial liabilities at amortised cost</b>								
Benefits payable	2,070	133,825	449	309,665	34,814	193,549	37,333	637,039
Trade and other payables	38,840	206,222	46,504	435,800	21,446	9,588	106,790	651,610
Trade and other payables to related parties	72,140	33,412	126,560	69,400	151,391	100,992	350,091	203,804
<b>Total other financial liabilities at amortised cost</b>	113,050	373,459	173,513	814,865	207,651	304,129	494,214	1,492,453
<b>Total financial liabilities</b>	504,852	382,899	1,604,232	866,787	2,460,322	384,350	4,569,406	1,634,036

### 8. Trade and other receivables

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>As at 31 March</b>								
Due from brokers	103,116	-	185,928	-	185,687	-	484,731	-
Dividends receivable	16,110	-	39,303	-	28,333	-	83,746	-
Interest receivable	17,253	-	19,715	-	-	-	36,968	-
Contributions receivable	367,956	-	204,614	-	146,407	-	718,977	-
<b>Total trade and other receivables</b>	504,435	-	459,560	-	360,427	-	1,324,422	-

All trade and other receivable balances are carried at amortised cost and their carrying values approximate fair value.

### 9. Trade and other payables

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>As at 31 March</b>								
Due to brokers	25,214	200,955	26,165	427,540	-	-	51,399	628,485
General expenses payable	13,826	4,930	20,319	7,606	21,446	8,810	55,391	21,346
Other payables	-	337	-	654	-	778	-	1,769
<b>Total trade and other payables to related parties</b>	39,040	206,222	46,504	435,800	21,446	9,588	106,790	651,610

All trade and other payable balances are carried at amortised cost and their carrying values approximate fair value.

## Notes to the Financial Statements

### 10. Trade and other payables to related parties

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Management fees payable	68,130	24,651	119,526	49,074	142,976	67,773	330,632	141,488
Supervisory fees payable	4,010	1,577	7,034	3,140	8,415	4,336	19,459	9,053
Administration fees payable	-	7,184	-	17,186	-	28,883	-	53,253
<b>Total trade and other payables to related parties</b>	<b>72,140</b>	<b>33,412</b>	<b>126,560</b>	<b>69,400</b>	<b>151,391</b>	<b>100,992</b>	<b>350,091</b>	<b>203,804</b>

All trade and other payable balances are carried at amortised cost and their carrying values approximate fair value.

### 11. Reconciliation of net profit before membership activities to net cash outflows from operating activities

\$ For the period ended 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Net profit before membership activities</b>	<b>829,700</b>	<b>1,721,181</b>	<b>6,611,322</b>	<b>2,021,180</b>	<b>11,453,072</b>	<b>799,255</b>	<b>18,894,094</b>	<b>4,541,616</b>
<b>Adjustments for non cash items:</b>								
Unrealised changes in the fair value of financial instruments	1,068,864	(1,027,084)	(3,824,501)	(836,064)	(8,448,003)	538,636	(11,203,640)	(1,324,512)
Unrealised foreign exchange (losses)/gains on cash at bank	(49,138)	(82,659)	(16,737)	(182,085)	16,914	(315,914)	(48,961)	(590,659)
<b>Total adjustments for non cash items</b>	<b>1,019,726</b>	<b>(1,109,743)</b>	<b>(3,841,238)</b>	<b>(1,018,149)</b>	<b>(8,431,089)</b>	<b>222,722</b>	<b>(11,252,601)</b>	<b>(1,905,170)</b>
<b>Movements in working capital items:</b>								
(Increase)/decrease in cost of investments	(45,749,504)	(18,655,600)	(68,185,111)	(39,312,753)	(70,722,597)	(52,104,759)	(184,657,212)	(110,073,112)
(Increase)/decrease in trade and other receivables	(504,435)	-	(459,560)	-	(360,427)	-	(1,324,422)	-
(Decrease)/increase in trade and other payables	(128,654)	150,946	(332,136)	321,013	62,257	(89,876)	(398,533)	382,083
<b>Net cash flow from working capital items</b>	<b>(633,089)</b>	<b>(18,504,654)</b>	<b>(791,696)</b>	<b>(38,991,740)</b>	<b>(298,170)</b>	<b>(52,194,635)</b>	<b>(186,380,167)</b>	<b>(109,691,029)</b>
<b>Net cash outflow from operating activities</b>	<b>(44,533,167)</b>	<b>(17,893,216)</b>	<b>(66,206,723)</b>	<b>(37,988,705)</b>	<b>(67,998,784)</b>	<b>(51,172,658)</b>	<b>(178,738,674)</b>	<b>(107,054,583)</b>

### 12. Related parties

#### 12.1 Manager and Supervisor

The Manager of the Scheme is Generate Investment Management Limited ('GIML'). The Manager is entitled to a management fee from the Scheme of 1% of funds under management. The Management fee accrued to the Manager for the period ended 31 March 2017 totalled \$2,884,646 (2016: \$1,052,342). The amount accrued but unpaid as at 31 March 2017 was \$330,632 (2016: \$141,497).

The Manager also retains part of the monthly Administration Fee charged to members. The remainder is paid out to the Administrator of the Scheme. The total Administration Fee accrued for the period ended 31 March 2017 totalled \$887,187 (2016: \$441,215). No Administration Fees were accrued but unpaid as at 31 March 2017 (\$52,253).

Generate Funds Limited ('GFL') is the ultimate parent of the Manager. No transactions were made between the Scheme and GFL.

The Scheme has paid to the Manager the Supervisor Fee and Expenses. The amount paid and accrued for the period ended 31 March 2017 for the Supervisor Fees totalled \$172,399 (2016: \$71,710) and for general expenses \$466,125 (2016: \$159,231). The amount accrued but unpaid as at 31 March 2017 for Supervisor fees was \$19,459 (2016: \$9,053) and for general expenses \$55,391 (2016: \$21,347).

GIML has paid Scheme expenses for the period ended 31 March 2017 and 31 March 2016. These comprise:

- Audit fees of \$36,353, comprising audit fee of \$36,225 (2016: \$28,750) and \$2,128 for other assurance services (2016: \$4,425).
- Supervisor fees and other expenses of \$527,688 (2016: \$472,909).
- Legal expenses of \$96,834 (2016: \$28,031)

During the period to 31 March 2017, the scheme received compensation payments totalling \$21,948 (period ended 31 March 2016: \$7,577). This was split between payments from the Manager of \$906 and payments from the administrators of \$21,042.

## Notes to the Financial Statements

### 12.2 Directors' Interest

Peter Brook, a Director of GIML, is also a Director of Argosy Property Limited. The funds hold the following investments in Argosy Property Limited.

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Balance of Holdings as at 31 March	85,024	46,265	180,944	95,369	167,303	73,470	433,271	215,104

The funds have executed the following transactions in shares of Argosy Property Limited.

\$ For the period ended 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Purchases	50,798	-	110,832	-	115,450	-	277,080	-

All Directors of the Manager (GIML) who are eligible to invest in the Scheme, are members of the Scheme.

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Balance of Holdings	-	-	-	-	179,160	134,879	179,160	134,879

Contributions made by Directors included member, government and employer contributions.

### 13. Contingent liabilities

There were no contingent liabilities as at 31 March 2017 (31 March 2016: none).

### 14. Capital commitments

There were no capital commitments as at 31 March 2017 (31 March 2016: none).

### 15. Events after reporting date

There have been no events subsequent to reporting date that require adjustment to, or disclosure of, in these financial statements.



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# Independent Auditor's Report

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## To the Members of Generate KiwiSaver Scheme

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Generate KiwiSaver Scheme on pages 3 to 20 which comprise the statement of net assets as at 31 March 2017, and the statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Generate KiwiSaver Scheme as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Audit and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Generate KiwiSaver Scheme 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 Scheme.

#### Information Other than the Financial Statements and Auditor's Report thereon

The Manager is responsible for the other information. The other information comprises the Manager's Statement but does not include the financial statement 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 and, in doing so, 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 the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

#### **Manager's responsibilities for the Financial Statements**

The Manager is responsible on behalf of the Scheme for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board, 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.

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

#### **Auditor's responsibilities for the Audit of the Financial Statements**

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

#### **Restriction on use of our report**

This report is made solely to the Members of the Generate KiwiSaver Scheme, as a collective body. Our audit work has been undertaken so that we might state to the Members of the Generate KiwiSaver Scheme those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Generate KiwiSaver Scheme and its Members, as a collective body, for our audit work, for this report or for the opinion we have formed.

#### **Grant Thornton New Zealand Audit Partnership**



**K Price**  
**Partner**  
**Wellington**  
**19 July 2017**