

**Kiwi Wealth KiwiSaver Scheme  
Financial Statements  
For the year ended 31 March 2017**

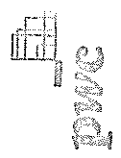
**Kiwi Wealth KiwiSaver Scheme**  
**Table of Contents**  
For the year ended 31 March 2017

Statements of Changes in Net Assets ..... 2  
Statements of Net Assets..... 3  
Statements of Cash Flows ..... 4  
Notes to the Financial Statements..... 5  
Independent Auditor’s Report..... 33

# Kiwi Wealth KiwiSaver Scheme Statements of Changes in Net Assets For the year ended 31 March 2017

Notes	Cash Fund \$ 000s		CashPlus Fund \$ 000s		Balanced Fund \$ 000s		Default Fund \$ 000s		Conservative Fund \$ 000s		Growth Fund \$ 000s		Transaction account \$ 000s		Total Scheme \$ 000s	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Investment activities																
Investment income	-	-	3	3	12,584	11,975	345	166	1,633	1,472	16,326	15,518	-	-	30,901	29,134
Dividend and distribution income	3	(14)	(188)	162	64,457	(36,255)	2,254	(120)	5,212	(723)	89,556	(60,604)	-	-	161,294	(97,554)
Net gains / (losses) on financial instruments at fair value through profit or loss	3,230	2,706	2,388	1,566	19,376	20,291	2,304	1,315	15,259	13,486	2,826	3,814	397	593	45,780	43,771
Interest income	-	-	(11)	(2)	(1,105)	(91)	(20)	7	(275)	4	(1,191)	265	(8)	-	(2,610)	183
Foreign exchange (losses) / gains	3,233	2,692	2,192	1,729	96,322	(4,080)	4,883	1,368	21,829	14,239	107,517	(41,007)	389	593	235,365	(24,466)
Net investment income	658	472	556	337	11,617	10,484	746	451	4,948	3,976	9,252	8,454	-	-	27,777	24,184
Expenses																
Management and administration fees	-	-	-	-	1,870	1,799	11	7	228	217	2,469	2,425	-	-	4,578	4,448
Transaction fees and expenses	658	472	556	337	13,487	12,293	757	458	5,176	4,193	11,721	10,879	-	-	32,355	28,632
Total expenses	2,575	2,220	1,636	1,392	81,635	(16,373)	4,125	910	16,653	10,046	95,796	(61,886)	389	593	203,010	(63,098)
Net increase / (decrease) in net assets before membership activities																
	2,575	2,220	1,636	1,392	81,635	(16,373)	4,125	910	16,653	10,046	95,796	(61,886)	389	593	203,010	(63,098)
Net increase in net assets before membership activities	2,575	2,220	1,636	1,392	81,635	(16,373)	4,125	910	16,653	10,046	95,796	(61,886)	389	593	203,010	(63,098)
Membership activities																
Contributions / transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employer contributions	58,871	50,378	52,086	43,960	232,550	277,154	57,097	46,430	132,685	174,319	243,445	237,610	215,944	158,502	215,944	158,502
Employee contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	44,567	38,747	38,747
Transfers between funds	-	-	-	-	-	-	-	-	-	-	-	-	-	54,403	54,841	54,841
Transfers from other schemes	-	-	-	-	-	-	-	-	-	-	-	-	-	28	28	28
Member tax credits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Voluntary contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Crown contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Benefits paid / transfers out / PIE tax	(32,746)	(21,699)	(31,563)	(16,303)	(194,557)	(159,205)	(22,377)	(12,194)	(121,363)	(89,080)	(157,730)	(130,908)	(142,245)	(66,158)	(142,245)	(66,158)
Transfers to other schemes	-	-	-	-	-	-	-	-	-	-	-	-	-	560,336	429,389	429,389
Member / IRD refunds	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,413)	(1,413)	(1,234)
Significant financial hardship withdrawals	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,957)	(9,226)	(10,957)
Withdrawals on death and disability	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,549)	(2,398)	(2,398)
Withdrawals on serious ill health	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,192)	(1,719)	(2,192)
Withdrawals or transfers on permanent emigration	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,790)	(1,065)	(1,790)
First home purchase withdrawals	-	-	-	-	-	-	-	-	-	-	-	-	-	(37,518)	(31,457)	(31,457)
Age of eligibility withdrawal	-	-	-	-	-	-	-	-	-	-	-	-	-	(69,642)	(69,642)	(69,642)
Other withdrawals	-	-	-	-	-	-	-	-	-	-	-	-	-	(121)	(783)	(783)
PIE tax paid and payable	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,897)	19,710	(17,897)
Net membership activities	26,125	28,679	20,623	27,657	37,993	117,949	44,720	34,236	71,322	85,239	85,715	106,702	1,838	(9,258)	348,236	391,204
Benefits accrued to members' accounts	28,700	30,899	22,159	29,049	179,828	101,576	48,846	35,146	87,975	95,285	181,511	54,816	2,227	(9,665)	551,246	338,106
Net assets attributable to members at beginning of the year	87,430	56,531	54,924	25,875	1,041,383	939,807	57,450	22,304	419,379	324,094	817,996	763,180	874	9,539	2,479,436	2,141,330
Net assets attributable to members at end of the year	116,130	87,430	77,083	54,924	1,221,211	1,041,383	106,296	57,450	507,364	419,379	999,507	817,996	3,101	874	3,030,682	2,479,436

The Statement of Changes in Net Assets should be read in conjunction with the accompanying notes.



**Kiwi Wealth KiwiSaver Scheme  
Statements of Net Assets  
As at 31 March 2017**

	Notes	Cash Fund \$ 000s		CashPlus Fund \$ 000s		Balanced Fund \$ 000s		Default Fund \$ 000s		Conservative Fund \$ 000s		Growth Fund \$ 000s		Transaction account \$ 000s		Total Scheme \$ 000s	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Assets</b>																	
Cash and cash equivalents	12	11,888	9,653	4,962	6,070	81,443	77,191	6,498	5,665	21,510	26,103	43,048	51,186	16,046	13,265	185,395	189,133
Receivables	7	49	1	366	195	17,613	28,543	562	201	6,781	5,915	15,537	32,160	-	-	49,908	67,015
Financial assets held at fair value through profit or loss	8	104,208	77,787	71,868	48,603	1,133,822	947,162	99,337	51,560	481,546	387,833	954,748	750,959	-	-	2,845,529	2,263,904
Derivative assets	12	-	-	248	233	2,244	12,687	387	416	776	4,813	2,054	10,445	-	-	5,709	28,594
<b>Total assets</b>		<b>116,145</b>	<b>87,441</b>	<b>77,444</b>	<b>55,101</b>	<b>1,235,122</b>	<b>1,065,583</b>	<b>106,784</b>	<b>57,842</b>	<b>510,613</b>	<b>424,664</b>	<b>1,015,387</b>	<b>844,750</b>	<b>16,046</b>	<b>13,265</b>	<b>3,077,541</b>	<b>2,548,646</b>
<b>Liabilities</b>																	
Cash collateral	12	-	-	(230)	-	-	-	(260)	-	-	-	-	-	-	-	(490)	-
Management and administration fees payable		(15)	(11)	(12)	(8)	(244)	(179)	(18)	(9)	(105)	(75)	(200)	(141)	-	-	(594)	(423)
Trade and other payables		-	-	(25)	(153)	(10,557)	(22,511)	(87)	(345)	(1,550)	(4,916)	(13,931)	(25,272)	(7,989)	(5,950)	(26,150)	(53,197)
Withdrawals payable		-	-	-	-	-	-	-	-	-	-	-	-	(4,956)	(6,441)	(7,989)	(5,950)
PIE tax payable		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,956)	(6,441)
Derivative liabilities	12	-	-	(94)	(16)	(3,110)	(1,510)	(123)	(38)	(1,604)	(294)	(1,749)	(1,341)	-	-	(6,680)	(3,199)
<b>Total liabilities (excluding net assets attributable to members)</b>		<b>(15)</b>	<b>(11)</b>	<b>(361)</b>	<b>(177)</b>	<b>(13,911)</b>	<b>(24,200)</b>	<b>(488)</b>	<b>(392)</b>	<b>(3,259)</b>	<b>(5,285)</b>	<b>(15,880)</b>	<b>(26,754)</b>	<b>(12,945)</b>	<b>(12,391)</b>	<b>(46,859)</b>	<b>(69,210)</b>
<b>Net assets attributable to members</b>		<b>116,130</b>	<b>87,430</b>	<b>77,083</b>	<b>54,924</b>	<b>1,221,211</b>	<b>1,041,383</b>	<b>106,296</b>	<b>57,450</b>	<b>507,354</b>	<b>419,379</b>	<b>999,507</b>	<b>817,996</b>	<b>3,101</b>	<b>874</b>	<b>3,030,682</b>	<b>2,479,436</b>
<i>Represented by:</i>																	
<b>Member funds</b>		<b>116,130</b>	<b>87,430</b>	<b>77,083</b>	<b>54,924</b>	<b>1,221,211</b>	<b>1,041,383</b>	<b>106,296</b>	<b>57,450</b>	<b>507,354</b>	<b>419,379</b>	<b>999,507</b>	<b>817,996</b>	<b>3,101</b>	<b>874</b>	<b>3,030,682</b>	<b>2,479,436</b>

The Statement of Net Assets should be read in conjunction with the accompanying notes.

The directors of Kiwi Wealth Limited authorised these financial statements for issue on 6 July 2017:

Director 

Director 

**Kiwi Wealth KiwiSaver Scheme**  
**Statements of Cash Flows**  
For the year ended 31 March 2017

	Cash Fund \$ 000s		CashPlus Fund \$ 000s		Balanced Fund \$ 000s		Default Fund \$ 000s		Conservative Fund \$ 000s		Growth Fund \$ 000s		Transaction account \$ 000s		Total Scheme \$ 000s	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Cash flows from operating activities</b>																
Cash was provided from:																
Sale of investments	199,729	123,666	42,724	1,108,125	866,924	57,441	22,411	177,994	1,278,429	1,061,615	(14,964)	(33,098)	2,952,989	2,262,236		
Interest received	3,182	2,710	1,332	19,144	19,576	2,205	1,151	12,879	2,652	3,608	397	593	44,676	41,849		
Dividends and distributions received	-	-	5	12,198	11,864	345	168	1,503	15,773	15,298	-	-	29,904	28,838		
Cash was applied to:																
Purchase of investments	(226,147)	(149,433)	(67,450)	(1,218,681)	(985,189)	(103,374)	(55,656)	(260,709)	(1,378,054)	(1,151,883)	14,964	33,098	(3,345,993)	(2,638,230)		
Payment of management and administration fees	-	-	-	(1,870)	(1,789)	(7)	(7)	(217)	(2,469)	(2,425)	(27,606)	(24,009)	(27,905)	(24,009)		
Transaction fees and expenses	(23,236)	(23,057)	(23,389)	(61,064)	(89,624)	(43,390)	(31,942)	(68,549)	(83,469)	(73,787)	(27,209)	(23,416)	(350,408)	(4,448)		
<b>Net cash flows from operating activities</b>																
<b>Cash flows from financing activities</b>																
Cash was provided from:																
Crown Contributions	-	-	-	-	-	-	-	-	-	-	-	-	44,595	45,940		
Employer contributions	-	-	-	-	-	-	-	-	-	-	-	-	118,028	101,404		
Employee contributions	-	-	-	-	-	-	-	-	-	-	-	-	202,590	174,399		
Transfers from other schemes	-	-	-	-	-	-	-	-	-	-	-	-	215,944	158,502		
Net transfers between funds	25,471	28,212	27,325	86,441	107,525	43,963	33,791	81,299	76,522	98,301	(318,792)	(376,453)	54,840	54,840		
Other contributions	-	-	-	-	-	-	-	-	-	-	-	-	54,403	54,840		
PEI tax rebates received	-	-	-	-	-	-	-	-	-	-	-	-	416	31,383		
Cash was applied to:																
Transfers to other schemes	-	-	-	-	-	-	-	-	-	-	-	-	(142,245)	(67,000)		
Withdrawals	-	-	-	-	-	-	-	-	-	-	-	-	(125,143)	(92,005)		
PEI tax paid	-	-	-	-	-	-	-	-	-	-	-	-	(19,798)	(9,363)		
<b>Net cash flows from financing activities</b>																
<b>Net increase / (decrease) in cash and cash equivalents</b>																
Add: opening cash and cash equivalents	2,235	5,165	3,936	5,357	17,901	593	1,849	12,750	(6,947)	24,514	2,789	(1,789)	(1,618)	84,316		
Effect of exchange rate fluctuations	9,653	4,498	2,195	77,191	59,381	5,665	3,809	25,103	51,186	26,407	13,265	15,054	189,133	124,634		
Effect of exchange rate fluctuations	(11)	-	(2)	(1,105)	(91)	(20)	7	(275)	4	265	(8)	-	(2,610)	183		
<b>Closing cash and cash equivalents</b>																
	11,888	9,653	6,070	81,443	77,191	6,238	5,665	26,103	43,048	51,166	16,046	13,265	184,905	189,133		

**Reconciliation of net increase in net assets before membership activities to net cash flow from operating activities**

	Cash Fund \$ 000s		CashPlus Fund \$ 000s		Balanced Fund \$ 000s		Default Fund \$ 000s		Conservative Fund \$ 000s		Growth Fund \$ 000s		Transaction account \$ 000s		Total Scheme \$ 000s	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Net increase / (decrease) in net assets before membership activities</b>																
Adjusted for:																
Sale of investments	199,729	123,666	42,724	1,108,125	866,924	57,441	22,411	177,994	1,278,429	1,061,615	(14,964)	(33,098)	2,952,989	2,262,236		
Purchase of investments	(226,147)	(149,433)	(67,309)	(1,218,681)	(945,995)	(103,374)	(55,326)	(253,692)	(1,378,054)	(1,098,490)	14,964	33,098	(3,345,993)	(2,637,147)		
Income from investments	(4)	(624)	(978)	(63,352)	(6,112)	(2,234)	(725)	(8,437)	(98,365)	5,524	8	-	(158,685)	(11,252)		
Payment of management fees	656	472	337	11,617	10,494	745	451	3,976	9,252	8,454	(27,777)	(24,184)	-	-		
Changes in assets and liabilities:																
Net (increase) / decrease in receivables	(47)	642	345	(628)	1,438	(95)	337	(552)	1,564	(527)	171	175	(1,900)	5,322		
Net increase / (decrease) in payables	-	-	-	-	(89,624)	(43,390)	(31,942)	(68,549)	(73,787)	(27,209)	-	-	(23,416)	(550,408)		
<b>Net cash flow from operating activities</b>																
	(23,236)	(23,057)	(23,389)	(61,064)	(89,624)	(43,390)	(31,942)	(68,549)	(83,469)	(73,787)	(27,209)	(23,416)	(350,408)	(4,448)		

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

## **Kiwi Wealth KiwiSaver Scheme Notes to the Financial Statements For the year ended 31 March 2017**

### **1. Reporting Entity**

The Kiwi Wealth KiwiSaver Scheme (the "Scheme") is a defined contribution scheme and is a registered KiwiSaver scheme under the KiwiSaver Act 2006 (registration number 10025) and is registered as a Kiwisaver scheme under the Financial Markets Conduct Act 2013 ("FMCA") (registration number SCH10713). The Scheme was established and is governed by a trust deed dated 2 April 2007 as amended and consolidated on 7 September 2007, 18 February 2010, 21 April 2011, 2 April 2012, 13 September 2012, 1 April 2014, 1 July 2014 and 29 July 2016, (the "Trust Deed"). The Scheme commenced receiving contributions and started investing from 1 October 2007.

These financial statements are for the Scheme, which is domiciled in New Zealand. The financial statements represent the operating result for the year ended 31 March 2017 by Investment Fund, and the comparative period disclosed is the year ended 31 March 2016.

The trustee of the Scheme is Public Trust (the "Trustee"). The Manager is Kiwi Wealth Limited (which is a wholly owned subsidiary of Gareth Morgan Investments Limited Partnership ("GMILP"). The Investment Management of the Scheme's assets and administration has been delegated to GMILP. The Manager's registered office is Level 8, New Zealand Post House, 7 Waterloo Quay, Wellington, 6011, New Zealand. GMILP is owned by Kiwi Wealth Management Limited, which is a wholly owned subsidiary of Kiwi Group Holdings Limited.

On 31 October 2016, NZ Post Limited ("NZP"), formerly the sole shareholder of Kiwi Group Holdings Limited ("KGHL"), completed the sale of a 47% share of KGHL to the Guardians of the New Zealand Superannuation Fund ("NZSF") (as to 25%) and Accident Compensation Corporation ("ACC") (as to 22%) (the "Partial Sale Transaction"). Both NZSF and ACC are Crown entities.

The Scheme comprises the Investment Fund's listed below. Each Investment Fund is treated as a separate and distinct Investment Fund with its separate assets and liabilities. The value of each member's interest in the Scheme is determined by amounts held in their Member Account.

**The following is a brief description of each Investment Fund and its date of establishment:**

**Default Investment Fund ("Default")** (Established 1 July 2014)  
**Cash Investment Fund ("Cash")** (Established 12 September 2012)  
**CashPlus Investment Fund ("CashPlus")** (Established 1 June 2012)  
**Conservative Investment Fund ("Conservative")** (Established 2 April 2007)  
**Balanced Investment Fund ("Balanced")** (Established 2 April 2007)  
**Growth Investment Fund ("Growth")** (Established 2 April 2007)

### **Transaction Account**

The Transaction Account receives all contributions before they are invested in the Investment Funds and the transaction account is owned by each member in the Scheme. These contributions are invested in a bank account where they earn interest until they are transferred to the relevant Investment Fund.

## **Kiwi Wealth KiwiSaver Scheme Notes to the Financial Statements (continued)**

For the year ended 31 March 2017

### **1. Reporting Entity (continued)**

The Trust Deed was amended on 1 April 2014 and 1 July 2014, among other things, (i) require the Trustee and the Manager to treat the assets and liabilities of each Investment Fund as being exclusively for that Investment Fund, a consequence of which is that each Investment Fund is considered a separate fund for financial reporting purposes, (ii) rename the Scheme to Kiwi Wealth KiwiSaver Scheme and reflect the renaming of the Manager to Kiwi Wealth Limited, and (iii) allow for the investment and fees cycles of the Scheme to operate on weekly intervals. The Trust Deed was amended on 29 July 2016 to amend and consolidate the provisions of the Existing Trust Deed to comply with the FMCA requirements and allow the Scheme to become registered as a KiwiSaver Scheme under the FMCA.

### **Member Account and Rebalancing**

When a Member joins the Scheme, the Manager opens a Member Account for that Member. Each Member provides the Manager with an investment direction, selecting the proportion of their Member Account that will be invested in each Investment Fund (the "Investment Direction"). A Member Account at any given date lists all money held and all assets held in Investment Funds with regard to that Member.

Contributions received during the week are put into the Scheme's trust account and linked to the Member Account where they earn interest. Each week, the Scheme rebalances the Member Account's to ensure that they are administered in accordance with the prescribed Investment Direction. Some cash is kept in the Member Account to pay fees and taxes. Once the rebalancing computation is complete, money held in the Scheme's trust account is transferred to the Investment Fund(s) in accordance with the Investment Direction elected by each member.

Accordingly, in the Statement of Changes in Net Assets, membership activities such as contributions and withdrawals are recognised in the Transactions Account at the Scheme level. The membership activities for the Investment Funds comprise transactions between the Transactions Account and the Investment Funds and between Investment Funds themselves. These transactions are recognised as 'Transfers in' and 'Transfers out' in the Statement of Changes in Net Assets.

### **2. Basis of Preparation**

#### **Statement of Compliance**

These financial statements have been prepared in accordance with the Trust Deed, the KiwiSaver Act 2006, the Financial Markets Conduct Act 2013 and New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable financial reporting standards, as appropriate for for-profit entities. The financial statements comply with International Financial Reporting Standards ("IFRS"). The Scheme transitioned to the FMCA on 29 July 2016 and became a registered managed fund investment scheme. The Scheme is a for-profit entity. The financial statements were authorised for issue by the Manager on 6 July 2017.

#### **Measurement Base**

The financial statements have been prepared on a historical cost basis, except for financial instruments held at fair value through profit or loss measured at fair value. The methods used to measure fair values are discussed further in note 3(h).

**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**2. Basis of Preparation (continued)**  
**Functional and Presentational Currency**

The financial statements are presented in New Zealand dollars ("NZ\$"), which is the Scheme's functional and presentation currency. All amounts are expressed in thousands of dollars, unless otherwise stated.

**Use of Assumptions, Estimates and Judgements**

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 and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 10.

**3. Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods in these financial statements.

**(a) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of 90 days or less.

**(b) Statement of Cash Flows**

The following are definitions of terms used in the Statement of Cash Flows:

- operating activities - are those relating to the principal revenue-producing activities of the Scheme and other activities that are not financing activities. These include those cash flows relating to the acquisition, holding and disposal of investments, which include investments in securities not falling within the definition of cash.
- financing activities - are those activities that result in changes in the size and composition of Members' Funds.

**(c) Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in profit or loss, except foreign exchange differences arising on financial instruments held at fair value through profit or loss which are recognised together with net gains / (losses) on financial instruments at fair value through profit or loss in the Statement of Changes in Net Assets.



**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**3. Significant Accounting Policies (continued)**

**(d) Income recognition**

Income comprises interest income from term deposits and fixed interest, dividend income from equities and distribution income received from unit trusts and investment funds, changes in fair value through profit or loss and foreign currency gains or losses.

Interest income is recognised as it accrues, using the effective interest method. Dividend and distribution income is recognised on the date that the Scheme's right to receive payment is established. Net realised and unrealised gains and losses are recognised in profit or loss in the period in which they occur. Fair value gains and losses of unit trusts are recognised net of any fees and expenses charged by underlying third party managers and other persons involved in offering the unit trust where these are incurred through a reduction in the value of the Scheme's investments.

**(e) Taxation**

The Scheme qualifies as, and has elected to be, a multi-rate portfolio investment entity ("PIE") for tax purposes. Under the PIE regime, income is effectively taxed in the hands of the members and therefore the Scheme has no tax expense or deferred tax assets or liabilities.

PIE tax in the Statement of Net Assets represents tax payable/receivable on behalf of the Members under the PIE regime. Under the PIE regime, the Manager attributes the income of the Scheme to Members in accordance with their proportionate interest in the Scheme during the period. Taxable income attributed to each Member is taxed at the Member's notified investor rate. The Manager adjusts the Members' interests in the Scheme to reflect that the Scheme pays tax at varying rates on behalf of members.

The Scheme is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**(f) Expenses**

All expenses are recognised on an accruals basis.

**(g) Member funds**

Members' interests in the Scheme provide members with the right to request withdrawals for cash of their interest at the value at which their investments can be realised provided that they meet certain requirements of the KiwiSaver Act 2006. All Members' Interests are "puttable instruments". On acceptance of a request of Members eligible to realise their interest, the Investment Manager sells the relevant investments to market or to Members joining the Scheme at market prices for payment to such Members. The expected cash outflow on realisation will depend on when each Member is eligible to request and does request the realisation of such interest. The net assets attributable to each Member depend on that Member's interest in the Scheme and each relevant Investment Fund, and the relevant investment direction. Members do not have identical rights to the net assets of the Scheme and, as a result, Member funds are classified as financial liabilities and measured at amortised cost. Member funds are carried at the withdrawal amount that is payable at 31 March 2017 if all members exercised their rights to redeem their interests.

**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**3. Significant Accounting Policies (continued)**

**(h) Financial instruments**

Regular purchases and sales of investments are recognised on the trade date, the date on which the Scheme commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Scheme has transferred substantially all risks and rewards of ownership.

*Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in financial instruments designated at fair value at initial recognition and loans and receivables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon trade date. Financial instruments are designated as fair value through profit or loss if the Manager manages such investments and makes purchase and sale decisions based on their fair value. Financial instruments designated at fair value at initial recognition comprise fixed interest and equity securities (including unlisted unit trusts). Upon initial recognition, attributable transaction costs are recognised separately in the Statement of Changes in Net Assets when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the Statement of Changes in Net Assets.

Loans and receivables comprise cash and cash equivalents and receivables. These include cash balances and call deposits, accrued interest and dividends, and proceeds expected from sale transactions where the trade date and settlement date spanned the balance date. The carrying value of loans and receivables closely approximates their fair value.

Subsequent to initial recognition, the fair value of non-derivative financial instruments classified as at fair value through profit or loss traded in active markets is based on quoted market prices at the balance date. The quoted market price for equities held by the Scheme is the last traded price, and the quoted market price for interest bearing securities held by the Scheme is the mid-price.

If the last traded price is outside the bid ask spread, the bid price is used. Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the manager of each such unit trust. Where the units of the unit trust are not publicly traded, redemption can only be made by the Scheme on the redemption dates and subject to any required notice periods specified in the offering documents of the relevant unit trust.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any impairment losses. The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability so as to achieve a constant yield on the financial asset or liability.

Payables are classified as other financial liabilities and are initially stated at fair value and subsequently measured at amortised cost.

**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**3. Significant Accounting Policies (continued)**

**(h) Financial instruments (continued)**

*Derivative financial instruments*

Derivative financial instruments are classified as held for trading and are recognised initially at fair value. Transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Any gain or loss on revaluation is recognised in the Statement of Changes in Net Assets. The derivative financial instruments held were forward foreign exchange contracts and are classified as held for trading. The Scheme will offset derivative financial instruments only if the Scheme has a legal right to offset the recognised amounts (including accrued interest) and intends to settle on a net basis.

*Impairment of assets carried at amortised cost*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the investment have been impacted. Evidence of impairment may include indications that the debtor or group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Changes in Net Assets to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**(i) New standards and amendments**

At the date of authorisation, the following standards, amendments and interpretations to existing standards have been issued but are not yet effective:

NZ IFRS 9: Financial Instruments (Effective from 1 January 2018, with early adoption permitted)

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The Scheme intends to adopt NZ IFRS 9 on its effective date.

**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**3. Significant Accounting Policies (continued)**

**(i) New standards and amendments (continued)**

NZ IFRS 15: Revenue from contracts with customers (Effective from 1 January 2018, with early adoption permitted)

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. This standard is not expected to significantly impact the Scheme.

The adoption of NZ IFRS 9 and NZ IFRS 15 is not expected to have a material impact on the net assets attributable to members; however, NZ IFRS 9 is expected to have an impact on classification of financial instruments and disclosures in the financial statements of the Scheme.

The Manager expects to adopt the above Standards in the period in which they become mandatory. There are no other new standards, amendments and interpretations issued but not yet effective that are expected to have a material impact on the Scheme.

**4. Net gains / (losses) on Fair Value of Financial Assets and Liabilities Through Profit or Loss**

	Cash Fund		CashPlus Fund		Balanced Fund		Default Fund		Conservative Fund		Growth Fund		Transaction account		Total Scheme	
	\$ 000s		\$ 000s		\$ 000s		\$ 000s		\$ 000s		\$ 000s		\$ 000s		\$ 000s	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net gain / (loss) from financial instruments held for trading	-	-	212	(26)	18,262	(45,937)	458	(44)	4,928	(6,497)	18,177	(62,821)	-	-	42,037	(115,325)
Net gain / (loss) from financial instruments designated at fair value through profit or loss	3	(14)	(400)	188	46,195	9,682	1,796	(76)	264	5,774	71,379	2,217	-	-	119,257	17,771
<b>Total net gain / (loss) from financial instruments at fair value through profit or loss</b>	<b>3</b>	<b>(14)</b>	<b>(188)</b>	<b>162</b>	<b>64,457</b>	<b>(36,255)</b>	<b>2,254</b>	<b>(120)</b>	<b>5,212</b>	<b>(723)</b>	<b>89,556</b>	<b>(60,604)</b>	<b>-</b>	<b>-</b>	<b>161,294</b>	<b>(97,554)</b>

**5. Interest Income**

	Cash Fund		CashPlus Fund		Balanced Fund		Default Fund		Conservative Fund		Growth Fund		Transaction account		Total Scheme	
	\$ 000s		\$ 000s		\$ 000s		\$ 000s		\$ 000s		\$ 000s		\$ 000s		\$ 000s	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Interest income on financial assets held at fair value	2,902	2,447	2,205	1,435	17,196	17,612	2,136	1,203	14,475	12,696	1,864	2,003	-	31	40,260	37,427
Interest income on cash and cash equivalents	328	259	183	131	2,178	2,679	168	112	794	790	1,462	1,811	397	562	5,500	6,344
<b>Total interest income</b>	<b>3,230</b>	<b>2,706</b>	<b>2,388</b>	<b>1,566</b>	<b>19,376</b>	<b>20,291</b>	<b>2,304</b>	<b>1,315</b>	<b>15,269</b>	<b>13,486</b>	<b>2,826</b>	<b>3,814</b>	<b>397</b>	<b>693</b>	<b>46,760</b>	<b>43,771</b>

**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**6. Management and Administration Fees**

The fee charged to each Member for the management and administration of the Scheme depends on the Investment Funds elected by the relevant Member and is currently up to 1% per annum of the Member's account balance, subject to a minimum fee of \$50 per annum (excluding members that transferred from the Kiwibank KiwiSaver or members of the Default Investment Fund), calculated and deducted weekly by the Manager. This fee covers charges for trustee services, administration services and investment management services (among others) but does not cover third party costs incurred in the buying, selling or holding of investments, such as brokerage or any third party charges incurred in investing in unit trusts.

The minimum fee for a member that transferred from the KBKS is \$12 per annum. The minimum fee for members of the Default Investment Fund is \$40.

**Audit Fees**

Fees charged by PricewaterhouseCoopers, and paid by the Manager, for the audit of the financial statements totalled \$96,900 excluding GST (2016: \$95,000 excluding GST). PricewaterhouseCoopers also performs Trustee and Registry compliance services totalling \$5,000 excluding GST (2016: \$4,000).

**7. Receivables**

	Cash Fund \$ 000s		CashPlus Fund \$ 000s		Balanced Fund \$ 000s		Default Fund \$ 000s		Conservative Fund \$ 000s		Growth Fund \$ 000s		Transaction account \$ 000s		Total Scheme \$ 000s	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Accrued interest	48	-	-	-	4,275	3,726	440	-	3,918	3,031	14	13	-	-	8,985	7,165
Accrued dividends	-	1	253	194	747	351	-	-	91	43	1,011	458	-	-	1,849	854
Receivables for securities sold	-	-	73	-	12,594	24,466	122	-	2,774	2,841	14,512	31,689	-	-	30,075	58,986
Other	1	-	-	-	(3)	-	-	-	(2)	-	-	-	-	-	(4)	-
<b>Total receivables</b>	<b>49</b>	<b>1</b>	<b>366</b>	<b>196</b>	<b>17,613</b>	<b>28,643</b>	<b>562</b>	<b>201</b>	<b>6,781</b>	<b>6,916</b>	<b>15,537</b>	<b>32,160</b>	<b>-</b>	<b>-</b>	<b>40,905</b>	<b>67,016</b>



**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2017**

**8. Financial Assets held at Fair Value through Profit or Loss**

Except for related party investments detailed in note 14, as at 31 March 2017 the funds of the Scheme were invested in a range of financial instruments not related to the Manager, Trustee or Investment Manager. Forward foreign exchange contracts were the only derivatives used by the Scheme during the year.

**Financial Assets and Liabilities**

*Accounting classifications and fair values*

A summary of the main instruments held by the Scheme as at 31 March 2017 are:

	Cash Fund		CashPlus Fund		Balanced Fund		Default Fund		Conservative Fund		Growth Fund		Transaction account		Total Scheme	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$ 000s		\$ 000s		\$ 000s		\$ 000s		\$ 000s		\$ 000s		\$ 000s		\$ 000s	
<b>Assets</b>																
Designated at fair value through profit or loss																
Fixed interest	104,208	77,787	71,732	48,472	445,894	394,648	77,994	40,269	393,498	318,926	43,054	51,387	-	-	1,136,380	931,489
Equities	-	-	-	-	623,185	485,765	21,343	11,291	75,323	56,800	846,402	635,512	-	-	1,568,254	1,189,368
Unlisted unit trusts	-	-	135	131	64,742	66,749	-	-	12,725	12,107	55,252	64,060	-	-	142,995	143,047
<b>Total designated at fair value through profit or loss</b>	<b>104,208</b>	<b>77,787</b>	<b>71,868</b>	<b>48,603</b>	<b>1,133,822</b>	<b>947,162</b>	<b>99,337</b>	<b>51,560</b>	<b>481,546</b>	<b>387,833</b>	<b>954,748</b>	<b>750,959</b>	<b>-</b>	<b>-</b>	<b>2,845,529</b>	<b>2,263,904</b>
Held for trading																
Derivative assets	-	-	248	233	2,244	12,687	387	416	775	4,813	2,054	10,445	-	-	5,709	28,594
<b>Total financial assets held for trading</b>	<b>-</b>	<b>-</b>	<b>248</b>	<b>233</b>	<b>2,244</b>	<b>12,687</b>	<b>387</b>	<b>416</b>	<b>776</b>	<b>4,813</b>	<b>2,054</b>	<b>10,445</b>	<b>-</b>	<b>-</b>	<b>5,709</b>	<b>28,594</b>
<b>Total financial assets held at fair value through profit or loss</b>	<b>104,208</b>	<b>77,787</b>	<b>72,116</b>	<b>48,836</b>	<b>1,135,066</b>	<b>959,849</b>	<b>99,724</b>	<b>51,976</b>	<b>482,322</b>	<b>392,646</b>	<b>956,802</b>	<b>761,404</b>	<b>-</b>	<b>-</b>	<b>2,851,238</b>	<b>2,292,498</b>
<b>Loans and receivables</b>																
Cash and cash equivalents	11,853	9,653	4,922	6,070	81,443	77,191	6,499	5,665	21,510	26,103	43,048	51,186	16,046	13,265	185,395	189,133
Trade and other receivables	49	1	366	195	17,613	28,543	552	201	6,781	5,915	15,537	32,160	-	-	40,308	67,015
<b>Total other assets</b>	<b>11,937</b>	<b>9,654</b>	<b>5,328</b>	<b>6,265</b>	<b>99,056</b>	<b>105,734</b>	<b>7,060</b>	<b>5,866</b>	<b>28,291</b>	<b>32,018</b>	<b>58,585</b>	<b>83,346</b>	<b>16,046</b>	<b>13,265</b>	<b>225,303</b>	<b>256,148</b>
<b>Total Assets carrying amount / fair value</b>	<b>116,145</b>	<b>87,441</b>	<b>77,444</b>	<b>55,101</b>	<b>1,235,122</b>	<b>1,065,583</b>	<b>106,784</b>	<b>57,842</b>	<b>510,613</b>	<b>424,664</b>	<b>1,015,387</b>	<b>844,750</b>	<b>16,046</b>	<b>13,265</b>	<b>3,077,541</b>	<b>2,548,646</b>
<b>Liabilities</b>																
Held for trading																
Derivative liabilities	-	-	(94)	(16)	(3,110)	(1,510)	(123)	(38)	(1,604)	(284)	(1,749)	(1,341)	-	-	(5,680)	(3,199)
<b>Total financial liabilities held for trading</b>	<b>-</b>	<b>-</b>	<b>(94)</b>	<b>(16)</b>	<b>(3,110)</b>	<b>(1,510)</b>	<b>(123)</b>	<b>(38)</b>	<b>(1,604)</b>	<b>(284)</b>	<b>(1,749)</b>	<b>(1,341)</b>	<b>-</b>	<b>-</b>	<b>(6,680)</b>	<b>(3,199)</b>
<b>Other financial liabilities</b>																
Cash collateral	-	-	(230)	-	-	-	(250)	-	-	-	-	-	-	-	(490)	-
Management and administration fees payable	(15)	(11)	(12)	(8)	(244)	(179)	(18)	(9)	(105)	(75)	(200)	(141)	-	-	(594)	(423)
Trade and other payables	-	-	(25)	(153)	(10,557)	(22,511)	(87)	(345)	(1,550)	(4,916)	(13,631)	(25,272)	-	-	(26,150)	(53,197)
Withdrawals payable	-	-	-	-	-	-	-	-	-	-	-	-	(7,989)	(5,950)	(7,989)	(5,950)
PE tax payable	-	-	-	-	-	-	-	-	-	-	-	-	(4,956)	(6,441)	(4,956)	(6,441)
<b>Total Liabilities carrying amount / fair value</b>	<b>(15)</b>	<b>(11)</b>	<b>(361)</b>	<b>(177)</b>	<b>(13,911)</b>	<b>(24,200)</b>	<b>(488)</b>	<b>(392)</b>	<b>(3,259)</b>	<b>(5,285)</b>	<b>(15,890)</b>	<b>(26,754)</b>	<b>(12,945)</b>	<b>(12,391)</b>	<b>(46,365)</b>	<b>(69,210)</b>

**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**8. Financial Assets held at Fair Value through Profit or Loss (continued)**

The underlying investments that exceeded 5% of net assets held by each Investment Fund or 5% of each financial instrument type within that Investment Fund is set out below:

Investment securities that exceed 5% of net assets of each fund or instrument type	Cash Fund		
	2017	2016	
	Fair Value \$ 000s	% of Investment Fund	% of Instrument Type
Westpac Term Deposit	21,974	19%	21%
ASB Term Deposit	17,431	15%	17%
UDC Finance Term Deposit	13,764	12%	13%
ANZ Bank Term Deposit	2,454	2%	2%
Bank of New Zealand Term Deposit	32,085	28%	31%
		Fair Value \$ 000s	% of Investment Fund
		16,820	19%
		12,011	14%
		12,024	14%
		8,463	10%
		25,214	29%
			% of Instrument Type
			22%
			15%
			15%
			11%
			32%

Investment securities that exceed 5% of net assets of each fund or instrument type	CashPlus Fund		
	2017	2016	
	Fair Value \$ 000s	% of Investment Fund	% of Instrument Type
Bank of New Zealand Term Deposit	10,486	14%	15%
Westpac Term Deposit	10,806	14%	15%
ASB Term Deposit	8,170	11%	11%
ANZ Bank Term Deposit	454	1%	1%
UDC Finance Term Deposit	7,594	10%	11%
Kiwi bank Term Deposit	3,902	5%	5%
PIMCO Global Bond Fund	136	-	100%
		Fair Value \$ 000s	% of Investment Fund
		8,777	16%
		6,679	12%
		2,637	5%
		7,388	13%
		3,966	7%
		-	-
		131	-
			% of Instrument Type
			18%
			14%
			5%
			15%
			8%
			-
			100%

**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**8. Financial Assets held at Fair Value through Profit or Loss (continued)**

Investment securities that exceed 5% of net assets of each fund or instrument type	Balanced Fund				Default Fund				
	2017		2016		2017		2016		
Instrument Type	Fair Value \$ 000s	% of Investment Fund	% of Instrument Type	Fair Value \$ 000s	% of Investment Fund	% of Instrument Type	Fair Value \$ 000s	% of Investment Fund	% of Instrument Type
Vanguard Total Stock Market ETF	81,587	7%	13%	22,990	2%	5%	22,990	2%	5%
Vanguard Total International Stock ETF	83,888	7%	13%	22,936	2%	5%	22,936	2%	5%
Transpower	14,043	1%	3%	24,652	2%	6%	-	-	-
Westpac Term Deposit	27,936	2%	6%	-	-	-	-	-	-
Rentbank	21,085	2%	5%	28,535	3%	7%	28,535	3%	7%
Bank of New Zealand Term Deposit	150	-	-	20,739	2%	5%	20,739	2%	5%
Kiwi Bankengruppe	24,469	2%	6%	19,230	2%	5%	19,230	2%	5%
KBN Norway	22,776	2%	5%	14,722	1%	4%	14,722	1%	4%
GMO Systematic Global Macro Trust	23,367	2%	36%	24,484	2%	37%	24,484	2%	37%
FIMCO Global Bond Fund	12,129	1%	19%	11,700	1%	18%	11,700	1%	18%
ISAM Systematic Trend (Class Q)	12,198	1%	18%	5,208	1%	8%	5,208	1%	8%
Man AHL Pure Momentum	11,854	1%	18%	8,142	1%	12%	8,142	1%	12%
Platinum Asia Fund	-	-	-	4,081	-	6%	4,081	-	6%
Russell Multi Strategy Volatility Fund	5,193	-	8%	1,460	-	2%	1,460	-	2%
Baring Europe Select Trust	-	-	-	11,673	1%	17%	11,673	1%	17%
Vanguard Total Stock Market ETF	11,191	11%	52%	5,850	10%	52%	5,850	10%	52%
Vanguard Total International Stock ETF	10,152	10%	48%	5,441	9%	48%	5,441	9%	48%
ASB Term Deposit	6,610	6%	8%	2,472	4%	6%	2,472	4%	6%
Bank of New Zealand Term Deposit	7,783	7%	10%	5,198	9%	13%	5,198	9%	13%
Westpac Term Deposit	11,014	10%	14%	3,830	7%	10%	3,830	7%	10%
UDC Finance Term Deposit	6,266	6%	8%	2,851	5%	7%	2,851	5%	7%





**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2017**

**8. Financial Assets held at Fair Value through Profit or Loss (continued)**

	Conservative Fund				Growth Fund			
	2017	2016	2017	2016	2017	2016	2017	2016
	Fair Value \$ 000s	Fair Value \$ 000s	% of Investment Fund	% of Instrument Type	Fair Value \$ 000s	Fair Value \$ 000s	% of Investment Fund	% of Instrument Type
<b>Investment securities that exceed 5% of net assets of each fund or instrument type</b>								
Vanguard Total Stock Market ETF	9,855	2,689	2%	13%	30,218	30,146	11%	13%
Vanguard Total International Stock ETF	10,133	2,683	2%	13%	4,660	29,907	11%	83%
Bank of New Zealand Term Deposit	-	16,442	-	-	5,031	15,218	4%	12%
Kiwi Bankengruppe	20,771	13,522	4%	5%	-	15,311	-	-
KBN Norway	20,985	17,772	4%	5%	6,963	1,913	1%	11%
Rentenbank	15,728	19,702	3%	4%	-	5,351	-	-
PIMCO Global Bond Fund	7,020	6,771	1%	55%	25,863	24,065	3%	40%
ISAM Systematic Trend (Class Q)	1,485	606	-	12%	16,498	6,796	1%	25%
Man AHL Pure Momentum	1,452	958	-	11%	15,929	10,624	2%	24%
GMO Systematic Global Macro Trust	2,133	1,754	-	17%	-	-	-	-
Baring Europe Select Trust	-	1,367	-	-	-	-	-	-
<b>Investment securities that exceed 5% of net assets of each fund or instrument type</b>								
Vanguard Total Stock Market ETF	110,708	30,218	11%	13%	30,146	4,660	11%	13%
Vanguard Total International Stock ETF	113,829	30,146	11%	13%	4,660	29,907	11%	83%
Bank of New Zealand Term Deposit	-	4,660	-	-	5,031	15,218	4%	12%
UDC Finance Term Deposit	35,533	29,907	4%	83%	-	15,311	-	-
Westpac Banking Term Deposit	5,031	15,218	1%	12%	6,963	1,913	1%	11%
Baring Europe Select Trust	-	15,311	-	-	-	5,351	-	-
Russell Multi Strategy Volatility Fund	6,963	1,913	1%	11%	25,863	24,065	3%	40%
Platinum Asia Fund	-	1,913	-	-	16,498	6,796	1%	25%
GMO Systematic Global Macro Trust	25,863	24,065	3%	40%	15,929	10,624	2%	24%
ISAM Systematic Trend (Class Q)	16,498	6,796	1%	25%	-	-	-	-
Man AHL Pure Momentum	15,929	10,624	2%	24%	-	-	-	-

**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2017**

**8. Financial Assets held at Fair Value through Profit or Loss (continued)**

Investment securities that exceed 5% of net assets of each fund or instrument type	2017		2016	
	Fair Value \$'000s	% of Scheme	Fair Value \$'000s	% of Scheme
Vanguard Total Stock Market ETF	213,341	7%	61,748	2%
Vanguard Total International Stock ETF	218,001	7%	61,205	2%
Rentenbank	39,742	1%	50,546	2%
UDC Finance Term Deposit	90,739	3%	72,002	3%
Westpac Term Deposit	94,206	3%	42,580	2%
Bank of New Zealand Term Deposit	50,363	2%	81,084	3%
PIMCO Global Bond Fund	19,284	1%	18,603	1%
GMO Systematic Global Macro Trust	51,383	2%	50,304	2%
ISAM Systematic Trend (Class Q)	30,181	1%	12,610	1%
Man AHL Pure Momentum	29,235	1%	19,724	1%
Russell Multi Strategy Volatility Fund	12,811	-	3,545	-
Platinum Asia Fund	-	-	9,910	-
Baring Europe Select Trust	-	-	28,351	1%

**Total Scheme**

	Fair Value \$'000s	% of Scheme	% of Instrument Type	Fair Value \$'000s	% of Scheme	% of Instrument Type
Equities	213,341	7%	14%	61,748	2%	5%
Equities	218,001	7%	14%	61,205	2%	5%
Fixed interest	39,742	1%	3%	50,546	2%	5%
Fixed interest	90,739	3%	8%	72,002	3%	8%
Fixed interest	94,206	3%	8%	42,580	2%	5%
Fixed interest	50,363	2%	4%	81,084	3%	9%
Unlisted Unit Trust	19,284	1%	13%	18,603	1%	13%
Unlisted Unit Trust	51,383	2%	36%	50,304	2%	35%
Unlisted Unit Trust	30,181	1%	21%	12,610	1%	9%
Unlisted Unit Trust	29,235	1%	20%	19,724	1%	14%
Unlisted Unit Trust	12,811	-	9%	3,545	-	2%
Unlisted Unit Trust	-	-	-	9,910	-	7%
Unlisted Unit Trust	-	-	-	28,351	1%	20%

## **Kiwi Wealth KiwiSaver Scheme Notes to the Financial Statements (continued)**

For the year ended 31 March 2017

### **9. Members' Benefits**

#### **(a) Net assets available to pay benefits**

All available funds are allocated to Member accounts. The Scheme does not have separate employer accounts and does not have any reserve funds.

#### **(b) Vested benefits**

Vested benefits are benefits which, under the conditions of the Scheme, are not conditional on continued membership. Under the Trust Deed all benefits are fully vested. The value of vested Member benefits as at 31 March 2017 is \$3,031 million (2016: \$2,479 million).

#### **(c) Guaranteed benefits**

No guarantees have been made in respect of any part of the liability for accrued benefits.

### **10. Fair value of Financial Instruments**

These disclosures supplement the commentary on financial risk management in note 12.

#### **Key source of estimation uncertainty**

##### *Determining fair values*

The determination of fair values of financial assets and liabilities for which there is no observable market price requires the use of valuation techniques, described below. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

#### **Valuation of financial instruments**

The Scheme's accounting policy on fair value measurements is explained in note 3(h).

The Scheme measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation, as well as instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer prices and yield quotations. For all other financial instruments, the Scheme determines fair values using valuation techniques. For investments with no active market, fair values are determined using valuation techniques that may make use of recent arm's length transactions of comparable instruments, reference to current market data of comparable instruments, discounted cash flow analysis and option pricing models, and use as much available and supportable market data as possible with judgemental inputs kept to a minimum.

**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2017**

**10. Fair value of Financial Instruments (continued)**

Investment Assets	Cash Fund \$ 000s		CashPlus Fund \$ 000s		Balanced Fund \$ 000s		Default Fund \$ 000s		Conservative Fund \$ 000s		Growth Fund \$ 000s		Total Scheme \$ 000s	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Level 1</b>														
Fixed interest	-	-	489	675	7,697	10,817	651	680	7,084	8,625	-	-	15,921	20,797
Equities	-	-	-	-	623,186	485,765	21,343	11,291	75,323	56,800	846,402	635,512	1,566,254	1,189,368
Unlisted unit trusts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	489	675	530,883	486,582	21,994	11,971	82,407	65,425	846,402	635,512	1,582,175	1,210,165
<b>Level 2</b>														
Fixed interest	104,208	77,787	71,242	47,797	438,197	383,831	77,343	39,589	396,415	310,301	43,054	51,387	1,120,459	910,692
Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unlisted unit trusts	-	-	136	131	64,742	66,749	-	-	12,725	12,107	65,292	64,060	142,895	143,047
Forward foreign exchange contracts	-	-	155	217	(866)	11,177	264	378	(829)	4,519	305	9,104	(971)	25,395
	104,208	77,787	71,533	48,145	502,073	461,757	77,607	39,967	398,311	326,927	108,661	124,551	1,262,383	1,079,134
<b>Level 3</b>														
There are no level 3 investment assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>104,208</b>	<b>77,787</b>	<b>72,022</b>	<b>48,820</b>	<b>1,132,956</b>	<b>958,339</b>	<b>99,601</b>	<b>51,938</b>	<b>480,718</b>	<b>392,352</b>	<b>955,053</b>	<b>760,063</b>	<b>2,944,558</b>	<b>2,289,299</b>

**11. Funding Policy**

The Scheme is a defined contribution scheme as defined by the KiwiSaver Act 2006. Funding in the form of contributions is received primarily from three sources: Members of the Scheme; employers of Members of the Scheme; and the Crown (in accordance with the provisions of the KiwiSaver Act 2006). Members may contribute to the Scheme at varying designated rates linked to their salaries or in lump sum payments. Members may pay additional contributions to the Scheme in excess of any salary linked contributions. As of 31 March 2017, employer contribution rates are 3% or greater (31 March 2016: 3% or greater) of each relevant Member's gross salary or wages.

**12. Financial Risk Management**

The Scheme may be exposed to credit risk, settlement risk, liquidity risk, market price risk, interest rate risk and foreign currency risk through their financial instruments. This note presents information about the Scheme and Investment Fund's exposure to each of these risks, the Scheme's policies and processes for managing such risks and the management of Net Assets. The risk disclosures have been prepared on the Scheme direct holdings and not on a full look-through to account for investments held indirectly through other managed funds (such as certain listed and unlisted unit-trusts). Compliance reports are provided to the Trustee and to the Investment Governance Committee ("IGC") on a regular basis. The IGC's role is to provide governance oversight on investment related risk taking activities.

*Risk management framework*

The Scheme's investment is determined by the Members' investment directions, asset allocation limits, and investment guidelines. The asset allocation limits determine the extent to which each Investment Fund can invest in certain asset groups. The investment guidelines establish target bands for each asset group within each Investment Fund and guide the extent to which an Investment Fund can be invested in single issuers, issuer types and third party investment managers. Compliance with the asset allocation limits and the composition of the Scheme is monitored by the Manager on a regular basis. Should the Scheme exceed an asset allocation limit, the Investment Manager is obliged to take actions to rebalance to ensure compliance with the limit.



**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**12. Financial Risk Management (continued)**

**(a) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument in which the Scheme and Investment Fund has an interest will fail to discharge an obligation or commitment that it has entered, resulting in a financial loss to the Scheme and the Investment Fund. It arises from fixed interest securities, derivative financial instruments, cash and cash equivalents, and receivables held by or on behalf of the Scheme and the Investment Fund. For risk management reporting purposes, the Scheme considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

*Management of credit risk*

The investment policies applying to the Scheme only allow fixed interest investments in liquid securities at purchase, meaning that there is a secondary market available where these assets are readily traded. In addition, the Investment Manager has established an approval process for establishing new counterparts or derivatives.

The following investment guidelines apply to the Fund. Given the range of assets and issuers and in some cases the complex relationships that exist in financial markets, it is important to see the below as guidelines rather than rigid rules.

- Direct exposure to a single commonly recognised investment manager (including any related parties of that investment manager) is limited to 50% of the Fund's assets.
- Direct exposure to any one underlying security is limited to 7.5% of the Fund's assets. Cash and derivatives are excluded, but remain subject to the diversification principle.
- Direct exposure to fixed interest securities of any one underlying issuer (e.g. bank or corporate) is limited to 15% of the Fund's assets, unless the issuer is either of:
  - The New Zealand Government; or
  - The New Zealand Local Government Funding Agency Limited (or its successor, or an entity issuing securities on its behalf), in which event direct exposure to fixed interest securities is limited to 50% of the Fund's assets.
- Broader exposure (e.g. cash and derivatives) to any one underlying issuer is limited to 50% of the Fund's assets.
- Limit total exposure to non-investment grade credit to no more than 25% of the Fund's assets.

*Exposure to credit risk*

The carrying amount of the Scheme and each Investment Fund's cash and cash equivalents, receivables, investments in fixed interest securities and derivative financial instruments represent the Scheme and each Investment Fund's maximum credit exposure at balance date.

During the period a Credit Support Annex (CSA) agreement was implemented as a means of managing credit risk for derivative instruments.

An exposure of greater than 5% of the value of the Scheme's assets to a counterparty is defined as significant. The Scheme and each Investment Fund's maximum exposure to credit risk for cash and cash equivalents by significant counterparty is as follows:

# Kiwi Wealth KiwiSaver Scheme Notes to the Financial Statements (continued) For the year ended 31 March 2017

## 12. Financial Risk Management (continued)

ASB Bank Limited - cash and cash equivalents

	2017	2016
Investment Fund	\$ 000s	% of Investment Fund
Transaction Account	16,046	100%
Total ASB Bank Limited related credit risk exposure	16,046	100%

National Australia Bank (held on behalf of the Scheme by JBWere (NZ) Nominees Limited) - cash and cash equivalents

	2017	2016
Investment Fund	\$ 000s	% of Investment Fund
Cash	5	-
CashPlus	88	-
Balanced	8	-
Default	73	-
Conservative	-	-
Growth	174	-
Total National Australia Bank related credit risk exposure	-	-

Westpac Bank (held on behalf of the Scheme by JBWere (NZ) Nominees Limited) - cash and cash equivalents

	2017	2016
Investment Fund	\$ 000s	% of Investment Fund
Cash	-	9,653
CashPlus	-	5,875
Balanced	-	70,746
Default	-	5,311
Conservative	-	22,884
Growth	-	46,754
Total Westpac Bank related credit risk exposure	-	161,323

Bank of New Zealand (held on behalf of the Scheme by JBWere (NZ) Nominees Limited) - cash and cash equivalents

	2017	2016
Investment Fund	\$ 000s	% of Investment Fund
Cash	11,888	-
CashPlus	4,857	195
Balanced	81,356	6,445
Default	6,461	354
Conservative	21,438	3,119
Growth	43,045	4,432
Total Bank of New Zealand related credit risk exposure	169,178	14,545

The Investment Manager monitors the financial position of each bank on an on-going basis. At balance date, the Scheme had cash and cash equivalents related credit exposure to ASB Bank Limited, Bank of New Zealand Limited and National Australia Bank Limited, each of which have a credit rating of AA- (2016: AA-) from Standard & Poor's, totalling \$185.4m (2016: \$189.1m).

Credit risk arising on fixed interest securities is mitigated by diversification by issuer and industry and by maintaining an investment grade rating on average. The size of investments positions are determined by ratings according to Standard & Poor's. The Investment Manager reviews investment ratings regularly and rebalances the Investment Funds where necessary.

**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**12. Financial Risk Management (continued)**

The Scheme may also invest in unrated fixed interest securities. Unrated fixed interest securities are included within the "Not Rated" category in the below table. At 31 March 2017, the fixed interest securities held by the Scheme and the Investment Fund's had the following credit quality as determined by Standard & Poor's or equivalent:

Rating	Cash Fund		CashPlus Fund		Balanced Fund		Default Fund		Conservative Fund		Growth Fund		Total Scheme	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
AAA	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AA+ AA AA-	79%	56%	11%	12%	27%	27%	18%	18%	25%	26%	26%	26%	22%	22%
A+ A A-	8%	4%	55%	70%	25%	28%	59%	50%	27%	27%	14%	97%	34%	41%
BBB+ BBB BBB-	13%	-	15%	9%	19%	20%	12%	12%	18%	22%	4%	3%	17%	17%
BB+ BB BB-	-	-	19%	8%	27%	23%	20%	20%	28%	23%	82%	-	27%	19%
B+ B B-	-	-	-	-	-	1%	-	-	-	1%	-	-	-	-
Not Rated	-	-	-	1%	1%	-	-	-	1%	1%	-	-	-	1%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

*Derivative financial instruments*

The Scheme uses over the counter ("OTC") derivatives. OTC derivatives expose the Scheme to the risk that the counterparties to the derivative financial instruments might default on their obligations to the Scheme. Derivative profit and loss positions are monitored daily and the counterparty risk is managed within the Scheme's investment guidelines. Such guidelines permit entry by the Manager into certain OTC derivatives where the Manager (or its delegate) considers it in the best interests of the Scheme and its Members, provided that the Manager (or its delegate) neither enters any OTC derivatives that give rise to obligations beyond the value of the Scheme's assets, nor exceeds any limit agreed from time to time by the Trustee and Manager on the size of a OTC derivatives contract.

Derivative financial instruments are principally transacted with counterparties that have a credit rating of at least AA-, as determined by Standard & Poor's, and with whom the Manager has netting arrangements. The netting arrangements provide for the net settlement of certain contracts with the same counterparty in the event of default. As a result of such netting arrangements, at 31 March 2017, the Scheme would be entitled to offset derivative assets against derivative liabilities or portions of them in the event of counterparty defaults.

For the purposes of reporting in the Statement of Net Assets, where applicable, outstanding derivative financial assets and liabilities have been netted. The net exposure to credit risk may change significantly within a short period of time due to the highly volatile nature of the fair value of the derivatives underlying the arrangements.



**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**12. Financial Risk Management (continued)**

*Offsetting and amounts subject to netting arrangements and similar agreements*

Financial arrangements subject to offsetting, enforceable master netting arrangements, and similar agreements:

	Gross amounts of recognised financial assets set-off in the Statement of Net Assets	Gross amounts of recognised financial liabilities set-off in the Statement of Net Assets	Net amounts of financial assets presented in the Statement of Net Assets	Related amounts not set-off in the Statement of Net Assets	Net amount
	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s
Description					
CashPlus	288	(134)	154	(78)	(78)
Balanced	3,645	(4,511)	(866)	-	(866)
Default	481	(217)	264	(250)	4
Conservative	1,070	(1,999)	(929)	-	(929)
Growth	3,754	(3,449)	305	-	305
<b>Total</b>	<b>9,238</b>	<b>(10,209)</b>	<b>(971)</b>	<b>(490)</b>	<b>(1,461)</b>

Forward foreign exchange contracts as at 31 March 2017

Forward foreign exchange contracts as at 31 March 2016

	Gross amounts of recognised financial assets set-off in the Statement of Net Assets	Gross amounts of recognised financial liabilities set-off in the Statement of Net Assets	Net amounts of financial assets presented in the Statement of Net Assets	Related amounts not set-off in the Statement of Net Assets	Net amount
	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s
Description					
CashPlus	233	(16)	217	-	217
Balanced	12,687	(1,510)	11,177	-	11,177
Default	416	(38)	378	-	378
Conservative	4,813	(294)	4,519	-	4,519
Growth	10,445	(1,341)	9,104	-	9,104
<b>Total</b>	<b>28,594</b>	<b>(3,199)</b>	<b>25,395</b>	<b>-</b>	<b>25,395</b>

*Concentration of risk*

The Investment Manager reviews the concentration of securities held based on counterparties and industries. At balance date, the Scheme and Investment Fund's securities exposures were concentrated in the following industries:

Description	Cash Fund			CashPlus Fund			Balanced Fund			Default Fund			Conservative Fund			Growth Fund			Total Scheme				
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015		
Banking and finance (including listed and unlisted unit trusts)	98%	100%	100%	84%	100%	100%	55%	78%	78%	68%	62%	95%	57%	70%	44%	29%	51%	59%	45%	136%	136%	48%	302%
Consumer goods, retail and manufacturing	-	-	-	1%	-	-	1%	2%	2%	1%	1%	1%	6%	4%	7%	2%	16%	16%	16%	16%	16%	11%	11%
Government	-	-	-	3%	10%	14%	1%	1%	1%	1%	1%	1%	5%	1%	1%	2%	2%	2%	2%	2%	2%	2%	6%
Media, telecommunications and technology	-	-	-	4%	2%	2%	13%	2%	2%	7%	4%	4%	11%	7%	8%	8%	14%	14%	16%	16%	16%	12%	12%
Health and pharmaceuticals	-	-	-	1%	-	-	4%	3%	3%	6%	1%	1%	3%	2%	4%	4%	8%	8%	8%	8%	8%	6%	6%
Utilities, energy, infrastructure and transport	-	-	-	4%	5%	8%	10%	8%	12%	12%	6%	6%	13%	10%	14%	26%	5%	5%	5%	5%	5%	10%	10%
Automotive	2%	2%	2%	2%	3%	3%	2%	1%	1%	1%	1%	1%	2%	3%	5%	7%	1%	1%	2%	2%	2%	3%	13%
Other sectors	-	-	-	1%	1%	1%	4%	4%	7%	10%	21%	1%	1%	1%	1%	1%	6%	6%	5%	5%	5%	4%	4%
<b>Total business sector risk</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>





**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**12. Financial Risk Management (continued)**

**(b) Settlement risk**

The Scheme's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

The majority of transactions are conducted through a broker, which mitigates settlement risk by ensuring the transaction is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes described earlier.

**(c) Liquidity risk**

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or a financial instrument, or that such obligations will have to be settled in a manner disadvantageous to the Scheme.

*Management of liquidity risk*

The Scheme is not unitised. Withdrawals are managed by each Member having their share of the Scheme assets sold at the prevailing market price. Order of liquidity is determined by the average time it takes to liquidate the Scheme's assets. Cash deposits are potentially held with ANZ Bank New Zealand Limited, ASB Bank Limited, Bank of New Zealand, Kiwibank Limited, RaboBank, UDC Finance Limited and Westpac New Zealand Limited and in normal circumstances may be withdrawn within 24 hours. Equities are more liquid than fixed interest securities as they are exchange traded. Furthermore, unlisted unit trusts may take longer to liquidate if subjected to specific redemption clauses. The Investment Manager reviews the Scheme's investments on a daily basis to ensure their liquidity, and provides oversight for risk management and derivative activities.

*Maturity analysis for financial liabilities*

Financial liabilities of the Scheme comprise payables for securities purchased, management and administration fees payable, and Member funds, all of which are due within one month.

Member funds can be redeemed or transferred on demand at the relevant Member's option provided the Member meets certain requirements of the KiwiSaver Act 2006. However, the Manager does not envisage that the contractual maturity will be representative of the actual cash outflows, as Members holding these instruments typically retain them for the medium to long term. As at 31 March 2017 and 2016, no individual member held more than 10% of the Member funds.

**(d) Market price risk**

Market price risk is the risk that the Scheme's income or the value of its holdings of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual financial instrument or by factors affecting all instruments of a specific type trading in a market. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Had the market price in local currency of the underlying financial instruments increased or decreased by 10% with all other variables held constant, the increase or decrease respectively in net income in Net Assets before membership activities and the net assets attributable to members would amount to the following:

**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**12. Financial Risk Management (continued)**

**(d) Market price risk (continued)**

	Cash Fund		CashPlus Fund		Balanced Fund		Default Fund		Conservative Fund		Growth Fund		Total Scheme	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Increase / decrease in net assets	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s
Equities	-	-	-	48,577	62,319	2,134	1,129	7,532	5,680	84,640	75,323	84,640	156,625	130,709
Unlisted Unit Trusts	-	-	14	6,675	6,474	-	-	1,273	1,211	5,529	6,406	5,529	14,290	14,292

A variable of 10% was selected for market price risk sensitivity as this is a reasonably expected movement.

*Management of market price risk*

The Scheme's strategy for the management of market price risk is driven by the Scheme's and Investment Fund's investment objectives. The investment objective applying to each Investment Fund is to deliver investment returns, over the relevant investment timeframe and after taking account of all fees, costs and taxes, which exceed the relevant benchmark. The Investment Manager aims to deliver those returns with lower volatility (i.e. less risk) than the benchmark. It looks to achieve this by investing in a range of different diversified investments with an allocation of assets spread across local and international cash, fixed interest securities and equities (which includes listed and unlisted unit trusts).

The Scheme and Investment Fund's market risk is managed on a daily basis by the Investment Manager in accordance with the investment guidelines and other policies and procedures in place. Investment guidelines apply that guide the extent to which each Investment Fund invests in financial instruments to help ensure diversity and the use of forward foreign exchange contracts to mitigate fluctuations in foreign currency exchange rates. The Scheme's market positions are monitored on a daily basis by the Investment Manager. The Investment Manager also ensures each Investment Fund is well diversified across a number of financial instruments and investment themes. Investment Funds are regularly reviewed to ensure they are in line with the investment strategy.

The Scheme may use derivatives to manage its exposure to foreign currency, interest rate and equity market risks.

**(e) Interest rate risk**

Interest rate risk affects the Scheme and Investment Fund's in two ways - the value of a financial instrument may fluctuate due to a change in market interest rates, and a change in market interest rates may cause the cash flows received to fluctuate. The Investment Manager manages interest rate risk by actively managing the average maturity date of the Scheme and Investment Fund's fixed interest instruments in response to changes in the Investment Manager's interest rate view. Additionally, the Investment Manager manages the interest rate risk associated with cash holdings of the Scheme and Investment Fund's by actively managing its exposure to cash and the currencies it holds.



**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
 For the year ended 31 March 2017

**12. Financial Risk Management (continued)**

*Interest rate sensitivities:*

The Scheme's and Investment Fund's interest bearing financial assets and liabilities expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their fair values and cash flow.

*Cash Flow Sensitivity Analysis*

A change in interest rates impacts the cash flow of the Scheme's and Investment Fund's cash and cash equivalents and floating rate notes by increasing or decreasing the amount of interest received.

The following table shows the impact on fair values and net assets before a PIE tax adjustment that would be attributed to members of reasonably possible changes in interest rates on cash and cash equivalents and floating rate notes at balance date with all other variables held constant:

	Cash Fund		CashPlus Fund		Balanced Fund		Default Fund		Conservative Fund		Growth Fund		Transaction account		Total Scheme	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Cash and cash equivalents	\$ 11,888	9,653	\$ 4,952	6,070	\$ 81,443	77,191	\$ 5,499	5,665	\$ 21,510	26,103	\$ 43,046	51,186	\$ 15,046	13,285	\$ 185,355	189,133
Impact of a +1% change in interest rates	119	97	50	61	814	772	65	57	215	261	430	512	160	133	1,854	1,891
Impact of a -1% change in interest rates	(119)	(97)	(50)	(61)	(814)	(772)	(65)	(57)	(215)	(261)	(430)	(512)	(160)	(133)	(1,854)	(1,891)
Floating rate notes	11,026	-	4,947	45	3,703	5,358	2,593	-	1,515	2,470	1,594	1,692	-	-	24,778	9,475
Impact of a +1% change in interest rates	119	-	43	5	37	64	25	-	15	25	15	16	-	-	248	95
Impact of a -1% change in interest rates	(119)	-	(43)	(5)	(37)	(64)	(25)	-	(15)	(25)	(15)	(16)	-	-	(248)	(95)
Carrying amount																
Carrying amount																

A variable of 1% was selected as this is a reasonably expected movement.

*Fair Value Sensitivity Analysis*

A change in interest rates impacts the fair value of the Scheme's fixed interest securities. Fair value changes impact on net assets only where the instruments are carried at fair value.

The following table shows the impact on fair values and net assets before a PIE tax adjustment that would be attributed to members of reasonably possible changes in yields on fixed interest securities at balance date with all other variables held constant:

	Cash Fund		CashPlus Fund		Balanced Fund		Default Fund		Conservative Fund		Growth Fund		Total Scheme		
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
Financial assets at fair value through profit or loss	\$ 93,182	77,787	\$ 67,365	48,427	\$ 442,191	389,290	\$ 75,401	40,269	\$ 40,269	391,983	\$ 316,456	49,785	\$ 49,785	1,111,602	922,014
Fixed interest securities	-	(2,065)	(790)	(1,298)	(12,704)	(10,204)	(1,298)	(1,032)	(1,032)	(11,154)	(8,115)	(1,277)	(1,277)	(25,946)	(24,011)
Impact of a +1% change in yields	-	2,155	821	1,342	13,203	10,541	1,350	1,065	1,065	11,592	8,379	1,318	1,318	25,965	24,800
Impact of a -1% change in yields	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount															

A variable of 1% was selected as this is a reasonably expected movement.

**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2017**

**12. Financial Risk Management (continued)**

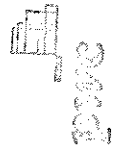
**(f) Foreign Currency risk**

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

The Scheme is exposed to foreign currency risk through cash and cash equivalents, trade and other receivables, investment in fixed interest securities, trade and other payables and forward foreign exchange contracts.

At 31 March 2017, the Scheme held assets and liabilities in foreign currencies as follows:

	Cash Fund							CashPlus Fund						
	2017			2016				2017			2016			
	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Investment Fund	+10% change in exchange rate	-10% change in exchange rate	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Investment Fund	+10% change in exchange rate	-10% change in exchange rate
	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s
Total foreign currency risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New Zealand dollar	116,130	-	-	116,130	100%	-	-	87,430	-	-	87,430	100%	-	-
Total currency risk	116,130	-	-	116,130	100%	-	-	87,430	-	-	87,430	100%	-	-
	5,407	-	(5,431)	(24)	-	(2)	3	4,902	-	(4,883)	19	-	2	(2)
Australian dollar	145	-	(132)	13	-	1	(1)	306	-	(294)	12	-	1	(1)
Canadian dollar	150	-	(157)	(7)	-	(1)	1	-	-	-	-	-	-	-
Euros	5,346	-	(5,343)	3	-	-	-	3,188	-	(3,259)	(71)	-	-	-
U.S. dollar	11,048	-	(11,063)	(15)	-	(2)	3	8,396	-	(8,436)	(40)	-	(6)	8
Total foreign currency risk	55,744	136	(11,218)	77,098	100%	(2)	3	46,180	131	8,653	54,964	100%	(3)	5
New Zealand dollar	75,792	136	155	77,098	100%	-	-	54,576	131	217	54,924	100%	-	-
Total currency risk	75,792	136	155	77,098	100%	-	-	54,576	131	217	54,924	100%	-	-



**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2017**

**12. Financial Risk Management (continued)**

	Balanced Fund										Default Fund										
	2017					2016					2017					2016					
	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	Investment Fund	+10% change in exchange rate	-10% change in exchange rate	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	Investment Fund	+10% change in exchange rate	-10% change in exchange rate	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	Investment Fund	+10% change in exchange rate	-10% change in exchange rate
	\$ 000s	\$ 000s	\$ 000s	\$ 000s	% of Fund	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	% of Fund	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	% of Fund	\$ 000s	\$ 000s
Australian dollar	105,256	25,026	(138,229)	(7,907)	(1%)	(719)	879	119,936	34,538	(147,054)	7,420	1%	675	(824)	70,093	540,814	(291,993)	145,101	14%	13,191	(16,122)
Canadian dollar	2,468	5,743	(9,329)	(1,118)	-	(102)	124	7,766	7,232	(10,878)	4,120	-	375	(458)	199,904	540,814	(558,940)	183,778	18%	16,707	(20,419)
Euro	2,418	64,572	(67,178)	(189)	-	(17)	21	181	43,691	(37,643)	6,229	1%	566	(692)	277,788	11,700	588,117	857,605	82%	11,777	(16,122)
Danish krone	-	-	-	-	-	-	-	15	1,419	-	1,434	-	130	(159)	477,692	552,514	11,177	1,041,383	100%	-	-
Japanese yen	287	29,803	(29,813)	57	-	5	(6)	229	25,217	(25,066)	-	-	33	(40)	70,093	367,001	(291,993)	145,101	14%	13,191	(16,122)
Hong Kong dollar	(3,642)	14,701	(16,131)	(5,072)	-	(461)	564	1,436	2,757	-	4,193	-	381	(466)	70,093	367,001	(291,993)	145,101	14%	13,191	(16,122)
Pound sterling	103	35,428	(39,955)	(3,434)	-	(312)	382	(3)	37,766	(20,968)	16,795	2%	61	(74)	70,093	367,001	(291,993)	145,101	14%	13,191	(16,122)
Swedish krona	727	3,610	(4,964)	(1,354)	-	(123)	150	251	1,480	(812)	668	-	(77)	94	70,093	367,001	(291,993)	145,101	14%	13,191	(16,122)
Swiss franc	-	14,058	(11,568)	3,217	-	232	(357)	251	13,322	(14,422)	(849)	-	(77)	94	70,093	367,001	(291,993)	145,101	14%	13,191	(16,122)
Singapore dollar	-	3,703	(3,976)	(273)	-	(25)	30	251	13,322	(14,422)	(849)	-	(77)	94	70,093	367,001	(291,993)	145,101	14%	13,191	(16,122)
Taiwan dollar	-	4,546	-	4,546	-	413	(505)	-	1,325	(8,084)	1,325	-	120	(147)	70,093	367,001	(291,993)	145,101	14%	13,191	(16,122)
US dollar	92,975	470,447	(336,833)	226,589	19%	20,599	(25,177)	70,093	367,001	(291,993)	145,101	14%	13,191	(16,122)	70,093	367,001	(291,993)	145,101	14%	13,191	(16,122)
Korean won	55	4,861	-	4,416	-	402	(491)	-	-	-	-	-	-	-	70,093	367,001	(291,993)	145,101	14%	13,191	(16,122)
Total foreign currency risk	200,667	575,798	(656,987)	219,478	16%	19,952	(24,386)	199,904	540,814	(558,940)	183,778	18%	16,707	(20,419)	199,904	540,814	(558,940)	183,778	18%	16,707	(20,419)
New Zealand dollar	333,483	12,129	556,121	1,001,733	82%	-	-	277,788	11,700	588,117	857,605	82%	11,777	(16,122)	277,788	11,700	588,117	857,605	82%	11,777	(16,122)
Total currency risk	534,150	687,927	(866)	1,221,211	100%	-	-	477,692	552,514	11,177	1,041,383	100%	-	-	477,692	552,514	11,177	1,041,383	100%	-	-
Australian dollar	7,267	-	(7,823)	(556)	(1%)	(50)	82	5,670	-	(5,893)	(223)	-	(20)	25	45,781	11,291	(16,259)	378	91%	51,963	(609)
Canadian dollar	212	-	(551)	(339)	-	(31)	38	504	-	(934)	(169)	-	(16)	19	45,781	11,291	(16,259)	378	91%	51,963	(609)
Euro	241	-	(1,935)	(1,694)	(2%)	(154)	188	-	-	(934)	(934)	(2%)	(85)	104	45,781	11,291	(16,259)	378	91%	51,963	(609)
Japanese yen	-	-	(986)	(896)	(1%)	(91)	98	-	-	(443)	(443)	(1%)	(40)	49	45,781	11,291	(16,259)	378	91%	51,963	(609)
Pound sterling	-	-	(660)	(660)	(1%)	(60)	73	-	-	(376)	(376)	(1%)	(34)	42	45,781	11,291	(16,259)	378	91%	51,963	(609)
US dollar	7,610	21,343	(14,659)	14,294	13%	1,259	(1,588)	4,280	11,291	(7,940)	7,631	13%	694	(848)	45,781	11,291	(16,259)	378	91%	51,963	(609)
Total foreign currency risk	15,330	21,343	(26,514)	10,159	10%	923	(1,129)	10,454	11,291	(16,259)	5,487	9%	499	(609)	10,454	11,291	(16,259)	5,487	9%	51,963	(609)
New Zealand dollar	69,361	-	26,776	96,137	90%	-	-	35,327	-	16,636	51,963	91%	-	-	35,327	-	16,636	51,963	91%	-	-
Total currency risk	84,691	21,343	262	106,296	100%	-	-	45,781	11,291	378	57,450	100%	-	-	45,781	11,291	378	57,450	100%	-	-



**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2017**

**12. Financial Risk Management (continued)**

	2017						2016							
	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Investment Fund	+10% change in exchange rate	-10% change in exchange rate	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Investment Fund	+10% change in exchange rate	-10% change in exchange rate
	\$ 000s	\$ 000s	\$ 000s	\$ 000s		\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s		\$ 000s	\$ 000s
Australian dollar	89,012	2,335	(82,641)	(1,285)	-	(118)	144	97,782	2,933	(99,366)	1,349	-	123	(150)
Canadian dollar	2,047	696	(2,348)	385	-	36	(44)	5,180	847	(5,282)	765	-	70	(85)
Euro	2,025	7,779	(6,257)	3,537	1%	322	(393)	20	5,103	(2,189)	2,934	1%	267	(326)
Danish krone	-	-	-	-	-	-	-	-	166	-	166	-	15	(18)
Japanese yen	32	3,597	(1,916)	1,713	-	156	(190)	27	2,984	(1,458)	1,553	-	141	(173)
Hong Kong dollar	(441)	1,771	(1,036)	294	-	27	(33)	168	324	-	492	-	45	(55)
Pound sterling	13	4,275	(2,504)	1,784	1%	162	(198)	-	4,412	(1,217)	3,195	1%	290	(356)
Swedish krona	-	435	(319)	117	-	11	(13)	-	173	(47)	126	-	11	(14)
Swiss franc	88	1,698	(743)	1,043	-	95	(116)	28	1,565	(838)	755	-	69	(84)
Singapore dollar	-	444	(255)	189	-	17	(21)	-	618	(471)	147	-	13	(16)
Taiwan dollar	-	549	-	549	-	50	(61)	-	-	-	-	-	-	-
US dollar	75,649	56,921	(95,269)	37,301	7%	3,391	(4,145)	54,894	42,959	(70,271)	27,592	7%	2,507	(3,065)
Korean won	7	525	-	533	-	48	(59)	-	-	-	-	-	-	-
<b>Total foreign currency risk</b>	<b>168,432</b>	<b>81,028</b>	<b>(203,298)</b>	<b>46,162</b>	<b>9%</b>	<b>4,197</b>	<b>(5,129)</b>	<b>158,099</b>	<b>62,084</b>	<b>(181,119)</b>	<b>39,054</b>	<b>9%</b>	<b>3,551</b>	<b>(4,341)</b>
New Zealand dollar	251,700	7,020	202,472	461,192	91%	-	-	187,906	6,771	185,638	380,315	91%	-	-
<b>Total currency risk</b>	<b>420,132</b>	<b>85,048</b>	<b>(826)</b>	<b>507,354</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>346,005</b>	<b>68,855</b>	<b>4,519</b>	<b>419,379</b>	<b>100%</b>	<b>-</b>	<b>-</b>

	2017						2016							
	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Investment Fund	+10% change in exchange rate	-10% change in exchange rate	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Investment Fund	+10% change in exchange rate	-10% change in exchange rate
	\$ 000s	\$ 000s	\$ 000s	\$ 000s		\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s		\$ 000s	\$ 000s
Australian dollar	-	28,151	(37,630)	(9,479)	(1%)	(882)	1,053	-	37,224	(28,131)	9,093	1%	827	(1,010)
Canadian dollar	24	7,811	(10,290)	(2,455)	-	(223)	273	16	9,482	(4,425)	5,073	1%	461	(564)
Euro	76	87,711	(93,449)	(5,662)	(1%)	(515)	629	228	57,137	(52,712)	4,653	1%	423	(517)
Danish krone	-	-	-	-	-	-	-	20	1,861	-	1,881	-	171	(208)
Japanese yen	363	40,195	(43,053)	(2,485)	-	(227)	277	302	33,265	(35,122)	(1,555)	-	(141)	173
Hong Kong dollar	(4,969)	19,988	(23,295)	(8,276)	(1%)	(752)	919	1,894	3,606	(29,358)	5,490	1%	499	(610)
Pound sterling	139	48,010	(56,268)	(8,119)	(1%)	(738)	902	(2)	49,424	(29,198)	20,064	2%	1,824	(2,228)
Swedish krona	-	4,919	(7,169)	(2,250)	-	(205)	250	-	1,940	(1,136)	804	-	73	(89)
Swiss franc	992	19,325	(16,706)	3,612	-	328	(401)	328	17,427	(20,198)	(2,443)	-	(222)	271
Singapore dollar	-	5,064	(5,741)	(677)	-	(62)	75	-	6,865	(11,320)	(4,455)	(1%)	(405)	495
Taiwan dollar	-	6,169	-	6,169	1%	561	(685)	-	1,738	-	1,738	-	158	(193)
US dollar	9,970	639,487	(354,978)	293,179	29%	26,653	(32,576)	8,528	479,602	(315,800)	172,330	21%	15,668	(19,148)
Korean won	73	5,863	-	5,935	1%	540	(660)	-	-	-	-	-	-	-
<b>Total foreign currency risk</b>	<b>6,368</b>	<b>911,694</b>	<b>(648,579)</b>	<b>269,483</b>	<b>27%</b>	<b>24,498</b>	<b>(29,944)</b>	<b>11,304</b>	<b>699,571</b>	<b>(498,202)</b>	<b>212,673</b>	<b>26%</b>	<b>19,334</b>	<b>(23,630)</b>
New Zealand dollar	81,140	648,804	730,024	1,419,968	73%	-	-	98,017	-	507,306	605,323	74%	-	-
<b>Total currency risk</b>	<b>87,508</b>	<b>911,694</b>	<b>305</b>	<b>999,507</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>109,321</b>	<b>699,571</b>	<b>9,104</b>	<b>817,996</b>	<b>100%</b>	<b>-</b>	<b>-</b>



**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2017**

**12. Financial Risk Management (continued)**

	2017						2016							
	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Investment Fund	+10% change in exchange rate	-10% change in exchange rate	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Investment Fund	+10% change in exchange rate	-10% change in exchange rate
	\$ 000s	\$ 000s	\$ 000s	\$ 000s		\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s		\$ 000s	\$ 000s
Australian dollar	1,250	-	-	1,250	40%	114	(139)	284	-	-	284	4%	46	(57)
Pound sterling	4	-	-	4	-	-	-	21	-	-	21	-	-	-
<b>Total foreign currency risk</b>	<b>1,254</b>	<b>-</b>	<b>-</b>	<b>1,254</b>	<b>40%</b>	<b>114</b>	<b>(139)</b>	<b>305</b>	<b>-</b>	<b>-</b>	<b>305</b>	<b>4%</b>	<b>46</b>	<b>(57)</b>
New Zealand dollar	1,847	-	-	1,847	56%	-	-	569	-	-	569	96%	-	-
<b>Total currency risk</b>	<b>3,101</b>	<b>-</b>	<b>-</b>	<b>3,101</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>874</b>	<b>-</b>	<b>-</b>	<b>874</b>	<b>100%</b>	<b>-</b>	<b>-</b>

	2017						2016							
	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Investment Fund	+10% change in exchange rate	-10% change in exchange rate	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Investment Fund	+10% change in exchange rate	-10% change in exchange rate
	\$ 000s	\$ 000s	\$ 000s	\$ 000s		\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s	\$ 000s		\$ 000s	\$ 000s
Australian dollar	208,232	55,513	(261,754)	(18,009)	(1%)	(1,637)	2,002	228,574	74,695	(285,327)	17,942	1%	1,653	(2,018)
Canadian dollar	4,896	14,250	(22,650)	(3,504)	-	(319)	390	13,466	17,561	(9,790)	9,790	-	891	(1,089)
Euro	4,910	160,062	(168,987)	(4,015)	-	(365)	446	429	105,931	(93,478)	12,882	-	1,171	(1,431)
Danish krone	662	73,395	(75,668)	(1,611)	-	(147)	179	35	3,446	(62,109)	3,481	-	316	(386)
Japanese yen	(9,052)	36,460	(40,462)	(13,054)	-	(1,186)	1,450	3,488	6,687	(51,919)	10,175	-	925	(1,131)
Hong Kong dollar	259	87,713	(98,397)	(10,425)	-	(948)	1,159	16	91,602	(1,995)	39,699	2%	3,607	(4,408)
Pound sterling	-	8,965	(12,452)	(3,487)	-	(317)	387	-	3,593	(1,995)	1,598	-	145	(177)
Swedish krona	1,807	35,082	(29,017)	7,872	-	715	(874)	607	32,314	(35,458)	(2,537)	-	(230)	281
Swiss franc	-	9,211	(9,972)	(761)	-	(70)	84	-	12,549	(19,875)	(7,326)	-	(667)	814
Singapore dollar	-	11,264	-	11,264	-	1,024	(1,251)	-	3,063	-	3,063	-	278	(340)
Taiwan dollar	-	1,167,198	(807,082)	571,366	19%	51,942	(63,486)	140,983	900,853	(689,263)	352,573	14%	32,052	(39,175)
US dollar	135	10,750	-	10,885	-	950	(1,210)	-	-	-	-	-	-	-
Korean won	403,099	1,689,663	(1,546,441)	546,521	18%	49,682	(60,724)	388,166	1,313,760	(1,260,661)	441,255	17%	40,134	(49,051)
<b>Total foreign currency risk</b>	<b>919,405</b>	<b>19,225</b>	<b>(1,545,471)</b>	<b>2,484,161</b>	<b>82%</b>	<b>49,682</b>	<b>(60,724)</b>	<b>733,217</b>	<b>18,602</b>	<b>(1,286,350)</b>	<b>2,038,169</b>	<b>83%</b>	<b>40,134</b>	<b>(49,051)</b>
New Zealand dollar	1,322,504	1,709,748	(970)	3,030,682	100%	-	-	1,121,373	1,332,362	25,689	2,479,424	100%	-	-

A variable of 10% was selected as this is a reasonably expected movement.

**13. Capital Management**

The Scheme's capital is represented by the market value of the underlying net assets held by the Scheme on behalf of its Members and is reflected in the Statement of Net Assets. The Scheme is not subject to any 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 to maximise the Scheme's value as well as ensuring its net assets are sufficient to meet all present and future obligations. In order to meet its objectives for capital management, the Manager reviews the Scheme's performance on a regular basis.

**Kiwi Wealth KiwiSaver Scheme  
Notes to the Financial Statements (continued)  
For the year ended 31 March 2017**

**14. Related Party Transactions and balances**

Related parties comprise the Trustee, the Manager (and shareholders of the Manager) and other entities directly or indirectly controlled by the ultimate parent entity of the Manager as detailed in note 1. As at 31 March 2017, the Scheme and Investment Fund's held interests in financial instruments issued by related parties.

The following tables specify the relevant related party financial instruments and their fair values (including accrued interest):

	Related party issuer	Security type	Maturity date	Cash Fund		CashPlus Fund		Balanced Fund		Default Fund				
				2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s			
		Term Deposit	Apr 2017	2,740	-	3,350	-	-	-	1,920	-	1,946	-	
		Unsubordinated bonds	Nov 2016	-	-	-	133	137	-	-	959	-	-	1
				Total Scheme		Total Scheme		Total Scheme		Total Scheme		Total Scheme		
				2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	
				Conservative Fund		Growth Fund		Total Scheme		Total Scheme		Total Scheme		
				2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	
				CashPlus Fund		Balanced Fund		Default Fund		Growth Fund		Transaction account		
				2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	2017 Units \$ 000s	2016 Units \$ 000s	

Purchase of financial instruments at fair value through profit or loss  
Sale of financial assets at fair value through profit or loss  
Dividend income recognised during the year  
Interest income recognised during the year

In accordance with the Trust Deed, related party transactions above are effected on commercial arm's length terms.

The fee deducted monthly by the Manager covers trustee, audit and investment management charges (among others) as described in note 6. Such charges are invoiced to and paid by the Manager out of the fee it receives. There are no other related party charges.



**Kiwi Wealth KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2017

**14. Related Party Transactions (continued)**

Management and administration fees charged to and payable by the Scheme and Investment Fund's to the Manager were:

	Cash Fund \$ 000s		CashPlus Fund \$ 000s		Balanced Fund \$ 000s		Default Fund \$ 000s		Conservative Fund \$ 000s		Growth Fund \$ 000s		Transaction account \$ 000s		Total Scheme \$ 000s	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Balance due at the beginning of the year	11	5	3	3	179	108	9	3	75	40	141	88	-	-	423	247
Current year management fees	858	472	555	337	11,617	10,484	746	451	4,948	3,976	9,252	8,454	-	-	27,777	24,184
Payment made during the year	(654)	(469)	(552)	(432)	(11,552)	(10,423)	(737)	(445)	(4,918)	(3,841)	(9,193)	(8,401)	-	-	(27,606)	(24,008)
Balance due at the end of the year	15	11	12	8	244	179	18	9	105	75	209	141	-	-	594	423

Outstanding balances due to related parties are due within a month of balance date and are not interest bearing.

From time to time, the Investment Manager undertakes certain re-balancing trades of investments between the Scheme and various other Funds managed by the Investment Manager. On occasion, to facilitate Scheme requirements, in specie transfers between them may occur. In the opinion of the Manager and the Investment Manager, these transactions were made at fair value and there was no detrimental impact on Members of the Scheme. Transfers between related party KiwiSaver Fund's were 2017: \$906.7m (2016: \$829.9m). The amounts of such transactions (including sale and purchase accrued interest as applicable) were:

	Cash Fund \$ 000s		CashPlus Fund \$ 000s		Balanced Fund \$ 000s		Default Fund \$ 000s		Conservative Fund \$ 000s		Growth Fund \$ 000s		Transaction account \$ 000s		Total Scheme \$ 000s	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Purchase of investments	-	-	168	1,028	2,530	10,169	705	1,250	2,978	9,788	2,872	8,396	-	-	9,154	30,631
Sale of investments	-	-	-	(950)	(4,713)	(7,665)	(897)	(182)	(1,669)	(9,674)	(2,216)	(7,650)	-	-	(9,895)	(26,141)
Derivative financial instruments transferred	-	-	-	140	-	4,821	-	113	3,685	-	-	-	-	-	-	8,759

**15. Contingent Liabilities**

As at 31 March 2017, the Scheme has no known outstanding contingent liabilities or commitments (2016: nil).

**16. Events Subsequent to Balance Date**

There were no other significant events subsequent to balance date which require adjustment to or disclosure in these financial statements.



## Independent auditor's report

To the members of the Kiwi Wealth KiwiSaver Scheme (the "Scheme") comprising the Cash Fund, CashPlus Fund, Balanced Fund, Default Fund, Conservative Fund, Growth Fund and Transaction Account (collectively referred to as "the Funds").

The Scheme and the Funds' financial statements comprise:

- the statements of net assets as at 31 March 2017;
- the statements of changes in net assets for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the Scheme and the Funds' financial statements present fairly, in all material respects, the financial position of the Scheme and the Funds as at 31 March 2017, their financial performance and their cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

### Basis for opinion

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

We are independent of the Scheme and the Funds in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and providers of other related assurance services we have no relationship with, or interests in, the Scheme and the Funds.

### Information other than the financial statements and auditor's report

Kiwi Wealth Limited (the Manager) is responsible for the annual report.

Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the financial statements, if other information is included in the annual report, 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 on the

7 July 2017

Chartered Accountants

*PricewaterhouseCoopers*

For and on behalf of:

Wellington

The engagement partner on the audit resulting in this independent auditor's report is Chris Barber.

opinions we have formed.

This report is made solely to the Scheme's members as a body. Our audit work has been undertaken so that we might state 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 Scheme's members, as a body, for our audit work, for this report or for the

*Who we report to*

This description forms part of our auditor's report.

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

External Reporting Board's website at:

A further description of our responsibilities for the audit of the financial statements is located at the

decisions of users taken on the basis of these financial statements.

if, individually or in the aggregate, they could reasonably be expected to influence the economic misstatement when it exists. Misstatements can arise from fraud or error and are considered material that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material

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

*Auditor's responsibilities for the audit of the financial statements*

liquidate the Scheme and the Funds or to cease operations, or have no realistic alternative but to do so.

In preparing the financial statements, the Manager is responsible for assessing the Scheme and each

Fund'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 Manager either intends to

whether due to fraud or error.

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines is

*Responsibilities of the Manager for the financial statements*

other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

