

# **Craigs KiwiSaver Scheme**

**Financial Statements  
For the year ended 31 March 2020**

# Craigs KiwiSaver Scheme

## Statement of Changes in Net Assets

for the year ended 31 March 2020

	Note	2020	2019
<b>INVESTMENT ACTIVITIES</b>			
<b>Investment Income</b>			
Dividends		1,836,413	1,794,963
Interest income		99,675	101,749
Net foreign exchange gain/(loss) (excluding investment assets)		558,831	84,154
Net changes in fair value of investment assets		543,208	14,408,922
<b>Net investment income</b>		<b>3,038,127</b>	<b>16,389,788</b>
<b>Expenses</b>			
Brokerage fees	10(a)	581,792	275,949
Management fees	10(c)	1,110,199	864,056
Administration fees	10(d)	133,080	130,177
Audit fees - audit of financial statements	10(e)	9,056	8,500
- other assurance services (register audits)	10(e)	2,113	2,113
Other operating expenses	10(e)	18,751	8,205
<b>Total expenses</b>		<b>1,854,991</b>	<b>1,289,000</b>
<b>Net profit before membership activities</b>		<b>1,183,136</b>	<b>15,100,788</b>
Taxation expense	4	960,406	809,396
<b>Net profit before membership activities after tax</b>		<b>222,730</b>	<b>14,291,392</b>
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions received</b>			
Member contributions from members		22,192,198	15,959,052
Member contributions from employers		7,359,413	6,451,104
Member contributions from the Crown		2,000,048	1,832,848
Transfers in from other KiwiSaver schemes		31,708,364	15,921,317
<b>Total contributions</b>		<b>63,260,023</b>	<b>40,164,321</b>
<b>Payments to members</b>			
Entitlement withdrawals		6,302,084	5,541,099
First home		1,684,119	1,665,282
Emigration		94,009	97,047
Hardship claims		152,524	74,278
Transfers to other schemes		6,450,069	5,741,352
Court order		-	75,000
Serious Illness		53,073	521,475
Death		332,542	53,911
<b>Total payments</b>		<b>15,068,420</b>	<b>13,769,444</b>
<b>Net membership activities</b>		<b>48,191,603</b>	<b>26,394,877</b>
<b>Net increase in Net Assets during the year</b>		<b>48,414,333</b>	<b>40,686,269</b>
Net assets available for benefits at the beginning of the year		248,527,038	207,840,769
<b>Net assets available for benefits at the end of the year</b>		<b>296,941,371</b>	<b>248,527,038</b>

Please read in conjunction with the attached notes set out on pages 5 to 16.


# Craigs KiwiSaver Scheme

## Statement of Net Assets

as at 31 March 2020

	Note	2020	2019
<b>Assets</b>			
Cash and cash equivalents	5	12,815,815	7,759,107
Accrued interest		-	9,204
Accounts receivable	3	2,157	3,096
Investment assets	6	284,868,095	241,670,262
<b>Total assets</b>		<b>297,686,067</b>	<b>249,441,669</b>
<b>Liabilities</b>			
Related party payable	10	310,706	299,572
Tax payable		433,990	615,059
<b>Total liabilities</b>		<b>744,696</b>	<b>914,631</b>
<b>Net assets available for benefits</b>		<b>296,941,371</b>	<b>248,527,038</b>
<b>Members' funds</b>	9	<b>296,941,371</b>	<b>248,527,038</b>

On behalf of Craigs Investment Partners Superannuation Management Limited who authorised the issue of these financial statements on 26 June 2020.

  
Director:

Date: 26 June 2020

  
Director:

Date: 26 June 2020



Please read in conjunction with the attached notes set out on pages 5 to 16.

**Craigs KiwiSaver Scheme**  
**Statement of Cash Flows**  
for the year ended 31 March 2020

	Note	2020	2019
<b>Cash flows from operating activities</b>			
Dividends received		1,836,413	1,794,963
Interest received		108,879	93,592
Other operating expenses paid		(1,842,918)	(1,318,321)
Income taxes paid		(1,141,475)	(32,236)
Sale of investment assets		41,430,242	27,062,328
Purchases of investment assets		(84,084,867)	(51,516,937)
<b>Net cash flows from operating activities</b>	7	<u>(43,693,726)</u>	<u>(23,916,611)</u>
<b>Cash flows from financing activities</b>			
Proceeds from contributions by members		63,260,023	40,164,321
Payments for withdrawals by members		(15,068,420)	(13,769,444)
<b>Net cash flows from financing activities</b>		<u>48,191,603</u>	<u>26,394,877</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>4,497,877</u>	<u>2,478,266</u>
Cash and cash equivalents at the beginning of the year		7,759,107	5,196,687
Effect of exchange rate fluctuations on cash held		558,831	84,154
<b>Cash and cash equivalents at the end of the year</b>	5	<u><u>12,815,815</u></u>	<u><u>7,759,107</u></u>



Please read in conjunction with the attached notes set out on pages 5 to 16.

# Craigs KiwiSaver Scheme

## Notes to the Financial Statements

for the year ended 31 March 2020

### 1. General Information

#### (a) Reporting Entity

These financial statements are for the Craigs KiwiSaver Scheme (previously named the Craigs Investment Partners kiwiSTART Select Scheme) (the "Scheme").

The Scheme was originally established under an umbrella Trust Deed dated 18 December 2006 with subsequent amendments. This Trust Deed was rescinded on 21 September 2012 immediately replaced with a new Trust Deed dated 21 September 2012 which was since amended on 15 November 2016. The Scheme is a defined contribution scheme. The Scheme invests in a variety of equities and listed and unlisted unit trusts in order to gain direct and indirect exposure to cash, bonds, equity and property markets.

The Scheme is registered under the KiwiSaver Act 2006 under the registration number KSS/10054. The financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The retirement benefits are determined by contributions to the Scheme, together with investment earnings on these contributions over the period of the membership.

The product disclosure statement was registered with the Companies Office on 16 December 2019.

The investment and administration activities of the Scheme are managed by Craigs Investment Partners Superannuation Management Limited (the "Manager").

The New Zealand Guardian Trust Company Limited (the statutory trustee) is licenced under the Securities Trustees and Statutory Supervisors Act 2011.

The Scheme is domiciled in New Zealand. The registered office of the Manager of the Scheme is 158 Cameron Road, Tauranga, New Zealand.

#### (b) Statement of compliance

The financial statements have been prepared by the Manager in accordance with the Trust Deed, the Financial Reporting Act 2013, the Financial Markets Conduct Act 2013, the Superannuation Schemes Act 1989, the KiwiSaver Act 2006 and New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements are prepared for the year ended 31 March 2020.

The financial statements were authorised for issue by the directors of Craigs Investment Partners Superannuation Management Limited on 26 June 2020.





# Craigs KiwiSaver Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2020

### 1. General Information (continued)

#### (c) Basis of preparation

The financial statements are presented in New Zealand dollars, which is the Scheme's functional currency. All values are rounded to the nearest dollar.

The impacts of COVID-19 were assessed during the preparation of the financial statements. These included assessing whether there were any indicators effecting the Scheme's ability to operate as a going concern. No such indicators were identified that would negatively influence the Scheme as a going concern.

Except where noted in specific accounting policies below, the financial statements are prepared on a fair value basis.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of COVID-19 and the resulting estimates due to these uncertainties are mainly related to fair value measurement (refer note 6 and 8). There are no other significant estimates and judgements used in preparing these financial statements.

Accounting policies have been applied consistently across all the financial periods presented in these financial statements.

### 2. Summary of significant accounting policies

#### (a) Investments

##### *Recognition and derecognition*

Investment assets are recognised on the date that the Scheme becomes party to the contractual agreement (trade date). Investment assets are derecognised when the contractual rights to the cash flows expire or the Scheme has transferred substantially all risks and rewards of ownership.

##### *Measurement*

The Scheme measures its investment assets on a fair value basis, and carries them at their fair value, with changes recognised in the Statement of Changes in Net Assets. Investment assets are designated as "fair value through profit or loss" on initial recognition. The fair value of investments is based on their quoted market prices at the reporting date using last trade prices. Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds.

#### (b) Other financial assets and liabilities

Other financial assets and liabilities, including cash and cash equivalents, receivables and payables, are initially recognised at fair value and subsequently carried at their amortised cost using the effective interest rate method. Their carrying value closely approximates their fair value.

For cash flow statement presentation purposes, cash and cash equivalents comprise current accounts with banks, members' funds held by the Trustee, demand deposits and bank overdrafts (if any). Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Other financial assets are classified as loans and receivables.

Other financial liabilities are classified as financial liabilities at amortised cost.

# Craigs KiwiSaver Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2020

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

#### (c) Foreign currency transactions

Investments and other monetary assets and liabilities denominated in foreign currencies are translated to New Zealand dollars at the exchange rate ruling at the reporting date. Transactions in foreign currencies are recorded at the exchange rate ruling on the day. Foreign exchange gains and losses on investment assets are recognised together with other net changes in the fair value of investment assets in the Statement of Changes in Net Assets.

#### (d) Investment income

Interest income is recognised in the Statement of Changes in Net Assets as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Income distributions from unit trusts are recognised in the Statement of Changes in Net Assets as dividend income on an entitlement basis. Dividends are recognised upon securities applicable ex-date. Net changes in fair value of investment assets are recognised immediately in the Statement of Changes in Net Assets.

#### (e) Expenses

Expenses are recognised on an accrual basis.

#### (f) Net assets available for benefits

The net assets available for benefits is the Scheme's present obligation to pay benefits to members and has been calculated as the difference between the fair value of the assets and the fair value of the liabilities as at balance date.

Issued units provide members with the right to require redemption for cash at the value proportionate to the members' share in the Scheme's net assets. These units are puttable instruments and are classified as equity as they meet all of the following criteria: (i) members are entitled to a pro rata share of the Scheme's net assets in the event of the Scheme's liquidation, (ii) apart from the contractual obligation of the issuer to redeem the instrument for cash or another financial asset, the instrument does not include contractual obligations to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under potentially unfavourable conditions to the entity and (iii) the total expected cash flows attributable to the instrument over its life is based substantially on the profit or loss and changes in the recognised net assets or the change in fair value of the recognised and unrecognised net assets of the entity over the life of the instrument.

As members' contributions are received, they are held in trust by The New Zealand Guardian Trust Company Limited until the next trading day when they are transferred into the Scheme.

#### (g) New Standards and pronouncements relevant to the Scheme

There have been no new standards or pronouncements which have impacted the financial statements during the reporting period.





# Craigs KiwiSaver Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2020

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

#### (h) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (i) Goods and Services Tax ("GST")

The Scheme is not registered for GST. The Statement of Changes in Net Assets and the Statement of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Statement of Net Assets are stated inclusive of GST.

### 3. Accounts receivable

	Note	2020	2019
Advance interest payments to closed members		-	152
Unallocated cash		-	1,309
Related party receivable	10(b)	2,157	1,635
		<u>2,157</u>	<u>3,096</u>





**Craigs KiwiSaver Scheme**  
**Notes to the Financial Statements (continued)**  
for the year ended 31 March 2020

**4. Taxation**

	2020	2019
<b>Reconciliation of tax expense</b>		
Profit/(Loss) for the year before taxation	1,183,136	15,100,788
Income tax using the Schemes tax rate of 28%	331,278	4,228,221
Non assessable (gains)/losses on investment assets	1,180,309	(3,088,722)
Imputation credits	(322,862)	(203,229)
Foreign tax credits	(228,319)	(126,874)
Recognition of previously unrecognised tax losses	-	-
<b>Taxation expense</b>	<b>960,406</b>	<b>809,396</b>

There are no unrecognised deferred tax assets (2019 \$Nil).

**5. Cash and cash equivalents**

	2020	2019
NZD cash at bank	8,392,863	4,977,896
AUD call account	1,422,175	945,532
GBP call account	661,998	601,774
USD call account	2,321,519	1,154,414
NZD term deposit	-	60,000
Members' funds held by Trustee	17,260	19,491
<b>Total cash and cash equivalents</b>	<b>12,815,815</b>	<b>7,759,107</b>

Members' funds held by Trustee represent member contributions which are being held by the Trustee in a separate bank account. At balance date, the funds have not yet been invested into the Scheme.



## Craigs KiwiSaver Scheme

### Notes to the Financial Statements (continued)

for the year ended 31 March 2020

6. Investment assets	2020	2019
NZ equities & listed unit trusts	24,241,294	17,853,586
NZ fixed interest securities	216,442	221,993
Australian equities & listed unit trusts	12,274,355	9,170,740
Other international equities & listed unit trusts	59,564,556	46,559,550
NZ unlisted unit trusts (see note 10(a))	188,571,448	167,864,393
<b>Total investment assets</b>	<b>284,868,095</b>	<b>241,670,262</b>

The following direct investments exceeded 5% of the net assets available for benefits by the funds at 31 March:

QuayStreet Funds – Balanced Fund	40,099,270 13.5%	36,200,613 14.6%
QuayStreet Funds – Growth Fund	71,464,146 24.1%	64,616,743 26.0%

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 March 2020	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
NZ fixed interest securities	216,442	-	-	216,442
Listed equities and unit trusts	96,080,205	-	-	96,080,205
Unlisted NZ unit trusts	-	188,571,448	-	188,571,448
<b>Total</b>	<b>96,296,647</b>	<b>188,571,448</b>	<b>-</b>	<b>284,868,095</b>

31 March 2019	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
NZ fixed interest securities	221,993	-	-	221,993
Listed equities and unit trusts	73,583,876	-	-	73,583,876
Unlisted NZ unit trusts	-	167,864,393	-	167,864,393
<b>Total</b>	<b>73,805,869</b>	<b>167,864,393</b>	<b>-</b>	<b>241,670,262</b>

There have been no changes to the fair value hierarchy classification of investments as a result of the impact of COVID-19 and the levels remain as disclosed above.

## Craigs KiwiSaver Scheme

### Notes to the Financial Statements (continued)

for the year ended 31 March 2020

#### 7. Reconciliation of net profit to net cash flows from operating activities

	2020	2019
Net profit before membership activities	222,730	14,291,392
<i>Non-cash items</i>		
Unrealised change in fair value	6,470,214	(12,842,438)
Foreign exchange (gains)/losses	(558,831)	(84,154)
<i>Movement in operating balances</i>		
Accounts payable and accruals	11,134	(26,223)
Interest accrual	9,204	(8,157)
Tax receivable/payable	(181,069)	777,159
Accounts receivable	939	(3,096)
Investment assets	(49,668,047)	(26,021,094)
<b>Net cash flows from operating activities</b>	<u>(43,693,726)</u>	<u>(23,916,611)</u>

#### 8. Financial risk management

The Scheme's investment portfolio consists of investments in listed and unlisted unit trusts, New Zealand and international equity securities and cash that it intends to hold for an indefinite period of time. Through the holding of these investments, the Scheme is exposed directly and also indirectly to a variety of financial risks including: credit, foreign exchange, interest rate, market price and liquidity risks. The risk management policies employed by the Scheme are discussed in the notes below.

Financial instruments of the Scheme comprise of investments in financial assets for the purpose of generating a return on investment made by members. In addition, the Scheme may have financial assets and liabilities in the form of derivatives, cash and cash equivalents, dividends and other receivables, and accounts payable which arise directly from its daily operations.

The Trust Deed requires the Manager to invest the Scheme's assets in accordance with relevant investment mandates. Asset allocation is determined by the Manager who manages the distribution of assets to achieve investment objectives. Divergence from target allocations and the composition of the portfolio is monitored by the Manager on a daily basis. The Manager reports on asset allocations to the Trustee on a monthly basis.





# Craigs KiwiSaver Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2020

### 8. Financial risk management (continued)

#### (a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract. The maximum credit risk is considered to be the carrying value of the assets set out in the Statement of Net Assets.

Where the Scheme invests in unit trusts managed by the related entity QuayStreet Asset Management Limited, as set out in Note 10, the investment strategies of these unit trusts ensure an appropriate diversification of investments so that the Scheme indirectly has no significant concentrations of counterparty or credit risk.

Cash and cash equivalents are held via a related entity, CIP Cash Management Nominees Limited in call and short term deposits with the ANZ Bank New Zealand Limited. CIP Cash Management Nominees Limited acts as an agent. The credit rating of ANZ Bank New Zealand Limited is AA- according to Standard & Poors.

The credit risk disclosures have been prepared on the basis of the Scheme's direct investments and not on a look through basis for investments held indirectly through unit trusts. Consequently the disclosure of credit risk in the notes does not fully represent the true credit risk profile of the Scheme.

#### (b) Foreign exchange risk

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

The Scheme is directly exposed to foreign exchange risk as a result of holding investments in foreign currencies.

The Scheme is indirectly exposed to foreign exchange risk as a result of investments in unit trusts, which in turn invest in financial instruments denominated in foreign currencies.

The foreign exchange risk disclosures have been prepared on the basis of the Schemes' direct investments and not on a look through basis for investments held indirectly through unit trusts. As noted above, the Scheme's direct exposures are currently limited to their direct investment in international equity securities, unit trusts and cash held in foreign currencies. Consequently, the disclosure of foreign currency risk does not fully describe the true currency risk profile of the Scheme where the Scheme has significant investments in unit trusts, which also have exposure to the foreign currency markets.

In accordance with the Scheme's investment policy, the Manager monitors the Scheme's currency position on a regular basis through reviewing the Scheme's indirect foreign currency exposure.

The table below indicates the currencies to which the Scheme had significant exposure as at the end of the reporting period. The table shows the effect of a reasonably possible movement in the foreign currency rate against the New Zealand Dollar on the Statement of Changes in Net Assets.

	Change against NZ (\$)	2020	2019
Australian Dollar	5%	684,827	505,814
Great British Pound	5%	805,636	826,403
US Dollar	5%	2,321,768	1,589,384





# Craigs KiwiSaver Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2020

### 8. Financial risk management (continued)

#### (c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Scheme's interest bearing financial assets expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows.

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

Cash and cash equivalents are held in a call account and receive the prevailing bank interest rate on credit balances. The weighted average interest rate on cash and cash equivalents as at 31 March 2020 was 1.03% (2019: 1.19%).

Short-term deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited. The weighted average interest rate on short-term deposits was 3.9% as at 31 March 2020 (2019: 3.8%). The Scheme, through its investments in unit trusts has indirect exposure to interest rate risk.

The interest rate risk disclosures have been prepared on the basis of the Scheme's direct investments and not on a look through basis for investments held in unit trusts. Consequently the disclosure of interest rate risk in the notes does not fully represent the true interest rate risk profile of the Scheme.

The following table demonstrates the sensitivity of the Scheme's Statement of Changes in Net Assets and the increase/(decrease) in the net asset value of the Scheme to a reasonably possible change in interest rates, with all other variables held constant. The sensitivity of the Statement of Changes in Net Assets is the effect of the assumed changes in interest rates on changes in fair value of investments, based on revaluing the floating rate financial assets at 31 March:

	Change in interest rate %	2020	2019
Change in interest income for one year based on floating rate financial assets	1%	49,101	46,461

#### (d) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations associated with financial liabilities. The Scheme is exposed to daily cash redemptions of members' funds, subject to the restrictions imposed by the KiwiSaver Act 2006. Accordingly, all material investments are readily convertible to cash in normal market conditions. The redemption amount is set at the net tangible asset value of each unit, which is set daily.

Accounts payable have no contractual maturity date, but are typically settled within 30 days or within the timeframe as set out in the Trust Deed.

In accordance with the Scheme's investment policy, the Manager monitors the Scheme's liquidity positions through the regular review of cash flow information, which highlights current and known future levels of redemptions.

The Scheme has not experienced a higher number of client withdrawals as a result of COVID-19 nor have further withdrawal restrictions been imposed on members, other than those which continue to be required under the KiwiSaver Act 2006. The Scheme remains appropriately liquid, having considered the liquidity of the underlying investments and level of potential withdrawals.



# Craigs KiwiSaver Scheme

## Notes to the Financial Statements (continued)

for the year ended 31 March 2020

### 8. Financial risk management (continued)

#### (e) Market price risk

Market price risk is the risk that the value of the Scheme's investment portfolio will fluctuate as a result of changes in market prices.

The Scheme holds the majority of its investments in unlisted unit trusts managed by the related entity QuayStreet Asset Management Limited. These unit trusts invest in financial instruments, taking positions in traded and over-the-counter instruments to take advantage of short-term market movements in the bond, equity and property markets.

All securities held within these unit trusts present a risk of loss of capital. The Manager of these units moderates this risk through careful selection of securities and other financial instruments within specific limits.

Market price risk is managed directly by the Manager by ensuring that all activities are transacted in accordance with relevant investment mandates, overall investment strategy and within approved limits. The Manager monitors the overall market positions of the Scheme and underlying unit trusts on a regular basis.

The following table demonstrates the sensitivity of the Scheme's Statement of Changes in Net Assets and the increase/(decrease) in the net asset value of the Scheme to a reasonably possible change in the prices of the underlying listed equity securities or unit trusts, with all other variables held constant. The sensitivity of the Statement of Changes in Net Assets is the effect of the assumed changes in the prices of the underlying listed equity securities or unit trusts on changes in fair value of investments at 31 March:

	Change in price %	2020	2019
Change in fair value of investments	5%	14,243,405	12,083,513

Following the impact of COVID-19 and the resulting volatility in financial markets the Manager has reviewed this price risk sensitivity analysis and at the date of this report believe the price range sensitivity remains appropriate.

### 9. Members' funds

The Scheme's capital is represented by members' funds. The Scheme's objectives when managing capital are to provide returns for members through both capital growth and income. The Scheme does this by investing in accordance with its investment policy. Investment decisions are guided by the mandate included in the Investment Statement and Prospectus.

The Scheme strives to invest the members' funds in investments that meet the Scheme's objectives while maintaining sufficient liquidity to meet members' redemptions.

The Scheme does not have any externally imposed capital requirements. Members' funds may be redeemed on dates as the Manager shall from time to time determine, subject to the strict restrictions imposed by the KiwiSaver Act 2006.

Expected cash outflow cannot be reliably estimated given that the Scheme does not have sufficient historical redemption rates to predict the expected outflow profile.





## Craigs KiwiSaver Scheme

### Notes to the Financial Statements (continued)

for the year ended 31 March 2020

#### 10. Related party transactions

##### (a) Nature of Relationships

Craigs Investment Partners Superannuation Management Limited is the Manager of the Scheme.

Craigs Investment Partners Limited, the parent company of the Manager, effects most of the trades on behalf of the Scheme and collects brokerage. For the year ended 31 March 2020 the brokerage fees amounted to \$581,792 (2019: \$275,949) and as at 31 March 2020 \$56,110 was payable to the Manager (2019: \$32,128).

The Scheme invests primarily into the QuayStreet Funds (referred to as the "underlying investment entities"), managed by QuayStreet Asset Management Limited. QuayStreet Asset Management Limited is an associated company of the Manager of the Scheme. The Trustee of the Scheme is also the Trustee of the underlying investment entities. The Trustee of the Scheme and associated companies of the Manager of the Scheme receive fees from the underlying investment entities. However, the fees which both the Manager (including associated entities) and Trustee receive from the Scheme are reduced by the fees received from the underlying investment entities. There is no cumulative effect of fees charged by the Scheme and the underlying investment entities.

##### (b) Transactions with the Manager

The Manager reimburses the Scheme for bank charges. For the year ended 31 March 2020 this was \$19,128 (2019: \$6,580). As at 31 March 2020, \$2,157 (2019: \$1,635) remained outstanding.

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

##### (c) Management fees

Under the terms of the Trust Deed, the Manager is entitled to receive management fees, calculated by reference to the daily gross asset value of the Scheme and is inclusive of the Trustee fee of \$160,529 (2019: \$128,092) and Citibank N.A. fee. Fees paid directly for the period are disclosed in the Statement of Changes in Net Assets as \$1,110,199 (2019: \$864,056). As at 31 March \$102,565 was recognised as payable to the Manager in the Statement of Net Assets (2019: \$98,395).

The Manager is entitled to receive up to 1.25% of the value of all member accounts per annum of the gross asset value of the Scheme, determined upon each valuation day.

Craigs Investment Partners Limited, the parent company of the Manager, received fees of \$2,039,032 (2019: \$1,640,873) via the QuayStreet Funds from members of this Scheme. Fees are deducted by the cancellation of investment units in the underlying unit trusts. These fees are reflected in the change in fair value of investment assets in the Statement of Changes in Net Assets.

##### (d) Administration fees

Under the terms of the Trust Deed, the Manager is entitled to receive administration fees of up to \$30 per annum, per member. Administration fees are disclosed in the Statement of Changes in Net Assets as \$133,080 (2019: \$130,177) and are shown net of any rebates. As at 31 March 2020 \$74,129 was recognised as payable to the Manager in the Statement of Net Assets (2019: \$55,490).

##### (e) Reimbursement of expenses

Under the terms of the Trust Deed, the Manager and the Trustee are entitled to be reimbursed for expenses such as audit fees, legal fees and postage expenses. For the year ended 31 March 2020 these were \$29,920 (2019: \$18,818). These expenses have been charged to the Scheme and are reflected in the accounts payable and accruals of the Scheme. As at 31 March 2020 the Scheme had a payable to the Manager for expenses and other payables of \$77,902 (2019: \$113,559).

Where the actual expenses paid by the Manager are higher than those charged to the Scheme, the Manager is able to carry amounts forward to be recovered in future periods. As at 31 March 2020, there was no carry-forward amount owing to the Manager (2019: \$Nil).

## **Craigs KiwiSaver Scheme**

### **Notes to the Financial Statements (continued)**

for the year ended 31 March 2020

#### **10. Related party transactions (continued)**

##### **(f) Directors interests**

Directors and key management personnel of the Manager, Craigs Investments Partners Superannuation Management Limited, along with their families and other prescribed interests have investment holdings of \$598,321 (2019: \$326,515), contributions of \$73,014 and no withdrawals from the Scheme. These related party transactions are conducted on standard commercial terms and conditions.

#### **11. Subsequent Events**

The World Health Organisation declared the coronavirus (COVID-19) to be a global pandemic on 11 March 2020 and the outbreak has spread across many countries, causing significant disruption to business and economic activity.

As a result, the financial markets were and continue to be affected by the on-going COVID-19 pandemic and so were unusually volatile. Actual economic events and conditions in the future may be materially different from those recorded at the reporting date. In the event the impacts from the COVID-19 pandemic are more severe or prolonged than anticipated, this may have further adverse impacts to the fair values of the Scheme's investments.

The financial statements have been prepared based upon conditions existing as at 31 March 2020.







# Independent Auditor's Report

To the members of Craigs KiwiSaver Scheme

## Report on the audit of the financial statements

### Opinion

In our opinion, the accompanying financial statements of Craigs KiwiSaver Scheme (the 'Scheme') on pages 2 to 16:

- i. Present fairly in all material respects the Scheme's financial position as at 31 March 2020 and its financial performance and cash flows for the year ended on that date; and
- ii. Comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- The statement of net assets as at 31 March 2020;
- The statements of changes in net assets and cash flows for the year then ended; and
- Notes, including a summary of significant accounting policies and other explanatory information.



### Basis for opinion

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

We are independent of the Scheme in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners 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 and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the Scheme in relation to taxation and other assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the Scheme on normal terms within the ordinary course of trading activities of the business of the Scheme. These matters have not impaired our independence as auditor of the Scheme. The firm has no other relationship with, or interest in, the Scheme.



### 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 in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.



## COVID-19

The COVID-19 pandemic has created additional risks, particularly with the valuation of investments, liquidity and going concern. Some investments may have become more difficult to value, as they either experience significant events, or become less liquid and actively traded. Additional disclosures may be required to ensure there is adequate disclosure of changes to fair value levels for securities, liquidity risks, market risks and subsequent events where there are material withdrawals, other material impacts on liquidity and changes to the value of the Funds. While the key audit matter "Existence and valuation of investments", detailed below, is unchanged from last year, the underlying audit risk has increased which impacted the extent and nature of audit evidence that we had to gather.

### The key audit matter

### How the matter was addressed in our audit

#### Existence and valuation of investments

As disclosed in Note 6 of the Financial Statements, the Scheme has investment assets of \$284.87 million.

Investments are the Scheme's main assets, and existence and valuation of these investments is the most important aspect of preparing the financial statements.

As described in Note 6, the Scheme's investments include:

- Listed equities;
- Listed unit trusts;
- Unlisted unit trusts; and
- Fixed interest securities.

The investment portfolio in total, due to its materiality in the context of the financial statements as a whole, is our most significant area of audit focus.

Covid-19 has meant that greater uncertainty exists around the valuation of investments and the fair value hierarchy level attributed to each. This required some additional judgement in these areas.

Our audit procedures included:

- Documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the custodian by obtaining and reading the service organisation reports issued by an independent auditor on the design and operation of those controls throughout the period;
- Agreeing the valuation of listed equities, listed unit trusts and fixed interest securities to independent third party confirmations;
- Agreeing the valuation of unlisted unit trusts to the redemption value per unit as reported by the individual Fund Managers;
- For cash accounts and term deposits, agreeing the closing book value to bank confirmations; and
- Consideration of the fair value hierarchy level assigned to each investment and the appropriateness of the valuation information available.

We did not identify any material differences from our procedures.



### Use of this independent auditor's report

This independent auditor's report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the independent 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 members as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.





## Responsibilities of the Manager for the financial statements

The Directors of the Manager (Craigs Investment Partners Superannuation Management Limited), on behalf of the Scheme, are responsible for:

- The preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- Implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



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

Our objective is:

- 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 independent 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. They 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 these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our independent auditor's report.

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

For and on behalf of



KPMG  
Tauranga

26 June 2020