

Generate KiwiSaver Scheme
Financial Statements
For the year ended 31 March 2020

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 2020 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 Scheme will be able to pay its debts as and when they fall due.

Director



Date

Thursday, 30 July 2020

Director



Date

Thursday, 30 July 2020

Generate Investment Management Limited

Statements of Changes in Net Assets

\$	Note	Conservative		Growth		Focused Growth		Scheme Total	
		2020	2019	2020	2019	2020	2019	2020	2019
For the year ended 31 March									
Income									
Interest income on financial assets at amortised cost		215,713	118,737	433,397	256,825	862,179	698,108	1,511,289	1,073,670
Interest income on financial assets at fair value through profit or loss		6,780,456	4,611,965	4,508,724	3,269,460	415,335	289,735	11,704,515	8,171,160
Dividend and distribution income		2,361,153	1,751,121	13,899,850	9,066,135	20,495,216	14,738,372	36,756,219	25,555,628
Foreign exchange gains/(losses)		99,411	250,610	364,927	733,939	1,453,635	796,459	1,917,973	1,781,008
Net gain/(loss) on financial instruments at fair value through profit or loss		(8,304,714)	7,331,343	(37,583,448)	22,171,898	(37,992,079)	25,073,606	(83,880,241)	54,576,847
Other income		148,861	42,149	597,012	391,433	1,033,532	686,445	1,779,405	1,120,027
Total income/(loss)		1,300,880	14,105,925	(17,779,538)	35,889,690	(13,732,182)	42,282,725	(30,210,840)	92,278,340
Expenses									
Management fees	12	2,639,050	1,576,992	5,784,191	3,359,351	7,532,016	4,515,220	15,955,257	9,451,563
Supervisor fees	12	118,952	78,111	260,605	166,395	339,562	223,557	719,119	468,063
Transaction costs		226,446	62,643	714,602	220,576	846,040	354,736	1,787,088	637,955
Other expenses	12	475,665	315,678	985,793	571,988	1,130,992	678,642	2,592,450	1,566,308
Total operating expenses		3,460,113	2,033,424	7,745,191	4,318,310	9,848,610	5,772,155	21,053,914	12,123,889
Net profit/(loss) before membership activities		(2,159,233)	12,072,501	(25,524,729)	31,571,380	(23,580,792)	36,510,570	(51,264,754)	80,154,451
Contributions									
Member contributions		28,807,424	14,617,745	56,368,245	32,319,033	70,028,624	46,296,643	155,204,293	93,233,421
Employer contributions		10,370,707	7,014,121	23,919,616	16,098,361	32,354,594	22,633,942	66,644,917	45,746,424
Crown contributions		3,735,615	2,689,158	8,628,808	5,939,259	11,939,886	8,081,387	24,304,309	16,709,804
Transfers from other Funds in the Scheme		160,770,758	22,397,104	30,739,815	11,354,624	33,763,292	13,832,937	225,273,865	47,584,665
Transfers from other schemes		79,209,171	54,619,707	181,294,471	112,240,007	177,401,452	161,642,639	437,905,094	328,502,353
Total contributions		282,893,675	101,337,835	300,950,955	177,951,284	325,487,848	252,487,548	909,332,478	531,776,667
Withdrawals									
Transfers to other Funds in the Scheme		35,534,637	13,487,258	87,066,785	16,771,437	102,672,443	17,325,970	225,273,865	47,584,665
Transfers to other schemes		8,640,387	6,940,415	15,079,484	11,594,514	21,415,207	12,950,686	45,135,078	31,485,615
Withdrawals on death		334,868	315,625	315,571	376,507	580,670	289,759	1,231,109	981,891
Withdrawals or transfers on permanent emigration		350,821	57,396	208,794	122,358	286,891	223,398	846,506	403,152
Invalid enrolment withdrawals		8,669	36,984	21,507	46,049	35,866	47,321	66,042	130,354
Retirement		9,125,888	3,055,416	5,146,157	1,644,244	2,232,572	1,047,234	16,504,617	5,746,894
Serious illness withdrawals		448,235	74,863	683,558	237,973	539,693	199,595	1,671,486	512,431
First home purchase withdrawals		23,393,752	11,958,799	14,246,154	7,907,035	15,495,183	9,612,107	53,135,089	29,477,941
Significant financial hardship withdrawals		547,010	433,063	1,105,457	928,798	1,352,917	1,058,277	3,005,384	2,420,138
Total benefits paid		78,384,267	36,359,819	123,873,467	39,628,915	144,611,442	42,754,347	346,869,176	118,743,081
Administration fees	12	389,620	271,930	916,487	646,450	1,333,770	990,092	2,639,877	1,908,472
PIE tax		(185,736)	949,939	(1,804,808)	1,682,961	(3,991,109)	2,173,661	(5,981,654)	4,806,561
Net membership activities		204,305,524	63,756,147	177,965,810	135,992,958	183,533,745	206,569,448	565,805,079	406,318,553
Members' accounts at the start of the year		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
Movement in members' accounts for the year		202,146,291	75,828,648	152,441,081	167,564,338	159,952,953	243,080,018	514,540,325	486,473,004
Members' accounts at the end of the year		402,614,652	200,468,361	577,125,998	424,684,917	731,428,366	571,475,413	1,711,169,016	1,196,628,691

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	
		2020	2019	2020	2019	2020	2019	2020	2019
Members' Funds		402,614,652	200,468,361	577,125,998	424,684,917	731,428,366	571,475,413	1,711,169,016	1,196,628,691
Represented by:									
Assets									
Cash and cash equivalents		51,562,266	6,778,718	74,638,437	13,833,894	107,424,057	34,718,746	233,624,760	55,331,358
Trade and other receivables	8	2,133,170	1,695,599	5,437,576	2,114,863	5,820,578	2,233,615	13,391,324	6,044,077
Financial assets at fair value through profit or loss	6	362,643,550	196,719,005	511,430,784	413,331,566	646,686,615	537,774,872	1,609,739,949	1,147,825,443
Unitholder tax rebates receivable		500,374	1,466	2,007,030	13,895	4,228,181	27,064	6,735,685	42,425
Total assets		406,839,360	205,194,788	593,513,827	429,294,218	763,138,431	574,754,297	1,763,491,618	1,209,243,303
Liabilities									
Benefits payable		1,291,078	30,417	498,002	491,431	611,448	155,812	2,400,528	677,660
Trade and other payables	9	56,463	3,559,957	90,991	1,917,176	100,921	142,818	248,375	5,619,951
Trade and other payables to related parties	10	327,538	162,174	558,840	342,287	702,470	463,153	1,568,848	967,614
Financial liabilities at fair value through profit or loss	8	2,326,202	36,850	15,232,396	248,017	30,284,109	503,763	47,842,707	788,630
Unitholder tax liabilities payable		223,427	937,029	7,600	1,610,390	11,117	2,013,338	242,144	4,560,757
Total liabilities		4,224,708	4,726,427	16,387,829	4,609,301	31,710,065	3,278,884	52,322,602	12,614,612
Net assets available for benefits		402,614,652	200,468,361	577,125,998	424,684,917	731,428,366	571,475,413	1,711,169,016	1,196,628,691

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

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

Director



Date

30/7/20

Director



Date

30/7/20

Statements of Cash Flows

S For the year ended 31 March	Note	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
		2020	2019	2020	2019	2020	2019	2020	2019
Cash flows from operating activities									
Proceeds from sale of financial assets		67,424,212	33,596,535	192,988,407	53,494,535	233,774,765	39,303,387	494,187,384	126,394,457
Purchase of financial assets		(232,602,401)	(104,135,882)	(309,222,735)	(199,379,049)	(333,986,985)	(244,013,086)	(875,812,121)	(547,528,017)
Net settlement of derivative financial instruments		(252,048)	200,127	(2,775,939)	(1,462,834)	(5,995,990)	(2,668,524)	(9,023,977)	(3,931,231)
Dividend and distribution income		2,058,450	1,622,660	7,529,687	4,206,322	8,551,502	4,899,298	18,139,639	10,728,280
Interest income received		6,938,951	4,670,886	4,900,571	3,483,092	1,244,396	989,474	13,083,918	9,143,452
Other income received		148,861	42,149	108,026	35,198	45,071	(61,973)	301,958	15,374
Operating expenses paid		(3,269,243)	(1,962,320)	(7,493,184)	(4,169,384)	(9,574,679)	(5,555,893)	(20,337,106)	(11,687,597)
Net cash outflow from operating activities	11	(159,553,218)	(65,965,845)	(113,965,167)	(143,792,120)	(105,941,920)	(207,107,317)	(379,460,305)	(416,865,282)
Cash flows from financing activities									
Proceeds from units issued		282,777,353	100,408,731	300,979,283	177,412,394	324,895,401	252,328,157	908,652,037	530,149,282
Redemptions of units		(77,513,225)	(36,773,631)	(124,783,383)	(39,981,307)	(145,489,576)	(43,724,605)	(347,786,184)	(120,479,543)
Tax paid		(1,026,773)	(462,206)	(1,791,117)	(1,272,821)	(2,212,229)	(1,873,299)	(5,030,119)	(3,608,326)
Net cash inflow from financing activities		204,237,355	63,172,894	174,404,783	136,158,266	177,193,596	206,730,253	555,835,734	406,061,413
Net increase/(decrease) in cash		44,684,137	(2,792,951)	60,439,616	(7,633,854)	71,251,676	(377,064)	176,375,429	(10,803,869)
Cash at the beginning of the year		6,778,718	9,321,059	13,833,894	20,733,809	34,718,746	34,299,351	55,331,358	64,354,219
Effect of exchange rate fluctuations		99,411	250,610	364,927	733,939	1,453,635	796,459	1,917,973	1,781,008
Cash at the end of the year		51,562,266	6,778,718	74,638,437	13,833,894	107,424,057	34,718,746	233,624,760	55,331,358

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

Notes to the Financial Statements

1. General information

Reporting entity

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

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

The Manager and Issuer of the Scheme is Generate Investment Management Limited (GIML). The parent of the Manager is Generate Investment Holdings Limited (GIHL) and the Supervisor of the Scheme is Public Trust (the Supervisor). The Scheme is registered and domiciled in New Zealand. The registered office of the Scheme is Level 11, 48 Emily Place, 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), Australasian equities 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 through investment in a portfolio of actively managed cash, fixed interest, property (including aged care), infrastructure assets (including telecoms, transport and logistics companies), Australasian equities 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), Australasian equities and international equities. The Fund has a 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%, 6%, 8% or 10% of gross salary or wages. Members may from time to time make additional voluntary contributions to the Scheme. Employers are required to contribute 3% of members' gross salary or wage to the Scheme 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 latter of the date for reaching the qualifying age for New Zealand Superannuation or, for members enrolled prior to 1 July 2019, 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 competes 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 2019 impacting the Scheme

There are no standards, amendments to standards or interpretations that are effective for the year beginning on 1 April 2019 that have a material effect on the Financial Statements of the Scheme.

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

2.2 Financial instruments

(a) Classification

Assets

Financial assets are recognised initially at fair value plus transaction costs. 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 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. Financial assets at fair value through profit or loss 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. 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 purchase 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 each 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, the Manager 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 Manager uses a variety of methods and makes 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 Manager reviews the details of the reported information obtained from the other funds and considers: 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

- (a) Dividend and distribution income is recognised in the Statement of Changes in Net Assets when the Scheme's right to receive payment is established.
- (b) Interest income is recognised in the Statement of Changes in Net Assets as the interest accrues using the effective interest rate method. Interest income is earned on cash and cash equivalents.
- (c) Gains or losses of financial assets at fair value through profit or loss are recognised in the Statement of Changes in Net Assets as disclosed in Note 2.2.
- (d) Foreign exchange gains and losses on cash and financial instruments at fair value through profit or loss are recognised in the Statement of Changes in Net Assets as disclosed in Note 2.9.
- (e) Underwriting and brokerage income is recognised in the Statement of Changes in Net Assets when the Scheme's right to receive payment is established.
- (f) Dividend and interest income is disclosed net of any resident withholding taxes deducted at source, as these tax credits are allocated to members under the 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 are 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 withdrawals (such as reaching the retirement age of 65 or significant financial hardship), transfer to another Fund within the Generate KiwiSaver Scheme or to a separate KiwiSaver Scheme at a value that is equal to a proportionate share of the respective Fund's net asset value which is the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the period end date if Members exercise their right to put the units back to the Funds.

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

2.11 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 amounts disclosed in the Financial Statements. It is possible to determine the fair value of all financial assets as quoted market prices are readily available and in the case of derivatives observable market inputs are readily available. Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at the reporting date. However, as with all investments, their value is subject to variation due to market fluctuations.

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

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:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Forward exchange contracts (notional value in NZ\$)								
Sell AUD/Buy NZD	2,434,111	1,955,866	13,633,119	8,700,911	20,523,216	16,228,132	36,590,446	26,884,909
Sell CNY/Buy NZD	8,834,391	2,276,020	17,545,620	9,990,395	32,737,084	20,795,134	59,117,095	33,061,549
Sell EUR/Buy NZD	457,166	639,283	6,284,976	9,750,335	13,458,437	21,301,571	20,200,579	31,691,189
Sell USD/Buy NZD	9,301,924	6,831,025	56,611,643	61,410,536	112,608,124	128,341,930	178,521,691	196,583,491
Sell NZD/Buy AUD	(2,434,000)	-	(13,633,000)	-	(20,523,000)	-	(36,590,000)	-
Forward exchange contracts (fair value in NZ\$)								
Sell AUD/Buy NZD	23,160	12,634	125,408	81,156	188,361	149,615	336,929	243,405
Sell CNY/Buy NZD	(606,947)	(15,557)	(1,822,386)	(68,285)	(3,772,784)	(142,136)	(6,202,117)	(225,978)
Sell EUR/Buy NZD	(70,046)	10,609	(1,165,687)	137,765	(2,388,590)	302,317	(3,624,323)	450,691
Sell USD/Buy NZD	(1,649,209)	(21,293)	(12,244,323)	(179,732)	(24,119,543)	(361,627)	(38,013,075)	(562,652)
Sell NZD/Buy AUD	818	-	194	-	(3,192)	-	(2,180)	-

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 unitised 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	
	2020	2019	2020	2019	2020	2019	2020	2019
10% increase in prices	10,298,576	6,550,704	41,988,632	31,657,359	63,576,207	52,371,583	115,863,415	90,579,646
10% decrease in prices	(10,298,576)	(6,550,704)	(41,988,632)	(31,657,359)	(63,576,207)	(52,371,583)	(115,863,415)	(90,579,646)

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):

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Monetary assets/(liabilities)								
Australian Dollar (AUD)	3,784,276	(1,336,975)	15,100,038	(5,960,379)	26,871,251	(8,222,017)	45,755,565	(15,519,371)
Euro (EUR)	(289,882)	(602,119)	(6,561,794)	(9,444,016)	(13,550,918)	(20,587,313)	(20,402,594)	(30,633,448)
Great British Pound (GBP)	-	-	167,755	97,544	271,829	619,071	439,584	716,615
Hong Kong Dollar (HKD)	21,530	1,087,537	7,113,105	2,040,624	13,016,991	4,756,791	20,151,626	7,884,952
Chinese Yuan (CNY)	(9,434,646)	(2,293,066)	(19,354,431)	(10,065,217)	(36,484,365)	(20,950,876)	(65,273,442)	(33,309,159)
United States Dollar (USD)	(10,635,410)	(6,375,015)	(44,663,268)	(61,616,015)	(95,939,766)	(126,353,948)	(151,238,444)	(194,344,978)

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Monetary assets/(liabilities)								
Increase of 10%	1,504,921	865,422	4,381,690	7,722,496	9,619,543	15,521,663	15,506,154	24,109,581
Decrease of 10%	(1,839,348)	(1,057,738)	(5,355,399)	(9,438,607)	(11,757,220)	(18,970,921)	(18,951,967)	(29,467,266)

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Non-monetary assets/(liabilities)								
Australian Dollar (AUD)	11,706,124	7,214,042	120,779,228	78,113,585	215,664,717	154,007,325	348,150,069	239,334,952
Euro (EUR)	949,619	868,760	5,223,119	5,133,581	12,145,744	12,715,486	18,318,482	18,717,827
Great British Pound (GBP)	-	-	22,631,709	25,211,812	47,956,386	55,014,655	70,588,095	80,226,467
Hong Kong Dollar (HKD)	10,212,537	2,284,330	22,584,129	14,407,820	39,264,884	29,615,436	72,061,550	46,307,586
United States Dollars (USD)	32,503,476	15,613,379	80,232,829	59,096,802	157,482,151	120,170,915	270,218,456	194,881,096

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Non-monetary assets/(liabilities)								
Increase of 10%	(5,033,796)	(2,361,865)	(22,859,183)	(16,542,145)	(42,955,807)	(33,774,892)	(70,848,786)	(52,678,902)
Decrease of 10%	6,152,417	2,886,723	27,939,002	20,218,178	52,501,542	41,280,424	86,592,961	64,385,325

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:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Cash and cash equivalents								
On Call	51,562,266	6,778,718	74,638,437	13,833,894	107,424,057	34,718,746	233,624,760	55,331,358
Fixed interest securities								
Less than one year	36,571,524	11,066,501	19,029,026	2,205,064	3,102,992	13,607,112	58,703,542	26,878,677
1-2 years	46,752,282	10,025,211	21,336,088	9,218,642	-	-	68,088,370	19,243,853
2-5 years	118,737,713	80,115,398	36,660,977	62,159,479	-	-	155,398,690	142,274,877
Over 5 years	40,951,886	22,485,863	10,835,637	19,546,761	6,612,189	-	58,399,712	42,032,624
	243,013,405	123,692,973	87,861,728	93,129,946	9,715,181	13,607,112	340,590,314	230,430,031
Floating interest securities								
Less than one year	-	1,256,438	-	-	-	-	-	1,256,438
1-2 years	-	-	-	-	-	-	-	-
2-5 years	-	-	-	-	-	-	-	-
Over 5 years	6,620,408	6,239,313	3,557,139	3,409,109	-	-	10,177,547	9,648,422
	6,620,408	7,495,751	3,557,139	3,409,109	-	-	10,177,547	10,904,860

(i) Cash flow sensitivity analysis

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

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Increase of 1%	515,623	67,787	746,384	138,339	1,074,241	347,187	2,336,248	553,314
Decrease of 1%	(515,623)	(67,787)	(746,384)	(138,339)	(1,074,241)	(347,187)	(2,336,248)	(553,314)

(ii) Fair value interest rate risk

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Increase of 1%	(5,636,258)	(3,098,303)	(1,471,589)	(2,550,908)	(377,328)	(14,121)	(7,485,175)	(5,663,332)
Decrease of 1%	6,322,104	3,248,424	1,836,752	2,676,486	403,026	14,233	8,561,882	5,939,143

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 2020 there were no financial assets past due or impaired (31 March 2019: 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	
		2020	2019	2020	2019	2020	2019	2020	2019
Cash and cash equivalents									
ASB Bank Limited	AA-	47,241,080	4,578,415	29,633,896	8,877,326	26,611,711	18,692,702	103,486,687	32,148,443
BNP Paribas SA	A	4,321,186	2,200,303	45,004,541	4,956,568	80,812,346	16,026,044	130,138,073	23,182,915
		51,562,266	6,778,718	74,638,437	13,833,894	107,424,057	34,718,746	233,624,760	55,331,358
Debt Securities									
High Grade	AA+ /AA /AA-	90,717,851	53,713,458	42,622,675	33,731,807	-	10,159,030	133,340,526	97,604,295
Upper Medium Grade	A+ /A /A-	14,765,685	8,378,660	13,469,734	13,936,370	3,102,992	-	31,338,411	22,315,030
Lower Medium Grade	BBB+ /BBB / BBB- / BB+	92,885,072	48,216,325	22,285,822	28,484,187	-	1,416,103	115,170,894	78,116,615
Unrated	NR	51,265,205	20,880,281	13,040,636	20,386,691	6,612,189	2,031,979	70,918,030	43,298,951
Total		249,633,813	131,188,724	91,418,867	96,539,055	9,715,181	13,607,112	350,767,861	241,334,891

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	
	2020	2019	2020	2019	2020	2019	2020	2019
Debt securities								
0-3 months	10,054,091	3,380,832	11,585,654	264,953	3,102,992	11,575,133	24,742,737	15,220,918
3-6 months	16,189,744	1,511,212	3,373,598	434,601	-	-	19,563,342	1,945,813
6-12 months	10,327,689	7,430,895	4,069,774	1,505,510	-	2,031,979	14,397,463	10,968,384
over 12 months	213,062,289	118,865,785	72,389,841	94,333,991	6,612,189	-	292,064,319	213,199,776
Total	249,633,813	131,188,724	91,418,867	96,539,055	9,715,181	13,607,112	350,767,861	241,334,891

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:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Forward foreign exchange contracts								
0-3 months	2,326,202	36,850	15,232,396	248,017	30,284,109	503,763	47,842,707	788,630

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 2020 and 31 March 2019, 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 2020 mature within 3 months (31 March 2019: 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 (2019: 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.

S As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Level 1								
<i>Financial assets at fair value through profit or loss</i>								
Australasian listed equities	59,320,127	46,740,568	188,725,555	140,442,612	179,546,110	154,967,631	427,591,792	342,150,811
International equities	43,665,632	18,766,470	130,671,786	103,850,015	256,849,162	217,516,489	431,186,580	340,132,974
Fixed interest securities	108,881,768	48,433,600	24,555,724	33,935,689	6,612,189	3,448,082	140,049,681	85,817,371
Total level 1 assets	211,867,527	113,940,638	343,953,065	278,228,316	443,007,461	375,932,202	998,828,053	768,101,156
Level 2								
<i>Financial assets at fair value through profit or loss</i>								
Forward foreign exchange contracts	23,978	23,243	125,602	218,921	188,361	451,932	337,941	694,096
Unlisted unit trusts	-	-	100,488,974	72,280,963	199,366,801	151,231,708	299,855,775	223,512,671
Fixed interest securities	140,752,045	82,755,124	66,863,143	62,603,366	3,102,992	10,159,030	210,718,180	155,517,520
Total level 2 assets	140,776,023	82,778,367	167,477,719	135,103,250	202,658,154	161,842,670	510,911,896	379,724,287
Level 2								
<i>Financial liabilities at fair value through profit or loss</i>								
Forward foreign exchange contracts	2,326,202	36,850	15,232,396	248,017	30,284,109	503,763	47,842,707	788,630
Total level 2 liabilities	2,326,202	36,850	15,232,396	248,017	30,284,109	503,763	47,842,707	788,630

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 assets and liabilities classification

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Financial assets mandatorily measured at fair value through profit or loss								
Forward foreign exchange contracts	23,978	23,243	125,602	218,921	188,361	451,932	337,941	694,096
Fixed interest securities	249,633,813	131,188,724	91,418,867	96,539,055	9,715,181	13,607,112	350,767,861	241,334,891
Australasian listed equities	59,320,127	46,740,568	188,725,555	140,442,612	179,546,110	154,967,631	427,591,792	342,150,811
International listed equities	43,665,632	18,766,470	130,671,786	103,850,015	256,849,162	217,516,489	431,186,580	340,132,974
Unlisted unit trusts	-	-	100,488,974	72,280,963	199,366,801	151,231,708	299,855,775	223,512,671
Total financial assets mandatorily measured at fair value through profit or loss	352,643,550	196,719,005	511,430,784	413,331,566	645,665,615	537,774,872	1,509,739,949	1,147,825,443
Total financial assets at fair value through profit or loss	352,643,550	196,719,005	511,430,784	413,331,566	645,665,615	537,774,872	1,509,739,949	1,147,825,443
Financial liabilities mandatorily measured at fair value through profit or loss								
Forward foreign exchange contracts	2,326,202	36,850	15,232,396	248,017	30,284,109	503,763	47,842,707	788,630
Total financial liabilities mandatorily measured at fair value through profit or loss	2,326,202	36,850	15,232,396	248,017	30,284,109	503,763	47,842,707	788,630
Total financial liabilities at fair value through profit or loss	2,326,202	36,850	15,232,396	248,017	30,284,109	503,763	47,842,707	788,630

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

As at 31 March 2020	Conservative Fund		Growth Fund		Focused Growth Fund	
	\$	%	\$	%	\$	%
Berkshire Hathaway Inc	-	-	36,024,464	6.24%	67,793,123	9.27%
Infratil Limited	-	-	31,940,837	5.53%	-	-
Magellan Global Fund	-	-	32,209,056	5.58%	63,463,351	8.68%
Platinum International Fund	-	-	35,925,736	6.22%	68,931,636	9.42%
T Rowe Price Global Equity Fund	-	-	32,354,182	5.61%	66,971,814	9.16%
As at 31 March 2019						
Berkshire Hathaway Inc	-	-	25,669,441	6.04%	51,076,724	8.94%
Contact Energy	-	-	22,140,356	5.21%	-	-
Infratil Limited	11,618,813	5.80%	26,256,726	6.18%	-	-
Magellan Global Fund	-	-	21,877,292	5.15%	48,036,402	8.41%
Platinum International Fund	-	-	25,799,926	6.08%	56,099,708	9.82%
T Rowe Price Global Equity Fund	-	-	24,603,745	5.79%	47,095,598	8.24%

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 2020	Conservative Fund		Growth Fund		Focused Growth Fund	
	\$	%	\$	%	\$	%
Australasian listed equities						
Arvida Group Limited	4,019,113	6.78%	15,241,289	8.08%	15,501,893	8.63%
Contact Energy Limited	5,059,619	8.53%	19,828,691	10.51%	19,546,001	10.89%
Infratil Limited	8,619,560	14.53%	31,940,837	16.92%	30,085,542	16.76%
Precinct Properties NZ Limited	-	-	9,468,833	5.02%	-	-
Spark New Zealand Limited	6,765,246	11.40%	13,989,626	7.41%	12,674,942	7.06%
Summerset Group Holdings Limited	3,703,607	6.24%	11,821,481	6.26%	11,159,725	6.22%
Domestic fixed interest						
Genesis Power Limited 5.81% 09 Mar 23	12,886,589	5.16%	-	-	-	-
Mercury NZ Limited 5.793% 06 Mar 23	-	-	6,424,522	7.03%	-	-
Metlifecare Limited 3.0% 30 Sep 26	-	-	-	-	957,432	9.86%
Infratil Limited 3.35% 15 Dec 26	-	-	-	-	5,654,757	58.21%
International equities, international unit trusts and listed investment companies						
Alibaba Group Holding	7,971,433	18.26%	13,498,949	5.84%	28,096,841	6.16%
Alphabet Inc	6,795,109	15.56%	-	-	-	-
Berkshire Hathaway Inc	9,964,443	22.82%	36,024,464	15.58%	67,793,123	14.86%
Facebook	3,981,705	9.12%	-	-	-	-
Magellan Global Fund	-	-	32,209,056	13.93%	63,463,351	13.91%
Microsoft Corporation	3,790,786	8.68%	13,222,794	5.72%	24,951,087	5.47%
Ping An Insurance Group	6,265,843	14.35%	11,641,775	5.04%	23,366,409	5.12%
Platinum International Fund	-	-	35,925,736	15.54%	68,931,636	15.11%
T Rowe Price Global Equity Fund	-	-	32,354,182	14.00%	66,971,814	14.68%
Tencent Holdings Limited	3,946,694	9.04%	-	-	-	-
Worldwide Healthcare Trust PLC	-	-	14,749,749	6.38%	32,063,728	7.03%
As at 31 March 2019						
Australasian listed equities						
Arvida Group Limited	4,614,457	9.87%	10,918,578	7.77%	14,362,518	9.27%
Contact Energy Limited	5,087,117	10.88%	22,140,356	15.76%	27,299,607	17.62%
Infratil Limited	11,618,813	24.86%	26,256,726	18.70%	25,594,013	16.52%
Mercury NZ Limited	4,692,628	10.04%	20,890,171	14.87%	23,882,816	15.41%
Metlifecare Limited	3,971,905	8.50%	11,127,590	7.92%	13,914,101	8.98%
Precinct Properties NZ Limited	-	-	9,312,838	6.63%	-	-
Summerset Group Holdings Limited	3,125,866	6.69%	8,104,061	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%
International equities, international unit trusts and listed investment companies						
Alibaba Group Holding	3,290,521	17.53%	10,700,880	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%	-	-	-	-
Magellan Global Fund	-	-	21,877,292	12.42%	48,036,402	13.03%
Microsoft Corporation	1,513,160	8.06%	-	-	-	-
Ping An Insurance Group	1,970,239	10.50%	-	-	-	-
Platinum International Fund	-	-	25,799,926	14.65%	56,099,708	15.21%
T Rowe Price Global Equity Fund	-	-	24,603,745	13.97%	47,095,598	12.77%
Worldwide Healthcare Trust PLC	-	-	9,401,208	5.34%	21,236,005	5.76%

Notes to the Financial Statements

7. Financial instruments by category

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Financial assets at fair value through profit and loss								
Financial assets at fair value through profit or loss	352,643,550	196,719,005	511,430,784	413,331,566	645,665,615	537,774,872	1,509,739,949	1,147,825,443
Financial assets at amortised cost								
Cash and cash equivalents	51,562,266	6,778,718	74,638,437	13,833,894	107,424,057	34,718,746	233,624,760	55,331,358
Trade and other receivables	2,133,170	1,695,599	5,437,576	2,114,863	5,820,578	2,233,615	13,391,324	6,044,077
Total financial assets at amortised cost	53,695,436	8,474,317	80,076,013	15,948,757	113,244,635	36,952,361	247,016,084	61,375,435
Total financial assets	406,338,986	205,193,322	591,506,797	429,280,323	758,910,250	574,727,233	1,756,756,033	1,209,200,878

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Financial liabilities at fair value through profit and loss								
Financial liabilities at fair value through profit or loss	2,326,202	36,850	15,232,396	248,017	30,284,109	503,763	47,842,707	788,630
Financial liabilities at amortised cost								
Benefits payable	1,291,078	30,417	498,002	491,431	611,448	155,812	2,400,528	677,660
Trade and other payables	56,463	3,559,957	90,991	1,917,176	100,921	142,818	248,375	5,619,951
Trade and other payables to related parties	327,538	162,174	558,840	342,287	702,470	463,153	1,588,848	967,614
Total financial liabilities at amortised cost	1,675,079	3,752,548	1,147,833	2,750,894	1,414,839	761,783	4,237,751	7,265,225
Total financial liabilities	4,001,281	3,789,398	16,380,229	2,998,911	31,698,948	1,265,546	52,080,458	8,053,855

8. Trade and other receivables

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Due from brokers	-	-	2,854,894	-	2,709,785	-	5,564,679	-
Dividends receivable	376,253	202,315	1,308,880	871,477	1,260,120	1,036,475	2,945,253	2,110,267
Interest receivable	213,923	66,611	89,781	48,231	33,128	10	336,832	114,852
Management fee rebates receivable	-	-	46,439	29,246	90,051	62,083	136,490	91,329
Contributions receivable	1,542,994	1,426,673	1,137,582	1,165,909	1,727,494	1,135,047	4,408,070	3,727,629
Total trade and other receivables	2,133,170	1,695,599	5,437,576	2,114,863	5,820,578	2,233,615	13,391,324	6,044,077

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

9. Trade and other payables

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Due to brokers	-	3,529,000	-	1,861,639	-	76,511	-	5,467,150
General expenses payable	56,463	30,957	90,991	55,537	100,921	66,307	248,375	152,801
Total trade and other payables	56,463	3,559,957	90,991	1,917,176	100,921	142,818	248,375	5,619,951

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

Notes to the Financial Statements

10. Trade and other payables to related parties

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Management fees payable	313,682	154,784	535,238	326,690	672,803	442,048	1,521,723	923,522
Supervisor fees payable	13,856	7,390	23,602	15,597	29,667	21,105	67,125	44,092
Total trade and other payables to related parties	327,538	162,174	558,840	342,287	702,470	463,153	1,588,848	967,614

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

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

\$ For the year ended 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Net profit before membership activities	(2,159,233)	12,072,501	(25,524,729)	31,571,380	(23,580,792)	36,510,570	(51,264,754)	80,154,451
Adjustments for non cash items:								
Unrealised changes in the fair value of financial instruments	14,659,258	(5,995,538)	54,506,068	(20,562,839)	62,015,707	(25,984,749)	131,181,033	(52,543,126)
Unrealised foreign exchange (losses)/gains on cash at bank	(99,411)	(250,610)	(364,927)	(733,939)	(1,453,635)	(796,459)	(1,917,973)	(1,781,008)
Management fee rebates re-invested	-	-	(471,793)	(326,989)	(960,493)	(686,335)	(1,432,286)	(1,013,324)
Dividends re-invested	(38,671)	-	(5,932,760)	(4,153,066)	(11,720,069)	(8,975,266)	(17,691,500)	(13,128,332)
Total adjustments for non cash items	14,521,176	(6,246,148)	47,736,588	(25,776,833)	47,881,510	(36,442,809)	110,139,274	(68,465,790)
Movements in working capital items:								
(Increase)/decrease in cost of investments	(171,784,781)	(71,675,025)	(135,932,887)	(148,956,407)	(130,231,838)	(206,467,080)	(437,949,506)	(427,098,512)
(Increase)/decrease in trade and other receivables	(321,250)	(188,277)	(496,146)	(779,186)	(284,731)	(924,260)	(1,102,127)	(1,891,723)
(Decrease)/increase in trade and other payables	190,870	71,104	252,007	148,926	273,931	216,262	716,808	436,292
Net cash flow from working capital items	(171,915,161)	(71,792,198)	(136,177,026)	(149,586,667)	(130,242,638)	(207,175,078)	(438,334,825)	(428,553,943)
Net cash outflow from operating activities	(159,553,218)	(65,965,845)	(113,965,167)	(143,792,120)	(105,941,920)	(207,107,317)	(379,460,305)	(416,865,282)

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 2020 totalled \$15,955,257 (2019: \$9,451,563). The amount accrued but unpaid as at 31 March 2020 was \$1,521,723 (2019: \$923,522).

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 2020 totalled \$2,636,201 (2019: \$1,908,472). No administration fees were accrued but unpaid as at 31 March 2020 (31 March 2019: \$183,246, this amount was included within withdrawals payable).

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 2020 for the Supervisor Fees totalled \$719,119 (2019: \$468,063) and for general expenses \$2,592,450 (2019: \$1,566,308). The amount accrued but unpaid as at 31 March 2020 for Supervisor Fees was \$67,125 (2019: \$44,092) and for general expenses \$248,375 (2019: \$152,801).

GIML has paid Scheme expenses for the year ended 31 March 2020 and 31 March 2019. These comprise:

- Audit fees of \$43,444 comprising audit fee of \$39,873 (2019: \$37,375) and \$3,571 for other assurance services (2019: \$2,300)
- Supervisor fees and other expenses of \$2,006,643 (2019: \$1,413,008)
- Legal expenses of \$30,759 (2019: \$22,609)

During the year to 31 March 2020, the scheme received compensation payments totalling \$7,339 (2019: \$7,947).

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Balance of Holdings as at 31 March	9,926,458	4,060,949	-	5,258,664	-	489,572	9,926,458	9,809,185

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	
	2020	2019	2020	2019	2020	2019	2020	2019
Purchases	9,527,350	3,805,000	4,185,000	4,757,000	-	-	13,712,350	8,562,000
Sales	3,227,770	-	9,570,327	-	555,027	-	13,353,124	-

The following table shows the holdings of the Directors of the Manager (GIML) at the reporting date:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Balance of Holdings	-	-	-	-	344,879	289,703	344,879	289,703

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

13. Contingent liabilities

There were no contingent liabilities as at 31 March 2020 (31 March 2019: none).

14. Capital commitments

There were no capital commitments as at 31 March 2020 (31 March 2019: 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 2019: none).

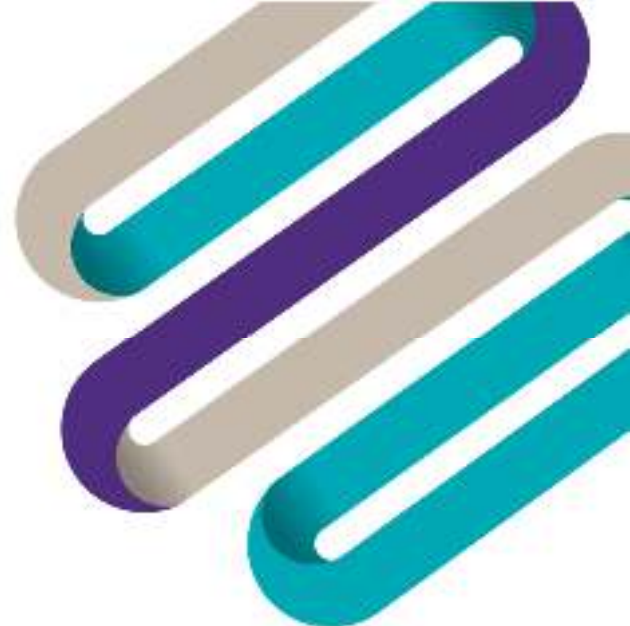
16. COVID-19

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of the COVID-19 virus outbreak. The pandemic and Government's responses throughout the world has had an impact on the global economy, with lasting implications. Equity markets have been volatile with significant negative corrections as at 31 March 2020, which have largely corrected subsequent to year end.

Although the full financial impact of COVID-19 cannot be estimated with any certainty, it is expected to have a negative impact upon equity investments globally with ongoing volatility.

17. Unauthorised data access



An unauthorised third party gained access to the Generate online system in late December 2019. Generate have taken the necessary actions to address the data breach. Any costs pertaining to this breach is solely the responsibility of the Manager, Generate Investment Management Limited, and does not have an impact on the Generate KiwiSaver Scheme. The Manager has agreed that any members who have not already received compensation for reimbursement of costs associated with renewal of I.D documentation will have their 2020/2021 annual fee waived.



Independent Auditor's Report

To the Members of the Funds in the Generate KiwiSaver Scheme

Report on the Audit of the Financial Statements

	<p>Opinion</p> <p>We have audited the financial statements of Generate KiwiSaver Scheme (comprising the conservative fund, growth fund, focused growth fund (each individually the “Fund” or together the “Funds”) and a total of all the funds (the “Scheme”)) on pages 2 to 20 which comprise the statements of net assets as at 31 March 2020, and the statements of changes in net assets and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.</p> <p>In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of each Fund and the Scheme as at 31 March 2020 and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalent to International Financial Reporting Standards (“NZ IFRS”) issued by the New Zealand Accounting Standards Board.</p>
	<p>Basis for Opinion</p> <p>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 <i>Auditor’s Responsibilities for the Audit of the Financial Statements</i> section of our report. We are independent of the Scheme in accordance with Professional and Ethical Standard 1 (Revised) <i>Code of Ethics for Assurance Practitioners</i> 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.</p> <p>Other than in our capacity as auditor we have no relationship with, or interests in, the Funds or the Scheme.</p>

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>Financial assets carried at fair value through profit or loss</p> <p>As at 31 March 2020, the Funds hold significant financial assets. As detailed in the accounting policies, note 2.2 (b), these financial assets are recognised at fair value through profit or loss in accordance with <i>NZ IFRS 9: Financial Instruments</i>.</p> <p>While the financial assets are not subject to significant levels of judgement, due to the size of the balance and the significant impact of market volatility, the recognition and valuation of the financial assets have been considered a key audit matter.</p> <p>At and subsequent to 31 March 2020 financial markets were significantly impacted by the COVID-19 pandemic and during this period they have experienced greater volatility than is usual. Disclosures are included in Note 6 to the financial statements and regarding the impact of market volatility on investments and risks subsequent to balance date is included in Note 16.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Documented and understood the controls in place for recording investment transactions and valuing the various investment types in the portfolio. This included evaluating the control environment in place at the Fund Manager by reviewing the reports issued by an independent auditor on the design and operation of those controls. • Agreed the 31 March 2020 investment holdings to confirmations received from the external Fund Manager of those investments. • Assessed whether the disclosures in the financial statements appropriately reflected the Fund's exposure to financial instrument risk with reference to <i>NZ IFRS7 Financial Instruments: Disclosures</i>, considering the COVID-19 related impacts on financial asset valuations.

Other Information

The Fund 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 does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connections 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 and Scheme for the preparation and fair presentation of these financial statements in accordance with NZ IFRS issued by the New Zealand Accounting Standards Board, and for such internal control as those charged with governance determine 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 on behalf of the entity is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intend to liquidate the Scheme 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 Scheme's members. Our audit work has been undertaken so that we might state to the Scheme's members, those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and its members for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Partnership

The logo for Grant Thornton, featuring the name in a stylized, handwritten-style font.

Kerry Price

Partner, Audit
Auckland

30 July 2020

Audit

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