

Milford KiwiSaver Plan
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 Milford KiwiSaver Plan as at 31 March 2018 and the results for the year ended on that date in accordance with the requirements of the Milford KiwiSaver Plan Trust Deed dated 1 August 2016 which replaced the original Milford KiwiSaver Plan Master Trust Deed dated 19 September 2012.

The Directors are of the opinion that the Milford KiwiSaver Plan will be able to pay its debts as and when they fall due.

Director



Milford Funds Limited

Date

26 July 2018

Additional Member Information

Notice of Trust Deed Amendment

Under clause 32.1 of the Trust Deed governing the Milford KiwiSaver Plan and the Kiwsaver Act 2006, the Manager, Milford Funds Limited, is required to advise members in summary form of any amendments to the Trust Deed.

With effect from 1 August 2016, the original Trust Deed and each of the existing Conditions of Establishment were amended to comply with the Financial Markets Conduct Act 2013.

Statements of Changes in Net Assets

\$ thousands		Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
For the year ended 31 March		2018	2017	2018	2017	2018	2017	2018	2017
	Note								
Income									
Interest income		20	11	105	74	161	41	286	126
Dividend and distribution income		1,029	753	853	712	-	-	1,882	1,465
Foreign exchange gains/(losses)		-	-	7	2	-	-	7	2
Net changes in fair value of financial instruments	6.3	1,186	1,162	13,548	10,233	106,284	49,677	119,062	60,355
Total income		2,235	1,926	14,513	11,021	106,445	49,718	121,237	61,948
Expenses									
Manager's fee	8	12	5	945	666	7,990	5,707	8,947	6,378
Performance fees	8	-	-	-	-	4,100	-	4,100	-
Transaction costs		-	-	26	39	-	-	26	39
Total expenses		12	5	971	705	12,090	5,707	13,073	6,417
Net profit before membership activities		2,223	1,921	13,542	10,316	94,355	44,011	108,164	55,531
Contributions									
Member contributions		2,177	1,646	9,355	6,795	43,777	33,551	55,309	41,992
Employer contributions		1,185	915	5,028	3,823	22,921	18,158	29,134	22,896
Crown contributions		315	228	1,259	921	5,899	4,659	7,473	5,808
Transfers from other Funds in the Plan		14,285	9,574	11,841	5,306	9,187	6,599	-	-
Transfers from other KiwiSaver schemes		5,191	5,596	25,927	29,257	80,854	85,681	104,780	117,420
Transfers from other superannuation schemes		8	59	700	758	955	1,446	1,663	2,263
Lump sum contributions		2,548	2,045	8,279	5,321	29,918	27,316	40,745	34,682
Other voluntary contributions		139	132	809	728	3,699	3,700	4,647	4,560
Other income		5	7	16	28	81	135	102	170
		25,853	20,202	63,214	52,937	197,291	181,245	243,853	229,791
Withdrawals									
Transfers to other Funds in the Plan		7,741	4,700	9,354	4,652	18,218	12,127	-	-
Transfers to other KiwiSaver schemes		1,040	883	1,601	1,136	9,363	4,876	12,004	6,895
Member attributed taxation		429	370	1,455	1,138	5,066	315	6,950	1,823
Registry fees	8	33	25	117	87	564	457	714	569
Withdrawals on death		-	37	83	138	6,517	526	6,600	701
Withdrawals or transfers on permanent emigration		49	7	109	91	528	117	686	215
Invalid enrolment withdrawals		-	-	-	-	1	-	1	-
Member eligible withdrawals		1,972	1,888	4,872	2,370	10,153	7,670	16,997	11,928
Serious illness withdrawals		-	-	38	132	799	85	837	217
First home purchase withdrawals		616	815	666	453	5,241	3,745	6,523	5,013
Significant financial hardship withdrawals		19	11	52	44	375	249	446	304
Paid under other enactments		-	-	-	-	54	-	54	-
		11,899	8,736	18,347	10,241	56,879	30,167	51,812	27,665
Net membership activities		13,954	11,466	44,867	42,696	140,412	151,078	192,041	202,126
Members' accounts at the start of the year		34,498	21,111	139,720	86,708	641,695	446,606	804,819	547,162
Movements in members' accounts for the year		16,177	13,387	58,409	53,012	234,767	195,089	300,205	257,657
Members' accounts at the end of the year		50,675	34,498	198,129	139,720	876,462	641,695	1,105,024	804,819

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

Statements of Net Assets

\$ thousands As at 31 March	Note	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
		2018	2017	2018	2017	2018	2017	2018	2017
Members' Funds	5.2	50,675	34,498	198,129	139,720	876,462	641,695	1,105,024	804,819
Represented by:									
Assets									
Cash and cash equivalents		1,888	472	1,909	5,834	7,560	1,181	11,357	7,487
Trade and other receivables	9	110	221	2,923	1,274	1,229	985	4,262	2,480
Financial assets at fair value through profit or loss	6.1	49,113	34,144	195,115	133,957	877,636	640,952	1,101,622	797,959
Member attributed taxation		1	-	-	-	7	249	8	249
Total assets		51,112	34,837	199,947	141,065	886,432	643,367	1,117,249	808,175
Liabilities									
Trade and other payables	10	61	10	58	21	202	563	321	594
Trade and other payables to related parties	11	2	1	80	67	4,833	564	4,915	632
Financial liabilities at fair value through profit or loss	6.2	-	-	288	159	-	-	288	159
Member attributed taxation		374	328	1,392	1,098	4,935	545	6,701	1,971
Total liabilities		437	339	1,818	1,345	9,970	1,672	12,225	3,356
Net assets available for benefits		50,675	34,498	198,129	139,720	876,462	641,695	1,105,024	804,819

These Financial Statements were authorised for issue by the Manager, Milford Funds Limited.

Director



Date

26/7/18

Director



Date

26/7/18

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

Statements of Cash Flows

\$ thousands For the year ended 31 March	Note	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
		2018	2017	2018	2017	2018	2017	2018	2017
Cash flows from operating activities									
Cash was provided from:									
Sale of investments		1,250	1,426	196,802	98,364	5,000	1,000	203,052	100,790
Interest received		18	11	109	66	152	43	279	120
Dividend and distribution income		-	-	227	509	-	-	227	509
Cash was applied to:									
Purchase of investments		(14,004)	(13,100)	(245,190)	(136,380)	(135,400)	(146,403)	(387,402)	(292,769)
Payment to suppliers		(11)	(5)	(954)	(682)	(7,821)	(5,533)	(8,786)	(6,220)
Net cash outflow from operating activities	12	(12,747)	(11,668)	(49,006)	(38,123)	(138,069)	(150,893)	(192,630)	(197,570)
Cash flows from financing activities									
Cash was provided from:									
Contributions		25,966	20,144	63,088	52,211	197,056	180,819	243,605	228,581
Cash was applied to:									
Withdrawals		(11,803)	(8,546)	(18,016)	(9,766)	(52,608)	(30,796)	(47,114)	(27,629)
Net cash inflow from financing activities		14,163	11,598	45,072	42,445	144,448	150,023	196,491	200,952
Net increase/(decrease) in cash and cash equivalents		1,416	(70)	(3,934)	4,322	6,379	(870)	3,861	3,382
Cash at the beginning of the year		472	542	5,834	1,515	1,181	2,051	7,487	4,108
Effect of exchange rate fluctuations		-	-	9	(3)	-	-	9	(3)
Cash and cash equivalents at the end of the year		1,888	472	1,909	5,834	7,560	1,181	11,357	7,487

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

The reporting entity is the Milford KiwiSaver Plan ("the Plan"). The Plan is made up of three funds ("the Funds"):

- Milford KiwiSaver Conservative Fund ("Conservative Fund")
- Milford KiwiSaver Balanced Fund ("Balanced Fund")
- Milford KiwiSaver Active Growth Fund ("Active Growth Fund").

The Manager of the Plan is Milford Funds Limited ("the Manager") and the Supervisor of the Plan is Trustees Executors Limited ("the Supervisor"). The Plan is registered and domiciled in New Zealand. The registered office of the Plan is Level 17, 41 Shortland Street, PO Box 960, Auckland.

The Plan is a defined contribution scheme under the KiwiSaver Act 2006, which means that members contribute to the Plan over time and benefits payable depend on the amount of contributions made and any returns on contributions received. The Plan is also registered as a Managed Investment Scheme in accordance with the Financial Markets Conduct Act 2013.

The Plan commenced on 1 April 2010 under the Trust Deed dated 19 March 2010.

The financial statements cover the year ended 31 March 2018 and the comparatives cover the year ended 31 March 2017. The Trust Deed of the Plan and the Establishment Deeds for each of the Funds have been amended and restated effective 1 August 2016 to be in compliance with the Financial Markets Conduct Act 2013.

The principal activities of the Funds are described below:

- The Conservative Fund holds a diversified mix of income-oriented investments which may be augmented with growth assets, and takes an active approach to sector and security selection. The Conservative Fund may gain this exposure by investing directly or into Milford Unit Trust PIE Funds, externally managed funds, or the Milford Wholesale Funds (refer 8.3). As at 31 March 2018 the Conservative Fund invests primarily into the Milford Conservative Fund. The Conservative Fund may use derivative products, short-sell securities and utilise leverage and active currency management.
- The Balanced Fund actively invests in a diversified mix of investments including New Zealand equities and fixed interest securities, global equities and fixed interest securities, unlisted equities, unit trusts and managed funds. These investments may be held directly or indirectly through pooled funds. The Fund is actively managed in terms of sector weightings. The Fund may gain this exposure through investing directly or into Milford Unit Trust PIE Funds, the Milford KiwiSaver Active Growth Fund, externally managed funds or one or more of the Milford Wholesale Funds (refer 8.3). The Fund may use derivative products, short-sell securities and utilise leverage and active currency management.
- The Active Growth Fund is actively managed and invests in New Zealand, Australian and global listed and unlisted entities and unit trusts, cash and fixed interest securities. The Fund may gain this exposure through investing directly or into the Milford Wholesale Funds. The Fund invests primarily into the Milford Active Growth Wholesale Fund (refer 8.3). The Fund may borrow up to 25% of the value of the Fund, use derivative products, short-sell securities and utilise leverage and active currency management.

Statutory base

The Milford KiwiSaver Plan is registered under the Financial Markets Conduct Act 2013 (FMC Act) as a KiwiSaver Scheme. The Plan is a trust vehicle governed by a Trust Deed dated 1 August 2016.

2. Summary of accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for for-profit entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial assets at fair value through profit or loss. The methods used to measure fair values are discussed in Note 2.2 (c). The accrual basis of accounting has been applied, as has the going concern assumption.

The results, positions and cash flows reported for the Plan are prepared on a consolidated basis, with the elimination of interfund transactions and balances.

The Plan has adopted the following amended standards in preparing the financial statements for the year ended 31 March 2018:

Amendments to NZ IAS 7, 'Statement of Cash Flows' became effective for annual periods beginning on or after 1 January 2017. Upon adopting the new amendment for the year commencing 1 April 2017, the Manager reviewed the Funds' financial statements and considered the existing financial statement presentation and disclosures to address the requirements arising from the amendments to NZ IAS 7 and, therefore, no material impact resulted for the financial statements.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2017 that have a material effect on the financial statements of the Plan.

Notes to the Financial Statements

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 Plan:

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.

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.

On adoption of NZ IFRS 9, the Plan's equity instruments including listed and unlisted equities, listed and unlisted funds and unit trusts are held for purpose of trading by the Plan. The Plan intends to classify the equity instruments as financial assets measured at fair value through profit or loss. The derivative financial assets will be held as financial assets measured at fair value through profit or loss as established in NZ IFRS 9. Debt instruments, such as bonds are subject to a fair valuation methodology; marked to market whether by a valuation methodology or a quoted yield/price and managed and reported to clients on a fair value basis. The investment portfolios are actively managed either by the Manager or by external managers on behalf of the Plan and the performances are evaluated against a benchmark index. The Plan is primarily focused on the returns generated by these investments on a fair value basis. Subscriptions and redemptions into the Plan are based on the fair value of the Plan. The collection of contractual cash flows for these types of debt securities is only incidental to achieving the Plan's business model's objective. Therefore, the Manager intends to classify these type of debt instruments as financial assets measured at fair value through profit or loss. Classification is also consistent with the classification under NZ IAS 39.

Debt instruments, such as term deposits and other financial assets, such as cash and cash equivalents and trade and other receivables, where the business model is held for collection only; the contractual terms only give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Further the "hold to collect" model will be applied for these financial assets due to the following: collection of contractual cash flows is not incidental, there's no intention to sell these assets and they are used to effectively manage cash reserves. On this basis, the fair value option will not be applied. These "hold to collect" financial assets will continue to be measured at amortised cost, with no material impact expected from application of the new impairment model.

Derivatives in a liability position and investments sold short will be classified as financial liabilities measured at fair value through profit or loss. Trade and other payables will be classified as financial liabilities measured at amortised cost.

As a result, the adoption of NZ IFRS 9 is not expected to have a material impact on the Plan's financial statements.

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

2.2 Financial instruments

(a) Classification

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

The Plan classifies its investment in equities, Portfolio Investment Entities ("PIEs") and international managed funds as designated financial assets at fair value through profit or loss at initial recognition. Transaction costs are recognised and charged to the Statement of Changes in Net Assets. The financial assets can be classified as such, as the Plan manages its investments and make purchase and sale decisions based on their fair value and in accordance with their investment strategy.

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, equity index futures, equity index options and bond options. The use of these contracts by the Plan is primarily for the risk management of their investments.

(b) Recognition

Purchases and sales of investments are recognised on the trade date, the date on which the Fund commits to purchase or sell the investment.

(c) Measurement

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are recognised in the Statement of Changes in Net Assets when they arise. Interest and dividend income are separately recognised in the Statement of Changes in Net Assets.

(d) Fair value estimation

'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 Plan 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 is based on their quoted market prices at the balance date without any deduction for estimated future selling costs. Financial assets and liabilities are priced at last traded price. Where the last sale price falls outside of the bid-ask spread for a particular stock, bid price will be used to value the investment.

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 balance 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.

Fair value classifications of the Fund's financial assets and liabilities are detailed in Notes 6 and 7.

Notes to the Financial Statements

Fair value of forward foreign exchange contracts

Forward foreign exchange contracts are primarily used by the Plan to economically hedge against foreign currency exchange rate risks on its non-New Zealand dollar denominated trading securities. The Plan agrees to receive or deliver a fixed quantity of foreign currency for an agreed price on an agreed future date. The fair value of forward foreign exchange contracts is determined using valuation techniques based on spot exchange rates and forward points supplied by WM/Reuters. The Plan recognises a gain or loss equal to the change in fair value at the balance date.

Fair value of futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market. The fair value of futures contracts is based on quoted market prices at balance date.

Fair value of options

Options are contractual arrangements under which the seller (writer) grants the purchaser (holder) the right but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or financial instruments at a predetermined price. The option contracts are collateralised by cash or marketable securities. When the Plan purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Plan writes an option, an amount equal to fair value which is based on the premium received by the Plan is recorded as a liability. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognised as a gain or loss and is presented in the Statement of Changes in Net Assets within other net changes in fair value of financial assets and liabilities at fair value through profit or loss. The fair value of option contracts is based on quoted market prices at balance date.

(e) Derecognition

Financial assets are derecognised upon maturity or disposal of the asset. Any gain or loss arising on derecognition of the asset is included in the Statement of Changes in Net Assets in the year the item is derecognised. Gains or losses are calculated as the difference between the disposal proceeds and the carrying amount of the item.

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 short term deposits 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 Plan'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 Plan'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 Manager pays audit, supervisory, custody and administration expenses from the management fee charged to the Funds. The management fee is calculated on a daily basis based on the net asset value of the Plan and paid monthly. Performance fees are calculated and accrued daily if applicable and paid annually. Refer to Note 8.1 for further details. 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, or non-current assets if maturities are greater than 12 months. The Plan'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. Sales of securities and investments which are unsettled at balance 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 balance date and accrued expenses owing by the Plan which are unpaid at balance 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 Plan 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 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 Plan 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.

2.12 Foreign currencies

(a) *Functional and presentation currency*

These financial statements are presented in New Zealand dollars (\$), which is the Plan's functional currency, on the basis that the Plan's investors are mainly based in New Zealand, with the contributions and withdrawals denominated in New Zealand dollars. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

(b) *Transactions and balances*

Transactions denominated in foreign currencies are recognised at the exchange rates on the date of the transactions. Assets and liabilities as at balance 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 Plan's assets other than fair value through profit or loss are reviewed at each balance 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.

2.14 Net assets attributable to members

The net assets attributable to members represents the liability for promised retirement benefits and are measured at amortised cost. The Funds issue units that are redeemable at the Members' option and do not have identical features and are therefore classified as financial liabilities. Units are redeemed for the purpose of permitted withdrawals (such as reaching the retirement age of 65 or enduring significant hardship), transferred to another Fund within the Plan 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 redeem 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 nor other funds within the Plan. The Trust Deed also stipulates that assets held for a Fund of the Plan shall not be made available to meet the liabilities incurred in relation to any other Fund of the Plan. The Funds' net asset value is calculated by dividing the net assets attributable to all holders of units in the Fund by the total number of units on issue of each Fund.

2.15 Related parties

A party is related to the Plan if:

- (a) directly or indirectly through one or more of its intermediaries, it controls, is controlled by, or is under common control with, the Plan;
- (b) it is a parent, subsidiary or fellow subsidiary of a party defined in Note 1; or
- (c) it has an interest in or relationship with the Plan that gives it significant influence over the Plan; or
- (d) the Plan has an interest in or relationship with the party that gives it significant influence over the party; or
- (e) they are a member of the Manager's key management personnel.

2.16 Changes in accounting policies

The Plan has consistently applied the accounting policies to all periods presented in these Financial Statements.

2.17 Restatement of comparatives

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

Notes to the Financial Statements

3. Accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Plan'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 year end. However as with all investments, their value is subject to variation due to market fluctuations.

The Manager has used judgement in the categorisation of its financial assets and liabilities at fair value through profit or loss in accordance with the fair value hierarchy under NZ IFRS 13. 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. 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).

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 Plan's open positions in forward contracts at balance date are outlined below:

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Forward exchange contracts (notional value in NZD)								
Sell AUD/Buy NZD	-	-	5,450	2,511	-	-	5,450	2,511
Sell AUD/Buy USD	-	-	775	566	-	-	775	566
Sell CHF/Buy NZD	-	-	1,835	-	-	-	1,835	-
Sell EUR/Buy USD	-	-	999	-	-	-	999	-
Sell GBP/Buy NZD	-	-	3,310	-	-	-	3,310	-
Sell JPY/Buy NZD	-	-	1,500	-	-	-	1,500	-
Sell JPY/Buy EUR	-	-	1,006	-	-	-	1,006	-
Sell JPY/Buy USD	-	-	991	-	-	-	991	-
Sell NZD/Buy AUD	-	-	-	2,544	-	-	-	2,544
Sell NZD/Buy EUR	-	-	683	-	-	-	683	-
Sell NZD/Buy JPY	-	-	2,350	-	-	-	2,350	-
Sell NZD/Buy USD	-	-	560	2,570	-	-	560	2,570
Sell USD/Buy GBP	-	-	1,021	-	-	-	1,021	-
Sell USD/Buy NZD	-	-	8,425	3,129	-	-	8,425	3,129
Forward exchange contracts (fair value in NZD)								
Sell AUD/Buy NZD	-	-	74	(110)	-	-	74	(110)
Sell AUD/Buy USD	-	-	11	(23)	-	-	11	(23)
Sell CHF/Buy NZD	-	-	23	-	-	-	23	-
Sell EUR/Buy USD	-	-	4	-	-	-	4	-
Sell GBP/Buy NZD	-	-	(44)	-	-	-	(44)	-
Sell JPY/Buy EUR	-	-	(4)	-	-	-	(4)	-
Sell JPY/Buy NZD	-	-	(4)	-	-	-	(4)	-
Sell JPY/Buy USD	-	-	8	-	-	-	8	-
Sell NZD/Buy AUD	-	-	-	44	-	-	-	44
Sell NZD/Buy EUR	-	-	4	-	-	-	4	-
Sell NZD/Buy JPY	-	-	34	-	-	-	34	-
Sell NZD/Buy USD	-	-	(9)	73	-	-	(9)	73
Sell USD/Buy GBP	-	-	3	-	-	-	3	-
Sell USD/Buy NZD	-	-	(121)	10	-	-	(121)	10

4.2 Futures

Futures are contractual obligations to buy or sell an asset, such as a physical commodity, equity index or a financial instrument, at a predetermined future date and price. Futures contracts have standardised contract terms to facilitate trading on a futures exchange. The Balanced Fund held the following equity index future contracts at balance date.

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Long								
Notional value	-	-	942	-	-	-	942	-
Fair value	-	-	(27)	-	-	-	(27)	-

The Balanced Fund held futures during the period ended 31 March 2017, but these positions had been closed out by balance date.

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4.3 Exchange traded options

Exchange traded options are contracts that give the purchaser the right (but not the obligation) to buy (a call option) or sell (a put option) an underlying asset or instrument at a specified strike price on or before a specified date, depending on the details of the option. Exchange traded options have standardised contract terms that facilitate trading on an option exchange. The open options contracts at balance date are exposed to equity indices such as the S&P500, ASX 200 and Nikkei. Notional values in the table below are presented as absolute amounts.

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Equity index options								
Notional values in NZD								
<i>Bought</i>								
Call options	-	-	2,030	1,345	-	-	2,030	1,345
Put options	-	-	6,428	1,345	-	-	6,428	1,345
<i>Sold</i>								
Call options	-	-	5,763	-	-	-	5,763	-
Put options	-	-	5,604	-	-	-	5,604	-
Fair values in NZD								
<i>Bought</i>								
Call options	-	-	15	61	-	-	15	61
Put options	-	-	125	58	-	-	125	58
<i>Sold</i>								
Call options	-	-	(43)	-	-	-	(43)	-
Put options	-	-	(34)	-	-	-	(34)	-

5. Financial Risk Management

5.1 Financial risk factors

The Trust Deed for the Plan requires the Manager to invest the assets of the Plan in accordance with the Statement of Investment Policy and Objectives. The Plan is subject to a number of financial risks which arise as a result of its activities, including: market risk, liquidity risk and credit risk. The Plan's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Plan's financial performance.

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. Non-monetary financial instruments which potentially subject the Plan to price risk are investments in unit trusts and listed derivatives, such as exchange traded futures and options. All investments in unit trusts 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 Manager of the underlying unit trusts advised that this risk is moderated through stock selection and diversification of unit trust investments, daily monitoring of the unit trusts' market position and adherence to the unit trusts' investment policy. The unitholders have underlying securities comprising domestic, international equity instruments and fixed interest securities that are subject to price risk.

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

Where non-monetary financial instruments are 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 Plan holds unit trusts which in turn invest in securities denominated in foreign currencies, the value of the unit trust will be affected by fluctuations in foreign exchange rates. Paragraph (b) 'Foreign exchange risk' sets out how this component of price risk is managed and measured.

Notes to the Financial Statements

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 price risk at that date increased or decreased by 10% with all other variables held constant, this would have had the following impact on the Statement of Changes in Net Assets:

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Equities, unit trusts and unlisted securities								
Carrying amount	49,113	34,144	194,812	133,685	877,636	640,952	1,101,319	797,687
Impact of a -10% change in prices	(4,911)	(3,414)	(19,431)	(13,369)	(87,764)	(64,095)	(110,132)	(79,769)
Impact of a +10% change in prices	4,911	3,414	19,431	13,369	87,764	64,095	110,132	79,769
Equity index futures and options								
Impact of a -10% change in prices	-	-	115	23	-	-	115	23
Impact of a +10% change in prices	-	-	(198)	75	-	-	(198)	75

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

(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 Plan is exposed to currency risk primarily through holding foreign currency denominated cash and cash equivalents, trade and other receivables, trade and other payables and forward foreign exchange contracts. The Manager may hedge the exposure to currency fluctuations.

The Plan is also exposed indirectly to currency risk through its holdings in the Milford Active Growth Wholesale Fund, the Milford NZ Equities Wholesale Fund, the Milford Australian Equities Wholesale Fund, the Milford Income Wholesale Fund, the Milford Trans-Tasman Equity Fund (previously the Milford Trans-Tasman Fund), the Milford Trans-Tasman Bond Fund, the Milford Global Bond Fund, the Milford Global Equity Fund (previously Milford Global Fund), the Milford Dynamic Fund, the Milford Conservative Fund, the Milford Australian Absolute Growth Fund, the Vanguard International Shares Select Exclusions Index Fund (Unhedged), the Vanguard FTSE Emerging Markets ETF and the iShares MSCI EAFE Index Fund.

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

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Monetary assets/(liabilities)								
Australian Dollar (AUD)	-	-	(6,001)	(565)	-	-	(6,001)	(565)
Swiss Franc (CHF)	-	-	(1,807)	-	-	-	(1,807)	-
Euro (EUR)	-	-	716	143	-	-	716	143
United States Dollar (USD)	-	-	(3,939)	1,054	-	-	(3,939)	1,054
Japanese Yen (JPY)	-	-	(1,092)	257	-	-	(1,092)	257
Great British Pound (GBP)	-	-	(2,329)	1	-	-	(2,329)	1

The table below summarises the impact on the Statement of Changes in Net Assets on monetary assets and liabilities at balance 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.

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Monetary assets/(liabilities)								
Exchange rates increased by 10%								
Australian Dollar (AUD)	-	-	546	51	-	-	546	51
Swiss Franc (CHF)	-	-	164	-	-	-	164	-
Euro (EUR)	-	-	(65)	(13)	-	-	(65)	(13)
United States Dollar (USD)	-	-	358	(96)	-	-	358	(96)
Japanese Yen (JPY)	-	-	99	(23)	-	-	99	(23)
Great British Pound (GBP)	-	-	212	-	-	-	212	-
Exchange rates decreased by 10%								
Australian Dollar (AUD)	-	-	(667)	(63)	-	-	(667)	(63)
Swiss Franc (CHF)	-	-	(201)	-	-	-	(201)	-
Euro (EUR)	-	-	80	16	-	-	80	16
United States Dollar (USD)	-	-	(438)	117	-	-	(438)	117
Japanese Yen (JPY)	-	-	(121)	29	-	-	(121)	29
Great British Pound (GBP)	-	-	(259)	-	-	-	(259)	-

Notes to the Financial Statements

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

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Non-monetary assets/(liabilities)								
Australian Dollar (AUD)	-	-	10,213	6,081	-	-	10,213	6,081
Japanese Yen (JPY)	-	-	15	-	-	-	15	-
United States Dollar (USD)	-	-	8,530	1,299	-	-	8,530	1,299

The table below summarises the impact on the Statement of Changes in Net Assets on non-monetary assets at balance 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.

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Non-monetary assets/(liabilities)								
Exchange rates increased by 10%								
Australian Dollar (AUD)	-	-	(928)	(553)	-	-	(928)	(553)
Japanese Yen (JPY)	-	-	(1)	-	-	-	(1)	-
United States Dollar (USD)	-	-	(775)	(118)	-	-	(775)	(118)
Exchange rates decreased by 10%								
Australian Dollar (AUD)	-	-	1,135	676	-	-	1,135	676
Japanese Yen (JPY)	-	-	2	-	-	-	2	-
United States Dollar (USD)	-	-	948	144	-	-	948	144

(c) 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. Financial instruments which potentially subject the Plan to interest rate risk are short term cash deposits. The Funds can invest cash in New Zealand and internationally (short term investments only) and interest income and investment valuations are therefore subject to changes in New Zealand and international interest rates. The Manager may hedge the exposure to interest fluctuations.

Cash flow sensitivity analysis

A change in interest rates impacts the cash flow of the Plan's cash and cash equivalents by increasing or decreasing the amount of interest received. A variable 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 reporting date), with all other variables held constant, is shown in the following table:

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Increase of 1%	19	5	19	58	76	12	114	75
Decrease of 1%	(19)	(5)	(19)	(58)	(76)	(12)	(114)	(75)

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 Plan. Financial instruments that subject the Plan to credit risk consist primarily of cash and cash equivalents and trade and other receivables.

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 limited risk of non recovery relating to contributions receivable by the Plan 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.

The maximum credit risk of financial instruments is considered to be the carrying amount on the Statement of Net Assets. There is risk of non-recovery of monetary assets. The Plan does not require collateral or other security to support financial instruments with credit risk. The Plan invests cash with banks registered in New Zealand and internationally.

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

(a) Credit exposure

The Plan's maximum exposure to credit risk at balance date in relation to each class of recognised asset is the carrying amount of those assets as indicated in the Statement of Net Assets. Exposure to any holding which is greater than 5% of a Fund's net assets are detailed in Note 8.3.

Notes to the Financial Statements

5.1.3 Liquidity risk

Liquidity risk is the risk that the Plan will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Liquidity risk is managed by holding liquid investments to enable the Plan to meet liabilities as they fall due and withdrawals when requested. The Plan invests in various funds represented by Milford Funds Limited, which in turn, maintain sufficient liquidity in their portfolios to cover reasonably foreseeable redemptions under normal market conditions. The Plan also holds securities that are listed on the NZX, ASX or other internationally recognised exchanges and are saleable. Monies received from member contributions may be used to offset withdrawals and the Manager may in certain circumstances suspend withdrawals from the Plan and or various funds represented by Milford Funds Limited in which the Plan invests.

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

The table below shows the remaining undiscounted contractual cash flows over their respective maturities for the Funds' financial liabilities:

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Financial liabilities held at fair value through profit or loss								
7 days to 2 months	-	-	(245)	(159)	-	-	(245)	(159)
2 months to 6 months	-	-	(43)	-	-	-	(43)	-
Trade and other payables								
Less than 7 days	(61)	(10)	(58)	(21)	(202)	(563)	(321)	(594)
Related party payables								
Less than 2 months	(2)	(1)	(80)	(67)	(4,833)	(564)	(4,915)	(632)

5.1.4 Offsetting and amounts subject to master netting arrangements and similar agreements

The Funds' are subject to International Swaps and Derivatives Association (ISDA) arrangements with their derivative counterparties; ANZ, BNZ, Deutsche Bank, Westpac Banking Corporation and UBS. According to the terms of the ISDA arrangements with the respective counterparties all the derivatives are settled on a net basis.

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:								
Gross amounts of recognised financial assets	-	-	303	271	-	-	303	271
Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position	-	-	-	-	-	-	-	-
Net amounts of financial assets presented in the Statement of Financial Position								
	-	-	303	271	-	-	303	271
<i>Related amounts not set-off in the Statement of Financial Position</i>								
Financial instruments	-	-	(204)	(112)	-	-	(204)	(112)
Net amount								
	-	-	99	159	-	-	99	159
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:								
Gross amounts of recognised financial liabilities	-	-	(288)	(159)	-	-	(288)	(159)
Gross amounts of recognised financial assets set-off in the Statement of Financial Position	-	-	-	-	-	-	-	-
Net amounts of financial liabilities presented in the Statement of Financial Position								
	-	-	(288)	(159)	-	-	(288)	(159)
<i>Related amounts not set-off in the Statement of Financial Position</i>								
Financial instruments	-	-	204	112	-	-	204	112
Cash collateral	-	-	-	-	-	-	-	-
Net amount								
	-	-	(84)	(47)	-	-	(84)	(47)

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Per the terms of the ISDA agreement each party has the option to settle all open contracts on a net basis in the event of default by the other party. The ISDA agreement defines an event of default as including the following:

- * failure by a party to make a payment when due
- * failure by a party to perform an obligation required by the agreement (other than payment) if such failure is not remedied within 30 days after notice of such failure is given to the party
- * bankruptcy

The related amounts not set-off in the Statement of Financial Position represent amounts that have not been offset in the Statement of Financial Position but could be expected to be offset in the event of default by either the Fund or its counterparty to the derivative contract. For financial instruments this is the maximum value of assets and liabilities that could be offset. For cash collateral this is the value of cash that could be withheld by the counterparty to settle derivatives, such as future and option contracts which are in a liability position.

5.2 Capital risk management

Net assets available to pay benefits are considered to be the Plan's capital for the purposes of capital management not withstanding net assets available to pay benefits is classified as a liability for accounting. The Plan does not have to comply with externally imposed capital requirements. The Plan's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and maximise the Plan's members' values as well as ensuring its net assets available to pay benefits are sufficient to meet all present and future obligations. In order to meet its objectives for capital management the Plan's management monitors the Plan's performance on a regular basis.

5.2.1 Units on Issue

Units thousands For the year ended	Conservative Fund		Balanced Fund		Active Growth Fund	
	2018	2017	2018	2017	2018	2017
Units on issue at the start of the year	22,040	14,458	71,016	48,300	213,389	161,411
Total contributions for the year	15,863	13,492	30,655	28,291	61,508	62,760
Total withdrawals for the year	(7,337)	(5,910)	(8,880)	(5,575)	(17,561)	(10,782)
Units on issue at the end of the year	<u>30,566</u>	<u>22,040</u>	<u>92,791</u>	<u>71,016</u>	<u>257,336</u>	<u>213,389</u>

5.3 Fair value estimation

The carrying amounts of the Plan's assets and liabilities at the balance 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 Plan 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 1 - 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 balance date without any deduction for estimated future selling costs. Financial assets and liabilities are priced at last sale prices.

Level 2 - 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.

Level 3 - 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.

Notes to the Financial Statements

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.

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Level 1 Assets								
<i>Held for trading</i>								
Equity index futures	-	-	-	-	-	-	-	-
Equity index options	-	-	140	119	-	-	140	119
<i>Designated at fair value through profit or loss at inception</i>								
Listed equities	-	-	-	348	-	-	-	348
Listed funds/trusts	-	-	8,475	1,180	-	-	8,475	1,180
Total Level 1 Assets	-	-	8,615	1,647	-	-	8,615	1,647
Level 2 Assets								
<i>Held for trading</i>								
Forward foreign exchange contracts	-	-	163	153	-	-	163	153
<i>Designated at fair value through profit or loss at inception</i>								
Unlisted equities	-	-	-	2	-	-	-	2
Unlisted funds/trusts	49,113	34,144	186,337	132,155	877,636	640,952	1,092,844	796,157
Total Level 2 Assets	49,113	34,144	186,500	132,310	877,636	640,952	1,093,007	796,312
Level 1 Liabilities								
<i>Held for trading</i>								
Equity index futures	-	-	(27)	-	-	-	(27)	-
Equity index options	-	-	(77)	-	-	-	(77)	-
Total Level 1 Liabilities	-	-	(104)	-	-	-	(104)	-
Level 2 Liabilities								
<i>Held for trading</i>								
Forward foreign exchange contracts	-	-	(184)	(159)	-	-	(184)	(159)
Total Level 2 Liabilities	-	-	(184)	(159)	-	-	(184)	(159)

The fair value of listed equities, listed funds and listed equity index futures and options 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 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 Funds' investments in each of the Milford Funds are valued at fair value which are based on the latest available redemption prices of the units in the Milford Wholesale Funds, the Milford Unit Trust Funds and the Milford KiwiSaver Active Growth Fund. The Manager reviews the details of the reported information obtained from the Milford Funds and considers:

- the liquidity of the Fund's holding in the Milford funds or their underlying investments;
- the value date of the Net Asset Values ("NAVs") provided; and
- any restrictions on redemptions

The fair value of international managed funds is determined using the redemption price, based on the valuation of its underlying investments, as supplied by the Manager on a daily basis. 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.

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

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6. Financial instruments at fair value through profit or loss

6.1 Financial assets at fair value through profit or loss

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Financial assets held for trading								
Equity index options	-	-	140	119	-	-	140	119
Forward foreign exchange contracts	-	-	163	153	-	-	163	153
Total financial assets held for trading	-	-	303	272	-	-	303	272
Designated at fair value through profit or loss at inception								
Listed equities	-	-	-	348	-	-	-	348
Listed funds/trusts	-	-	8,475	1,180	-	-	8,475	1,180
Unlisted equities	-	-	-	2	-	-	-	2
Unlisted funds/trusts	49,113	34,144	186,337	132,155	877,636	640,952	1,092,844	796,157
Total designated at fair value through profit or loss at inception	49,113	34,144	194,812	133,685	877,636	640,952	1,101,319	797,687
Total financial assets at fair value through profit or loss	49,113	34,144	195,115	133,957	877,636	640,952	1,101,622	797,959

6.2. Financial liabilities at fair value through profit or loss

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Financial liabilities held for trading								
Equity index futures	-	-	(27)	-	-	-	(27)	-
Equity index options	-	-	(77)	-	-	-	(77)	-
Forward foreign exchange contracts	-	-	(184)	(159)	-	-	(184)	(159)
Total financial liabilities at fair value through profit or loss	-	-	(288)	(159)	-	-	(288)	(159)

6.3 Net gains on financial instruments at fair value through profit or loss

\$ thousands For the year ended 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Net gains on financial instruments held for trading	-	-	432	253	-	-	432	253
Net gains on financial instruments designated at fair value through profit or loss	1,186	1,162	13,116	9,980	106,284	49,677	118,630	60,102
Total net gains on financial instruments at fair value through profit or loss	1,186	1,162	13,548	10,233	106,284	49,677	119,062	60,355

Notes to the Financial Statements

7. Financial instruments by category

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

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Assets at fair value through profit and loss								
Financial assets at fair value through profit or loss	49,113	34,144	195,115	133,957	877,636	640,952	1,101,622	797,959
Loans and receivables								
Cash and cash equivalents	1,888	472	1,909	5,834	7,560	1,181	11,357	7,487
Trade and other receivables	110	221	2,923	1,274	1,229	985	4,262	2,480
Total loans and receivables	1,998	693	4,832	7,108	8,789	2,166	15,619	9,967
Total financial assets	51,111	34,837	199,947	141,065	886,425	643,118	1,117,241	807,926
Liabilities at fair value through profit and loss								
Financial liabilities at fair value through profit or loss	-	-	288	159	-	-	288	159
Other financial liabilities at amortised cost								
Trade and other payables	61	10	58	21	202	563	321	594
Trade and other payables to related parties	2	1	80	67	4,833	564	4,915	632
Total other financial liabilities at amortised cost	63	11	138	88	5,035	1,127	5,236	1,226
Total financial liabilities	63	11	426	247	5,035	1,127	5,524	1,385

8. Related parties

8.1 Manager and Supervisor

The Manager of the Plan is Milford Funds Limited. The Manager is entitled to the following capped management fees per annum for services as Manager:

- Milford KiwiSaver Conservative Fund	- 0.95% per annum
- Milford KiwiSaver Balanced Fund	- 1.05% per annum
- Milford KiwiSaver Active Growth Fund	- 1.05% per annum

The capped management fees are used to cover expenses for management fees, administration fees, supervisor fees, audit fees and other appropriate expenses payable by the Plan. The capped management fees are calculated daily and paid monthly directly from the Plan.

The Manager is also entitled to be paid a performance fee for the KiwiSaver Active Growth Fund in respect of the 12 month period ending 31 March in any period that the investment performance is above the benchmark and the high water mark. The performance fee is equal to 15% of the amount that the return of the Fund (after the deduction of the base fund fee but before tax and before the performance fee) exceeds the benchmark. The benchmark is 10% per annum. The payment of the performance fee is made if the net asset value per unit exceeds the net asset value per unit used in the calculation of the last performance fee paid (the high water mark). The high water mark is the Funds previous highest ever net asset value per unit achieved on 31 March. If this condition is not met, payment is deferred until it is met. Absolute performance losses are carried forward into the next performance period.

Notes to the Financial Statements

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
31 March								
Management fees	378	266	1,805	1,163	7,990	5,707	10,173	7,136
Management fee rebates	(366)	(261)	(857)	(497)	-	-	(1,223)	(758)
Management fees payable	2	1	80	67	733	564	815	632
Performance fees	-	-	-	-	4,100	-	4,100	-
Performance fees payable	-	-	-	-	4,100	-	4,100	-

The Supervisor of the Plan is Trustees Executors Limited. The Supervisor is entitled to receive a fee from the Manager for supervisory services. Trustees Executors Limited also performs registry services for the Plan and is entitled to receive a fee from the Manager for these services.

Audit fees, supervisor fees and registry fees of the Funds that were paid for by the Manager are as follows:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
For the year ended 31 March								
Supervisor fees	6	5	26	22	116	106	148	133
Registry Fees	40	31	145	111	654	544	839	686
Audit fees	16	16	16	16	16	16	48	48

The Manager also paid administration and custody expenses on behalf of the Funds to non-related parties. A monthly \$3.00 administration and registry fee is deducted from each member by way of unit redemption and is payable to the Manager. This is accounted for as a withdrawal and does not impact net profit before membership activities. Trustees Executors Limited maintain the members' accounts and register of the Plan and receives a fee for this service, paid by the Manager.

Tax compliance fees of nil (2017: \$14,000) were paid to the auditor by the Manager on behalf of the Plan.

From time to time the Manager undertakes certain trades of investments between the Funds and various funds managed by the Manager without incurring brokerage costs. In the opinion of the Manager these transactions were made at fair value. The following transactions were conducted at volume weighted average price:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
For the year ended 31 March								
Sales of investments	-	-	-	344	-	-	-	344

Holdings in the Funds by Directors and key management personnel of the Manager and their immediate family members that are directly or indirectly held:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
As at 31 March								
Holdings	-	-	526	464	1,796	1,423	3,322	1,887

8.2 Investments in the Plan by related parties

The following table shows the value of investments by related parties in the Plan at balance date:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
As at 31 March								
Milford KiwiSaver Funds								
Milford KiwiSaver Balanced Fund	-	-	-	-	20,242	11,094	-	-
Total	-	-	-	-	20,242	11,094	-	-

The following table shows the income earned by related parties from their investments in the Funds in the year ended at balance date:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
For the year ended 31 March								
Milford KiwiSaver Funds								
Milford KiwiSaver Balanced Fund	-	-	-	-	1,956	717	-	-
Total	-	-	-	-	1,956	717	-	-

Notes to the Financial Statements

8.3 Investments by the Plan in related parties

The following table shows the value of investments by the Plan in related parties at balance date:

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Milford Unit Trust Wholesale PIE Funds								
Milford Active Growth Wholesale Fund	-	-	-	-	877,636	640,952	877,636	640,952
Milford Income Wholesale Fund	-	-	76,496	65,464	-	-	76,496	65,464
Milford NZ Equities Fund	-	-	3,978	1,793	-	-	3,978	1,793
Milford Australian Equity Wholesale Fund	-	-	3,533	-	-	-	3,533	-
Milford Unit Trust PIE Funds								
Milford Trans-Tasman Equity Fund (previously Milford Trans-Tasman Fund)	-	-	11,542	8,472	-	-	11,542	8,472
Milford Trans-Tasman Bond Fund*	-	-	7,563	1,738	-	-	7,563	1,738
Milford Dynamic Fund	-	-	7,707	6,925	-	-	7,707	6,925
Milford Global Bond Fund*	-	-	6,711	2,001	-	-	6,711	2,001
Milford Global Equity Fund (previously Milford Global Fund)	-	-	39,870	28,935	-	-	39,870	28,935
Milford Conservative Fund	49,113	34,144	-	-	-	-	49,113	34,144
Milford Australian Absolute Growth Fund	-	-	1,982	-	-	-	1,982	-
Milford KiwiSaver Funds								
Milford KiwiSaver Active Growth Fund	-	-	20,242	11,094	-	-	-	-
Total	49,113	34,144	179,624	126,422	877,636	640,952	1,086,131	790,424

Other than the Investments held by the Plan in related parties as disclosed above, no other trading securities are held by any of the Funds in the Plan which either exceeds 5% of an asset class or the net assets available for benefits of the respective Fund (31 March 2017: none).

The following table shows the income earned by the Funds from their investments in related parties in the period ended at balance date:

\$ thousands For the year ended 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Milford Unit Trust Wholesale PIE Funds								
Milford Active Growth Wholesale Fund	-	-	-	-	106,284	49,677	106,284	49,677
Milford Income Wholesale Fund	-	-	4,962	5,906	-	-	4,962	5,906
Milford NZ Equities Wholesale Fund	-	-	244	8	-	-	244	8
Milford Australian Equity Wholesale Fund	-	-	(15)	-	-	-	(15)	-
Milford Unit Trust PIE Funds								
Milford Trans-Tasman Equity Fund (previously Milford Trans-Tasman Fund)	-	-	1,156	780	-	-	1,156	780
Milford Trans-Tasman Bond Fund*	-	-	284	94	-	-	284	94
Milford Dynamic Fund	-	-	1,080	513	-	-	1,080	513
Milford Global Bond Fund*	-	-	226	1	-	-	226	1
Milford Global Equity Fund (previously Milford Global Fund)	-	-	3,231	2,228	-	-	3,231	2,228
Milford Conservative Fund	2,215	1,915	-	-	-	-	2,215	1,915
Milford Australian Absolute Growth Fund	-	-	(18)	-	-	-	(18)	-
Milford KiwiSaver Funds								
Milford Active Growth Wholesale Fund	-	-	1,956	717	-	-	-	-
Total	2,215	1,915	13,106	10,247	106,284	49,677	119,649	61,122

*During the year ended 31 March 2018, the Manager converted the wholesale funds Milford Trans-Tasman Bond Wholesale Fund and Milford Global Bond Wholesale Fund to retail products and are now referred to as the Milford Trans-Tasman Bond Fund and the Milford Global Bond Fund respectively.

All related party transactions were made on an arm's length basis.

Notes to the Financial Statements

9. Trade and other receivables

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Accrued interest	3	1	3	9	11	2	17	12
Futures margin accounts	-	-	746	369	-	-	746	369
Unsettled investment trades	-	-	1,152	-	-	-	1,152	-
Contributions receivable	107	220	1,022	896	1,218	983	2,347	2,099
Total trade and other receivables	110	221	2,923	1,274	1,229	985	4,262	2,480

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

10. Trade and other payables

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Redemptions payable	61	10	58	21	202	563	321	594
Total trade and other payables	61	10	58	21	202	563	321	594

11. Trade and other payables to related parties

\$ thousands As at 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Management fees payable	2	1	80	67	733	564	815	632
Performance fees payable	-	-	-	-	4,100	-	4,100	-
Total trade and other payables to related parties	2	1	80	67	4,833	564	4,915	632

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

Notes to the Financial Statements

12. Reconciliation of net profit before tax and membership activities to net cash flows from operating activities

\$ thousands For the year ended 31 March	Conservative Fund		Balanced Fund		Active Growth Fund		Plan Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Net profit after tax and before membership activities	2,223	1,921	13,542	10,316	94,355	44,011	108,164	55,531
Adjustments for non cash items:								
Unrealised changes in the fair value of financial instruments	(1,107)	(1,103)	(11,038)	(8,631)	(104,741)	(49,414)	(114,930)	(58,431)
Unrealised foreign exchange (losses)/gains on cash at bank	-	-	9	3	-	-	9	3
Distributions re-invested	(1,029)	(753)	(626)	(261)	-	-	(1,655)	(1,014)
Other non cash income and expenses	-	-	3	-	-	-	3	-
	(2,136)	(1,856)	(11,652)	(8,889)	(104,741)	(49,414)	(116,573)	(59,442)
Movements in working capital items:								
(Increase)/decrease in trade and other receivables	(2)	-	(1,523)	(263)	(9)	2	(1,534)	(261)
Increase in trade and other payables	1	-	13	21	4,269	174	4,283	195
Increase in cost of investments	(12,833)	(11,733)	(49,386)	(39,308)	(131,943)	(145,666)	(186,970)	(193,593)
	(12,834)	(11,733)	(50,896)	(39,550)	(127,683)	(145,490)	(184,221)	(193,659)
Net cash outflow from operating activities	(12,747)	(11,668)	(49,006)	(38,123)	(138,069)	(150,893)	(192,630)	(197,570)

13. Contingent liabilities

There were no contingent liabilities as at 31 March 2018 (31 March 2017: Nil).

14. Capital commitments

There were no material capital commitments as at 31 March 2018 (31 March 2017: Nil).

15. Events after balance date

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



Independent auditor's report

To the members of the Milford KiwiSaver Plan comprising the:
Milford KiwiSaver Active Growth Fund
Milford KiwiSaver Balanced Fund
Milford KiwiSaver Conservative Fund
(the Funds) which comprise the Milford KiwiSaver Plan (the Plan)

The Funds' and the Plan'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 accounting policies.

Our opinion

In our opinion, the Funds' and the Plan's financial statements present fairly, in all material respects, the net assets of the Funds and the Plan 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 Plan in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Information other than the financial statements and auditor's report

Milford Funds Limited (the Manager) is responsible for the annual report.

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

In connection with our audit of the financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the 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.



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 the Funds and the Plan'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 Plan 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/>

Who we report to

This report is made solely to the Plan'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 Plan'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 'Prudence Cooper'. The signature is written in a cursive style with a large initial 'P'.

Chartered Accountants
26 July 2018

Auckland