Kiwi Wealth Super Scheme
Financial Statements
For the year ended 31 March 2019

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Kiwi Wealth Super Scheme
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For the year ended 31 March 2019

Kiwi Wealth Super Scheme
Statement of Changes in Net Assets
For the year ended 31 March 2019

	Notes	Year ended 31 March 2019 $000	Year ended 31 March 2018 $000
Investment activities			
Investment income			
Dividend and distribution income		7	-
Net gains/(losses) on financial instruments at fair value through profit or loss	4	3,844	5,912
Interest income	5	69	76
Foreign exchange gains / (losses)		-	2
Net investment income		**3,920**	**5,990**
Expenses			
Management and administration fees	6	(752)	(750)
Total expenses		**(752)**	**(750)**
Net increase in net assets before membership activities		**3,168**	**5,240**
Membership activities			
Contributions / transfers in			
Employer contributions		967	930
Employee contributions		1,475	1,473
Benefits paid / transfers out / PIE tax			
Retirement withdrawals		(1,846)	(1,514)
Other withdrawals		(3,702)	(2,479)
PIE tax paid and payable		(413)	(479)
Net membership activities		**(3,519)**	**(2,069)**
Benefits accrued to members' accounts		**(351)**	**3,171**
Net assets attributable to members at the beginning of the year		**65,133**	**61,962**
Net assets attributable to members		**64,782**	**65,133**

This Statement of Changes in Net Assets should be read in conjunction with the accompanying notes.

Kiwi Wealth Super Scheme
Statement of Net Assets
As at 31 March 2019

	Notes	As at 31 March 2019 $000	As at 31 March 2018 $000
Assets			
Cash and cash equivalents	11	2,943	3,000
Financial assets at fair value through profit or loss			
Investments	7	62,740	62,926
Total assets		**65,683**	**65,926**
Liabilities			
Management and administration fees payable	13	(62)	(63)
Withdrawals payable	13	(581)	(491)
PIE tax payable		(235)	(105)
Financial liabilities at fair value through profit or loss			
Derivative liabilities	7	(23)	(134)
Total liabilities (excluding net assets attributable to members)		**(901)**	**(793)**
Net assets attributable to members		**64,782**	**65,133**
Represented by:			
Member funds		**64,782**	**65,133**

This Statement of Net Assets should be read in conjunction with the accompanying notes.

The directors of the Board of Kiwi Wealth Investments General Partner Limited, as the general partner of the Kiwi Wealth Investments Limited Partnership authorised these financial statements for issue on 4 July 2019:

Director ____________ Director ____________

Kiwi Wealth Super Scheme
Statement of Cash Flows
For the year ended 31 March 2019

	Year ended 31 March 2019 $000	Year ended 31 March 2018 $000
Cash flows from operating activities		
Cash was provided from:		
Sale of investments	8,056	7,258
Interest received	69	76
Dividends and distributions received	7	-
Realisation of derivatives, net	(359)	174
Cash was applied to:		
Purchase of investments	(3,778)	(4,820)
Payment of management and administration fees	(753)	(747)
Net cash flows from operating activities	**3,242**	**1,941**
Cash flows from financing activities		
Cash was provided from:		
Employer contributions	967	930
Employee contributions	1,475	1,473
Cash was applied to:		
Withdrawals	(5,458)	(3,502)
PIE tax paid	(283)	(492)
Net cash flows from financing activities	**(3,299)**	**(1,591)**
Net increase / (decrease) in cash and cash equivalents	(57)	350
Add: opening cash and cash equivalents	3,000	2,648
Effect of exchange rate fluctuations	-	2
Closing cash and cash equivalents	**2,943**	**3,000**

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

Kiwi Wealth Super Scheme
Statement of Cash Flows (continued)
For the year ended 31 March 2019

Reconciliation of net increase in net assets before membership activities to cash flow from operating activities

	Year ended 31 March 2019 $000	Year ended 31 March 2018 $000
Net increase in net assets before membership activities	**3,168**	**5,240**
Adjusted for:		
Sale of investments	8,056	7,258
Purchase of investments	(3,778)	(4,820)
Income from investments	(4,205)	(5,740)
Changes in assets and liabilities:		
Increase in payables	1	3
Net cash flow from operating activities	**3,242**	**1,941**

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

Kiwi Wealth Super Scheme
Notes to the Financial Statements
For the year ended 31 March 2019

1. Reporting Entity

The financial statements are for the reporting entity Kiwi Wealth Super Scheme (the "**Scheme**") which is domiciled in New Zealand.
The Scheme was established and is governed by a Trust Deed dated 18 December 2008 as amended on 21 April 2011, 8 September 2011, 4 April 2012 and 30 August 2016 ("**Trust Deed**") to amend and consolidate the provisions of the existing Trust Deed to comply with the Financial Markets Conduct Act 2013 ("**FMCA**") and make a number of other amendments that the Supervisor and the Manager considered appropriate in connection with the Scheme being registered under the FMCA. On 7 September 2017 an amendment was made to change the name of GMI Superannuation Scheme to Kiwi Wealth Super Scheme and a further amendment was made on 8 December 2017 to enable the Scheme to re-gain Qualifying Recognised Overseas Pension Scheme (QROPS) status. The Scheme received contributions and started investing from 1 April 2009.

Under the Trust Deed, members may choose how often they make contributions and the amount (subject to any minimum the Supervisor may set), except where the member's employer also contributes to the member's account as part of a participation agreement with the Supervisor. In such cases, the contribution rates of the employer and member are prescribed in the relevant participation agreement.

The financial statements represent the operating result for the year ended 31 March 2019, and the comparative period for the year ended 31 March 2018.

The Supervisor and Trustee of the Scheme is Public Trust (the "**Supervisor**"), the administration manager and the investment manager of the Scheme is Kiwi Wealth Investments Limited Partnership (the "**Manager**"). The Manager's registered office is Level 9, 20 Customhouse Quay, Wellington, 6011, New Zealand. KWILP is owned by Kiwi Wealth Management Limited, which is a wholly owned subsidiary of Kiwi Group Holdings Limited. The ultimate holding companies are New Zealand Post Limited ("**NZ Post**"), Accident Compensation Corporation ("**ACC**") and the Guardians of the NZ Superannuation Fund ("**NZSF**").

The Scheme comprises the investment portfolios (each an "Investment Portfolio") listed below. Notwithstanding the division of the Scheme into the Investment Portfolios, in accordance with the Trust Deed, the Scheme is a single trust fund which acquires assets and incurs liabilities on a whole of fund basis. Each member has an account with the Scheme. The value of each member's interest in the Scheme is determined by amounts held in the relevant member's member account.

Investment Portfolios	Date of establishment
- Conservative	1 April 2009
- Balanced	1 April 2009
- Growth	1 April 2009

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with the Trust Deed, the FMCA and New Zealand Generally Accepted Accounting Practice ("**NZ GAAP**"). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("**NZ IFRS**"), and other applicable financial reporting standards, as appropriate for for-profit entities. The financial statements comply with International Financial Reporting Standards ("**IFRS**"). The Scheme is a for-profit entity.

2. Basis of Preparation (continued)

Measurement Base
The financial statements have been prepared on a historical cost basis, except for the revaluation of financial instruments held at fair value through profit or loss (FVTPL) measured at fair value.

The methods used to measure fair values are discussed further in note 3(d).

Functional and Presentational Currency
These financial statements are presented in New Zealand dollars ($), items included in the financial statements are measured using the currency of the primary economic environment in which the Scheme operates ('functional currency'). All financial information is presented in thousands of dollars (unless otherwise stated).

Use of Assumptions, Estimates and Judgements
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 and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 9.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods in these financial statements.

(a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term investments in an active market with original maturities of 90 days or less.

(b) Statement of Cash Flows

The following are definitions of terms used in the Statement of Cash Flows:

- operating activities - are those relating to the principal revenue-producing activities of the entity and other activities that are not financing activities. These include those cash flows relating to the acquisition, holding and disposal of investments, which include investments in securities not falling within the definition of cash.
- financing activities - are those activities that result in changes in the size and composition of members' funds.

(c) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in profit or loss, except foreign exchange differences arising on financial instruments held at FVTPL which are recognised together with net gains/(losses) on financial instruments at FVTPL in the Statement of Changes in Net Assets.

3. Significant Accounting Policies (continued)

(d) Financial instruments

(i) Classification

(a) Assets

The Scheme classifies its instruments based on both the Scheme's business model for managing those financial assets and contractual cash flow characteristics of the financial assets. The Scheme's financial assets are managed and their performance evaluated on a fair value basis. The Scheme is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Scheme's investments in equity instruments are held for trading, and the Scheme has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Scheme's debt securities are solely principle and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Scheme's business model's objective. Consequently, all investments are measured at FVTPL.

(b) Liabilities

The Scheme does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, nor does it make use of short sales for various arbitrage transactions. The Scheme holds derivative financial instruments. Derivative contracts that have a negative fair value are presented as liabilities at FVTPL.

As such the Scheme classifies all of its investment securities as financial assets or liabilities at FVTPL.

The Scheme's policy requires the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

(ii) Recognition, Derecognition and Measurement

Regular purchases and sales of investments and derivatives are recognised on the trade date - the date on which the Scheme commits to purchase or sell the investment or derivatives. Financial instruments designated at FVTPL are initially recognised at fair value. Transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments and derivatives have expired or the Scheme has transferred substantially all risks and rewards of ownership. Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value.

Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at FVTPL' category are presented in profit or loss in the Statement of Changes in Net Assets within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

3. Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(iii) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the closing trading on the reporting date.

The fair value of units held by the Scheme in managed investment funds is determined by reference to published bid prices at the close of business on the reporting date being the redemption price established by the underlying investment fund manager.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

(iv) 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Scheme or the counterparty.

(e) Financial Assets and Financial Liabilities at Amortised Cost

Financial assets at amortised cost comprise cash and cash equivalents and receivables. These include cash balances and call deposits, accrued interest and dividends, and proceeds expected from sale transactions where the trade date and settlement date spanned the reporting date. The carrying value closely approximates their fair value. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method less any impairment losses (refer to note 3(f) for more information). The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability so as to achieve a constant yield on the financial asset or liability.

(i) Receivables

Receivables include amounts where settlement has not yet occurred, and include outstanding settlements on the sale of investments. Amounts are generally received within 30 days of being recorded as receivables. With short time period and the high credit quality of the financial assets, investment income receivables and due from brokers measured at amortised cost, the Scheme does not anticipate any expected credit losses to be applicable for these assets.

(ii) Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Scheme, and include outstanding settlements on the purchase of investments. Payables are measured initially at fair value and subsequently at amortised cost. Amounts are generally paid within 30 days of being recorded as payables. Given the short-term nature of most payables, the carrying amount approximates their fair value.

3. Significant Accounting Policies (continued)

(f) Impairment of Assets Carried at Amortised cost

At the reporting date, the Scheme measures the loss allowance on financial assets, other than those at FVTPL, 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 Scheme measures the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the debtor, probability that a debtor will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income 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 and a counterparty credit rating which has fallen below investment grade credit rating BBB-. With short time period and the high credit quality of the financial assets measured at amortised cost, the Scheme does not anticipate any expected credit losses to be applicable for these assets.

(g) Income recognition

Income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Scheme and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(i) Interest

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(ii) Dividends and distributions

Dividend and distribution income are recognised on the date that the Scheme's right to receive payment is established.

(iii) Changes in fair value of investments

Net gains or losses on investments at FVTPL are calculated as the difference between the fair value at sale, or at period end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest, dividend and distribution income.

(h) Expenses

All expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(i) Member funds

Members' interests in the Scheme provide members with the right to request redemption for cash of their interest at the value at which their investments can be realised provided that they meet certain requirements of the Trust Deed. All members' interests qualify as "puttable instruments". On acceptance of a request of members eligible to realise their interest, the Manager sells the relevant investments to market or to members joining the Scheme at market prices for payment to such members. The expected cash outflow on realisation will depend on when each member is eligible to request and does request the realisation of such interest. The net assets attributable to each member depends on that member's interest in the Scheme and each relevant Investment Portfolio, and the relevant investment direction. Members do not have identical rights to the net assets of the Scheme and, as a result, member funds are classified as financial liabilities.

3. Significant Accounting Policies (continued)

(i) Member funds (continued)

Member funds are carried at the redemption amount that is payable at the Statement of Net Assets date if all members exercised their rights to redeem their interests. Member funds are measured at amortised cost.

(j) New standards and amendments

There are no standards, amendments to standards or interpretations that are not yet effective for annual periods beginning on or after 1 April 2018, which have not been adopted, that will have a material effect on the financial statements of the Funds.

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4. Net gains/(losses) on financial instruments at FVTPL

	Year ended 31 March 2019 $000	Year ended 31 March 2018 $000
Net gains/(losses) from derivatives	(248)	9
Net gains/(losses) from investments	4,092	5,903
Total net gains/(losses) on financial instruments at FVTPL	**3,844**	**5,912**

5. Interest Income

	Year ended 31 March 2019 $000	Year ended 31 March 2018 $000
Interest income on cash and cash equivalents	69	76
Total interest income	**69**	**76**

6. Management and Administration Fees

The fee charged to each member for the management and administration of the Scheme is currently up to 1.5% per annum of the member's account balance (subject to a minimum of $120 per annum), calculated and deducted monthly by the Manager. The fee covers charges for Supervisor services, administration services, investment management services (among others) but does not cover third party costs incurred in the buying, selling or holding of investments, such as brokerage or any third-party charges incurred in investing in unit trusts.

Management and administration fees for the year ended 31 March 2019 totalled $752,000 (2018: $750,000).

The fee charged by Auditor and paid by the Manager for the audit of the financial statements was $18,500 excluding GST (2018: $20,650 excluding GST). Auditor also performs Supervisor reporting and registry compliance services for $3,100 (2018: $3,000).

7. Financial Assets and Liabilities held at Fair Value through Profit or Loss

The Scheme holds investment assets in the Kiwi Wealth Fixed Interest Fund and Kiwi Wealth Growth Fund (both of which are related to the Manager). As at 31 March 2019 the funds of the Scheme were invested in a range of financial instruments not related to the Manager or the Supervisor.

Forward foreign exchange contracts are the only derivatives used by the Scheme during the year. Please see note 11 for more detail.

A summary of the main instruments held by the Scheme as at 31 March 2019 and 31 March 2018 are:

	As at 31 March 2019	As at 31 March 2018
	$000	$000
Investments		
Unlisted unit trusts	62,740	62,926
Derivatives		
Derivative liabilities	(23)	(134)
Total financial instruments measured at fair value	**62,717**	**62,792**

The underlying investments that exceeded 5% of net assets held by the Scheme or 5% of each financial instrument type are:

		As at 31 March 2019			As at 31 March 2018		
Investment securities that exceed 5% of net assets or instrument type	**Instrument Type**	**Fair Value $000**	**% of Scheme**	**% of Instrument Type**	**Fair Value $000**	**% of Scheme**	**% of Instrument Type**
Kiwi Wealth Growth Fund	Unlisted unit trust	40,626	62%	65%	40,916	63%	65%
Kiwi Wealth Fixed Interest Fund	Unlisted unit trust	22,115	34%	35%	22,010	34%	35%

8. Members' Benefits

(a) Net assets available to pay benefits

All available funds are allocated to member accounts. The Scheme does not have separate employer accounts and does not have any reserve funds.

(b) Vested benefits

Vested benefits are benefits which, under the conditions of the Scheme, are not conditional on continued membership. Under the Trust Deed all benefits are fully vested. The value of vested member benefits as at 31 March 2019 is $64,782,000 (2018 $65,131,000).

8. Members' Benefits (continued)

(c) Guaranteed benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

9. Fair Value of Financial Instruments

These disclosures supplement the commentary on financial risk management in note 11.

Key sources of estimation uncertainty

Determining fair values

The determination of fair values for financial assets and liabilities for which there is no observable market prices requires the use of valuation techniques described below. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Valuation of financial instruments

The Scheme's accounting policy on fair value measurements is explained in note 3(d).

The Scheme measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

• Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

• Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

• Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation, as well as instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price and yield quotations. For all other financial instruments, the Scheme determines fair values using valuation techniques. For investments with no active market, fair values are determined using valuation techniques that may make use of recent arm's length transactions of comparable instruments, reference to current market data of comparable instruments, discounted cash flow analysis, and use as much available and supportable market data as possible with judgemental inputs kept to a minimum. There have been no transfers between the levels during the year.

	As at 31 March 2019				As at 31 March 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Instrument Hierarchy	$000	$000	$000	$000	$000	$000	$000	$000
Unlisted unit trusts	-	62,740	-	62,740	-	62,926	-	62,926
Forward foreign exchange contracts	-	(23)	-	(23)	-	(134)	-	(134)
	-	62,717	-	62,717	-	62,792	-	62,792

10. Funding Policy

In accordance with the Trust Deed, members may contribute to the Scheme at varying designated rates linked to their salaries or in lump sum payments. Members may pay additional contributions to the Scheme in excess of any salary linked contributions. These contributions do not affect the level of employer contributions in respect of that member. Employee contribution rates depend on the contribution rate chosen by the member at rates ranging from 1% to 6% of their salary (after the deduction of withholding tax and certain other benefits accrued).

11. Financial Risk Management

The Scheme may be exposed to credit risk, settlement risk, liquidity risk, market price risk, interest rate risk and foreign currency risk through the financial instruments it holds. This note presents information about the Scheme's exposure to each of these risks, the Scheme's policies and processes for managing such risks and the Scheme's management of capital. The risk disclosures have been prepared on the Scheme's direct holdings and not on a full look-through to account for investments held indirectly through other managed funds (such as certain listed and unlisted unit-trusts). Compliance reports are provided to the Supervisor and to the Investment Governance Committee ("**IGC**") on a regular basis. The IGC's role is to provide governance oversight on investment related risk taking activities.

Risk management framework

The investment of the Scheme is determined by the members' investment directions, asset allocation limits, and investment guidelines. The asset allocation limits determine the extent to which the Scheme can invest in certain asset groups. The investment guidelines establish target bands for each asset group within each Investment Portfolio and guide the extent to which an Investment Portfolio can be invested in single issuers, issuer types and third party investment managers. Compliance with the asset allocation limits and the composition of each Investment Portfolio is monitored by the Manager on a regular basis. Should an Investment Portfolio exceed an asset allocation limit, the Scheme's Investment Manager is obliged to take actions to rebalance that Investment Portfolio to ensure compliance with the limit.

a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument in which the Scheme has an interest will fail to discharge an obligation or commitment that it has entered, resulting in a financial loss to the Scheme. It arises from fixed interest securities, derivative financial instruments, cash and cash equivalents, and receivables held by or on behalf of the Scheme. For risk management reporting purposes, the Scheme considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The investment policies applying to the Scheme only allow fixed interest investments in liquid securities at purchase, meaning that there is a secondary market available where these assets are readily traded. In addition, the Investment Manager has established an approval process for establishing new counterparts or derivatives.

The Scheme measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 March 2019 all amounts due and cash held with counterparties with a credit rating of AA/AAa or higher and are due to be settled within 1 week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Scheme. The investment policies applying to the Scheme only allow fixed interest investments in liquid securities at purchase, meaning that there is a secondary market available where these assets are readily traded. In addition, the Investment Manager has established an approval process for establishing new counterparts or derivatives.

11. Financial Risk Management (continued)

a) Credit risk (continued)

The following investment guidelines apply to the Scheme. Given the range of assets and issuers and in some cases the complex relationships that exist in financial markets, it is important to see the below as guidelines rather than rigid rules.

- Direct exposure to a single commonly recognised investment manager, excluding the Manager, is limited to 50% of the assets of each investment portfolio.
- Direct exposure to any one underlying financial product excluding interests in a managed investment scheme issued by the Manager or any entity which is wholly owned by the Manager, is limited to 7.5% of the assets of each investment fund. Cash and derivatives are excluded, but remain subject to the diversification principle.
- Direct exposure to fixed interest securities of any one underlying issuer (e.g. bank or corporate) is limited to 15% of the Scheme's assets, unless the issuer is either of:
    i) The New Zealand Government; or
    ii) The New Zealand Local Government Funding Agency Limited (or its successor, or an entity issuing financial products on its behalf); or
- Direct exposure to fixed interest investments issued by either (i) or (ii) is limited to 50% of the assets of each investment fund.
- Limit total exposure to non-investment grade credit to no more than 25% of the Scheme's assets.
- Broader exposure (i.e. including cash and derivatives) to any one underlying issuer (excluding specified related party investments to which the Supervisor has agreed these limits do not apply to) is limited to 50% of the assets of an investment fund.

Exposure to credit risk

The carrying amount of the Scheme's investments represent the Scheme's maximum credit exposure. The Scheme's maximum exposure to credit risk for cash and cash equivalents by significant counterparty is as follows:

	As at 31 March 2019		As at 31 March 2018	
	$000	% of Scheme	$000	% of Scheme
Bank of New Zealand Limited - cash and cash equivalents	-	-	3	-
ASB Bank Limited - cash and cash equivalents	424	1%	361	1%
Westpac Limited - cash and cash equivalents	2,519	4%	2,636	4%
Total cash related credit risk exposure	**2,943**	**5%**	**3,000**	**5%**

The Manager monitors the financial position of each bank on an on-going basis. At balance date, the Scheme had cash and cash equivalents related credit exposure to ASB Bank Limited and Westpac Limited which have Standard & Poor's credit ratings of AA- (2018: AA-) equal to the amount stated in the Statement of Net Assets.

Investments in fixed interest securities

For fixed interest assets, the Manager and the Investment Manager take reasonable care to limit total underlying exposure to non-investment grade credit to no more than 25% of an investment fund. The Manager reviews investment performance regularly and rebalances the Investment Portfolios where necessary. At balance date, the Scheme had not invested directly in any fixed interest securities. As at 31 March 2019 there were no material financial assets past due or impaired (2018: nil).

11. Financial Risk Management (continued)

Derivative financial instruments

The Scheme uses over the counter ("**OTC**") derivatives. OTC derivatives expose the Scheme to the risk that the counterparties to the derivative financial instruments might default on their obligations to the Scheme. Derivative profit and loss positions are monitored on a regular basis and the counterparty risk is managed within the Scheme's investment guidelines. Such guidelines permit entry by the Scheme into certain OTC derivatives where the Manager (or its delegate) considers it in the best interests of the Scheme and its members, provided that the Manager (or its delegate) neither enters any OTC derivatives that give rise to obligations beyond the value of the Scheme's assets, nor exceeds any limit agreed from time to time by the Supervisor and Manager on the size of a OTC derivatives contract.

Derivative financial instruments are principally transacted with counterparties that have a credit rating of at least AA-, as determined by Standard & Poor's, and with whom the Manager has netting arrangements. The netting arrangements provide for the net settlement of certain contracts with the same counterparty in the event of default. As a result of such netting arrangements, at 31 March 2019, the Scheme would be entitled to offset derivative assets against derivative liabilities or portions of them in the event of counterparty defaults.

For the purposes of reporting in the Statement of Net Assets, where applicable, outstanding derivative financial assets and liabilities have been netted. The net exposure to credit risk may change significantly within a short period of time due to the highly volatile nature of the fair value of the derivatives underlying the arrangements.

Offsetting and amounts subject to netting arrangements and similar agreements

Financial arrangements subject to offsetting, enforceable master netting arrangements, and similar agreements:

Description	Gross amounts of recognised financial assets set-off in Statement of Net Assets	Gross amounts of recognised financial liabilities set-off in the Statement of Net Assets	Net amounts of financial assets presented in the Statement of Net Assets	Related amounts not set-off in the Statement of Net Assets: Financial instruments	Related amounts not set-off in the Statement of Net Assets: Cash collateral received	Net amount
	$000	$000	$000	$000	$000	$000
Forward foreign exchange contracts as at 31 March 2019	10	(33)	(23)	-	-	(23)
Forward foreign exchange contracts as at 31 March 2018	63	(197)	(134)	-	-	(134)

Concentration of risk

At balance date, the Scheme's securities exposures were concentrated into Kiwi Wealth Growth Fund and Kiwi Wealth Fixed Interest Fund according to their respective investment mandates.

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11. Financial Risk Management (continued)

b) Settlement risk

The Scheme's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.
With the majority of transactions being related party investments into the Kiwi Wealth Growth Fund and Kiwi Wealth Fixed Interest Fund the settlement risk is reduced.

c) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or a financial instrument, or that such obligations will have to be settled in a manner disadvantageous to the Scheme.

Management of liquidity risk

The Scheme is not unitised. Withdrawals are managed by each member having their share of the Scheme assets sold at the prevailing market price.
Order of liquidity is determined by the average time it takes to liquidate the Scheme's assets. Cash deposits can be held at any bank and in normal circumstances may be withdrawn within 24 hours. Equities are more liquid than fixed interest securities as they are exchange traded. The Manager favours liquid and transparent investments so that the underlying sources of risk and return are clear and investments are able to be exited at reasonable prices, in times of stress.

The Manager reviews the Scheme's investments on a regular basis to ensure their liquidity, and provides oversight for risk management and derivative activities.

Maturity analysis for financial liabilities

Financial liabilities of the Scheme comprise payables for withdrawals, management and administration fees payable, and member funds.

	As at 31 March 2019		As at 31 March 2018	
	Carrying amount	Less than 2 months	Carrying amount	Less than 2 months
Financial Liabilities	$000	$000	$000	$000
Withdrawals payable	(581)	(581)	(491)	(491)
Derivative liabilities	(23)	(23)	(134)	(134)
Management and administration fees payable	(62)	(62)	(63)	(63)
Member funds	64,782	64,782	(65,133)	(65,133)
	64,116	**64,116**	**(65,821)**	**(65,821)**

Member funds can be redeemed or transferred on demand at the relevant member's option provided the member meets certain requirements of the Trust Deed. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as members holding these instruments typically retain them for the medium to long term. At 31 March 2019, no individual member held more than 10% of the member funds (2018: nil).

11. Financial Risk Management (continued)

d) Market price risk

Market price risk is the risk that the Scheme's income or the value of its holdings of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual financial instrument or by factors affecting all instruments of a specific type trading in a market. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Had the market price in local currency of the underlying financial instruments increased or decreased by 10% with all other variables held constant, the increase or decrease respectively in net investment income and the net assets attributable to members would amount to the following:

Increase/decrease in income/net assets	As at 31 March 2019 $000	As at 31 March 2018 $000
Unlisted Unit Trusts	6,274	6,293

A variable of 10% was selected for market price risk sensitivity as this is a reasonably expected movement.

Management of market price risk
The Scheme's strategy for the management of market price risk is driven by the Scheme's investment objectives. The investment objective is to deliver investment returns, over the relevant investment timeframe and after taking account of all fees, costs and taxes, which exceed the relevant benchmark. The Investment Manager aims to deliver those returns with lower volatility (i.e. less risk) than the benchmark. It looks to achieve this, as an active investment manager, by exercising the discretion to change the asset allocation between shares, fixed interest, cash and other financial instruments and to actively choose individual securities and investments.

The Scheme's market risk is managed on a regular basis by the Investment Manager in accordance with the investment guidelines and other policies and procedures in place. Investment guidelines apply that guide the extent to which the Scheme invests in financial instruments to help ensure diversity and the use of forward foreign exchange contracts to mitigate fluctuations in foreign currency exchange rates. The Scheme's market positions are monitored on a regular basis by the Investment Manager. The Investment Manager also ensures the Scheme is well diversified across a number of financial instruments and investment themes. The Manager may invest directly into the asset group or gain exposure to the asset class indirectly through other investment vehicles (e.g. through a managed fund or other type of managed fund).

The Scheme may use derivatives to manage its exposure to foreign currency and interest rate risks.

e) Interest rate risk

Interest rate risk affects the Scheme in two ways - the value of a financial instrument may fluctuate due to a change in market interest rates, and a change in market interest rates may cause the cash flows received to fluctuate. The Investment Manager manages interest rate risk by actively managing the average maturity date of the Scheme's fixed interest instruments in response to changes in the Investment Manager's interest rate view. Additionally, the Investment Manager manages the interest rate risk associated with cash holdings of the Scheme by actively managing its exposure to cash and the currencies it holds.

11. Financial Risk Management (continued)

e) Interest rate risk (continued)

Cash and cash equivalents and fixed interest instruments that are interest bearing assets and recognised at FVTPL are reported in the following tables.

Interest rate sensitivities:

The Scheme's interest bearing financial assets and liabilities expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their fair values and cash flow.

Interest rate sensitivity analysis

A change in interest rates impacts the cash flow of the Scheme's cash and cash equivalents and floating rate notes (FRN's) by increasing or decreasing the amount of interest received.

The following table shows the impact on the statement of changes in net assets and net assets attributable to members of reasonably possible changes in interest rates on cash and cash equivalents and floating rate notes at balance date with all other variables held constant:

		As at 31 March 2019	As at 31 March 2018
		$000	$000
Cash and cash equivalents	Carrying amount	2,943	3,000
Impact of a +1% change in interest rates		29	30
Impact of a -1% change in interest rates		(29)	(30)

A variable of 1% was selected as this is a reasonably expected movement.

Fair Value Sensitivity Analysis

The Scheme does not have any direct holdings in fixed interest securities.

f) Foreign Currency risk

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

The Scheme is exposed to foreign currency risk through cash and cash equivalents, trade and other receivables, trade and other payables and forward foreign exchange contracts. The Investment Manager will attempt to offset currency exchange risks by entering into a currency hedge to minimise risks associated with currency exchange rate fluctuations. The Scheme is exposed to currency risk to the extent that these currency hedge transactions are not effective. The Investment Manager continuously monitors the Scheme's exposure to currency risk.

The Scheme held assets and liabilities in foreign currencies as follows:

As at 31 March 2019	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Scheme	+10% change in exchange rate	-10% change in exchange rate
	$000	$000	$000	$000	% of Scheme	$000	$000
Australian dollar	-	-	(169)	(169)	-	(15)	19
Canadian dollar	-	-	(247)	(247)	-	(22)	27
Swiss franc	-	-	(217)	(217)	-	(20)	24
Danish krone	-	-	(45)	(45)	-	(4)	5
Euro dollar	-	-	(817)	(817)	(1%)	(74)	91
Pound sterling	-	-	(416)	(416)	(1%)	(38)	46
Hong Kong dollar	-	-	(410)	(410)	(1%)	(37)	46
Japanese yen	-	-	(587)	(587)	(1%)	(53)	65
Norwegian krone	-	-	(18)	(18)	-	(2)	2
Swedish krona	-	-	(67)	(67)	-	(6)	7
Singapore dollar	-	-	(32)	(32)	-	(3)	4
US dollar	-	-	(5,044)	(5,044)	(8%)	(459)	560
Total foreign currency risk	-	-	(8,069)	(8,069)	(12%)	(733)	896

As at 31 March 2018	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Scheme	+10% change in exchange rate	-10% change in exchange rate
	$000	$000	$000	$000	% of Scheme	$000	$000
Australian dollar	-	-	50	50	-	5	(6)
Canadian dollar	-	-	(269)	(269)	-	(24)	30
Swiss franc	-	-	(153)	(153)	-	(14)	17
Danish krone	-	-	(566)	(566)	(1%)	(51)	63
Euro dollar	-	-	-	-	-	-	-
Pound sterling	-	-	-	-	-	-	-
Hong Kong dollar	-	-	386	386	1%	35	(43)
Japanese yen	-	-	(850)	(850)	(1%)	(77)	94
Norwegian krone	-	-	(1,283)	(1,283)	(2%)	(117)	143
Swedish krona	-	-	(136)	(136)	-	(12)	15
Singapore dollar	-	-	136	136	-	12	(15)
US dollar	-	-	(5,546)	(5,546)	(8%)	(504)	616
Total foreign currency risk	-	-	(8,645)	(8,645)	(11%)	(785)	960

A variable of 10% was selected as this is a reasonably expected movement.

12. Capital Management

The Scheme's capital is represented by the market value of the underlying net assets held by the Scheme on behalf of its members and is reflected in the Statement of Net Assets. The Scheme is not subject to any externally imposed capital requirements. The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and to maximise the Scheme's value as well as ensuring its net assets are sufficient to meet all present and future obligations. In order to meet its objectives for capital management, the Manager reviews the Scheme's performance on a regular basis.

13. Financial Assets and Liabilities

Accounting classifications and fair values

The table below provides reconciliation of the line items in the Scheme's Statement of Net Assets to various categories of financial instruments.

	As at 31 March 2019					As at 31 March 2018				
	Fair Value - Derivatives held for risk management	Financial assets at FVTPL	Amortised cost	Other financial liabilities	Total carrying amount	Fair Value - Derivatives held for risk management	Financial assets at FVTPL	Amortised cost	Other financial liabilities	Total carrying amount
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Assets										
Investments	-	62,740	-	-	62,740	-	62,926	-	-	62,926
Cash and cash equivalents	-	-	2,943	-	2,943	-	-	3,000	-	3,000
Total assets	**-**	**62,740**	**2,943**	**-**	**65,683**	**-**	**62,926**	**3,000**	**-**	**65,926**
Liabilities										
Withdrawals payable	-	-	-	(581)	(581)	-	-	-	(491)	(491)
Management and administration fees payable	-	-	-	(62)	(62)	-	-	-	(63)	(63)
Member funds	-	-	-	(64,782)	(64,782)	-	-	-	(65,133)	(65,133)
Derivative liabilities	(23)	-	-	-	(23)	(134)	-	-	-	(134)
Total liabilities	**(23)**	**-**	**-**	**(65,425)**	**(65,448)**	**(134)**	**-**	**-**	**(65,687)**	**(65,821)**

The financial instruments not accounted for at FVTPL are short-term financial assets and liabilities whose carrying amounts approximate fair value.

14. Derivative Assets and Liabilities

Forward currency contracts are primarily used by the Scheme to economically hedge against foreign currency exchange rate risks on its non New Zealand denominated securities. The open forward positions as at balance date are outlined below:

2019	2019	2018	2018
$ 000s	$ 000s	$ 000s	$ 000s
Notional	Net Asset/(Liability)	Notional	Net Asset/(Liability)
8,075	(23)	11,308	(134)

15. Related Party Transactions

Related parties comprise the Supervisor, the Manager and the shareholders of the Manager and other entities directly or indirectly controlled by the ultimate parent entity of the Manager as detailed in note 1. As at 31 March 2019, the Scheme held interests in financial instruments issued by related parties. The following table specifies the relevant related party financial instruments and their fair values.

		As at 31 March 2019		As at 31 March 2018	
		Units	Fair value	Units	Fair value
Related party issuer	**Security type**	000	$000	000	$000
Kiwi Wealth Growth Fund	Unlisted Unit Trust	31,129	40,626	33,541	40,916
Kiwi Wealth Fixed Interest Fund	Unlisted Unit Trust	17,522	22,115	18,463	22,010

In accordance with the Trust Deed and FMCA, the above related party transactions are effected on commercial arm's length terms. In September 2016, the Scheme transferred investment securities of $35.8m and $19.4m to the Kiwi Wealth Growth Fund and Kiwi Wealth Fixed Interest Fund respectively, this was represented by 37.5m units and 17.2m units respectively. These securities were transferred at the fair value on the respective transaction dates in consideration of units in the Fund.

	As at 31 March 2019	As at 31 March 2018
	$000	$000
Purchase of financial instruments at fair value through profit or loss	3,778	4,816
Sale of financial assets at fair value through profit or loss	(8,056)	(7,250)

15. Related Party Transactions (continued)

The fee deducted monthly by the Manager covers supervisor, audit and investment management charges (among others) as described in note 6. Such charges are invoiced to and paid by the Manager out of the fee it receives. There are no other related party charges.

Management and administration fees charged to and payable by the Scheme to the Manager were:

	As at 31 March 2019	As at 31 March 2018
	$000	$000
Balance due at the beginning of the year	63	60
Current year management fees	752	750
Payment made during the year	(753)	(747)
Balance due at the end of the year	**62**	**63**

Outstanding balances to related parties are due within a month of balance date and are not interest bearing.

16. Contingent Liabilities

As at 31 March 2019, the Scheme has no known outstanding contingent liabilities or commitments (2018: nil).

17. Events Subsequent to Balance Date

There were no significant events subsequent to balance date which require adjustment to or disclosure in these financial statements.

Independent auditor's report

To the members of Kiwi Wealth Super Scheme

We have audited the financial statements of the Kiwi Wealth Super Scheme (the Scheme) which comprise:

- the Statement of Net Assets as at 31 March 2019;
- the Statement of Changes in Net Assets for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the Scheme's financial statements present fairly, in all material respects, the financial position of the Scheme as at 31 March 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Scheme in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have provided the following services to the Kiwi Wealth Investments Limited Partnership, the Scheme's Manager: Supervisor and Registry compliance assurance reporting. Subject to certain restrictions, employees of the firm may invest in the Funds on normal market terms. These services have not impaired our independence as auditor of the Scheme.

Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Our materiality for the Scheme is calculated based on 1% of the net asset for the Scheme.

We chose net asset as the benchmark because, in our view, it is the benchmark against which the performance of the Scheme is most commonly measured by readers, and is a generally accepted benchmark for a scheme.

Because of the significance of the investments to the financial statements, we have determined there is one key audit matter: valuation and existence of financial assets held at fair value through profit or loss.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the Scheme's financial statements as a whole as set out above. These, together with qualitative considerations helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the Scheme's the financial statements.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Scheme's financial statements as a whole, taking into account the structure of the Scheme, the types of investments held by the Scheme, the accounting processes and controls, the use of third party service and the industry in which the Scheme operates.

Kiwi Wealth Investments Limited Partnership (the Manager) is responsible for the governance and control activities of the Scheme. The Manager has appointed JBWere (the Custodian) to act as Custodian of the Scheme's investments. The Manager it is also the Administrator and performs the investment accounting and registry services for the Scheme.

In establishing our overall audit approach, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the control environment in place at the Manager and the Custodian.

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 year. Given the nature of the Scheme, we have one key audit matter: valuation and existence of financial assets held at fair value through profit or loss. The matter was 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 the matter.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of financial assets held at fair value through profit or loss (FVTPL) Financial assets held FVTPL are valued at $62,740million at 31 March 2019 (31 March 2018: $62,926 million). Financial assets held at FVTPL are included in notes 7 of the financial statements. This was an area of focus as it represents the substantial majority of net assets of the Scheme. As at 31 March 2019, the majority of the financial assets held by the Scheme comprise investments in unlisted unit trusts. The fair values of the unlisted unit trusts are based on the redemption prices established by the respective investment fund administrators and categorised as level 2 in the fair value hierarchy. In assessing the fair value, the Manager uses information provided by the investment fund administrators including the financial statements of the underlying funds. The Scheme has no investments where there are no observable inputs. All financial assets at FVTPL are held by the Custodian on behalf of the Scheme.	We assessed the processes employed by the Manager, for recording and valuing the financial assets at FVTPL including the relevant controls operated by the Custodian. Our assessment of the business processes included: • Understanding of the business processes over classification, recognition and measurement of financial assets held at FVTPL. • Obtaining the Custodian's internal controls reports over custody services for the year ended 30 September 2018 and a bridging letter until 31 March 2019. We evaluated the sufficiency and appropriateness of the evidence provided by the controls reports over the design and operating effectiveness of the internal control environment operated by the Custodian and considered additional controls in place at the Manager to cover the period of the bridging letter. • Evaluating the design and operating effectiveness of the controls in place at the Manager, which included but was not limited to evaluating the appropriateness of users authorising investment transactions, evaluating system controls that limit transacting above total holdings and the review of bank reconciliations. For investments in unlisted unit trusts we evaluated whether the redemption price represents fair value by comparing the valuation of the investments in unlisted unit trusts to the Net Asset Value per unit calculated based on the audited financial statements of the unlisted unit trusts. For existence, we agreed the number of units of financial assets at FVTPL held by the Scheme at 31 March 2019 to a confirmation obtained directly from the Custodian. From the procedures performed, we have no matters to report.

Information other than the financial statements and auditor's report

Kiwi Wealth Investment Limited Partnership (the Manager) is responsible for the annual report.

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

In connection with our audit of the financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the 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 intends to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accounts
5 July 2019

Wellington