

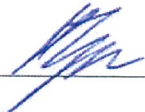
Generate KiwiSaver Scheme  
Financial Statements  
For the year ended 31 March 2018

## Manager's Statement

In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of the Generate KiwiSaver Scheme as at 31 March 2018 and their results for the period ended on that date in accordance with the requirements of the Generate KiwiSaver Scheme Trust Deed dated 31 August 2016.

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

Director



Generate Investment Management Limited

Date

Monday, 16 July 2018

## Statements of Changes in Net Assets

5 For the period ended 31 March	Note	Conservative		Growth		Focused Growth		Scheme Total	
		2018	2017	2018	2017	2018	2017	2018	2017
<b>Income</b>									
Interest income		2,980,891	1,954,797	1,818,538	1,060,859	343,980	202,739	5,141,189	3,218,385
Dividend and distribution income		1,105,268	610,640	4,433,510	2,370,112	8,013,826	3,663,618	11,552,404	6,544,371
Foreign exchange gains/(losses)		153,584	48,110	475,520	(16,737)	527,898	15,814	1,187,002	49,287
Net gain/(loss) on financial instruments at fair value through profit or loss	6	2,136,973	(1,035,511)	18,188,703	4,478,878	25,859,233	9,144,303	43,986,909	12,586,570
Other income		37,288	15,023	283,904	86,425	439,883	134,166	740,775	235,514
		<b>6,418,804</b>	<b>1,593,059</b>	<b>23,178,175</b>	<b>7,978,537</b>	<b>32,983,300</b>	<b>13,161,741</b>	<b>62,578,279</b>	<b>22,734,337</b>
<b>Expenses</b>									
Management fees	12	1,030,356	578,413	2,029,982	1,015,503	2,489,858	1,282,730	5,549,873	2,884,646
Supervisor fees	12	57,421	34,441	112,853	60,889	136,273	77,289	308,547	172,399
Transaction costs		39,210	35,861	193,494	122,281	274,786	151,554	507,490	310,676
Other expenses		207,072	115,644	346,425	169,782	374,786	187,086	928,283	472,522
		<b>1,334,059</b>	<b>763,359</b>	<b>2,682,634</b>	<b>1,368,215</b>	<b>3,279,800</b>	<b>1,708,659</b>	<b>7,294,193</b>	<b>3,840,243</b>
<b>Net profit before membership activities</b>		<b>5,082,745</b>	<b>829,700</b>	<b>20,495,541</b>	<b>5,511,322</b>	<b>29,705,800</b>	<b>11,453,072</b>	<b>55,284,086</b>	<b>18,894,094</b>
<b>Contributions</b>									
Member contributions		11,024,424	7,121,115	23,228,998	12,597,283	28,778,087	15,981,825	60,031,489	35,680,223
Employer contributions		5,290,758	3,332,822	10,911,393	5,501,860	13,601,104	8,644,122	29,793,245	18,478,804
Crown contributions		2,104,616	1,134,923	4,002,176	2,201,433	4,793,357	3,118,157	10,900,149	6,454,513
Transfers from other Funds in the Scheme		8,886,918	2,577,750	5,339,405	3,102,824	10,438,860	1,821,840	24,644,983	8,502,414
Transfers from other schemes		32,012,587	45,372,428	75,302,518	62,779,078	97,095,488	50,040,840	205,411,593	188,192,347
<b>Total contributions</b>		<b>59,286,303</b>	<b>60,539,039</b>	<b>118,784,480</b>	<b>87,182,478</b>	<b>152,707,876</b>	<b>99,586,784</b>	<b>330,781,459</b>	<b>237,308,301</b>
<b>Withdrawals</b>									
Transfers to other Funds in the Scheme		8,239,599	2,658,815	9,825,472	2,237,737	6,579,812	3,805,882	24,544,983	8,502,414
Transfers to other schemes		5,455,701	3,808,158	8,888,842	5,558,530	10,595,853	7,193,320	26,920,405	16,558,118
Withdrawals on death		108,199	37,493	118,384	29,573	135,873	31,213	360,456	98,259
Withdrawals or transfers on permanent emigration		51,993	-	34,953	10,821	58,243	-	140,708	10,621
Invalid enrolment withdrawals		53,395	272	34,953	1,115	24,387	1,113	112,715	2,500
Retirement		1,161,456	120,824	598,195	82,481	255,210	880,988	2,014,851	864,293
Serious illness withdrawals		34,059	31,750	278,459	58,786	95,380	53,297	407,878	153,833
First home purchase withdrawals		4,836,874	3,284,988	4,125,058	1,918,903	4,039,111	2,199,460	12,801,051	7,403,331
Significant financial hardship withdrawals		299,401	104,083	547,981	200,294	871,221	232,848	1,417,593	537,225
<b>Total benefits paid</b>		<b>21,027,777</b>	<b>10,046,383</b>	<b>24,418,802</b>	<b>10,096,140</b>	<b>22,389,080</b>	<b>13,988,101</b>	<b>67,820,639</b>	<b>34,130,804</b>
Administration fees	12	212,444	141,456	487,477	298,738	548,176	446,983	1,328,097	887,187
PIE tax		481,875	57,576	1,197,005	197,327	1,599,820	375,901	3,348,500	540,804
<b>Net membership activities</b>		<b>37,597,207</b>	<b>50,283,634</b>	<b>82,700,196</b>	<b>78,580,273</b>	<b>127,998,820</b>	<b>74,775,799</b>	<b>258,284,223</b>	<b>201,549,706</b>
<b>Members' accounts at the start of the period</b>		<b>81,989,781</b>	<b>30,855,427</b>	<b>143,924,842</b>	<b>60,723,247</b>	<b>170,892,775</b>	<b>84,483,904</b>	<b>398,587,378</b>	<b>178,043,578</b>
<b>Movement in members' accounts for the period</b>		<b>42,989,982</b>	<b>51,113,334</b>	<b>113,195,737</b>	<b>83,201,595</b>	<b>187,709,820</b>	<b>86,228,871</b>	<b>313,568,309</b>	<b>220,543,800</b>
<b>Members' accounts at the end of the period</b>		<b>124,839,713</b>	<b>81,959,761</b>	<b>257,120,579</b>	<b>143,924,842</b>	<b>328,395,395</b>	<b>170,692,775</b>	<b>710,155,687</b>	<b>398,587,378</b>

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

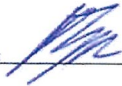
## Statements of Net Assets

As at 31 March	Note	Conservative Fund		Growth		Focused Growth Fund		Scheme Total	
		2018	2017	2018	2017	2018	2017	2018	2017
<b>Members' Funds</b>	<b>5.2</b>	<b>124,639,713</b>	<b>81,989,761</b>	<b>287,120,579</b>	<b>143,924,842</b>	<b>328,395,395</b>	<b>170,682,775</b>	<b>710,155,687</b>	<b>396,587,378</b>
<i>Represented by:</i>									
<b>Assets</b>									
Cash and cash equivalents		9,321,059	7,065,323	20,733,809	13,752,788	34,299,381	19,539,673	84,354,219	40,357,764
Trade and other receivables	9	578,218	604,435	1,898,244	459,560	2,102,877	360,427	4,287,039	1,324,422
Financial assets at fair value through profit or loss	6	115,928,480	74,965,199	241,107,283	131,498,888	303,069,980	153,809,778	660,005,723	380,073,853
Unitholder tax rebates receivable		2,888	16,040	6,035	36,603	13,102	36,227	25,005	88,770
<b>Total assets</b>		<b>125,830,605</b>	<b>82,551,997</b>	<b>283,436,371</b>	<b>145,747,719</b>	<b>339,475,010</b>	<b>173,545,103</b>	<b>728,741,988</b>	<b>401,844,819</b>
<b>Liabilities</b>									
Benefits payable		172,299	2,070	197,373	449	135,978	34,814	605,850	37,333
Trade and other payables	9	464,235	38,840	4,010,576	46,504	7,819,990	21,448	12,084,902	108,790
Trade and other payables to related parties	10	102,545	72,140	214,293	125,580	274,137	151,391	590,975	350,091
Financial liabilities at fair value through profit or loss	8	1,114	391,802	898,160	1,430,719	1,380,696	2,252,871	2,049,770	4,075,192
Unitholder tax liabilities payable		480,698	77,384	1,195,390	218,645	1,599,014	392,006	3,345,102	688,035
<b>Total liabilities</b>		<b>1,190,892</b>	<b>582,236</b>	<b>6,315,792</b>	<b>1,822,877</b>	<b>11,079,615</b>	<b>2,852,328</b>	<b>18,586,299</b>	<b>5,257,441</b>
<b>Net assets available for benefits</b>		<b>124,639,713</b>	<b>81,989,761</b>	<b>287,120,579</b>	<b>143,924,842</b>	<b>328,395,395</b>	<b>170,682,775</b>	<b>710,155,687</b>	<b>396,587,378</b>

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

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

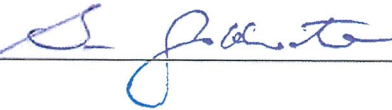
Director



Date

16/7/18

Director



Date

16/7/18



## Statements of Cash Flows

§ For the period ended 31 March	Note	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
		2019	2017	2018	2017	2018	2017	2018	2017
<b>Cash flows from operating activities</b>									
Proceeds from sale of financial assets		20,954,441	5,604,943	31,504,972	4,424,578	28,510,223	5,594,408	79,059,638	15,623,829
Purchase of financial assets		(59,282,828)	(51,641,892)	(121,135,434)	(73,205,114)	(142,596,824)	(76,930,942)	(323,114,888)	(201,777,948)
Net settlement of derivative financial instruments		(383,133)	4,836	(25,139)	1,440,238	308,089	3,006,774	(82,183)	4,451,848
Dividend and distribution income		1,047,524	594,530	3,378,009	1,448,650	4,188,404	1,728,298	8,580,837	3,772,476
Interest income received		2,991,199	1,597,835	1,831,215	937,608	342,319	202,739	5,184,693	2,738,182
Other income received		37,288	15,023	86,585	26,907	80,840	16,182	144,713	58,112
Operating expenses paid		(1,297,798)	(708,442)	(2,590,515)	(1,280,590)	(3,127,139)	(1,918,241)	(7,015,552)	(3,605,273)
<b>Net cash outflow from operating activities</b>	11	<b>(35,913,157)</b>	<b>(44,533,167)</b>	<b>(86,973,407)</b>	<b>(66,205,723)</b>	<b>(114,366,088)</b>	<b>(67,998,784)</b>	<b>(237,262,652)</b>	<b>(178,738,674)</b>
<b>Cash flows from financing activities</b>									
Proceeds from units issued		59,159,590	81,014,707	118,362,075	87,414,269	181,878,427	89,672,811	329,400,192	238,101,787
Redemptions of units		(21,079,992)	(11,287,334)	(24,890,365)	(11,359,917)	(22,910,072)	(15,129,409)	(89,880,418)	(37,775,660)
Tax paid		(65,388)	(8,232)	(192,792)	(14,332)	(369,487)	(18,283)	(627,668)	(38,847)
<b>Net cash inflow from financing activities</b>		<b>38,014,309</b>	<b>49,721,141</b>	<b>93,479,328</b>	<b>76,040,020</b>	<b>128,598,858</b>	<b>74,526,119</b>	<b>260,092,108</b>	<b>200,286,280</b>
<b>Net increase in cash</b>		<b>2,101,152</b>	<b>5,187,974</b>	<b>6,506,521</b>	<b>9,833,297</b>	<b>14,232,780</b>	<b>6,526,336</b>	<b>22,839,453</b>	<b>21,547,606</b>
Cash at the beginning of the period		7,066,323	1,829,211	13,752,768	3,935,700	19,538,873	12,994,403	40,367,794	18,758,314
Effect of exchange rate fluctuations		153,584	49,138	475,520	(16,229)	527,898	17,935	1,157,002	50,844
<b>Cash at the end of the period</b>		<b>9,321,059</b>	<b>7,086,323</b>	<b>20,733,809</b>	<b>13,752,768</b>	<b>34,299,351</b>	<b>19,538,673</b>	<b>84,364,219</b>	<b>40,357,764</b>

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



# Notes to the Financial Statements

## 1. General information

### Reporting entity

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

- Conservative Fund;
- Growth Fund; and
- Focused Growth Fund

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

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

The Scheme was established under a Trust Deed dated 14 December 2012. The Scheme received contributions from 28 March 2013. It is reporting as a Tier 1 for-profit entity as defined in the External Reporting Board's 'Accounting Standards framework'. On 25 August 2016, the Manager and the Supervisor updated the Trust Deed to ensure compliance with the requirements of Section 7 of the Financial Markets Conduct Act 2013 (FMCA) and the Financial Markets Conduct Regulations 2014 (FMC Regulations) and all other relevant enactments as amended by the FMCA and the Financial Markets (Repeals and Amendments) Act 2013.

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

The principal objectives of the Funds are described below:

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

### Funding arrangements

Under the Trust Deed contributions are made by members of the Scheme, their employers and the Crown. Members can choose to contribute 3%, 4% or 8% of gross salary or wages. Members may from time to time make additional voluntary contributions to the Scheme. Employers are required to contribute 3% of members' gross salary or wage to the Scheme. Employer contributions to KiwiSaver are subject to Employer Superannuation Contribution Tax. Up to 21 May 2016 the Crown made a \$1,000 one-off lump sum contribution to members joining the Scheme who were new to KiwiSaver. The Crown will also contribute \$0.50 for every \$1.00 of member contributions annually up to a maximum of \$521.43 for qualifying members.

### Retirement benefits

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

### Termination terms

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

### Statutory base

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

## 2. Summary of accounting policies

### 2.1 Basis of preparation

The Financial Statements have been prepared in accordance with the Trust Deed governing the Scheme, the KiwiSaver Act 2006 and Section 7 of the FMCA.

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

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

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

### (a) Presentation

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



## Notes to the Financial Statements

### 2.1 Basis of preparation (continued)

#### (b) Standards and amendments to existing standards effective 1 April 2017 impacting the Scheme

Amendments to NZ IAS 7, 'Statement of Cash Flows' became effective for annual periods beginning on or after 1 January 2017. These amendments require an entity to provide disclosures that enable users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Adoption of these amendments did not have a material impact on the Scheme's Financial Statements.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2017 that have a material effect on the Financial Statements of the Scheme.

#### (c) Standards and amendments to existing standards that are not yet applicable and have not been early adopted by the Scheme

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

NZ IFRS 9 'Financial Instruments' ('NZ IFRS 9') (effective for annual periods beginning on or after 1 January 2018). NZ IFRS 9 requires financial assets to be classified on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measures the financial assets as either at amortised cost or fair value. The requirements for classifying and measuring financial liabilities have been added to the standard and were carried forward largely unchanged from NZ IAS 39 Financial Instruments: Recognition and Measurement. However, the requirements related to the fair value option for financial liabilities were changed to address the issue of own credit risk. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating impairment of financial assets. The impact of NZ IFRS 9 Financial Instruments ('NZ IFRS 9') has been assessed for the Funds. Management do not foresee any significant change in the valuation or measurement methodology for any of the Funds' financial instruments. Consequently the impact on the Funds' reported results or financial positions as a result of the implementation of NZ IFRS 9, is considered to be insignificant. The Scheme intend to adopt NZ IFRS 9 for its financial period commencing 1 April 2018.

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

### 2.2 Financial instruments

#### (a) Classification

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

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

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

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

#### (b) Recognition

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

#### (c) Fair value measurement

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

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

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

##### *Fair value in an active market*

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

##### *Fair value in an inactive or unquoted market*

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

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

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

## Notes to the Financial Statements

### (c) Fair value measurement (continued)

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

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

### (d) Derecognition

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

### 2.3 Offsetting financial instruments

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

### 2.4 Cash and cash equivalents

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

### 2.5 Revenue recognition

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

### 2.6 Expenses

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

### 2.7 Loans and receivables

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

### 2.8 Trade and other payables

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

### 2.9 Taxation

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

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

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

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

### 2.10 Goods and services tax (GST)

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





## Notes to the Financial Statements

### 2.11 Statement of cash flows

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

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

### 2.12 Foreign currencies

#### *Transactions and balances*

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

### 2.13 Impairment of assets

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

### 2.14 Net assets attributable to members

The net assets available for benefits represent the liability for promised retirement benefits and is the Scheme's present obligation to pay benefits to Members. This has been calculated as the difference between carrying amounts of the assets and carrying amounts of the liabilities at the reporting date. The Scheme's Funds issue units that are redeemable at the Members' option subject to the requirements of the Act and do not have identical features and are therefore classified as financial liabilities. The units can be put back to the Funds in the Scheme at any time for purposes of permitted withdrawals (such as reaching the retirement age of 65 or significant financial hardship), transfer to another Fund within the Generate KiwiSaver Scheme or to a separate KiwiSaver Scheme at a value that is 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 (based on the redemption unit price) at the period end date if Members exercise their right to put the units back to the Funds.

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

### 2.15 Related parties

A party is related to the Scheme if:

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

## 3. Accounting estimates and judgements

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

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



## Notes to the Financial Statements

### 4. Derivatives

#### 4.1 Forward foreign currency contracts

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Forward exchange contracts (notional value in NZ\$)</b>								
Sell AUD/Buy NZD	512,850	593,920	11,721,035	7,521,800	22,881,665	12,180,385	34,915,350	20,295,105
Sell CNY/Buy NZD	-	-	9,477,970	-	18,598,795	-	28,174,765	-
Sell EUR/Buy NZD	-	-	5,117,030	1,806,460	9,785,415	3,851,080	14,602,445	5,457,540
Sell USD/Buy NZD	-	-	39,025,075	24,470,895	74,014,140	45,038,765	113,039,215	69,509,430
Sell NZD/Buy EUR	-	-	873,035	-	1,300,093	-	2,173,128	-
Sell NZD/Buy AUD	103,871	-	2,288,515	-	4,308,864	-	6,709,150	-
<b>Forward exchange contracts (fair value in NZ\$)</b>								
Sell AUD/Buy NZD	19,266	(31,139)	422,217	(338,893)	793,118	(554,208)	1,232,691	(922,240)
Sell CNY/Buy NZD	-	-	(214,085)	-	(394,717)	-	(608,802)	-
Sell EUR/Buy NZD	-	-	(24,771)	(66,819)	(46,888)	(135,050)	(71,659)	(201,859)
Sell USD/Buy NZD	-	-	(432,981)	(849,184)	(851,759)	(1,583,413)	(3,295,760)	(2,412,597)
Sell NZD/Buy EUR	-	-	12,719	-	28,521	-	39,340	-
Sell NZD/Buy AUD	(1,114)	-	(24,875)	-	(46,289)	-	(72,089)	-

### 5. Financial risk management

#### 5.1 Financial risk factors

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

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

The Scheme is exposed directly and indirectly to price risks through its holdings of equity and unit trust investments. The unlisted investments have underlying securities comprising primarily domestic, international equity instruments and fixed interest securities.

In addition to internal risk management carried out by the Manager, financial risk is also managed by the setting of an investment policy, agreed with and monitored by the Supervisor and set out in the SIPO. The Manager regularly reviews investment assets of the funds against Asset Allocation profiles of the SIPO together with the liquidity and concentration restrictions of the SIPO.

#### 5.1.1 Market risk

##### (a) Price risk

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

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

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

##### Sensitivity Analysis

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
10% increase in prices	3,290,490	2,202,240	19,340,243	10,851,448	30,223,925	15,360,978	52,854,658	28,214,565
10% decrease in prices	(3,290,490)	(2,202,240)	(19,340,243)	(10,851,448)	(30,223,925)	(15,360,978)	(52,854,658)	(28,214,565)

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



## Notes to the Financial Statements

### 5.1.1 Market risk (continued)

#### (b) Foreign exchange risk

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

The Scheme is also exposed to currency risk on non-monetary instruments through investments in equity securities and unit trusts.

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Monetary assets/(liabilities)</b>								
Australian Dollar (AUD)	(359,589)	431,922	(8,334,748)	(6,184,486)	(18,394,877)	(9,771,062)	(26,089,114)	(16,523,630)
Euro (EUR)	-	-	(4,217,461)	(1,806,460)	(8,436,687)	(3,651,080)	(12,854,148)	(6,467,540)
Great British Pound (GBP)	-	-	183,391	52,255	349,267	103,966	832,858	156,230
Hong Kong Dollar (HKD)	-	-	(1,879,258)	-	(2,802,080)	-	(4,481,308)	-
Chinese Yuan (CNY)	-	-	(9,606,658)	-	(16,932,505)	-	(26,539,063)	-
United States Dollar (USD)	3,024,117	1,160,777	(31,270,674)	(22,388,185)	(61,469,276)	(40,706,309)	(89,716,831)	(61,912,717)

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Monetary assets/(liabilities)</b>								
Increase of 10%	(242,221)	(146,608)	5,011,392	2,756,988	9,589,630	4,911,226	14,358,801	7,521,605
Decrease of 10%	286,048	179,189	(6,126,034)	(3,369,652)	(11,720,659)	(6,002,610)	(17,649,645)	(9,193,073)

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Non-monetary assets/(liabilities)</b>								
Australian Dollar (AUD)	783,685	1,221,159	50,019,236	32,303,990	98,716,900	56,646,488	149,519,821	90,171,637
Great British Pound (GBP)	-	-	24,857,055	14,866,958	48,271,850	28,967,179	73,128,905	43,833,137
Hong Kong Dollar (HKD)	-	-	11,631,521	-	20,690,149	-	32,321,670	-
United States Dollars (USD)	-	-	35,029,859	22,801,528	63,667,093	40,367,532	98,696,752	62,956,060

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Non-monetary assets/(liabilities)</b>								
Increase of 10%	(71,244)	(111,014)	(11,048,881)	(8,342,861)	(21,031,464)	(11,452,836)	(32,151,659)	(17,906,711)
Decrease of 10%	87,076	136,684	13,604,183	7,752,386	25,705,110	13,997,911	39,296,349	21,885,981



## Notes to the Financial Statements

### 5.1.1 Market risk (continued)

#### (c) Interest rate risk

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

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Cash and cash equivalents</b>								
On Call	9,321,059	7,086,323	20,733,809	13,752,789	34,299,351	19,538,673	64,364,219	40,357,764
<b>Fixed interest securities</b>								
Less than one year	8,830,425	6,160,006	1,001,387	2,833,313	-	-	7,631,792	8,993,319
1-2 years	8,323,610	5,111,023	2,828,025	787,367	-	-	11,151,635	5,878,390
2-5 years	57,829,012	32,691,201	37,711,367	16,481,739	-	-	95,340,379	49,472,940
Over 5 years	6,770,169	3,000,180	4,537,187	1,119,255	-	-	11,307,356	4,119,445
	79,363,216	47,282,410	46,077,946	21,201,894	-	-	126,431,162	68,464,094
<b>Floating interest securities</b>								
Less than one year	2,393,466	2,379,494	1,193,307	2,711,550	-	-	3,586,773	5,091,044
1-2 years	1,287,526	2,046,145	-	1,071,172	-	-	1,287,526	3,117,317
2-5 years	-	1,264,751	-	-	-	-	-	1,264,751
	3,680,992	5,680,390	1,193,307	3,782,722	-	-	4,844,299	9,483,112

#### (i) Cash flow sensitivity analysis

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

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Increase of 1%	93,211	70,863	207,338	137,528	342,994	195,387	643,542	403,678
Decrease of 1%	(93,211)	(70,863)	(207,338)	(137,528)	(342,994)	(195,387)	(643,542)	(403,678)

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

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Increase of 1%	(1,099,709)	(927,196)	(852,943)	(475,547)	-	-	(1,762,652)	(1,402,743)
Decrease of 1%	1,160,819	1,001,950	884,014	512,215	-	-	1,834,833	1,514,165

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



## Notes to the Financial Statements

### 5.1.2 Credit risk

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

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

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

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

As at 31 March 2018 there were no financial assets past due or impaired (31 March 2017: Nil).

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

\$ As at 31 March		Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
		2018	2017	2018	2017	2018	2017	2018	2017
<b>Cash and cash equivalents</b>									
ASB Bank Limited	AA-	8,287,055	-	9,938,794	-	15,495,435	-	32,701,284	-
ANZ Bank New Zealand Limited	AA-	-	4,948,855	-	10,444,729	-	12,845,704	-	28,237,288
BNP Paribas SA	A	3,054,004	2,119,459	10,795,015	3,308,040	17,803,016	6,692,959	31,652,935	12,120,468
		<b>9,321,059</b>	<b>7,068,324</b>	<b>20,733,809</b>	<b>13,752,769</b>	<b>34,298,351</b>	<b>19,538,673</b>	<b>64,354,219</b>	<b>40,357,766</b>
<b>Fixed Interest Securities</b>									
High Grade	AA+ / AA / AA-	48,065,977	22,518,067	27,079,799	9,200,142	-	-	73,135,876	31,716,209
Upper Medium Grade	A+ / A / A-	4,582,126	4,495,811	3,928,515	3,110,254	-	-	8,510,641	7,606,055
Lower Medium Grade	BBB+ / BBB / BBB-	21,384,783	15,055,878	9,340,717	7,402,582	-	-	30,725,500	23,458,540
Unrated	NR	10,981,422	9,874,044	5,822,222	5,271,348	-	-	17,803,644	15,145,392
<b>Total</b>		<b>83,004,208</b>	<b>52,942,800</b>	<b>47,271,253</b>	<b>24,984,406</b>	<b>-</b>	<b>-</b>	<b>130,275,461</b>	<b>77,927,206</b>

### 5.1.3 Liquidity risk

Liquidity risk represents the risk that the Scheme may not have the financial ability to meet its contractual obligations. The Scheme evaluates its liquidity requirements on an on-going basis and maintains an investment in cash and cash equivalents to cover the possibility of any member withdrawals.

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

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Debt securities</b>								
0-3 months	3,074,495	1,125,280	1,364,217	855,941	-	-	4,438,712	1,982,231
3-6 months	2,008,188	2,377,276	228,800	184,520	-	-	2,234,988	2,561,896
6-12 months	3,941,208	5,036,834	803,657	4,503,302	-	-	4,544,865	9,540,236
over 12 months	73,980,317	44,403,300	45,078,579	19,438,543	-	-	119,056,886	63,842,843
<b>Total</b>	<b>83,004,208</b>	<b>52,942,800</b>	<b>47,271,253</b>	<b>24,984,406</b>	<b>-</b>	<b>-</b>	<b>130,275,461</b>	<b>77,927,206</b>



## Notes to the Financial Statements

### 5.1.3 Liquidity risk (continued)

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Forward foreign exchange contracts								
0-3 months	1,114	31,139	898,180	1,252,897	1,350,486	2,262,871	2,049,770	3,536,707
Interest rate swaps over 12 months	-	360,663	-	177,822	-	-	-	538,485

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
0 - 3 months	-	222,117	-	109,513	-	-	-	331,630
3 - 6 months	-	(112,487)	-	(55,451)	-	-	-	(167,938)
6 - 12 months	-	105,232	-	51,884	-	-	-	157,116
1 - 2 years	-	120,474	-	59,399	-	-	-	179,873
2 - 5 years	-	142,355	-	70,187	-	-	-	212,542

The required cash outflow to settle the forward currency contracts which are in a liability position at each reporting date will be the fair value as at 31 March 2018 and 31 March 2017, if it was settled on that date. It is expected that the actual undiscounted cash flows will be different, given that the instrument is marked to market. All the open currency contracts which are in a loss position at 31 March 2018 mature within 3 months (31 March 2017: 3 months) after each reporting date.

### 5.2 Capital risk management

Net assets available to pay benefits are considered to be the Scheme's capital for the purposes of capital management not withstanding net assets available to pay benefits is classified as a liability for accounting. The Scheme does not have to comply with externally imposed capital requirements. The Scheme's objectives when managing capital are to ensure it meets all present and future obligations, and to maximise value for members. In order to meet its objectives for capital management the Scheme's management monitors the Scheme's performance on a regular basis. Compliance with investment management is also monitored by the Manager and the Supervisor. There have been no material breaches of these mandate limits during the period (2017: Nil).

### 5.3 Fair value estimation

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

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

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

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

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

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

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

## Notes to the Financial Statements

### 5.3 Fair value estimation (continued)

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Level 1</b>								
<i>Financial assets designated at fair value through profit or loss</i>								
Australasian listed equities	32,904,898	22,022,399	73,928,220	51,127,276	73,180,824	50,948,946	180,024,050	124,098,621
International equities	-	-	71,818,236	28,186,722	132,828,092	49,150,945	204,147,327	75,317,667
Fixed interest securities	2,880,141	22,326,740	1,420,107	12,211,217	-	-	4,300,248	34,537,957
<b>Total level 1 assets</b>	<b>35,785,037</b>	<b>44,349,139</b>	<b>145,866,562</b>	<b>89,806,215</b>	<b>208,820,026</b>	<b>100,099,891</b>	<b>388,471,625</b>	<b>233,954,245</b>
<b>Level 2</b>								
<i>Financial assets held for trading</i>								
Forward foreign exchange contracts	19,398	-	433,602	-	820,733	-	1,273,691	-
<i>Financial assets designated at fair value through profit or loss</i>								
Unlisted unit trusts	-	-	47,955,973	29,220,484	96,419,221	53,509,885	144,375,194	82,730,369
Fixed interest securities	80,124,087	30,816,060	45,851,148	12,773,189	-	-	125,976,213	43,389,249
<b>Total level 2 assets</b>	<b>80,143,423</b>	<b>30,816,060</b>	<b>94,240,721</b>	<b>41,993,673</b>	<b>97,239,954</b>	<b>53,509,885</b>	<b>271,824,098</b>	<b>126,119,618</b>
<b>Level 2 Liabilities</b>								
<i>Financial liabilities held for trading</i>								
Forward foreign exchange contracts	1,114	31,139	698,180	1,252,897	1,350,498	2,252,671	2,049,770	3,536,707
Interest rate swaps	-	360,653	-	177,822	-	-	-	538,485
<b>Total level 2 liabilities</b>	<b>1,114</b>	<b>391,802</b>	<b>698,180</b>	<b>1,430,719</b>	<b>1,350,498</b>	<b>2,252,671</b>	<b>2,049,770</b>	<b>4,075,192</b>

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

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

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

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

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

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

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

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



## Notes to the Financial Statements

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

#### 6.1 Financial asset and liabilities classification

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Financial assets held for trading</b>								
Forward foreign exchange contracts	19,366	-	433,602	-	820,733	-	1,273,691	-
<b>Total financial assets held for trading</b>	<b>19,366</b>	<b>-</b>	<b>433,602</b>	<b>-</b>	<b>820,733</b>	<b>-</b>	<b>1,273,691</b>	<b>-</b>
<b>Designated at fair value through profit or loss at inception</b>								
Fixed interest securities								
Australasian listed equities	83,004,208	52,942,800	47,271,253	24,984,406	-	-	130,275,461	77,927,206
International listed equities	32,904,898	22,022,399	73,928,220	51,127,276	73,190,934	50,948,946	180,024,050	124,098,621
Unlisted unit trusts	-	-	71,819,235	25,166,722	132,829,092	49,150,945	204,147,327	75,317,657
	-	-	47,955,973	29,220,484	96,418,221	53,609,885	144,375,194	82,730,389
<b>Total designated at fair value through profit or loss at inception</b>	<b>116,909,104</b>	<b>74,965,199</b>	<b>240,573,881</b>	<b>131,498,888</b>	<b>302,239,247</b>	<b>153,609,776</b>	<b>658,822,032</b>	<b>380,073,863</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>116,928,460</b>	<b>74,965,199</b>	<b>241,107,283</b>	<b>131,498,888</b>	<b>303,069,980</b>	<b>153,609,776</b>	<b>660,095,723</b>	<b>380,073,863</b>
<b>Financial liabilities held for trading</b>								
Forward foreign exchange contracts	1,114	31,139	698,180	1,252,897	1,360,496	2,252,671	2,049,770	3,536,707
Interest rate swaps	-	360,863	-	177,622	-	-	-	538,485
<b>Total financial liabilities at fair value through profit or loss</b>	<b>1,114</b>	<b>391,802</b>	<b>698,180</b>	<b>1,430,719</b>	<b>1,360,496</b>	<b>2,252,671</b>	<b>2,049,770</b>	<b>4,075,192</b>
<b>\$ For the period ended 31 March</b>								
<b>Net gains on financial assets and liabilities at fair value through profit or loss</b>								
Net gains and losses on financial assets and liabilities held for trading	40,999	(377,381)	1,126,323	(417,206)	2,012,180	194,603	3,179,482	(599,984)
Net gains and losses on financial assets and liabilities designated at fair value through profit or loss at inception	2,098,974	(659,130)	15,062,280	4,896,084	23,846,073	8,949,700	40,807,427	13,186,854
<b>Total gains/(losses) on financial assets at fair value through profit or loss</b>	<b>2,139,973</b>	<b>(1,036,511)</b>	<b>16,188,703</b>	<b>4,478,878</b>	<b>25,858,233</b>	<b>9,144,303</b>	<b>43,986,909</b>	<b>12,586,870</b>

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

As at 31 March 2018	Conservative Fund		Growth Fund		Focused Growth Fund	
	\$	%	\$	%	\$	%
Berkshire Hathaway Inc	-	-	16,907,698	6.58%	31,979,293	9.74%
Infratil Limited	7,178,893	5.76%	16,683,280	6.49%	-	-
Jupiter European Opportunities Trust PLC	-	-	-	-	16,554,751	5.04%
Magellan Global Fund	-	-	14,412,119	5.61%	30,435,648	9.27%
Platinum International Fund	-	-	16,477,499	6.41%	33,860,447	10.31%
T Rowe Price Global Equity Fund	-	-	17,088,355	6.64%	32,133,126	9.78%
Worldwide Healthcare Trust PLC	-	-	-	-	16,884,370	5.08%
<b>As at 31 March 2017</b>						
Berkshire Hathaway Inc	-	-	11,300,764	7.85%	20,183,786	11.82%
Infratil Limited	4,556,074	5.58%	9,731,386	6.76%	10,817,377	6.22%
Magellan Global Fund	-	-	9,708,133	6.75%	17,726,931	10.39%
Platinum International Fund	-	-	9,760,813	6.78%	17,846,842	10.45%
Polar Capital Technology Trust PLC	-	-	-	-	10,387,007	6.09%
T Rowe Price Global Equity Fund	-	-	9,751,538	6.78%	17,937,412	10.51%
Worldwide Healthcare Trust PLC	-	-	-	-	10,059,659	5.89%



## Notes to the Financial Statements

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

As at 31 March 2018	Conservative Fund		Growth Fund		Focused Growth Fund	
	\$	%	\$	%	\$	%
<b>Australasian listed equities</b>						
Arvida Group Limited	4,734,148	14.39%	9,461,478	12.80%	11,823,621	16.16%
Contact Energy Limited	2,677,839	7.83%	8,820,895	7.87%	8,200,471	8.47%
Infratil Limited	7,178,893	21.82%	16,893,280	22.58%	14,822,195	20.27%
Motifcare Limited	2,939,754	8.93%	7,188,620	9.72%	6,997,922	9.56%
Summerset Group Holdings Limited	2,838,469	8.62%	6,384,101	8.50%	6,810,851	9.03%
Z Energy Limited	3,788,826	11.41%	8,089,166	10.90%	7,833,877	10.43%
<b>International equities, international unit trusts and listed investment companies</b>						
Alibaba Group Holding	-	-	7,123,815	9.56%	12,339,465	5.39%
Berkshire Hathaway Inc	-	-	16,807,686	14.15%	31,079,293	13.96%
Jupiter European Opportunities Trust PLC	-	-	8,277,856	6.93%	16,854,751	7.23%
Magellan Global Fund	-	-	14,412,119	12.08%	30,438,848	13.29%
Ping An Insurance Group	-	-	6,730,148	5.83%	11,992,789	5.06%
Platinum International Fund	-	-	16,477,499	13.79%	33,880,447	14.78%
Polar Capital Technology Trust PLC	-	-	8,160,146	6.82%	18,022,729	6.66%
T Rowe Price Global Equity Fund	-	-	17,066,365	14.28%	32,133,126	14.03%
Worldwide Healthcare Trust PLC	-	-	8,429,054	7.06%	16,684,370	7.28%
<b>As at 31 March 2017</b>						
<b>Australasian listed equities</b>						
Arvida Group Limited	2,207,802	10.03%	4,613,881	9.02%	5,613,688	11.02%
Contact Energy Limited	2,231,546	10.13%	4,977,735	9.74%	6,748,373	11.28%
Infratil Limited	4,556,074	20.69%	9,731,386	19.03%	10,617,377	20.84%
Motifcare Limited	1,767,220	7.98%	4,114,217	8.05%	3,783,863	7.39%
New Zealand Refining Limited	1,628,733	6.95%	3,027,439	5.92%	3,317,703	6.51%
Ryman Healthcare Limited	2,191,086	9.90%	5,723,501	11.19%	4,756,133	9.34%
Summerset Group Holdings Limited	1,159,207	5.28%	2,746,358	5.37%	2,888,879	5.22%
Z Energy Limited	2,067,559	9.39%	5,022,600	9.82%	4,884,147	9.15%
<b>International equities, international unit trusts and listed investment companies</b>						
Berkshire Hathaway Inc	-	-	11,300,784	20.40%	20,183,766	19.66%
Jupiter European Opportunities Trust PLC	-	-	4,215,728	7.61%	8,520,613	8.30%
Magellan Global Fund	-	-	9,708,133	17.53%	17,726,931	17.27%
Platinum International Fund	-	-	9,760,813	17.62%	17,848,642	17.38%
Polar Capital Technology Trust PLC	-	-	5,380,332	9.71%	10,387,007	10.12%
T Rowe Price Global Equity Fund	-	-	9,781,539	17.61%	17,927,412	17.47%
Worldwide Healthcare Trust PLC	-	-	5,269,899	9.51%	10,059,659	9.80%
<b>NZ Fixed Interest</b>						
Fonterra Cooperative Group 4.33% 20 Oct 21	-	-	1,351,961	6.41%	-	-
Kiwi Income Property Trust 6.16% 20 Aug 21	3,664,418	6.92%	1,890,280	6.37%	-	-
Rabobank Nederland New Zealand FRN 08 Oct 37	-	-	2,711,650	10.86%	-	-

## Notes to the Financial Statements

### 7. Financial instruments by category

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Assets at fair value through profit and loss</b>								
Financial assets at fair value through profit or loss	115,928,460	74,965,199	241,107,283	131,498,888	303,069,980	153,609,776	660,095,723	360,073,853
<b>Loans and receivables</b>								
Cash and cash equivalents	9,321,059	7,085,323	20,733,809	13,762,788	34,289,351	19,538,673	64,354,219	40,367,764
Trade and other receivables	578,218	504,436	1,586,244	459,560	2,102,877	360,427	4,267,039	1,324,422
<b>Total loans and receivables</b>	<b>9,899,277</b>	<b>7,570,759</b>	<b>22,320,053</b>	<b>14,212,328</b>	<b>36,401,928</b>	<b>19,899,100</b>	<b>68,621,258</b>	<b>41,682,186</b>
<b>Total financial assets</b>	<b>125,827,737</b>	<b>82,535,957</b>	<b>263,427,336</b>	<b>145,711,216</b>	<b>339,461,908</b>	<b>173,508,876</b>	<b>728,716,981</b>	<b>401,756,049</b>

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Liabilities at fair value through profit and loss</b>								
Financial liabilities at fair value through profit or loss	1,114	391,802	699,160	1,430,719	1,360,498	2,252,671	2,049,770	4,076,192
<b>Other financial liabilities at amortised cost</b>								
Benefits payable	173,299	2,070	197,373	449	135,978	34,814	605,650	37,333
Trade and other payables	464,238	38,840	4,010,578	46,504	7,619,990	21,446	12,094,802	106,790
Trade and other payables to related parties	102,666	72,140	214,293	126,560	274,137	151,391	690,976	350,091
<b>Total other financial liabilities at amortised cost</b>	<b>739,080</b>	<b>113,050</b>	<b>4,422,243</b>	<b>173,513</b>	<b>8,030,105</b>	<b>207,651</b>	<b>13,191,427</b>	<b>494,214</b>
<b>Total financial liabilities</b>	<b>740,194</b>	<b>504,852</b>	<b>5,120,402</b>	<b>1,604,232</b>	<b>9,390,601</b>	<b>2,460,322</b>	<b>15,241,197</b>	<b>4,569,406</b>

### 8. Trade and other receivables

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Due from brokers	-	103,116	799,657	195,928	982,613	185,667	1,742,070	484,731
Dividends receivable	73,854	16,110	184,730	39,303	173,587	28,333	411,261	83,746
Interest receivable	6,796	17,253	5,038	19,715	1,641	-	13,474	36,668
Contributions receivable	467,669	367,956	627,019	204,614	975,666	146,407	2,100,244	719,677
<b>Total trade and other receivables</b>	<b>578,218</b>	<b>504,436</b>	<b>1,586,244</b>	<b>459,560</b>	<b>2,102,877</b>	<b>360,427</b>	<b>4,267,039</b>	<b>1,324,422</b>

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

### 9. Trade and other payables

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Due to brokers	444,754	25,214	3,975,971	26,186	7,580,939	-	12,001,654	51,399
General expenses payable	19,482	13,626	34,806	20,319	39,081	21,446	93,149	55,391
<b>Total trade and other payables</b>	<b>464,238</b>	<b>38,840</b>	<b>4,010,578</b>	<b>46,504</b>	<b>7,619,990</b>	<b>21,446</b>	<b>12,094,802</b>	<b>106,790</b>

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



## Notes to the Financial Statements

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Management fees payable	97,408	58,130	203,858	119,526	280,404	142,076	561,370	330,832
Supervisory fees payable	5,137	4,010	10,736	7,034	13,733	8,415	29,806	19,459
<b>Total trade and other payables to related parties</b>	<b>102,545</b>	<b>72,140</b>	<b>214,293</b>	<b>126,560</b>	<b>274,137</b>	<b>151,391</b>	<b>590,976</b>	<b>350,091</b>

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

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

\$ For the period ended 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Net profit before membership activities	5,082,745	829,700	20,495,541	6,611,322	28,706,800	11,453,072	56,284,088	18,894,094
<b>Adjustments for non cash items:</b>								
Unrealised changes in the fair value of financial instruments	(2,080,215)	1,088,864	(14,671,408)	(3,824,601)	(24,076,131)	(8,448,003)	(40,809,765)	(11,203,640)
Unrealised foreign exchange (losses)/gains on cash at bank	(153,594)	(49,138)	(475,520)	(16,737)	(527,898)	16,814	(1,157,002)	(48,961)
Management fee rebates re-invested	-	-	(207,319)	(59,518)	(388,743)	(117,884)	(596,082)	(177,502)
Dividends re-invested	-	-	(933,074)	(881,159)	(1,710,888)	(1,906,880)	(2,643,892)	(2,788,149)
<b>Total adjustments for non cash items</b>	<b>(2,213,799)</b>	<b>1,019,726</b>	<b>(18,287,322)</b>	<b>(4,781,915)</b>	<b>(28,702,860)</b>	<b>(10,456,063)</b>	<b>(46,203,791)</b>	<b>(14,218,252)</b>
<b>Movements in working capital items:</b>								
(Increase)/decrease in cost of investments	(38,771,079)	(45,749,504)	(9,172,895)	(87,244,434)	(117,283,814)	(68,897,623)	(247,307,597)	(181,691,561)
(Increase)/decrease in trade and other receivables	(47,286)	(504,435)	(110,750)	(459,560)	(146,975)	(360,427)	(304,011)	(1,324,422)
(Decrease)/increase in trade and other payables	36,261	(128,554)	102,019	(332,136)	140,361	62,257	278,641	(398,533)
<b>Net cash flow from working capital items</b>	<b>(38,782,103)</b>	<b>(46,382,593)</b>	<b>(9,181,626)</b>	<b>(89,036,130)</b>	<b>(117,289,228)</b>	<b>(68,995,793)</b>	<b>(247,332,957)</b>	<b>(183,414,516)</b>
<b>Net cash outflow from operating activities</b>	<b>(35,913,157)</b>	<b>(44,533,187)</b>	<b>(86,973,407)</b>	<b>(86,206,723)</b>	<b>(114,366,088)</b>	<b>(67,998,784)</b>	<b>(237,252,852)</b>	<b>(178,736,674)</b>

### 12. Related parties

#### 12.1 Manager and Supervisor

The Manager of the Scheme is GIML. The Manager is entitled to a management fee from the Scheme of 1% of funds under management. The Management fee accrued to the Manager for the period ended 31 March 2018 totalled \$6,546,873 (2017: \$2,884,646). The amount accrued but unpaid as at 31 March 2018 was \$561,370 (2017: \$330,632).

The Manager also retains part of the monthly Administration Fee charged to members. The remainder is paid out to the Administrator of the Scheme. The total Administration Fee accrued for the period ended 31 March 2018 totalled \$1,328,097 (2017: \$987,187), \$130,032 of administration fees were accrued but unpaid as at 31 March 2018, this amount is included within withdrawals payable (31 March 2017: nil).

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

The Scheme has paid to the Manager the Supervisor Fee and Expenses. The amount paid and accrued for the period ended 31 March 2018 for the Supervisor Fees totalled \$308,547 (2017: \$172,399) and for general expenses \$928,284 (2017: \$468,125). The amount accrued but unpaid as at 31 March 2018 for Supervisor Fees was \$29,806 (2017: \$19,459) and for general expenses \$93,147 (2017: \$55,391).

GIML has paid Scheme expenses for the period ended 31 March 2018 and 31 March 2017. These comprise:

- Audit fees of \$38,928 comprising audit fee of \$38,800 (2017: \$38,225) and \$2,128 for other assurance services (2017: \$2,128)
- Supervisor fees and other expenses of \$806,161 (2017: \$527,888)
- Legal expenses of \$25,792 (2017: \$66,834)

During the period to 31 March 2018, the scheme received compensation payments totalling \$3,992 (period ended 31 March 2017: \$21,948).

No amounts have been paid by the Scheme to the Directors in their capacity as Directors of the Manager.



## Notes to the Financial Statements

### 12.2 Directors' Interest

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Balance of Holdings as at 31 March	187,853	85,024	378,539	180,944	382,478	187,303	946,870	433,271

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

\$ For the period ended 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Purchases	104,800	50,798	198,850	110,832	210,480	115,450	522,500	277,080

All Directors of the Manager (GIML) who are eligible to invest in the Schemes, are members of the Schemes. The following table shows the balance of their holdings at the reporting date:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Balance of Holdings	-	-	-	-	230,423	178,160	230,423	178,160

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

### 13. Contingent liabilities

There were no contingent liabilities as at 31 March 2018 (31 March 2017: none).

### 14. Capital commitments

There were no capital commitments as at 31 March 2018 (31 March 2017: none).

### 15. Events after reporting date

There have been no events subsequent to reporting date that require adjustment to, or disclosure of, in these Financial Statements (31 March 2017: none).



# Independent Auditor's Report

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## To the Members of Generate KiwiSaver Scheme

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Generate KiwiSaver Scheme (the "Scheme") on pages 3 to 20 which comprise the statements of net assets as at 31 March 2018, and the statements of changes in net assets and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Scheme as at 31 March 2018 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Audit and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

#### Other Information

The Manager is responsible for the other information. The other information comprises the Manager's Statement but does not include the financial statement and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If,

based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

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

The Manager is responsible on behalf of the Scheme for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

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

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

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



**K Price**

Partner

**Auckland**

**16 July 2018**