

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Financial Statements
For the year ended 31 March 2018

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NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Directory

For the year ended 31 March 2018

Manager: Mercer (N.Z.) Limited

Registered Office

Level 18, 151 Queen Street
Auckland 1010

Directors:

Ross Gregory Butler (Chairman)
Peter Lochiel Cameron
Kristen Kohere-Soutar
Martin Paul Lewington
Benjamin Jon Cossart Walsh

Custodian: BNP Paribas Fund Services Australasia Pty Ltd

Level 18, State Insurance Tower
1 Willis Street
Wellington 6011

Auditor: PricewaterhouseCoopers

PwC Tower, Level 22
188 Quay Street
Auckland 1010

Supervisor: Trustees Executors Limited
Level 7, 51 Shortland Street
P O Box 4197, Shortland Street
Auckland 1140

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Net Assets
As at 31 March 2018

	Note	TOTAL		Cash		Conservative		Moderate	
		2018	2017	2018	2017	2018	2017	2018	2017
		\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Cash and cash equivalents		1,425,870	848,327	5,461	3,212	93,482	21,180	70,920	16,472
Financial assets held at fair value through profit or loss	5	73,507,387	45,944,948	536,501	298,426	2,023,061	1,328,076	2,898,450	1,604,184
Portfolio investment entity taxation receivable		-	-	-	-	-	-	-	32,224
Other receivables		12,366	-	90	-	340	-	488	-
Total Assets		74,945,623	46,793,275	542,052	301,638	2,116,883	1,349,256	2,969,858	1,652,880
LIABILITIES									
Benefits payable		19,851	55,582	19,851	-	-	43,734	-	-
Unallocated contributions		262,155	151,982	-	1	69,420	1	17,513	4
Portfolio investment entity taxation payable		432,353	207,077	1,223	844	10,085	2,155	14,992	-
Investment management fees payable	6	9	9	9	9	-	-	-	-
Supervisor fees payable	6	15,000	14,999	109	97	413	434	591	524
Administration fees payable	6	8,154	5,446	74	39	224	136	371	203
Manager fees (expense recoveries) payable	6	12,690	16,462	93	107	349	476	500	575
Other expenses payable		9,148	14,370	67	93	252	415	361	502
Total Liabilities (excluding net assets attributable to members)		759,360	465,927	21,426	1,190	80,743	47,351	34,328	1,808
NET ASSETS ATTRIBUTABLE TO MEMBERS	4	74,186,263	46,327,348	520,626	300,448	2,036,140	1,301,905	2,935,530	1,651,072
<i>Represented by:</i>									
Net assets available for benefits	4	74,186,263	46,327,348	520,626	300,448	2,036,140	1,301,905	2,935,530	1,651,072

The accompanying notes form part of and should be read in conjunction with these statements.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Net Assets
As at 31 March 2018

	Note	Balanced		Growth		High Growth		Shares	
		2018	2017	2018	2017	2018	2017	2018	2017
		\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Cash and cash equivalents		490,688	490,618	175,441	199,015	428,858	87,074	161,020	30,756
Financial assets held at fair value through profit or loss	5	37,273,461	25,941,772	12,935,046	7,150,021	12,358,069	6,963,698	5,482,799	2,658,771
Portfolio investment entity taxation receivable		-	-	-	-	-	-	-	-
Other receivables		6,271	-	2,176	-	2,079	-	922	-
Total Assets		37,770,420	26,432,390	13,112,663	7,349,036	12,789,006	7,050,772	5,644,741	2,689,527
LIABILITIES									
Benefits payable		-	11,848	-	-	-	-	-	-
Unallocated contributions		119,749	19,915	5,984	131,680	7,502	323	41,987	58
Portfolio investment entity taxation payable		240,648	147,163	73,790	35,893	69,888	40,174	21,727	13,072
Investment management fees payable	6	-	-	-	-	-	-	-	-
Supervisor fees payable	6	7,606	8,469	2,640	2,334	2,522	2,273	1,119	868
Administration fees payable	6	4,402	3,271	1,184	775	1,269	712	630	310
Manager fees (expense recoveries) payable	6	6,435	9,294	2,233	2,562	2,133	2,495	947	953
Other expenses payable		4,638	8,114	1,610	2,236	1,538	2,178	682	832
Total Liabilities (excluding net assets attributable to members)		383,478	208,074	87,441	175,480	84,852	48,155	67,092	16,093
NET ASSETS ATTRIBUTABLE TO MEMBERS	4	37,386,942	26,224,316	13,025,222	7,173,556	12,704,154	7,002,617	5,577,649	2,673,434
<i>Represented by:</i>									
Net assets available for benefits	4	37,386,942	26,224,316	13,025,222	7,173,556	12,704,154	7,002,617	5,577,649	2,673,434

These Financial Statements were authorised for issue by Mercer (N.Z.) Limited, the Manager on 23 July 2018.

For and on behalf of the Directors

 Director

 Director

The accompanying notes form part of and should be read in conjunction with these statements.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Changes in Net Assets
For the year ended 31 March 2018

	Note	TOTAL		Cash		Conservative		Moderate	
		2018	2017	2018	2017	2018	2017	2018	2017
		\$	\$	\$	\$	\$	\$	\$	\$
INCOME									
Interest income		17,210	13,429	126	87	474	388	679	469
Net gains on financial assets held at fair value through profit or loss	6	4,461,580	2,863,940	7,351	4,931	70,286	35,428	117,919	61,681
Refund of prior year investment management fees		-	1,645	-	7	-	39	-	64
Total income		4,478,790	2,879,014	7,477	5,025	70,760	35,855	118,598	62,214
EXPENSES									
Investment management fees	6	73	355	73	355	-	-	-	-
Supervisor fees	6	30,000	30,000	219	195	826	867	1,183	1,047
Manager fees (expense recoveries)	6	13,264	33,504	97	218	365	968	523	1,170
Other expenses		48,430	55,791	356	359	1,333	1,614	1,909	1,950
Total expenses		91,767	119,650	745	1,127	2,524	3,449	3,615	4,167
NET PROFIT BEFORE MEMBERSHIP ACTIVITIES		4,387,023	2,759,364	6,732	3,898	68,236	32,406	114,983	58,047
MEMBERSHIP ACTIVITIES:									
Contributions/Transfers In									
Member contributions		7,980,043	4,754,277	48,508	34,873	266,934	117,225	312,226	171,146
Employer contributions		5,223,087	3,180,247	33,866	23,288	135,177	73,617	199,249	107,090
Tax credits		1,166,103	565,850	8,201	5,804	29,738	11,990	45,196	21,016
Transfers in from other schemes	8	13,537,734	17,853,158	120,269	158,312	603,430	578,515	823,316	671,382
Transfers to/(from) funds		-	-	154,493	(1,358)	(131,938)	228,901	(90,015)	(14,690)
Total Contributions/Transfers In		27,906,967	26,353,532	365,337	220,919	903,341	1,010,248	1,289,972	955,944
Benefits/Transfers Out/Membership Expenses									
Benefits	7	(2,748,602)	(843,140)	(148,367)	-	(206,440)	(75,940)	(37,995)	(135,128)
Administration fees	6	(85,895)	(50,813)	(686)	(412)	(2,293)	(1,263)	(3,677)	(1,859)
Transfers out to other schemes		(1,159,441)	(568,133)	(1,551)	-	(18,283)	(66,776)	(63,487)	(19,276)
Portfolio investment entity taxation		(441,137)	(213,394)	(1,287)	(885)	(10,326)	(2,338)	(15,338)	(4,894)
Total Benefits/Transfers Out/Fees		(4,435,075)	(1,675,480)	(151,891)	(1,297)	(237,342)	(146,317)	(120,497)	(161,157)
Total transactions with members in their capacity as members		23,471,892	24,678,052	213,446	219,622	665,999	863,931	1,169,475	794,787
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE FINANCIAL YEAR		46,327,348	18,889,932	300,448	76,928	1,301,905	405,568	1,651,072	798,238
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR		74,186,263	46,327,348	520,626	300,448	2,036,140	1,301,905	2,935,530	1,651,072

The accompanying notes form part of and should be read in conjunction with these statements.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Changes in Net Assets
For the year ended 31 March 2018

	Note	Balanced		Growth		High Growth		Shares	
		2018	2017	2018	2017	2018	2017	2018	2017
		\$	\$	\$	\$	\$	\$	\$	\$
INCOME									
Interest income		8,726	7,585	3,028	2,089	2,893	2,034	1,284	777
Net gains on financial assets held at fair value through profit or loss	6	2,206,894	1,452,950	761,375	507,661	897,652	570,605	400,103	230,684
Refund of prior year investment management fees		-	990	-	222	-	264	-	59
Total income		2,215,620	1,461,525	764,403	509,972	900,545	572,903	401,387	231,520
EXPENSES									
Investment management fees	6	-	-	-	-	-	-	-	-
Supervisor fees	6	15,211	16,939	5,279	4,669	5,044	4,547	2,238	1,736
Manager fees (expense recoveries)	6	6,726	18,917	2,334	5,214	2,230	5,078	989	1,939
Other expenses		24,557	31,503	8,522	8,682	8,140	8,454	3,613	3,229
Total expenses		46,494	67,359	16,135	18,565	15,414	18,079	6,840	6,904
NET PROFIT BEFORE MEMBERSHIP ACTIVITIES		2,169,126	1,394,166	748,268	491,407	885,131	554,824	394,547	224,616
MEMBERSHIP ACTIVITIES:									
Contributions/Transfers In									
Member contributions		4,209,423	2,808,805	1,368,128	713,400	1,168,572	654,585	606,252	254,243
Employer contributions		3,013,720	1,953,619	785,666	447,841	719,270	415,393	336,139	159,399
Tax credits		676,531	340,141	170,999	77,013	162,346	78,776	73,092	31,110
Transfers in from other schemes	8	6,564,509	10,764,571	2,783,086	2,457,059	1,681,931	2,240,925	961,193	982,394
Transfers to/(from) funds		(3,326,721)	(1,715,998)	583,413	414,249	1,939,083	688,358	871,685	400,538
Total Contributions/Transfers In		11,137,462	14,151,138	5,691,292	4,109,562	5,671,202	4,078,037	2,848,361	1,827,684
Benefits/Transfers Out/Membership Expenses									
Benefits	7	(1,270,971)	(441,156)	(334,221)	(66,617)	(534,694)	(47,285)	(215,914)	(77,014)
Administration fees	6	(48,450)	(30,794)	(12,350)	(6,919)	(12,570)	(6,668)	(5,869)	(2,898)
Transfers out to other schemes		(579,438)	(354,992)	(165,987)	(53,607)	(236,167)	(62,212)	(94,528)	(11,270)
Portfolio investment entity taxation		(245,103)	(113,832)	(75,336)	(36,876)	(71,365)	(41,131)	(22,382)	(13,438)
Total Benefits/Transfers Out/Fees		(2,143,962)	(940,774)	(587,894)	(164,019)	(854,796)	(157,296)	(338,693)	(104,620)
Total transactions with members in their capacity as members		8,993,500	13,210,364	5,103,398	3,945,543	4,816,406	3,920,741	2,509,668	1,723,064
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE FINANCIAL YEAR		26,224,316	11,619,786	7,173,556	2,736,606	7,002,617	2,527,052	2,673,434	725,754
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR		37,386,942	26,224,316	13,025,222	7,173,556	12,704,154	7,002,617	5,577,649	2,673,434

The accompanying notes form part of and should be read in conjunction with these statements.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Cash Flows
For the year ended 31 March 2018

Note	TOTAL		Cash		Conservative		Moderate	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES								
Proceeds from sale of financial assets	820,966	541,248	633,999	69,118	358,725	156,241	121,269	242,418
Interest income	17,210	13,429	126	87	474	388	679	469
Other expenses paid	(113,053)	(101,954)	(790)	(617)	(3,175)	(2,732)	(4,252)	(3,754)
Payments for purchase of financial assets	(23,921,825)	(25,018,551)	(864,723)	(288,436)	(983,424)	(1,048,417)	(1,297,616)	(999,209)
Investment management fees	(73)	(489)	(73)	(349)	-	1	-	(10)
Net cash used in operating activities	9 (23,196,775)	(24,566,317)	(231,461)	(220,197)	(627,400)	(894,519)	(1,179,920)	(760,086)
CASH FLOWS FROM FINANCING ACTIVITIES								
Member contributions	7,980,043	4,754,277	48,508	34,873	266,934	117,225	312,226	171,146
Employer contributions	5,223,087	3,180,247	33,866	23,288	135,177	73,617	199,249	107,090
Tax credits	1,166,103	565,850	8,201	5,804	29,738	11,990	45,196	21,016
Unallocated contributions	110,173	32,934	(1)	(166)	69,419	(160)	17,509	4
Transfers in from other schemes	13,537,734	17,853,158	120,269	158,312	603,430	578,515	823,316	671,382
Portfolio investment entity taxation paid	(215,861)	(68,832)	(908)	(134)	(2,396)	(1,648)	31,878	(39,509)
Administration fees paid	(83,187)	(50,439)	(651)	(411)	(2,205)	(1,221)	(3,509)	(1,852)
Benefits paid	(2,784,333)	(814,058)	(128,516)	-	(250,174)	(32,206)	(37,995)	(135,128)
Transfers out to other schemes	(1,159,441)	(568,133)	(1,551)	-	(18,283)	(66,776)	(63,487)	(19,276)
Transfers from / (to) portfolios	-	-	154,493	(1,358)	(131,938)	228,901	(90,015)	(14,690)
Net cash from financing activities	23,774,318	24,885,004	233,710	220,208	699,702	908,237	1,234,368	760,183
Net increase/ (decrease) in cash and cash equivalents	577,543	318,687	2,249	11	72,302	13,718	54,448	97
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	848,327	529,640	3,212	3,201	21,180	7,462	16,472	16,375
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,425,870	848,327	5,461	3,212	93,482	21,180	70,920	16,472

The accompanying notes form part of and should be read in conjunction with these statements.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Cash Flows
For the year ended 31 March 2018

	Note	Balanced		Growth		High Growth		Shares	
		2018	2017	2018	2017	2018	2017	2018	2017
		\$	\$	\$	\$	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES									
Proceeds from sale of financial assets		346,813	165,000	23,544	38,239	93,156	-	429,763	106,605
Interest income		8,726	7,585	3,028	2,089	2,893	2,034	1,284	777
Other expenses paid		(59,963)	(58,835)	(18,960)	(15,777)	(18,246)	(14,914)	(7,667)	(5,325)
Payments for purchase of financial assets		(9,471,608)	(13,199,184)	(5,047,194)	(3,986,252)	(4,589,875)	(3,906,774)	(2,853,688)	(1,826,652)
Investment management fees		-	(88)	-	(63)	-	28	-	(8)
Net cash used in operating activities	9	(9,176,032)	(13,085,522)	(5,039,582)	(3,961,764)	(4,512,072)	(3,919,626)	(2,430,308)	(1,724,603)
CASH FLOWS FROM FINANCING ACTIVITIES									
Member contributions		4,209,423	2,808,805	1,368,128	713,400	1,168,572	654,585	606,252	254,243
Employer contributions		3,013,720	1,953,619	785,666	447,841	719,270	415,393	336,139	159,399
Tax credits		676,531	340,141	170,999	77,013	162,346	78,776	73,092	31,110
Unallocated contributions		99,834	(18,646)	(125,696)	71,344	7,179	(1,629)	41,929	(17,813)
Transfers in from other schemes		6,564,509	10,764,571	2,783,086	2,457,059	1,681,931	2,240,925	961,193	982,394
Portfolio investment entity taxation paid		(151,618)	(6,040)	(37,439)	(10,016)	(41,651)	(8,297)	(13,727)	(3,188)
Administration fees paid		(47,319)	(30,779)	(11,941)	(6,779)	(12,013)	(6,579)	(5,549)	(2,818)
Benefits paid		(1,282,819)	(455,808)	(334,221)	(66,617)	(534,694)	(47,285)	(215,914)	(77,014)
Transfers out to other schemes		(579,438)	(354,992)	(165,987)	(53,607)	(236,167)	(62,212)	(94,528)	(11,270)
Transfers from / (to) portfolios		(3,326,721)	(1,715,998)	583,413	414,249	1,939,083	688,358	871,685	400,538
Net cash from financing activities		9,176,102	13,284,873	5,016,008	4,043,887	4,853,856	3,952,035	2,560,572	1,715,581
Net increase/ (decrease) in cash and cash equivalents		70	199,351	(23,574)	82,123	341,784	32,409	130,264	(9,022)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		490,618	291,267	199,015	116,892	87,074	54,665	30,756	39,778
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		490,688	490,618	175,441	199,015	428,858	87,074	161,020	30,756

The accompanying notes form part of and should be read in conjunction with these statements.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2018

1 SCHEME DESCRIPTION

New Zealand Defence Force KiwiSaver scheme ("the Scheme") is a KiwiSaver Scheme registered under the KiwiSaver Act 2006. The Scheme was established by a Trust Deed on 16 September 2015. The Scheme is a defined contribution superannuation scheme and was established with the principal purpose of providing retirement benefits directly to natural persons within the New Zealand Defence Force community.

Trustees Executors Limited is the Supervisor of the Scheme and is licensed under the Financial Markets Supervisors Act 2011. Mercer (N.Z.) Limited ("Mercer" or "the Manager") is the Manager of the Scheme. Mercer is responsible for the management and administration of the Scheme, including responsibility for the preparation and issue of the Scheme's financial statements. The Manager's registered office is Level 18, 151 Queen Street, Auckland 1010. BNP Paribas Fund Services Australasia Pty Ltd ("BNP Paribas") is the Custodian of the Scheme's financial assets held at fair value through profit or loss. Trustees Executors Limited is the Scheme's custodian of cash and cash equivalents.

These financial statements are for the Scheme which comprises the following funds (together "the Funds"):

- Cash
- Conservative
- Moderate
- Balanced
- Growth
- High Growth
- Shares

The Scheme and the Funds invest in the following investment portfolios within Mercer Investment Trusts New Zealand ("MITNZ"):

Mercer Investment Trusts New Zealand

Mercer Diversified Trust ("MDT")

Investment Portfolio

- Mercer Conservative Portfolio
- Mercer Balanced Portfolio
- Mercer Moderate Portfolio
- Mercer Growth Portfolio
- Mercer High Growth Portfolio
- Mercer Shares Portfolio
- Mercer Cash Portfolio (MNZCFIT)
- Mercer Cash Portfolio (MIT)

Mercer New Zealand Cash and Fixed Interest Trust (formerly known as Mercer New Zealand Fixed Interest Trust)

Mercer Infrastructure Trust (formerly known as Mercer Cash Trust)

During the year to 31 March 2018 there were no transfers between portfolios within each Fund (2017: During the year to 31 March 2017 the Scheme transferred investments in Mercer Infrastructure Trust ("MIT" formerly known as Mercer Cash Trust) to the Mercer New Zealand Cash and Fixed Interest Trust ("MNZCFIT") (formerly known as Mercer New Zealand Fixed Interest Trust)).

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2018

2 BASIS OF PREPARATION

The financial statements are being presented on a segregated fund basis in accordance with the requirements of the Financial Markets Conduct Act 2013 ("FMCA") Section 461A. Segregated fund reporting has also been applied to 31 March 2017 comparatives.

The assets of each Fund are the exclusive property of that Fund, and all liabilities incurred in relation to a Fund are the exclusive liabilities of that Fund. The Manager must ensure that the assets of a Fund are accounted for separately from other Funds and that the assets of one Fund are not available to meet the liabilities of any other Fund as stated in section 8.7 of the Trust Deed. The results and position reported for the Scheme is an aggregation of the result, position and cashflows of the Funds that make up the Scheme.

Statement of Compliance

The Scheme is the reporting entity. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the requirements of the KiwiSaver Act 2006, the Financial Markets Conduct Act 2013, the provisions of the Trust Deed and other relevant legislative requirements as appropriate for For-profit entities.

The Scheme is a Tier 1 entity and, as such, the financial statements comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"), other New Zealand accounting standards and authoritative notices as appropriate for For-profit entities. These financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Manager, Mercer, on 23 July 2018.

Measurement Base

The measurement base adopted is that of historical cost modified by the revaluation of financial assets held at fair value through profit or loss.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars ("the presentation currency") which is the currency of the primary economic environment in which the Scheme operates (the "functional currency"). The financial statements are rounded to the nearest New Zealand dollar .

Assumptions, Estimates and Judgements

The preparation of the financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the financial statements.

Duration of the Scheme

Clause 25 of the Trust Deed requires that the Scheme and each Member's Account will terminate at such time as:

- (i) the High Court, on the application of the Financial Markets Authority or the Supervisor, directs that the Scheme must be wound up; or
- (ii) the Manager, having obtained the Supervisor's and, where required by the Participation Agreement, the Participating Employer's written consent, determines; or
- (iii) where permitted by the Participation Agreement, the Participating Employer provides notice in writing to the Manager and to the Supervisor that the Scheme is to terminate.

Funding Policy

The Scheme is a defined contribution scheme as defined by the KiwiSaver Act 2006. Funding in the form of contributions is primarily received from three sources: members of the Scheme; employers of members of the Scheme; and the Government (in accordance with the provisions of the KiwiSaver Act 2006). A third party may contribute directly to the Scheme in respect of a Member such amounts as may be agreed from time to time between the Manager, the third party and the Member but only to the extent that the contribution: (a) is permitted under the KiwiSaver Act; and (b) is not covered by a preceding provision in Clause 6 of the Trust Deed. Members may contribute to the Scheme at varying designated additional contributions in excess of any salary or wage linked contributions. As of 31 March 2018, employer contribution rates are either 3% or greater of each relevant member's gross salary or wages (2017: Same).

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the financial statements are set out below. The accounting policies have been applied consistently to all periods, unless otherwise stated.

(i) Income

Interest income

Interest income as recognised in the Statements of Changes in Net Assets is derived from cash at bank and is recognised using the effective interest method.

Changes in fair value of investments

Net gains or losses on financial assets held at fair value through profit or loss are calculated as the difference between fair value at sale, or at period end, and the fair value at the previous valuation point and/or weighted average cost for purchases during the year. This includes both realised and unrealised gains and losses, but does not include interest income and is net of any fees charged within underlying unit trust investments where these are incurred through a reduction in the value of the investment.

(ii) Financial Assets at Fair Value Through Profit or Loss

Classification

The Scheme designates its investment securities comprising investments in unlisted unit trusts and prepaid investments as financial assets at fair value through profit or loss at inception.

Financial assets held at fair value through profit or loss including prepaid investments are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's policy is for the Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information. As stated above, the Manager has determined that all financial assets of the Scheme are held at fair value through profit or loss cash and cash equivalents, classified as loans and receivables.

Recognition and derecognition

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 investment have expired or the Scheme has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets held at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statements of Changes in Net Assets. Subsequent to initial recognition, all financial assets held at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets held at fair value through profit or loss' category are included in the Statements of Changes in Net Assets in the period in which they arise.

Fair value estimation

The fair value of units held by the Scheme in managed unlisted unit trusts is determined by reference to published bid prices at the close of business on the reporting date being the redemption price established by the underlying fund manager.

Offsetting financial instruments

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

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Expenses

Expenses comprise management fees, Supervisor fees, custody fees, management expense recoveries and other expenses. All expenses are accounted for on an accrual basis.

(iv) Taxation

The Scheme qualifies as, and has elected to be treated as, a Portfolio Investment Entity ("PIE") for tax purposes.

Under the PIE regime, the Manager attributes the taxable income of the Scheme to members in accordance with their proportionate interest in the Scheme. The income attributed to each member is taxed at the member's prescribed investor rate ("PIR") which is currently capped at 28%. The Manager accounts for tax on behalf of natural persons and certain other members and adjusts the members' interests in the Scheme to reflect that tax is paid at varying rates on behalf of the members. There is a unit price for each Fund and for each tax rate.

As the legislation regarding the taxation of PIEs provides that the Scheme pays tax on behalf of its members, the PIE taxation expense/(refund) disclosed in the Statements of Changes in Net Assets is the expense attributable to members and is measured based on tax rates applicable to those members.

The tax amounts in the Statements of Net Assets represent the remaining tax payable/(receivable) by the Scheme on behalf of the members under the PIE regime to 31 March each year.

(v) Loans and Receivables

Loans and receivables comprises cash at bank. Loans and receivables are initially recognised at fair value, being the amounts receivable. They are subsequently measured at amortised cost using the effective interest method, reduced for impairment as appropriate. Any impairment charge is recognised within expenses in the Statements of Changes in Net Assets.

(vi) Payables

Payables may include PIE tax payable, investment management fees, administration fees, other expenses, benefits payable and unallocated contributions. Payables are not interest-bearing and are initially stated at their fair value then subsequently measured at amortised cost using the effective interest method.

(vii) Net Assets Attributable to Members

The net assets attributable to members represents the liability for promised retirement benefits and are measured at amortised cost.

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

As stipulated in the Trust Deed, each unit represents a right to an individual share in the respective Fund and does not extend to a right in the underlying assets of the respective Fund. Separate classes of units are created within the Funds to reflect the different Prescribed Investment Rates (PIR) of the Members. Each Member's account is invested in classes of units within the relevant Funds based on the member's PIR that has been most recently notified to the Manager. Each unit of a specified class has the same rights attaching to it as all other units of the same class within the relevant Fund.

Units are issued and redeemed at the holder's option at prices based on the Funds' net asset value per class of unit at the time of issue or redemption. The Funds' net asset value per class of unit is calculated by dividing the net assets attributable to all holders of units in the same class for each Fund by the total number of units on issue of the same class in each Fund.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Accounting Policy for Investment Entities

Whilst the Scheme has investments in a number of related party wholesale unlisted unit trusts, it has not prepared consolidated financial statements. The Scheme has determined that it is an investment entity under the definition in NZ IFRS 10 as it meets the following criteria:

- the Scheme has obtained funds from members for the purpose of providing them with investment management services;
- the Scheme's business purpose, which it communicated directly to unit holders, is investing solely for returns from capital appreciation; and
- the performance of investments made by the Scheme are measured and evaluated on a fair value basis.

The Scheme also meets all of the typical characteristics of an investment entity.

As a consequence, in the event the interest in the wholesale unlisted unit trusts gives rise to control, the Scheme is not required to consolidate these investments, and continues to account for these investments at fair value through profit or loss.

(ix) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, cash at bank and deposits held at call with banks with an original maturity of three months or less.

(x) Statements of Cash Flows

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the Scheme's main income generating activity.

The cash flows of the Scheme do not include those of the investment managers. The following are definitions of the terms used in the Statements of Cash Flows:

Operating activities - are those relating to the principal income-producing activities of the Scheme and other activities that are not financing activities. These include those cash flows relating to the acquisitions, holding and disposal of investments and 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 member's funds. This includes elements of members' funds not falling within the definition of cash.

(xi) Contributions and Withdrawals

Contributions and withdrawals are accounted for on an accruals basis. Contributions are initially recognised at fair value when the Manager has confirmed the validity of the application details and instructions. Claims for death, retirement or other benefits are recognised when the Member meets the condition required for withdrawal eligibility.

Unallocated contributions arise when monies have been received but not yet allocated to members' accounts in the administration system at balance date. Unallocated contributions are recorded at their value, being the amounts received, and units are purchased at the unit price applicable on the date of allocation to members' accounts.

(xii) Goods and Services Tax (GST)

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

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xiii) Application of Accounting Standards

(a) New, amended standards and interpretations adopted by the Scheme:

The standards, amendments to existing standards and interpretations that are effective for the first time for the financial year beginning 1 April 2017 do not have a material impact on the Financial Statements of the Scheme.

(b) New standards, amendments and interpretations not yet adopted:

NZ IFRS 9: 'Financial Instruments' (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 9 - Financial instruments is applicable to annual reporting periods beginning on or after 1 January 2018. The Plan will adopt this standard for the financial year ending 31 March 2019. NZ IFRS 9, was issued in September 2014 as a complete version of the standard. It addresses the classification, measurement and recognition of financial assets and financial liabilities, hedge accounting and impairment. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through other comprehensive income, those measured at fair value through profit or loss and those measured at amortised cost. The determination is made at initial recognition. Classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Based on the Plan's initial assessment, this standard is not expected to have a material impact on the Scheme's measurement of financial instruments, financial results and financial position. Minor changes are expected to disclosures about the entity's financial instruments, particularly in the year of adoption of the new standard.

There are no other new standards, amendments or interpretations that are expected to have an impact on the Scheme's financial statements.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2018

4 VESTED BENEFITS

Vested benefits are the rights that, under the conditions of the Scheme's Trust Deed, are not conditional on continued membership.

	Total		Cash		Conservative		Moderate	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Member accounts	74,213,361	46,415,833	520,551	300,737	2,036,433	1,303,646	2,936,260	1,654,049
Adjustments arising from valuation differences	(27,098)	(88,485)	75	(289)	(293)	(1,741)	(730)	(2,977)
Net Assets Attributable to Members	74,186,263	46,327,348	520,626	300,448	2,036,140	1,301,905	2,935,530	1,651,072

	Balanced		Growth		High Growth		Shares	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Member accounts	37,400,276	26,272,288	13,029,852	7,187,538	12,709,816	7,017,640	5,580,173	2,679,935
Adjustments arising from valuation differences	(13,334)	(47,972)	(4,630)	(13,982)	(5,662)	(15,023)	(2,524)	(6,501)
Net Assets Attributable to Members	37,386,942	26,224,316	13,025,222	7,173,556	12,704,154	7,002,617	5,577,649	2,673,434

Valuation differences exist between the Net assets attributable to Members and vested benefits. Net assets attributable to Members are derived using accounting principles on an accruals basis resulting in timing differences in the settlement of certain accrued items and the impact thereof on unit pricing, whereas vested benefits are derived as the sum of individual member account balances, which are calculated using the 31 March unit prices.

No guarantees have been made in respect of any part of the Net Assets Attributable to Members.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2018

5 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

The Scheme held units in the following MITNZ Investment Portfolios and prepaid investments:

	TOTAL		Cash		Conservative		Moderate	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Mercer Cash Portfolio (MNZCFIT)	527,006	298,426	527,006	298,426	-	-	-	-
Mercer Conservative Portfolio	1,992,769	1,328,076	-	-	1,992,769	1,328,076	-	-
Mercer Moderate Portfolio	2,898,450	1,604,184	-	-	-	-	2,898,450	1,604,184
Mercer Balanced Portfolio	37,273,461	25,941,772	-	-	-	-	-	-
Mercer Growth Portfolio	12,935,046	7,150,021	-	-	-	-	-	-
Mercer High Growth Portfolio	12,358,069	6,963,698	-	-	-	-	-	-
Mercer Shares Portfolio	5,482,799	2,658,771	-	-	-	-	-	-
Prepaid Investments	39,787	-	9,495	-	30,292	-	-	-
Total financial assets held at Fair Value through profit or loss	73,507,387	45,944,948	536,501	298,426	2,023,061	1,328,076	2,898,450	1,604,184

Percentage of financial assets held in the relevant class of security for the Scheme:

	1%	1%	3%	3%	4%	3%
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Percentage of financial assets held in the relevant class of security for the respective Fund:

	98%	100%	99%	100%	100%	100%
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NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2018

5 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

	Balanced		Growth		High Growth		Shares	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Mercer Cash Portfolio (MNZCFIT)	-	-	-	-	-	-	-	-
Mercer Conservative Portfolio	-	-	-	-	-	-	-	-
Mercer Moderate Portfolio	-	-	-	-	-	-	-	-
Mercer Balanced Portfolio	37,273,461	25,941,772	-	-	-	-	-	-
Mercer Growth Portfolio	-	-	12,935,046	7,150,021	-	-	-	-
Mercer High Growth Portfolio	-	-	-	-	12,358,069	6,963,698	-	-
Mercer Shares Portfolio	-	-	-	-	-	-	5,482,799	2,658,771
Prepaid Investments	-	-	-	-	-	-	-	-
Total financial assets held at Fair Value through profit or loss	37,273,461	25,941,772	12,935,046	7,150,021	12,358,069	6,963,698	5,482,799	2,658,771
Percentage of financial assets held in the relevant class of security for the Scheme:	50%	56%	18%	16%	17%	15%	7%	6%
Percentage of financial assets held in the relevant class of security for the respective Fund:	100%	100%	100%	100%	100%	100%	100%	100%

Fair Value Hierarchy

The Scheme's financial instruments carried at fair value are grouped into Levels 1 to 3 based upon the degree to which the fair value is observable. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as published prices being the redemption price established by the underlying fund manager) or indirectly (i.e., derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets held at fair value through profit or loss are classified as Level 2 under the fair value hierarchy as the fair value of these financial assets at balance date is determined using the last available redemption unit price of those funds. During the year there were no transfers of investments between levels of the fair value hierarchy (2017: Same).

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2018

6 RELATED PARTIES

Related parties comprise the Manager, the Supervisor and their related parties.

The Manager and Supervisor are entitled to remuneration from the Scheme. This is represented by the Investment management, Administration and Supervisor fees in the Statements of Changes in Net Assets. These are recovered through the cancellation of units for member fixed fees and a unit price adjustment for net asset based fees.

The minimum Trustees Executors Limited Supervisor fees per annum are \$30,000.

The fee rates for 2018 and 2017 are disclosed below:

Fund	Investment management fee	Administration fee	Supervisor fee
	% p.a.	\$ per month per Member	% p.a.
Cash	0.32%	\$2.50	0.04%
Conservative	0.50%	\$2.50	0.04%
Moderate	0.59%	\$2.50	0.04%
Balanced	0.68%	\$2.50	0.04%
Growth	0.77%	\$2.50	0.04%
High Growth	0.82%	\$2.50	0.04%
Shares	0.90%	\$2.50	0.04%

Investment management fees incurred by the Scheme are deducted through two components:

- The first component comprises investment management fees charged at Mercer Investment Trusts New Zealand ("MITNZ") level, a series of wholesale investment trusts managed by Mercer as disclosed in Note 5. These investment management fees are incurred through a reduction in the MITNZ unit price. This is reflected within net gains on financial assets held at fair value through profit or loss in the Statements of Changes in Net Assets.
- The second component is fees deducted directly from the Scheme and invoiced by Mercer. These represent the balancing amounts of net asset based investment management fees once the deduction of fees in MITNZ are taken into account.

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

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2018

6 RELATED PARTIES (Continued)

Amounts paid to Mercer and Mercer Investments (New Zealand) Limited ("MINZL") for their services as investment manager and administrator including investment management fees paid to Mercer (N.Z.) Limited, other related and third parties via the MITNZ unit price and Supervisor fees for the year are disclosed below. As outlined in the Scheme's Trust Deed, the Manager is also entitled to be reimbursed for various fees and expenses incurred in acting as Manager. In the disclosure below these expenses are titled Manager fees (expense recoveries) and may include legal and other professional services, audit and tax fees and filing fees.

	Total		Cash		Conservative		Moderate	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Investment management fees								
Investment management fees expense to Mercer, other related and third party investment managers via MITNZ unit price	442,999	223,949	1,096	321	8,443	4,147	13,652	6,421
Investment management fees expense to Mercer	73	355	73	355	-	-	-	-
Total investment management fees	443,072	224,304	1,169	676	8,443	4,147	13,652	6,421
Administration fees								
Administration fees expense to Mercer	85,895	50,813	686	412	2,293	1,263	3,677	1,859
Supervisor fees								
Supervisor fees expense to Trustees Executors Limited	30,000	30,000	219	195	826	867	1,183	1,047
Manager fees (expense recoveries)								
Manager fees (expense recoveries) to Mercer	13,264	33,504	97	218	365	968	523	1,170
Total fees	572,231	338,621	2,171	1,501	11,927	7,245	19,035	10,497
	Balanced		Growth		High Growth		Shares	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Investment management fees								
Investment management fees expense to Mercer, other related and third party investment managers via MITNZ unit price	221,931	121,872	78,078	37,196	82,528	39,022	37,271	14,970
Investment management fees expense to Mercer	-	-	-	-	-	-	-	-
Total investment management fees	221,931	121,872	78,078	37,196	82,528	39,022	37,271	14,970
Administration fees								
Administration fees expense to Mercer	48,450	30,794	12,350	6,919	12,570	6,668	5,869	2,898
Supervisor fees								
Supervisor fees expense to Trustees Executors Limited	15,211	16,939	5,279	4,669	5,044	4,547	2,238	1,736
Manager fees (expense recoveries)								
Manager fees (expense recoveries) to Mercer	6,726	18,917	2,334	5,214	2,230	5,078	989	1,939
Total fees	292,318	188,522	98,041	53,998	102,372	55,315	46,367	21,543

Outstanding balances due to related parties are due within seven days and are not interest bearing.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2018

6 RELATED PARTIES (Continued)

Amounts payable to the Manager and Supervisor as at 31 March are as follows:

Fund	Investment management fees		Administration fees		Manager fees (expense recoveries)		Supervisor fees	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Cash	9	9	74	39	93	107	109	97
Conservative	-	-	224	136	349	476	413	434
Moderate	-	-	371	203	500	575	591	524
Balanced	-	-	4,402	3,271	6,435	9,294	7,606	8,469
Growth	-	-	1,184	775	2,233	2,562	2,640	2,334
High Growth	-	-	1,269	712	2,133	2,495	2,522	2,273
Shares	-	-	630	310	947	953	1,119	868
Total	9	9	8,154	5,446	12,690	16,462	15,000	14,999

Investment in related parties

The Scheme invests in MITNZ. MINZL, a wholly owned subsidiary of Mercer, is the Trustee for the MITNZ. During the year no related entity was a member of the Scheme.

The Scheme holds the following financial assets in MITNZ:

	Opening Balance		Purchases		Sales		Net Change in Fair Value		Closing Balance	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Mercer Cash Portfolio (MIT)	-	74,177	-	163,116	-	(239,100)	-	1,807	-	-
Mercer Cash Portfolio (MNZCFIT)	298,426	-	855,228	341,020	(633,999)	(45,718)	7,351	3,124	527,006	298,426
Mercer Conservative Portfolio	1,328,076	400,472	953,132	1,048,417	(358,725)	(156,241)	70,286	35,428	1,992,769	1,328,076
Mercer Moderate Portfolio	1,604,184	785,712	1,297,616	999,209	(121,269)	(242,418)	117,919	61,681	2,898,450	1,604,184
Mercer Balanced Portfolio	25,941,772	11,454,638	9,471,608	13,199,184	(346,813)	(165,000)	2,206,894	1,452,950	37,273,461	25,941,772
Mercer Growth Portfolio	7,150,021	2,694,347	5,047,194	3,986,252	(23,544)	(38,239)	761,375	507,661	12,935,046	7,150,021
Mercer High Growth Portfolio	6,963,698	2,486,319	4,589,875	3,906,774	(93,156)	-	897,652	570,605	12,358,069	6,963,698
Mercer Shares Portfolio	2,658,771	708,040	2,853,688	1,826,652	(429,763)	(106,605)	400,103	230,684	5,482,799	2,658,771
Scheme Total	45,944,948	18,603,705	25,068,341	25,470,624	(2,007,269)	(993,321)	4,461,580	2,863,940	73,467,600	45,944,948

As at 31 March 2018, prepaid investments amounted to \$39,787 (2017: Nil).

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2018

6 RELATED PARTIES (Continued)

During the year there were non-cash transactions comprising purchases and sales between portfolios in the MITNZ at the Scheme level. These are disclosed below:

	Purchases		Sales	
	2018	2017	2018	2017
	\$	\$	\$	\$
Mercer Cash Portfolio (MIT)	-	-	-	(236,873)
Mercer Cash Portfolio (MNZCFIT)	175,866	215,700	(586,894)	-
Mercer Conservative Portfolio	31,170	24,000	(174,557)	-
Mercer Moderate Portfolio	126,006	-	(74,151)	(50,200)
Mercer Balanced Portfolio	47,453	-	(14,114)	(165,000)
Mercer Growth Portfolio	214,329	60,000	(23,543)	-
Mercer High Growth Portfolio	135,389	110,200	(93,155)	-
Mercer Shares Portfolio	456,090	42,173	(219,889)	-
Total	1,186,303	452,073	(1,186,303)	(452,073)

7 BENEFITS

	TOTAL		Cash		Conservative		Moderate	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Retirement	193,594	-	55,580	-	-	-	-	-
Serious ill health	-	10,542	-	-	-	10,542	-	-
Death or disability	30,221	-	30,388	-	-	-	-	-
Significant financial hardship	36,019	21,916	-	-	-	-	5,617	-
First home assistance	2,477,418	810,682	62,399	-	206,440	65,398	32,378	135,128
Permanent emigration to Australia	-	-	-	-	-	-	-	-
Permanent emigration excluding Australia	3,274	-	-	-	-	-	-	-
Enrolment in error	8,030	-	-	-	-	-	-	-
Late opt-out	46	-	-	-	-	-	-	-
Total	2,748,602	843,140	148,367	-	206,440	75,940	37,995	135,128

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2018

7 BENEFITS (Continued)

	Balanced		Growth		High Growth		Shares	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Retirement	138,014	-	-	-	-	-	-	-
Serious ill health	-	-	-	-	-	-	-	-
Death or disability	(167)	-	-	-	-	-	-	-
Significant financial hardship	9,154	9,770	11,105	4,601	8,964	5,747	1,178	1,798
First home assistance	1,113,209	431,386	323,116	62,016	525,141	41,538	214,736	75,216
Permanent emigration to Australia	-	-	-	-	-	-	-	-
Permanent emigration excluding Australia	3,274	-	-	-	-	-	-	-
Enrolment in error	7,441	-	-	-	589	-	-	-
Late opt-out	46	-	-	-	-	-	-	-
Total	1,270,971	441,156	334,221	66,617	534,694	47,285	215,914	77,014

8 TRANSFERS IN FROM OTHER SCHEMES

	TOTAL		Cash		Conservative		Moderate	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Transfers from other KiwiSaver Schemes	12,761,713	15,662,148	76,056	158,312	588,494	510,713	790,603	637,661
Transfers from other superannuation schemes	703,048	1,940,893	5,024	-	10,507	67,802	32,713	33,721
Transfers from Trans-Tasman portability	72,973	250,117	39,189	-	4,429	-	-	-
Total	13,537,734	17,853,158	120,269	158,312	603,430	578,515	823,316	671,382

	Balanced		Growth		High Growth		Shares	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Transfers from other KiwiSaver Schemes	6,248,234	9,818,925	2,665,812	2,001,866	1,537,000	1,782,208	855,514	752,463
Transfers from other superannuation schemes	308,279	851,733	111,223	445,463	129,623	355,574	105,679	186,600
Transfers from Trans-Tasman portability	7,996	93,913	6,051	9,730	15,308	103,143	-	43,331
Total	6,564,509	10,764,571	2,783,086	2,457,059	1,681,931	2,240,925	961,193	982,394

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
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9 RECONCILIATION OF NET PROFIT BEFORE MEMBERSHIP ACTIVITIES TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	TOTAL		Cash		Conservative		Moderate	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Net profit before membership activities	4,387,023	2,759,364	6,732	3,898	68,236	32,406	114,983	58,047
<i>Adjustments for:</i>								
Net gains on financial assets held at fair value through profit or loss	(4,461,580)	(2,863,940)	(7,351)	(4,931)	(70,286)	(35,428)	(117,919)	(61,681)
Proceeds from sale of financial assets	820,966	541,248	633,999	69,118	358,725	156,241	121,269	242,418
Payments for purchase of financial assets	(23,921,825)	(25,018,551)	(864,723)	(288,436)	(983,424)	(1,048,417)	(1,297,616)	(999,209)
<i>Changes in assets and liabilities:</i>								
Increase in liabilities (excluding portfolio investment entity tax payable, benefits payable and unallocated contributions)	(21,359)	15,562	(118)	154	(651)	679	(637)	339
Net Cash flows used in Operating Activities	(23,196,775)	(24,566,317)	(231,461)	(220,197)	(627,400)	(894,519)	(1,179,920)	(760,086)

	Balanced		Growth		High Growth		Shares	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Net profit before membership activities	2,169,126	1,394,166	748,268	491,407	885,131	554,824	394,547	224,616
<i>Adjustments for:</i>								
Net gains on financial assets held at fair value through profit or loss	(2,206,894)	(1,452,950)	(761,375)	(507,661)	(897,652)	(570,605)	(400,103)	(230,684)
Proceeds from sale of financial assets	346,813	165,000	23,544	38,239	93,156	-	429,763	106,605
Payments for purchase of financial assets	(9,471,608)	(13,199,184)	(5,047,194)	(3,986,252)	(4,589,875)	(3,906,774)	(2,853,688)	(1,826,652)
<i>Changes in assets and liabilities:</i>								
Increase in liabilities (excluding portfolio investment entity tax payable, benefits payable and unallocated contributions)	(13,469)	7,446	(2,825)	2,503	(2,832)	2,929	(827)	1,512
Net Cash flows used in Operating Activities	(9,176,032)	(13,085,522)	(5,039,582)	(3,961,764)	(4,512,072)	(3,919,626)	(2,430,308)	(1,724,603)

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
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10 AUDITORS' REMUNERATION

During the reporting period, the following fees were paid or payable to the auditor of the Scheme. Audit fees for the Scheme may be recovered from the Manager for expenses incurred in acting as Manager (Refer note 6). The auditor of the Scheme is PricewaterhouseCoopers.

	TOTAL		Cash		Conservative		Moderate	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Audit fees for the audit of financial statements and registry compliance assurance	63,250	82,800	462	538	1,741	2,393	2,494	2,891
Tax services - review of tax returns	5,463	4,667	40	30	150	135	215	163
Total	68,713	87,467	502	568	1,891	2,528	2,709	3,054

	Balanced		Growth		High Growth		Shares	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Audit fees for the audit of financial statements and registry compliance assurance	32,071	46,751	11,130	12,885	10,634	12,550	4,718	4,792
Tax services - review of tax returns	2,772	2,636	961	726	918	707	407	270
Total	34,843	49,387	12,091	13,612	11,552	13,257	5,125	5,062

11 FINANCIAL RISK MANAGEMENT

The Scheme's financial assets are comprised of units in unlisted unit trusts which is exposed to equities, interest bearing securities, units in unit trusts and derivative financial instruments. The Manager has determined that these types of investments are appropriate for the Scheme and are in accordance with its investment objectives. The objectives of the Scheme are to achieve a return (over the medium to long term) which is competitive with comparable trusts that have similar risk characteristics; and to outperform the notional return of a benchmark portfolio of suitable market indices over periods of one year or greater.

The Scheme's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's financial performance.

The Manager has considered the above investment risks in constructing the asset portfolios of the Scheme and aims to manage those risks primarily through diversification, including using some or all of the following (as applicable):

- investing across different asset classes (to reduce market risk and liquidity risk);
- investing predominantly in unit trusts which, in turn, invest with a number of different portfolios managed by several investment managers;
- investing across different countries (to reduce market risk); and
- investing in a number of individual securities within each asset class.

Professional investment managers are appointed on a research-based process of selection to manage the assets of the MITNZ via a set of investment guidelines. Risk management activities are performed within the underlying investment portfolios, not at the Scheme level. The investment managers of underlying investment portfolios may use derivatives and other instruments, including share price and bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks and exposures from forecast transactions.

The New Zealand Defence Force KiwiSaver Scheme invests in MDT that in turn invests in other MITNZ investment portfolios and MNZCFIT. The investment in the MITNZ investment portfolios are directly exposed to market risk, credit risk and liquidity risk.

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11 FINANCIAL RISK MANAGEMENT (Continued)

a) Market Risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk is minimised by the Manager through research and analysis of the investment mix within investment portfolios and ensuring that all investment activities are undertaken in accordance with established investment strategies. The Scheme's overall market positions are monitored by the Scheme's manager who uses research and analysis to form a view on these matters and then rebalances the investment mix of the investment portfolios to reduce the impact of market risk.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Scheme does not hold financial instruments denominated in currencies other than the New Zealand dollar, the functional currency. It is therefore not exposed to currency risk. Currency risk disclosure has been considered on the basis of the Scheme's direct investments and not on a look through basis for financial assets held indirectly through unit trusts. Consequently the Scheme may be exposed indirectly to currency risk where the Scheme has significant financial assets in unit trusts which have exposure to foreign currencies.

Exposure to currency risk is managed through hedging using derivative investments, which may include forward exchange contracts, within the underlying MITNZ investment portfolios.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

Interest rate risk disclosures have been considered on the basis of the Scheme's direct investments and not on a look through basis for investments held indirectly through unit trusts. Consequently the Scheme is exposed indirectly to interest rate risk where the Scheme has significant investments in unit trusts which have interest bearing securities.

Exposure to interest rate risk is managed through the use of derivatives, diversification in holdings and the duration of fixed interest investments within the underlying investment portfolios.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

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For the year ended 31 March 2018

11 FINANCIAL RISK MANAGEMENT (Continued)

a) Market Risk (Continued)

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price (other than those arising from interest rate risk or currency risk). The Scheme's financial assets are susceptible to market price risk arising from uncertainties about future values of the financial assets which will directly affect net investment income.

As the majority of the Scheme's financial instruments are carried at fair value, all changes in market conditions will directly affect investment returns, recognised in the Statements of Changes in Net Assets. The Scheme's price risk is managed through diversification of the financial assets within the Fund and within the underlying investments in the MITNZ. In addition, price risk may be hedged using derivative financial instruments such as options or futures within the underlying MITNZ investment portfolios.

As at 31 March, the Scheme's exposure to market price risk through unlisted unit trusts was as follows:

Fund	TOTAL		TOTAL	
	2018	2018	2017	2017
	\$	%	\$	%
Cash	527,006	1%	298,426	1%
Conservative	1,992,769	3%	1,328,076	3%
Moderate	2,898,450	4%	1,604,184	3%
Balanced	37,273,461	50%	25,941,772	56%
Growth	12,935,046	18%	7,150,021	16%
High Growth	12,358,069	17%	6,963,698	15%
Shares	5,482,799	7%	2,658,771	6%
Total Unlisted Unit Trusts	73,467,600	100%	45,944,948	100%

The table below shows the sensitivity to market price of the financial assets held at fair value through profit and loss, if all other variables were held constant and investment markets fluctuated by the percentages disclosed below.

Fund	2018				2017			
	Net profit before membership activities		Net Assets Attributable to Members		Net profit before membership activities		Net Assets Attributable to Members	
	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
	\$	\$	\$	\$	\$	\$	\$	\$
Cash	52,700	(52,700)	52,700	(52,700)	29,843	(29,843)	29,843	(29,843)
Conservative	199,277	(199,277)	199,277	(199,277)	132,808	(132,808)	132,808	(132,808)
Moderate	289,845	(289,845)	289,845	(289,845)	160,418	(160,418)	160,418	(160,418)
Balanced	3,727,346	(3,727,346)	3,727,346	(3,727,346)	2,594,177	(2,594,177)	2,594,177	(2,594,177)
Growth	1,293,505	(1,293,505)	1,293,505	(1,293,505)	715,002	(715,002)	715,002	(715,002)
High Growth	1,235,807	(1,235,807)	1,235,807	(1,235,807)	696,370	(696,370)	696,370	(696,370)
Shares	548,280	(548,280)	548,280	(548,280)	265,877	(265,877)	265,877	(265,877)
Total	7,346,760	(7,346,760)	7,346,760	(7,346,760)	4,594,495	(4,594,495)	4,594,495	(4,594,495)

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
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11 FINANCIAL RISK MANAGEMENT (Continued)

b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss. The Scheme is exposed to counterparty credit risk on cash and cash equivalents. None of these assets are impaired nor past due (but not impaired) (2017: Same).

With respect to credit risk arising from the cash and cash equivalents of the Scheme, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the carrying amount disclosed in the Statements of Net Assets. This represents the current maximum risk exposure at the reporting date.

Credit risk disclosure has been considered on the basis of the Scheme's direct investments and not on a look through basis for financial assets held indirectly through the MITNZ Portfolios. The investment manager of the MITNZ Investment Portfolio manage credit risk by establishing controls which are either specified in the Statement of Investment Policy Objectives or outlined in the Product Disclosure Statement/information memorandum of underlying unit trust investments that it makes. Credit risk limitations include diversification of investments over a wide range of asset classes, companies, industries and maturities within the underlying investment portfolios.

The Scheme's cash balances are held with Westpac New Zealand Limited (AA- rating, as measured by Standard & Poor's) (2017: Same).

c) Liquidity Risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that there will always be sufficient liquidity to meet liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme is exposed to daily cash redemptions of redeemable units.

The Scheme's liquidity risk is managed by investing in unlisted investment trusts which, in turn, invest in different asset classes and predominantly liquid assets.

Members are able to transfer their balances to another KiwiSaver Scheme at any time. As such, the liability for promised retirement benefits is deemed to be repayable on demand. All other financial liabilities of the Scheme are due within one month.

d) Capital Risk Management

The Scheme manages its net assets attributable to Members as capital, notwithstanding net assets attributable to Members is classified as a liability. The amounts of Members' funds can change significantly on a daily basis as the Funds can be transferred, withdrawn as set out in the conditions of the KiwiSaver Act 2006. The Scheme's objective when managing capital is to safeguard the Scheme's ability to continue as a going concern in order to provide returns for Members and to maintain a strong capital base to support the development of the investment activities of the Scheme. In order to maintain or adjust the capital structure, the Scheme's policy is to perform the following:

- a) monitor the level of daily applications and redemptions relative to the assets it is able to liquidate within seven days; and
- b) redeem and issue new units in accordance with the constitutional documents of the Scheme, which includes the ability to restrict redemptions in accordance with the KiwiSaver Act 2006. The Scheme does not have any externally imposed capital requirements.

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12 FINANCIAL INSTRUMENTS BY CATEGORY

	TOTAL		Cash		Conservative		Moderate	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Designated at fair value through profit or loss								
Financial assets held at fair value through profit or loss	73,507,387	45,944,948	536,501	298,426	2,023,061	1,328,076	2,898,450	1,604,184
Total financial assets designated at fair value through profit or loss	73,507,387	45,944,948	536,501	298,426	2,023,061	1,328,076	2,898,450	1,604,184
Loans and receivables								
Cash and cash equivalents	1,425,870	848,327	5,461	3,212	93,482	21,180	70,920	16,472
Other receivables	12,366	-	90	-	340	-	488	-
Total Loans and receivables	1,438,236	848,327	5,551	3,212	93,822	21,180	71,408	16,472
Total assets	74,945,623	46,793,275	542,052	301,638	2,116,883	1,349,256	2,969,858	1,620,656
LIABILITIES								
Amortised Cost								
Investment management fees payable	9	9	9	9	-	-	-	-
Supervisor fees payable	15,000	14,999	109	97	413	434	591	524
Benefits payable	19,851	55,582	19,851	-	-	43,734	-	-
Unallocated contributions	262,155	151,982	-	1	69,420	1	17,513	4
Administration fees payable	8,154	5,446	74	39	224	136	371	203
Manager fees (expense recoveries) payable	12,690	16,462	93	107	349	476	500	575
Other expenses payable	9,148	14,370	67	93	252	415	361	502
Net assets attributable to members	74,186,263	46,327,348	520,626	300,448	2,036,140	1,301,905	2,935,530	1,651,072
Total liabilities	74,513,270	46,586,198	540,829	300,794	2,106,798	1,347,101	2,954,866	1,652,880

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12 FINANCIAL INSTRUMENTS BY CATEGORY

	Balanced		Growth		High Growth		Shares	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Designated at fair value through profit or loss								
Financial assets held at fair value through profit or loss	37,273,461	25,941,772	12,935,046	7,150,021	12,358,069	6,963,698	5,482,799	2,658,771
Total financial assets designated at fair value through profit or loss	37,273,461	25,941,772	12,935,046	7,150,021	12,358,069	6,963,698	5,482,799	2,658,771
Loans and receivables								
Cash and cash equivalents	490,688	490,618	175,441	199,015	428,858	87,074	161,020	30,756
Other receivables	6,271	-	2,176	-	2,079	-	922	-
Total Loans and receivables	496,959	490,618	177,617	199,015	430,937	87,074	161,942	30,756
Total assets	37,770,420	26,432,390	13,112,663	7,349,036	12,789,006	7,050,772	5,644,741	2,689,527
LIABILITIES								
Amortised cost								
Investment management fees payable	-	-	-	-	-	-	-	-
Supervisor fees payable	7,606	8,469	2,640	2,334	2,522	2,273	1,119	868
Benefits payable	-	11,848	-	-	-	-	-	-
Unallocated contributions	119,749	19,915	5,984	131,680	7,502	323	41,987	58
Administration fees payable	4,402	3,271	1,184	775	1,269	712	630	310
Manager fees (expense recoveries) payable	6,435	9,294	2,233	2,562	2,133	2,495	947	953
Other expenses payable	4,638	8,114	1,610	2,236	1,538	2,178	682	832
Net assets attributable to Members	37,386,942	26,224,316	13,025,222	7,173,556	12,704,154	7,002,617	5,577,649	2,673,434
Total liabilities	37,529,772	26,285,227	13,038,873	7,313,143	12,719,118	7,010,598	5,623,014	2,676,455

At 31 March 2018 the carrying amount of cash and cash equivalents and liabilities at amortised cost approximates their fair value (2017: Same).

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13 UNITS ON ISSUE

	TOTAL		Cash		Conservative		Moderate	
	2018	2017	2018	2017	2018	2017	2018	2017
Units on issue at the beginning of the year	42,729,935	18,807,293	295,022	76,674	1,244,780	402,061	1,567,206	794,159
Units issued during the year	32,003,131	29,026,498	917,162	290,201	1,192,566	1,075,756	1,448,298	1,140,493
Units redeemed during the year	(11,094,328)	(5,103,856)	(708,599)	(71,853)	(561,565)	(233,037)	(360,854)	(367,446)
Units on issue at the end of the year	63,638,738	42,729,935	503,585	295,022	1,875,781	1,244,780	2,654,650	1,567,206

	Balanced		Growth		High Growth		Shares	
	2018	2017	2018	2017	2018	2017	2018	2017
Units on issue at the beginning of the year	24,297,601	11,522,768	6,602,786	2,754,355	6,300,998	2,519,543	2,421,542	737,733
Units issued during the year	13,806,337	15,753,867	5,847,633	4,564,107	5,665,682	4,242,284	3,125,453	1,959,790
Units redeemed during the year	(5,576,776)	(2,979,034)	(1,353,200)	(715,676)	(1,522,779)	(460,829)	(1,010,555)	(275,981)
Units on issue at the end of the year	32,527,162	24,297,601	11,097,219	6,602,786	10,443,901	6,300,998	4,536,440	2,421,542

14 CONTINGENT LIABILITY, ASSET AND COMMITMENTS

There were no material contingent liabilities or commitments as at 31 March 2018 (2017: Same).

15 EVENTS AFTER BALANCE DATE

There have been no material events after balance date that require adjustment to or disclosure in the financial statements (2017: Same).



Independent auditor's report

To the members of New Zealand Defence Force KiwiSaver Scheme ("the Scheme") comprising the following Funds: Cash, Conservative, Moderate, Balanced, Growth, High Growth and Shares (collectively referred to as the "Funds")

The Funds' and Scheme's financial statements comprise:

- the statements of net assets as at 31 March 2018;
- 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 Funds' and Scheme's financial statements present fairly, in all material respects, the net assets of the Funds and the Scheme as at 31 March 2018, their changes in net assets 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 (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 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.

Our firm carries out other services for the Scheme in the areas of tax compliance and advisory services. The provision of these other services has not impaired our independence as auditor of the Scheme.

Information other than the financial statements and auditor's report

Mercer (N.Z.) 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the 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. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.



Responsibilities of the Manager for the financial statements

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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-5/>

This description forms part of our auditor's report.

Who we report to

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 opinions we have formed.

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

For and on behalf of:

A handwritten signature in black ink that reads 'Samuel Shuttleworth'.

Chartered Accountants
23 July 2018

Auckland