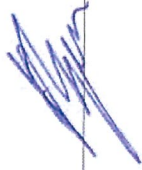


Generate KiwiSaver Scheme  
Financial Statements  
For the year ended 31 March 2019

## 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 2019 and their financial performance and cash flows for each of its investment funds for the year ended on that date in accordance with the requirements of the Generate KiwiSaver Scheme Trust Deed dated 31 August 2016

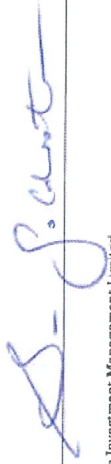
The directors of the Manager are of the opinion that the Generate KiwiSaver Schemes will be able to pay its debts as and when they fall due



Director

Date

Wednesday, 3 July 2019



Director

Date

Wednesday, 3 July 2019

Generate Investment Management Limited

# Statements of Changes in Net Assets

S	For the year ended 31 March	Conservative		Growth		Focused Growth		Scheme Total	
		2019	2018	2019	2018	2019	2018	2019	2018
		118,737	112,950	255,825	219,060	688,108	343,960	1,073,670	675,980
		4,611,965	2,867,731	3,269,460	1,597,478	289,735	-	8,171,160	4,465,209
		1,751,121	1,105,268	9,066,135	4,433,510	14,738,372	6,013,626	25,555,628	11,552,404
		250,610	153,584	733,839	475,520	796,459	527,898	1,781,008	1,157,002
		7,331,343	2,139,973	22,171,898	16,188,703	25,073,603	25,658,233	54,576,847	43,986,909
		42,149	37,288	391,433	263,904	686,445	439,583	1,120,027	740,775
		14,105,825	6,416,804	35,889,690	23,178,175	45,282,725	32,983,300	92,278,340	62,576,279
		1,576,692	1,030,356	3,359,351	2,029,862	4,515,220	2,489,655	9,451,563	5,549,873
		78,111	57,421	166,395	112,853	223,557	138,273	468,063	308,547
		62,643	39,210	220,576	193,494	354,736	274,786	637,955	507,490
		315,678	207,072	571,988	346,425	678,642	374,786	1,566,308	828,283
		2,033,424	1,334,059	4,318,310	2,682,634	5,772,155	3,277,500	12,123,889	7,294,183
		12,072,501	5,082,745	31,571,380	20,495,541	36,510,570	29,705,800	80,154,451	55,284,086
		14,617,745	11,024,424	32,319,033	22,228,998	48,286,643	26,776,067	93,233,421	60,031,489
		7,014,121	5,280,758	16,098,361	10,911,383	22,633,942	13,601,104	45,796,424	25,793,245
		2,689,158	2,104,516	5,939,259	4,002,176	8,081,387	4,793,357	18,709,804	10,900,149
		22,397,104	8,866,918	11,354,624	5,339,405	13,832,937	10,438,660	47,684,665	24,644,983
		54,619,707	32,012,587	112,240,007	76,302,518	161,642,639	97,096,488	328,502,363	205,411,593
		101,337,835	59,289,303	177,951,284	118,784,480	252,487,548	152,707,676	531,776,667	330,781,459
		13,487,258	8,239,699	16,771,437	9,825,472	17,325,970	6,579,812	47,684,665	24,644,983
		6,940,415	6,455,701	11,594,514	8,868,842	12,950,686	10,595,863	31,486,615	25,920,406
		315,625	106,199	376,507	118,384	289,759	135,873	981,891	380,456
		57,396	51,993	122,358	22,470	223,398	66,243	403,152	140,706
		36,984	53,395	46,049	34,953	47,321	24,367	130,354	112,715
		3,055,416	1,161,466	1,644,244	598,195	1,047,234	255,210	5,796,894	2,014,661
		74,863	34,059	237,873	278,459	199,595	95,360	512,431	407,878
		11,858,799	4,636,874	7,807,035	4,125,066	9,612,107	4,039,111	29,477,841	12,801,051
		433,063	298,401	928,788	547,961	1,058,277	571,221	2,420,138	1,417,683
		36,359,819	21,037,777	39,628,915	24,419,802	42,754,347	22,363,060	118,743,081	67,820,639
		271,930	212,444	646,450	467,477	990,092	648,176	1,908,472	1,328,097
		949,339	451,875	1,682,961	1,197,005	2,173,661	1,699,620	4,806,561	3,348,500
		63,756,147	37,587,207	135,992,958	92,700,198	206,589,448	127,996,820	406,318,553	258,284,223
		124,639,713	81,969,761	257,120,579	143,924,842	328,395,395	170,692,775	710,155,687	396,587,378
		76,828,648	42,669,952	167,564,338	113,195,737	243,080,018	157,702,620	486,473,004	313,668,309
		200,468,361	124,639,713	424,684,917	257,120,579	571,475,413	328,395,395	1,196,628,691	710,155,687

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	
			2019	2018	2019	2018	2019	2018	2019	2018
<b>Members' Funds</b>										
<i>Represented by:</i>										
<b>Assets</b>										
		6.2	200,468,361	124,639,713	424,684,817	257,120,579	571,475,413	328,395,395	1,196,628,691	710,155,687
			6,778,718	9,321,059	13,833,894	20,733,809	34,718,746	34,299,351	55,331,358	64,354,219
		8	1,695,589	578,218	2,114,863	1,586,244	2,233,615	2,102,577	6,044,077	4,267,039
		6	186,719,005	115,928,460	413,331,566	241,107,283	537,774,872	303,059,980	1,147,825,443	660,985,723
			1,460	2,868	13,885	9,035	27,064	13,102	42,425	25,005
			205,194,788	125,830,605	429,294,218	283,436,371	574,754,287	339,475,010	1,209,243,303	728,741,986
<b>Liabilities</b>										
			30,417	172,289	481,431	197,373	155,812	135,978	677,660	505,650
		9	3,559,957	464,238	1,917,176	4,010,576	142,818	7,619,890	5,619,951	12,094,802
		10	162,174	102,545	342,287	214,293	483,153	274,137	967,614	590,975
		6	36,850	1,114	248,017	698,160	603,763	1,350,496	788,630	2,049,770
			937,029	460,698	1,810,390	1,195,390	2,013,338	1,699,014	4,560,757	3,345,102
			4,726,427	1,190,692	4,609,301	6,315,782	3,278,884	11,078,615	12,614,612	18,586,289
			200,468,361	124,639,713	424,684,917	257,120,579	571,475,413	328,395,395	1,196,628,691	710,155,687

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

These Financial Statements were authorized for issue by the Managers, Generate Investment Management Limited.

Director [Signature]

Date

3/7/19

Director [Signature]

Date

3/7/19



## Statements of Cash Flows

S	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
For the year ended 31 March								
<b>Cash flows from operating activities</b>								
Proceeds from sale of financial assets	33,596,535	20,954,441	53,494,535	31,504,972	39,303,387	26,610,223	126,394,457	79,069,636
Purchase of financial assets	(104,135,882)	(59,282,626)	(189,379,049)	(121,135,430)	(244,033,066)	(142,696,624)	(647,626,017)	(323,114,866)
Net settlement of derivative financial instruments	200,127	(363,133)	(1,462,834)	(25,139)	(2,668,524)	306,089	(3,931,231)	(62,183)
Dividend and distribution income	1,622,660	1,047,524	4,206,322	3,375,009	4,899,298	4,158,404	10,728,280	8,580,937
Interest income received	4,670,886	2,991,149	3,483,082	1,831,215	989,474	342,319	9,143,452	5,154,683
Other income received	42,149	37,288	35,188	56,585	(61,873)	50,840	15,374	144,713
Operating expenses paid	(1,962,320)	(1,297,798)	(4,168,384)	(2,580,615)	(5,555,863)	(3,137,139)	(11,887,597)	(7,015,552)
<b>Net cash outflow from operating activities</b>	<b>(65,865,845)</b>	<b>(35,913,157)</b>	<b>(143,793,120)</b>	<b>(86,973,407)</b>	<b>(207,107,317)</b>	<b>(114,366,088)</b>	<b>(416,865,282)</b>	<b>(237,252,652)</b>
<b>Cash flows from financing activities</b>								
Proceeds from units issued	100,408,731	59,159,690	177,412,384	118,362,075	252,328,157	151,878,427	530,148,282	329,400,192
Redemptions of units	(36,773,631)	(21,079,992)	(39,881,307)	(24,680,355)	(43,724,606)	(22,910,072)	(120,479,543)	(69,680,419)
Tax paid	(462,206)	(65,369)	(1,272,821)	(192,792)	(1,873,299)	(369,487)	(3,608,326)	(627,668)
<b>Net cash inflow from financing activities</b>	<b>63,172,894</b>	<b>38,014,309</b>	<b>136,158,266</b>	<b>93,478,928</b>	<b>206,730,253</b>	<b>128,598,868</b>	<b>406,061,413</b>	<b>280,092,105</b>
<b>Net increase in cash</b>	<b>(2,792,951)</b>	<b>2,101,152</b>	<b>(7,633,854)</b>	<b>6,505,521</b>	<b>(377,064)</b>	<b>14,232,780</b>	<b>(10,803,869)</b>	<b>22,839,453</b>
Cash at the beginning of the year	9,321,059	7,066,323	20,733,809	13,752,768	34,299,351	19,538,673	64,954,219	40,357,764
Effect of exchange rate fluctuations	250,610	153,584	733,839	475,520	786,459	527,898	1,781,008	1,157,002
<b>Cash at the end of the year</b>	<b>6,778,718</b>	<b>9,321,059</b>	<b>13,833,894</b>	<b>20,733,809</b>	<b>34,718,746</b>	<b>34,299,351</b>	<b>56,331,359</b>	<b>64,354,219</b>

11

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 Concrete Investment Holdings Limited (CIHL) 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), infrastructure assets (including telecoms, transport and logistics companies) and international equities. 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 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 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 wages to the Scheme if the member contributes at least 3% of their gross salary or wages. Employer contributions to KiwiSaver are subject to Employer Superannuation Contribution Tax. Up to 21 May 2015 the Crown made a \$1,000 one-off lump sum contribution to members joining the Scheme who were new to KiwiSaver. The Crown will also contribute \$0.50 for every \$1.00 of member contributions annually up to a maximum of \$521.43 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 years presented, unless otherwise stated.

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



# Notes to the Financial Statements

## 2. Summary of accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### (b) Standards and amendments to existing standards effective 1 April 2018 impacting the Scheme

The Funds have adopted NZ IFRS 9 'Financial Instruments' for the first time for the year commencing 1 April 2018. This replaces NZ IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for all periods beginning on or after 1 January 2018. The adoption of NZ IFRS 9 has been applied retrospectively and did not result in any change to the classification or measurement of financial instruments in either the current or prior year. The Funds hold securities which had previously been designated as fair value through profit or loss. On adoption of NZ IFRS 9, these securities are now mandatorily classified as fair value through profit or loss; there is no change to the measurement of these securities. The Funds also hold securities which were classified as loans and receivables. On adoption of NZ IFRS 9, these securities are now classified as financial assets at amortised cost. With the adoption of IFRS 9, there were no changes to the measurement of these securities other than a change to the impairment calculation. With the introduction of NZ IFRS 8, the Funds are now applying expected credit loss provisioning since initial recognition of these securities. Prior to the adoption of IFRS 9, the carrying amounts of the financial assets at amortised cost were reviewed at each balance date for objective evidence of impairment. As explained in Note 5.1.2, there was also no impact from the application of new impairment rules as the instruments held have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. The disclosures in these Financial Statements have been prepared in accordance with NZ IFRS 9 and no transition adjustments to opening equity at 1 April 2017 were required.

NZ IFRS 15 'Revenue from contracts with customers' is effective for annual periods beginning on 1 April 2018. All material income streams associated with the Funds are derived from financial instruments and other contractual rights and obligations within the scope of NZ IFRS 9 'Financial Instruments' and therefore the Funds have no material impacts from this standard.

There are no other standards, amendments to standards or interpretations that are effective for the year beginning on 1 April 2018 that have a material effect on the Financial Statements of the Scheme.

### 2.2 Financial Instruments

#### (a) Classification

##### Assets

Financial assets are recognised initially at fair value. After initial recognition, financial assets are measured at fair value or amortised cost, determined on the basis of both: (a) the Fund's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset.

#### (i) Financial assets at fair value through profit or loss

**Financial assets at fair value through profit or loss** can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Funds are primarily focused on fair value information and use that information to assess the assets' performance and to make decisions. The Funds have not taken the option to irrevocably designate any equity securities at fair value through other comprehensive income. The contractual cash flows of the Funds' fixed interest securities are not held for the purpose of collecting contractual cash flows. The collection of contractual cash flows is only incidental in achieving the Funds' business model. As a result these fixed interest securities are classified as financial assets at fair value through profit or loss. All financial assets which were previously classified as financial assets at fair value through profit or loss under the category 'designated at fair value upon initial recognition' and 'held for trading', are now classified as financial assets mandatorily measured at fair value through profit or loss. These comprise of equities, Portfolio Investment Entities (PIEs), listed and unlisted fixed interest securities, unit trusts and foreign exchange contracts.

#### (ii) Financial assets at amortised cost

(a) **Cash and cash equivalents** include cash in hand and deposits held at call with banks, denominated in New Zealand dollars and in foreign currencies.

(b) **Receivables** are amounts representing assets owing to the Funds and may include amounts due for interest or dividends and amounts due for securities sold that have been contracted for but not yet settled or delivered at year end.

##### Liabilities

#### (i) Financial liabilities at fair value through profit or loss

**Financial liabilities at fair value through profit or loss** can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial liabilities is managed and performance is evaluated on a fair value basis. All financial liabilities at fair value through profit or loss previously under the category 'held for trading', are now classified as mandatorily measured at fair value through profit or loss. As there are no financial liabilities designated at fair value upon initial recognition in the Funds, all financial liabilities are mandatorily measured at fair value through profit or loss. Foreign exchange contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss.

#### (ii) Financial liabilities at amortised cost

(a) **Payables** are amounts representing liabilities and accrued expenses owing by the Funds at year end and may include related party fees, withdrawals payable and amounts due to brokers for purchases of unsettled securities at year end.

#### (b) Recognition, measurement and derecognition

##### (i) Financial assets and liabilities at fair value through profit or loss

The Funds recognise financial assets and liabilities at fair value through profit or loss on the date they become parties to the contractual agreement. Financial assets and 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.

Subsequent to initial recognition, all financial assets and liabilities 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.

Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognised when the obligation under the liability is discharged, cancelled or expires. Any gain or loss arising on derecognition of the financial asset or financial liability at fair value through profit or loss is included in the Statement of Changes in Net Assets in the year the item is derecognised.



## Notes to the Financial Statements

### 2. Summary of accounting policies (continued)

#### 2.2 Financial Instruments (continued)

##### (b) Recognition, measurement and derecognition (continued)

###### (ii) Financial assets and liabilities at amortised cost

The Funds recognise financial assets and liabilities at amortised cost on the date they become parties to the contractual agreement. Financial assets and liabilities at amortised cost are initially recognised at fair value.

Subsequent to initial recognition, all financial assets and liabilities at amortised cost are measured at amortised cost, less any impairment if applicable. Any impairment is recognised in the Statement of Changes in Net Assets as an expense. At each reporting date, the Funds shall measure the loss allowance of all financial assets at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12 month expected credit losses. See note 5.1.2 for further detail. If the credit risk increases to the point that it is considered to be credit impaired, interest will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired.

Financial assets at amortised cost 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. Financial liabilities at amortised cost are derecognised when the obligation under the liability is discharged, cancelled or expires. Any gain or loss arising on derecognition of the financial asset or financial liability at amortised cost, is included in the Statement of Changes in Net Assets in the year the item is derecognised.

###### (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 such Fund within 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 at fair value through profit or loss 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 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.

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.

#### 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 Revenue recognition

- Dividend and distribution income is recognised in the Statement of Changes in Net Assets when the Scheme's right to receive payment is established.
- 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.
- 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.
- 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 2.9.
- Underwriting and brokerage income is recognised in the Statement of Changes in Net Assets when the Scheme's right to receive payment is established.
- 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 Portfolio Investment Entities (PIEs) regime.





## Notes to the Financial Statements

### 2. Summary of accounting policies (continued)

#### 2.5 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.

#### 2.6 Taxation

The Funds 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.

#### 2.7 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.

#### 2.8 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.

#### 2.9 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 each reporting period are recognised in the Statement of Changes in Net Assets.

#### 2.10 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 withdrawal (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 Priced 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 Fund's 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.

#### 2.11 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.

#### 2.12 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 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 amount 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).

### 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 each reporting date are outlined below:

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>As at 31 March</b>								
<b>Forward exchange contracts (notional value in NZ\$)</b>								
Sell AUD/Buy NZD	1,955,866	512,650	6,700,911	11,721,035	16,228,132	22,661,665	26,884,909	34,915,350
Sell CNY/Buy NZD	2,276,020	-	9,990,396	9,477,970	20,795,134	16,696,785	33,061,649	26,174,765
Sell EUR/Buy NZD	638,283	-	9,750,335	5,117,030	21,301,571	9,785,415	31,691,189	14,902,445
Sell USD/Buy NZD	6,631,025	-	61,410,536	39,025,075	128,341,930	74,014,140	196,683,491	113,039,215
Sell NZD/Buy EUR	-	-	-	873,035	-	1,300,063	-	2,173,128
Sell NZD/Buy AUD	-	103,671	-	2,296,515	-	4,306,964	-	6,709,150
<b>Forward exchange contracts (fair value in NZ\$)</b>								
Sell AUD/Buy NZD	12,634	19,356	81,156	420,217	149,616	793,118	243,405	1,232,691
Sell CNY/Buy NZD	(15,557)	-	(68,285)	(214,065)	(145,136)	(394,717)	(225,978)	(608,602)
Sell EUR/Buy NZD	10,609	-	137,765	(24,771)	302,317	(46,688)	450,691	(71,459)
Sell USD/Buy NZD	(21,293)	-	(178,732)	(433,951)	(361,627)	(861,799)	(562,652)	(1,295,760)
Sell NZD/Buy EUR	-	-	-	12,719	-	26,621	-	39,340
Sell NZD/Buy AUD	-	(1,114)	-	(34,676)	-	(46,299)	-	(72,099)



## Notes to the Financial Statements

### 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	
	2019	2018	2019	2018	2019	2018	2019	2018
10% increase in prices	6,660,704	3,290,490	31,657,359	19,340,243	52,371,583	30,223,925	90,579,646	52,854,658
10% decrease in prices	(6,550,704)	(3,290,490)	(31,657,359)	(19,340,243)	(52,371,583)	(30,223,925)	(90,579,646)	(52,854,658)

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



## Notes to the Financial Statements

### 5. Financial risk management (continued)

#### 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):

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>As at 31 March</b>								
<b>Monetary assets/(liabilities)</b>								
Australian Dollar (AUD)	(1,336,976)	(359,689)	(5,860,379)	(9,334,748)	(9,222,017)	(16,394,577)	(15,619,371)	(25,069,114)
Euro (EUR)	(602,119)	-	(9,444,016)	(4,217,461)	(20,597,313)	(9,436,687)	(30,633,448)	(12,654,148)
Great British Pound (GBP)	-	-	97,544	183,391	619,071	349,267	716,615	532,668
Hong Kong Dollar (HKD)	1,087,537	-	2,040,624	(1,879,268)	4,756,791	(2,602,050)	7,894,962	(4,481,308)
Chinese Yuan (CNY)	(2,293,066)	-	(10,865,217)	(9,606,558)	(20,869,876)	(16,832,505)	(33,309,156)	(26,539,063)
United States Dollar (USD)	(6,375,015)	3,024,117	(61,616,015)	(31,270,674)	(128,353,944)	(61,469,275)	(194,344,978)	(89,715,831)

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

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>As at 31 March</b>								
<b>Monetary assets/(liabilities)</b>								
Increase of 10%	885,422	(242,221)	7,722,498	5,011,392	15,521,663	9,599,630	24,106,581	14,358,801
Decrease of 10%	(1,057,738)	286,048	(9,438,607)	(6,125,034)	(18,970,821)	(11,720,659)	(29,467,266)	(17,546,645)

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

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>As at 31 March</b>								
<b>Non-monetary assets/(liabilities)</b>								
Australian Dollar (AUD)	7,214,042	793,685	79,113,585	50,019,236	154,007,325	98,716,900	239,334,952	149,519,821
Euro (EUR)	868,760	-	5,133,681	-	12,715,480	-	18,717,827	-
Great British Pound (GBP)	-	-	25,211,812	24,857,055	55,014,865	48,271,850	80,226,467	73,128,905
Hong Kong Dollar (HKD)	2,284,330	-	14,407,820	11,631,621	29,616,436	20,680,149	46,307,586	32,321,670
Chinese Yuan (CNY)	-	-	-	-	-	-	-	-
United States Dollar (USD)	15,613,379	-	69,096,802	36,029,659	120,170,915	63,667,093	194,881,096	98,696,752

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

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>As at 31 March</b>								
<b>Non-monetary assets/(liabilities)</b>								
Increase of 10%	(2,361,865)	(71,244)	(16,542,145)	(11,048,861)	(33,774,892)	(21,031,454)	(62,678,902)	(32,161,559)
Decrease of 10%	2,886,723	87,076	20,218,178	13,504,163	41,280,424	25,705,110	64,385,325	39,296,349



## Notes to the Financial Statements

### 5. Financial risk management (continued)

#### 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:

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>As at 31 March</b>								
Cash and cash equivalents								
On Call	6,778,718	9,321,059	13,833,894	20,733,809	34,718,746	34,299,351	55,331,358	64,354,219
Fixed interest securities								
Less than one year	11,065,501	6,630,425	2,205,064	1,001,367	13,807,112	-	28,878,677	7,631,792
1-2 years	10,025,211	9,323,610	9,218,642	2,828,025	-	-	19,243,853	11,451,635
2-5 years	89,116,388	57,629,012	62,159,478	37,711,367	-	-	142,374,977	95,340,379
Over 5 years	22,485,863	6,770,169	19,546,761	4,537,187	-	-	42,032,624	11,307,366
	123,692,973	79,353,216	93,129,946	46,077,946	13,807,112	-	230,430,031	125,431,162
Floating interest securities								
Less than one year	1,256,438	2,383,466	-	1,193,307	-	-	1,256,438	3,586,773
1-2 years	-	1,257,526	-	-	-	-	-	1,257,526
2-5 years	-	-	-	-	-	-	-	-
Over 5 years	6,239,313	3,409,109	3,409,109	-	-	-	9,648,422	-
	7,495,751	3,650,992	3,409,109	1,193,307	-	-	10,904,860	4,844,299

##### (i) Cash flow sensitivity analysis

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

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

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>As at 31 March</b>								
Increase of 1%	67,787	93,211	138,339	207,338	347,187	342,994	553,314	643,542
Decrease of 1%	(67,787)	(93,211)	(138,339)	(207,338)	(347,187)	(342,994)	(553,314)	(643,542)

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

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

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>As at 31 March</b>								
Increase of 1%	(3,098,303)	(1,099,709)	(2,550,908)	(652,943)	(14,121)	-	(5,663,332)	(1,752,652)
Decrease of 1%	3,248,424	1,150,819	2,676,496	694,014	14,233	-	5,939,143	1,834,833

In addition to the Scheme's direct exposure to interest rate changes on the fair value of financial asset and liabilities and on the cash flows of cash and cash equivalents shown above, each Fund in 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 members of future movements in interest rates.



## Notes to the Financial Statements

### 5. Financial risk management (continued)

#### 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 Funds measure credit risk and expected credit losses using the probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any expected credit loss and monitors credit risk within the terms of the Schemes' Statement of Investment Policies and Objectives (SIPO). This predominantly 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. Cash and cash equivalent holdings with banks cannot exceed 15% of the assets of a fund, except for deposits with large overseas banks operating in New Zealand that each 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 ASB Bank Limited and ANZ Bank New Zealand Limited, who both have a 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 ASB Bank Limited and BNP Paribas.

As at 31 March 2019 there were no financial assets past due or impaired (31 March 2018: Nil). As such, no loss allowance is deemed necessary on 12-month expected credit losses.

The following table sets out the 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	
		2019	2018	2019	2018	2019	2018	2019	2018
	<b>Cash and cash equivalents</b>								
	ASB Bank Limited	4,578,415	6,267,055	8,877,326	9,938,794	18,692,702	16,495,435	32,148,443	32,701,284
	BNP Paribas SA	2,200,303	3,054,004	4,956,588	10,795,015	16,026,044	17,803,916	23,182,915	31,652,935
		6,778,718	9,321,059	13,833,914	20,733,809	34,718,746	34,299,351	55,331,358	64,354,219
	<b>Debt Securities</b>								
	High Grade	53,713,458	46,055,877	33,731,807	27,079,799	10,159,030	-	97,604,295	73,135,676
	Upper Medium Grade	8,376,660	4,582,126	13,936,370	3,928,515	-	-	22,315,030	8,510,641
	Lower Medium Grade	48,216,325	21,384,783	28,484,187	9,340,717	1,416,103	-	78,116,615	30,725,500
	Unrated	20,880,281	10,981,422	20,386,691	6,922,222	2,031,979	-	43,298,951	17,903,644
	<b>Total</b>	131,188,724	83,004,208	96,539,055	47,271,253	13,607,112	-	241,334,891	130,275,461

#### 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 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 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	
		2019	2018	2019	2018	2019	2018	2019	2018
	<b>Debt securities</b>								
	0-3 months	3,380,832	3,074,495	264,953	1,364,217	11,575,133	-	15,220,918	4,438,712
	3-6 months	1,511,212	2,008,188	434,601	226,800	-	-	1,945,813	2,234,988
	6-12 months	7,430,895	3,941,208	1,506,510	603,657	2,031,979	-	10,968,384	4,544,865
	over 12 months	118,865,785	73,980,317	94,333,991	45,076,579	-	-	213,199,776	119,055,896
	<b>Total</b>	131,188,724	83,004,208	96,539,055	47,271,253	13,607,112	-	241,334,891	130,275,461



## Notes to the Financial Statements

### 5. Financial risk management (continued)

#### 5.1.3 Liquidity risk (continued)

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

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Forward foreign exchange contracts</b>								
0-3 months	36,850	1,114	248,017	688,160	503,763	1,350,486	788,630	2,048,770

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 2019 and 31 March 2018. 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 2019 mature within 3 months (31 March 2018: 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 year (2018: 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 year 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 the reporting 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, either directly (that is, as prices) or indirectly (that is, derived from prices).

##### 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. 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. Financial risk management (continued)

#### 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	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Level 1</b>								
<i>Financial assets at fair value through profit or loss</i>								
Australasian listed equities	46,740,568	32,904,896	140,442,612	73,928,220	154,867,631	73,190,934	342,150,811	180,024,050
International equities	18,766,470	-	103,850,015	71,518,235	217,516,489	132,629,032	340,132,974	204,147,327
Fixed interest securities	48,633,600	26,456,701	33,935,689	13,350,685	3,449,082	-	85,817,371	39,807,386
<b>Total level 1 assets</b>	<b>113,940,638</b>	<b>59,361,597</b>	<b>278,228,316</b>	<b>158,797,140</b>	<b>375,832,202</b>	<b>205,820,026</b>	<b>768,101,156</b>	<b>423,978,763</b>
<b>Level 2</b>								
<i>Financial assets at fair value through profit or loss</i>								
Forward foreign exchange contracts	23,243	19,356	218,921	433,602	461,932	820,733	694,086	1,273,691
Unlisted unit trusts	-	-	72,280,963	47,955,873	151,231,708	96,419,221	223,512,671	144,376,194
Fixed interest securities	82,765,124	56,547,507	62,603,366	33,920,568	10,159,030	-	155,517,520	90,468,075
<b>Total level 2 assets</b>	<b>82,778,367</b>	<b>56,566,863</b>	<b>135,103,250</b>	<b>82,310,143</b>	<b>161,642,670</b>	<b>97,239,954</b>	<b>379,724,287</b>	<b>236,116,960</b>
<b>Level 3</b>								
<i>Financial liabilities at fair value through profit or loss</i>								
Forward foreign exchange contracts	36,850	1,114	248,017	698,160	603,763	1,350,496	788,630	2,049,770
<b>Total level 3 liabilities</b>	<b>36,850</b>	<b>1,114</b>	<b>248,017</b>	<b>698,160</b>	<b>603,763</b>	<b>1,350,496</b>	<b>788,630</b>	<b>2,049,770</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 Scheme uses valuation models to derive fair value of forward exchange contracts which may have various settlement dates. These valuations may incorporate inputs for counterparty risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs used are market observable and have been classified as Level 2.

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

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

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





## Notes to the Financial Statements

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

#### 6.1 Financial asset and liabilities classification

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>As at 31 March</b>								
Financial assets mandatorily measured at fair value through profit or loss								
Forward foreign exchange contracts								
Fixed interest securities	23,243	19,356	218,921	433,602	451,632	820,733	694,096	1,273,691
Australian listed equities	131,188,724	85,004,208	96,539,055	47,271,253	13,607,112	-	241,334,881	130,275,461
International listed equities	46,740,568	32,804,896	140,442,612	73,928,220	154,997,931	73,190,934	342,160,811	180,024,050
Unlisted unit trusts	18,766,470	-	103,850,016	71,518,235	217,516,489	132,629,082	340,132,874	204,147,327
			72,280,963	47,955,973	151,231,708	96,419,221	223,512,671	144,376,194
<b>Total financial assets mandatorily measured at fair value through profit or loss</b>	<b>196,719,005</b>	<b>115,928,460</b>	<b>413,331,566</b>	<b>241,107,283</b>	<b>637,774,872</b>	<b>303,059,980</b>	<b>1,147,825,443</b>	<b>660,095,723</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>196,719,005</b>	<b>115,928,460</b>	<b>413,331,566</b>	<b>241,107,283</b>	<b>637,774,872</b>	<b>303,059,980</b>	<b>1,147,825,443</b>	<b>660,095,723</b>
Financial liabilities mandatorily measured at fair value through profit or loss								
Forward foreign exchange contracts	36,850	1,114	248,017	698,160	503,763	1,350,496	788,630	2,049,770
<b>Total financial liabilities mandatorily measured at fair value through profit or loss</b>	<b>36,850</b>	<b>1,114</b>	<b>248,017</b>	<b>698,160</b>	<b>503,763</b>	<b>1,350,496</b>	<b>788,630</b>	<b>2,049,770</b>
<b>Total financial liabilities at fair value through profit or loss</b>	<b>36,850</b>	<b>1,114</b>	<b>248,017</b>	<b>698,160</b>	<b>503,763</b>	<b>1,350,496</b>	<b>788,630</b>	<b>2,049,770</b>

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

As at 31 March 2019	Conservative Fund		Growth Fund		Focused Growth Fund	
	\$	%	\$	%	\$	%
Berkshire Hathaway Inc	-	-	25,689,441	6.04%	51,076,724	8.94%
Contact Energy	-	-	22,140,356	5.21%	-	-
Infratil Limited	11,618,813	5.80%	28,256,728	6.18%	-	-
Jupiter European Opportunities Trust PLC	-	-	-	-	-	-
Magellan Global Fund	-	-	21,877,292	5.15%	48,036,402	8.41%
Platinum International Fund	-	-	25,799,928	6.08%	59,095,708	9.82%
T Rowe Price Global Equity Fund	-	-	24,603,745	5.79%	47,095,598	8.24%
Worldwide Healthcare Trust PLC	-	-	-	-	-	-
<b>As at 31 March 2018</b>						
Berkshire Hathaway Inc	-	-	15,907,686	6.58%	31,979,293	9.74%
Infratil Limited	7,178,893	5.76%	16,693,280	6.49%	-	-
Jupiter European Opportunities Trust PLC	-	-	-	-	16,554,761	5.04%
Magellan Global Fund	-	-	14,412,119	5.61%	30,435,648	9.27%
Platinum International Fund	-	-	16,477,499	6.41%	33,850,447	10.31%
T Rowe Price Global Equity Fund	-	-	17,066,355	6.64%	32,133,128	9.76%
Worldwide Healthcare Trust PLC	-	-	-	-	16,684,370	5.08%



## Notes to the Financial Statements

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

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

As at 31 March 2019	Conservative Fund		Growth Fund		Focused Growth Fund	
	\$	%	\$	%	\$	%
<b>Australian listed equities</b>						
Avrida Group Limited	4,614,457	9.87%	10,918,578	7.77%	14,362,518	9.27%
Contact Energy Limited	5,087,117	10.86%	22,140,356	15.76%	27,269,607	17.62%
Infratil Limited	11,618,813	24.86%	26,266,728	18.70%	25,694,013	16.52%
Mercury NZ Limited	4,692,628	10.04%	20,890,171	14.87%	23,882,816	15.41%
Mediaseca Limited	3,971,906	8.50%	11,127,580	7.92%	13,914,101	8.98%
Precinct Properties NZ Limited	-	-	9,312,839	6.63%	-	-
Summerset Group Holdings Limited	3,126,966	6.69%	9,104,061	5.77%	8,739,502	5.64%
Z Energy Limited	4,887,032	10.46%	10,365,170	7.38%	14,521,723	9.37%
<b>International equities, international unit trusts and listed investment companies</b>						
Alibaba Group Holding	3,280,521	17.53%	10,700,980	6.08%	20,331,672	5.51%
Alphabet Inc	3,865,445	20.60%	-	-	-	-
Berkshire Hathaway Inc	5,287,354	28.17%	25,669,441	14.57%	51,076,724	13.85%
Facebook	1,099,861	5.86%	-	-	48,036,402	13.03%
Magellan Global Fund	1,513,160	8.06%	21,877,282	12.42%	-	-
Microsoft Corporation	1,970,239	10.50%	-	-	-	-
Ping An Insurance Group	-	-	25,789,928	14.65%	59,096,708	15.21%
Platinum International Fund	-	-	24,603,745	13.97%	47,085,598	12.77%
T. Rowe Price Global Equity Fund	-	-	9,401,208	5.34%	21,236,006	5.76%
Worldwide Healthcare Trust PLC	-	-	-	-	-	-
<b>As at 31 March 2018</b>						
<b>Australian listed equities</b>						
Avrida Group Limited	4,734,148	14.39%	9,451,476	12.80%	11,823,521	16.15%
Contact Energy Limited	2,577,839	7.83%	5,820,896	7.87%	6,200,471	8.47%
Infratil Limited	7,178,893	21.82%	16,693,280	22.58%	14,832,195	20.27%
Mediaseca Limited	2,839,754	8.93%	7,186,620	9.72%	6,997,922	9.56%
Summerset Group Holdings Limited	2,836,468	8.62%	6,284,101	8.50%	6,610,551	9.03%
Z Energy Limited	3,755,628	11.41%	8,059,156	10.80%	7,633,577	10.43%
<b>International equities, international unit trusts and listed investment companies</b>						
Alibaba Group Holding	-	-	7,123,815	5.96%	12,339,465	5.39%
Berkshire Hathaway Inc	-	-	18,907,686	14.15%	31,879,293	13.86%
Jupiter European Opportunities Trust PLC	-	-	8,277,655	6.93%	10,664,761	7.23%
Magellan Global Fund	-	-	14,412,119	12.05%	30,435,648	13.29%
Ping An Insurance Group	-	-	6,730,149	5.63%	11,592,769	5.06%
Platinum International Fund	-	-	16,477,499	13.79%	33,860,447	14.78%
Polar Capital Technology Trust PLC	-	-	8,150,145	6.82%	15,032,729	6.56%
T. Rowe Price Global Equity Fund	-	-	17,066,355	14.28%	32,133,126	14.03%
Worldwide Healthcare Trust PLC	-	-	5,429,054	7.09%	16,694,370	7.28%



## Notes to the Financial Statements

### 7. Financial instruments by category

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

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>As at 31 March</b>								
Financial assets at fair value through profit and loss								
Financial assets at fair value through profit or loss	196,719,005	115,928,460	413,331,566	241,107,283	637,774,972	303,059,980	1,147,826,443	660,095,723
<b>Financial assets at amortised cost</b>								
Cash and cash equivalents	6,778,718	9,321,059	13,833,894	20,733,809	34,718,746	34,299,351	55,331,358	64,354,219
Trade and other receivables	1,695,599	578,218	2,114,863	1,586,244	2,233,616	2,102,577	6,044,077	4,267,039
<b>Total financial assets at amortised cost</b>	8,474,317	9,899,277	15,948,757	22,320,053	36,952,361	36,401,928	61,375,435	68,621,258
<b>Total financial assets</b>	205,193,322	125,827,737	429,280,323	263,427,336	674,727,233	339,461,908	1,209,200,878	728,716,981

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>As at 31 March</b>								
Financial liabilities at fair value through profit and loss								
Financial liabilities at fair value through profit or loss	36,850	1,114	248,017	698,160	503,763	1,350,496	788,630	2,049,770
<b>Financial liabilities at amortised cost</b>								
Bonafide payable	30,417	172,299	491,431	197,373	155,812	135,978	677,660	505,650
Trade and other payables	3,559,957	464,236	1,917,176	4,010,576	142,818	7,619,990	5,619,951	12,094,802
Trade and other payables to related parties	152,174	102,545	342,287	214,293	463,153	274,137	967,614	590,975
<b>Total financial liabilities at amortised cost</b>	3,752,548	739,080	2,750,894	4,422,242	761,789	8,030,105	7,285,225	13,191,427
<b>Total financial liabilities</b>	3,789,398	740,194	2,998,911	5,120,402	1,265,546	9,380,601	8,053,855	15,241,197

### 8. Trade and other receivables

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>As at 31 March</b>								
Due from brokers	-	-	789,457	-	-	952,613	1,742,070	-
Dividends receivable	202,315	73,854	871,477	164,730	1,036,475	172,667	2,110,287	411,251
Interest receivable	66,611	6,795	48,231	5,038	10	1,641	114,962	13,474
Management fee rebates receivable	-	-	29,246	-	62,083	-	91,329	-
Contributions receivable	1,428,673	487,569	1,166,909	627,019	1,136,047	975,656	3,727,629	2,100,244
<b>Total trade and other receivables</b>	1,695,599	578,218	2,114,863	1,596,244	2,233,615	2,102,577	6,044,077	4,267,039

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

### 9. Trade and other payables

\$	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>As at 31 March</b>								
Due to brokers	3,529,000	444,754	1,861,639	3,975,971	76,611	7,580,929	5,467,150	12,001,654
General expenses payable	30,957	19,482	55,537	34,605	66,307	39,061	152,801	93,148
<b>Total trade and other payables</b>	3,559,957	464,236	1,917,176	4,010,576	142,818	7,619,990	5,619,951	12,094,802

All trade and other payable balances are carried at amortised cost and their carrying value 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	
	2019	2018	2019	2018	2019	2018	2019	2018
Management fees payable	154,784	97,408	326,600	203,558	442,048	260,404	923,522	561,370
Supervisor fees payable	7,390	5,137	16,597	10,735	21,105	13,733	44,092	29,605
<b>Total trade and other payables to related parties</b>	<b>162,174</b>	<b>102,545</b>	<b>342,287</b>	<b>214,293</b>	<b>463,153</b>	<b>274,137</b>	<b>967,614</b>	<b>590,975</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

	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>For the year ended 31 March</b>	<b>12,072,501</b>	<b>5,082,745</b>	<b>31,571,380</b>	<b>20,495,541</b>	<b>36,510,570</b>	<b>29,705,800</b>	<b>80,154,451</b>	<b>55,284,086</b>
<b>Net profit before membership activities</b>								
<b>Adjustments for non cash items:</b>								
Unrealised changes in the fair value of financial instruments	(5,995,538)	(2,060,215)	(20,562,839)	(14,671,408)	(25,984,749)	(24,075,131)	(62,543,126)	(40,806,755)
Unrealised foreign exchange (losses)/gains on cash at bank	(250,610)	(153,684)	(733,939)	(475,520)	(796,459)	(527,898)	(1,781,008)	(1,157,002)
Management fee rebates re-invested	-	-	(326,989)	(207,319)	(686,335)	(386,743)	(1,013,324)	(596,062)
Dividends re-invested	-	-	(4,153,066)	(933,074)	(8,975,266)	(1,710,888)	(13,128,332)	(2,643,962)
<b>Total adjustments for non cash items</b>	<b>(6,246,148)</b>	<b>(2,213,799)</b>	<b>(25,776,833)</b>	<b>(16,287,322)</b>	<b>(36,442,809)</b>	<b>(26,702,660)</b>	<b>(68,465,790)</b>	<b>(46,203,781)</b>
<b>Movements in working capital items:</b>								
(Increase)/decrease in cost of investments	(71,675,025)	(38,771,078)	(148,956,407)	(91,172,895)	(206,467,080)	(117,363,614)	(427,098,512)	(247,307,587)
(Increase)/decrease in trade and other receivables	(188,277)	(47,286)	(779,186)	(110,750)	(924,280)	(145,975)	(1,891,725)	(304,011)
(Decrease)/increase in trade and other payables	71,104	36,261	148,926	102,019	216,252	140,361	436,282	278,641
<b>Net cash flow from working capital items</b>	<b>(71,782,198)</b>	<b>(38,782,103)</b>	<b>(149,586,667)</b>	<b>(91,181,626)</b>	<b>(207,175,078)</b>	<b>(117,369,228)</b>	<b>(428,553,943)</b>	<b>(247,332,957)</b>
<b>Net cash outflow from operating activities</b>	<b>(65,965,846)</b>	<b>(35,913,157)</b>	<b>(143,792,120)</b>	<b>(86,973,407)</b>	<b>(207,107,317)</b>	<b>(114,366,088)</b>	<b>(416,865,282)</b>	<b>(237,252,652)</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 year ended 31 March 2019 totalled \$9,451,563 (2018: \$5,549,873). The amount accrued but unpaid as at 31 March 2019 was \$923,522 (2018: \$561,370).

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 year ended 31 March 2019 totalled \$1,308,472 (2018: \$1,328,097). \$183,246 of administration fees were accrued but unpaid as at 31 March 2019, this amount is included within withdrawals payable (31 March 2018: \$130,032).

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 year ended 31 March 2019 for the Supervisor Fees totalled \$465,063 (2018: \$308,547) and for general expense \$1,566,308 (2018: \$928,284). The amount accrued but unpaid as at 31 March 2019 for Supervisor Fees was \$44,092 (2018: \$29,605) and for general expenses \$152,801 (2018: \$93,147).

GIML has paid Scheme expenses for the year ended 31 March 2019 and 31 March 2018. These comprise:

- Audit fees of \$9,675 comprising audit fee of \$37,375 (2018: \$36,800) and \$2,300 for other assurance services (2018: \$2,128)
- Supervisor fees and other expenses of \$1,413,008 (2018: \$806,161)
- Legal expenses of \$22,609 (2018: \$25,792)

During the year to 31 March 2019, the scheme received compensation payments totalling \$7,947 (2018: \$3,992)

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. Related parties (continued)

#### 12.2 Directors' interest

Peter Brook, 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	
	2019	2018	2019	2018	2019	2018	2019	2018
Balance of Holdings as at 31 March	4,060,949	187,653	5,258,684	376,539	489,572	382,478	9,809,185	846,670

The funds have executed the following transactions in equities and bonds of Argosy Property Limited:

\$ For the Year ended 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Purchases	3,805,000	104,500	4,757,000	198,560	-	219,450	8,562,000	522,500

All Directors of the Manager (GIML) who are eligible to invest in the Scheme, are members of the Scheme. 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	
	2019	2018	2019	2018	2019	2018	2019	2018
Balance of Holdings	-	-	-	-	289,703	230,423	289,703	230,423

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

### 13. Contingent liabilities

There were no contingent liabilities as at 31 March 2019 (31 March 2018: none).

### 14. Capital commitments

There were no capital commitments as at 31 March 2019 (31 March 2018: 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 2018: none).



# Independent Auditor's Report

To the Members of the Funds in the Generate KiwiSaver Scheme

## Report on the Audit of the financial statements



### Opinion

We have audited the financial statements of the Funds in the Generate KiwiSaver Scheme (the "Funds", listed in Appendix 1) on pages 2 to 20 which comprise the statement of net assets as at 31 March 2019, and the statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Funds as at 31 March 2019 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 Auditing 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 Funds 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.

Our firm carries out other assurance services for the Funds. The firm has no other relationships with, or interests in, the Funds.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Why the matter is significant	How our audit addressed the key audit matter
<p><b>Valuation and Existence of Financial Assets at Fair Value through Profit or Loss</b></p> <p>As at 31 March 2019, the Funds hold significant financial assets at fair value through profit or loss. While the investments were not assessed to be at a significant risk of misstatement or subject to significant levels of judgement, due to their materiality in the context of the Funds as a whole, these were considered to be an area which had the greatest impact on our overall audit strategy and the allocation of resources in planning and completing our audit.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Documented and understood the controls in place for recording investment transactions and valuing the portfolio. This included evaluating the control environment in place at the Manager by obtaining and reading the report issued by an independent auditor on the design and operation of those controls.</li> <li>• Agreed the 31 March 2019 investment holdings to confirmations received from the external fund manager of those investments.</li> <li>• Obtained and read the report issued by an independent auditor on the design and operation of the controls at the external fund managers of those investments.</li> </ul>

### Other information

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

Our opinion on the financial statements of the Funds listed in Appendix 1 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 other 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 Funds for the preparation and fair presentation of the financial statements in accordance with NZ IFRS 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 Funds for assessing the Funds' 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 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/assurance-standards/auditors-responsibilities/audit-report-2/>

### Restriction on use of our report

This report is made solely to the Members of the Funds, as a body. Our audit work has been undertaken so that we might state to the Members, as a body, 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 Funds and the Members of the Funds, as a body, for our audit work, for this report or for the opinion we have formed.

### Grant Thornton New Zealand Audit Partnership



**Kerry Price**  
**Partner, Audit**  
**3 July 2019**

**Audit**  
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### Appendix 1

Detailed below are the individual funds which have been individually audited and subject to this audit opinion

- Conservative Fund
- Growth Fund
- Focused Growth Fund

