

Simplicity KiwiSaver Scheme
Financial Statements
For the period ended 31 March 2017

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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 Simplicity KiwiSaver Scheme as at 31 March 2017 and their results for the year ended on that date in accordance with requirements of the Simplicity KiwiSaver Scheme Trust Deed dated 10 June 2016 amended 26 July 2016.

The directors are of the opinion that the Simplicity KiwiSaver Scheme will be able to pay its debts as and when they fall due.

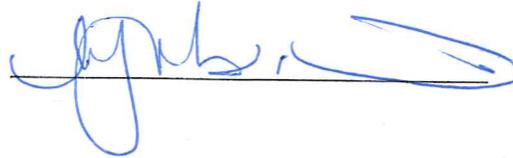
Director



Simplicity NZ Limited

4 July 2017

Director



Statements of Changes in Net Assets

\$		Conservative Fund	Balanced Fund	Growth Fund	Scheme Total
For the period ended 31 March 2017	Note	2017	2017	2017	2017
Income					
Interest income		35,015	66,042	73,734	174,791
Dividend and distribution income		6,081	64,128	257,587	327,796
Other income		-	32	113	145
Foreign exchange gains on cash and cash equivalents		825	2,902	182	3,909
Net gain on financial instruments at fair value through profit or loss	6,7	23,600	636,806	3,074,983	3,735,389
Fee rebates received from external fund managers		3,585	14,933	44,487	63,005
Total income		69,106	784,843	3,451,086	4,305,035
Expenses					
Manager's fee	8	6,710	24,239	68,177	99,126
Custody expenses		909	2,958	7,656	11,523
Transaction costs		153	1,699	6,770	8,622
Other expenses		1,984	2,385	2,650	7,019
Total expenses		9,756	31,281	85,253	126,290
Net profit before membership activities		59,350	753,562	3,365,833	4,178,745
Membership activities					
Contributions					
Member contributions		189,560	822,156	2,276,907	3,288,623
Employer contributions		105,570	475,587	1,307,183	1,888,340
Crown contributions		54	173	845	1,072
Transfers from other funds within the scheme		1,392,027	1,018,514	6,328,686	8,739,227
Transfers from other KiwiSaver schemes		7,500,131	26,186,369	63,305,194	96,991,694
Transfers from Australian superannuation schemes		53,070	329,909	754,011	1,136,990
Voluntary and lump sum contributions		51,565	537,587	673,200	1,262,352
Withdrawals					
Transfers to other funds within the scheme		2,409,894	5,429,620	899,713	8,739,227
Transfers to other KiwiSaver schemes		409,554	50,586	524,885	985,025
Withdrawals on retirement		27,564	35,462	90,000	153,026
First home purchase withdrawals		-	25,797	61,673	87,470
Significant financial hardship withdrawals		-	1,267	-	1,267
Other permitted withdrawals		196	11,605	8,296	20,097
Member PIE taxation		(2,964)	(3,916)	(18,674)	(25,554)
Administration fees	8	2,580	9,304	26,706	38,590
Net membership activities		6,445,153	23,810,570	73,053,427	103,309,150
Members' accounts at the start of the period		-	-	-	-
Movements in members' accounts for the period		6,504,503	24,564,132	76,419,260	107,487,895
Members' accounts at the end of the period		6,504,503	24,564,132	76,419,260	107,487,895

These statements are to be read in conjunction with the accompanying notes and the Independent Auditor's Report.

Statements of Net Assets

\$ As at 31 March 2017	Note	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Members' Funds		6,504,503	24,564,132	76,419,260	107,487,895
<i>Represented by:</i>					
Assets					
Cash and cash equivalents		200,644	348,784	2,753,561	3,302,989
Trade and other receivables	7,9	36,221	141,660	191,218	302,142
Financial assets at fair value through profit or loss	6,7	6,336,437	24,095,504	73,483,716	103,915,657
Member attributed taxation		-	2,322	18,783	21,105
Total assets		6,573,302	24,588,270	76,447,278	107,541,893
Liabilities					
Other payables	7,10	65,906	16,026	6,967	21,942
Manager fees payable	7, 8	1,511	5,784	17,718	25,013
Financial liabilities at fair value through profit or loss	6, 7	817	2,328	3,333	6,478
Member attributed taxation		565	-	-	565
Total liabilities		68,799	24,138	28,018	53,998
Net assets available for benefits		6,504,503	24,564,132	76,419,260	107,487,895

These Financial Statements were authorised for issue by the Manager, Simplicity NZ Limited.

Director

Date 4 July 2017

Director

Date 4 July 2017

These statements are to be read in conjunction with the accompanying notes and the Independent Auditor's Report.

Statements of Cash Flows

\$		Conservative Fund	Balanced Fund	Growth Fund	Scheme Total
For the period ended 31 March 2017	Note	2017	2017	2017	2017
Cash flows to operating activities					
Cash was provided from:					
Sale of investments		47,410	65,832	66,358	179,600
Interest received		3,525	8,675	24,278	36,478
Dividend and distribution income		1,294	17,801	66,502	85,597
Other income		-	32	113	145
Manager's fees rebates		1,388	5,649	15,713	22,750
Cash received upon settlement of forward exchange contracts		51,064	125,362	199,395	375,821
Cash was applied to:					
Purchase of investments		(6,983,752)	(23,226,832)	(69,249,949)	(99,460,533)
Payments made on settlement of forward exchange contracts		(135,568)	(396,288)	(605,893)	(1,137,749)
Other expenses paid		(3,046)	(7,042)	(17,076)	(27,164)
Manager's fees paid		(5,199)	(18,455)	(50,459)	(74,113)
Net cash outflow from operating activities	11	(7,022,884)	(23,425,266)	(69,551,018)	(99,999,168)
Cash flows from financing activities					
Cash was provided from:					
Contributions		9,292,075	29,317,169	73,908,812	103,845,786
Cash was applied to:					
Withdrawals		(2,067,495)	(5,545,705)	(1,604,124)	(545,054)
Members' PIE Tax paid		(1,877)	(316)	(291)	(2,484)
Net cash inflow from financing activities		7,222,703	23,771,148	72,304,397	103,298,248
Net increase in cash		199,819	345,882	2,753,379	3,299,080
Cash at the beginning of the period		-	-	-	-
Effect of exchange rate fluctuations		825	2,902	182	3,909
Cash at the end of the period		200,644	348,784	2,753,561	3,302,989

These statements are to be read in conjunction with the accompanying notes and the Independent Auditor's Report.

Notes to the Financial Statements for the period ended 31 March 2017

1. General information

Reporting entities

These financial statements are for the Simplicity KiwiSaver Scheme ("the Scheme") which comprises the following three funds (together the "Funds" and individually the "Fund").

- Simplicity Conservative Fund ("Conservative Fund")
- Simplicity Balanced Fund ("Balanced Fund")
- Simplicity Growth Fund ("Growth Fund").

The Manager and issuer of the Scheme is Simplicity (NZ) Limited ("the Manager") 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 AJK Stubbs, 24 Hamana Street, Narrow Neck, Auckland, 0622.

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 is a Managed Investment Scheme in accordance to the Financial Markets Conduct Act 2013.

The Scheme was established by a Trust Deed dated 10 June 2016 and amended 26 July 2016 (the 'Trust Deed') and Establishment Deeds issued for each of the Funds also issued on 10 June 2016 and commenced operations on 1 September 2016. The financial statements cover the period from 1 September 2016 to 31 March 2017.

The principal activities of the Funds are described below:

- The investment purpose of the Conservative Fund is to provide investment returns with low risk of loss of capital, and as set out in the Statement of Investment Policy and Objectives ('SIPO'), which may be amended from time to time.
- The investment purpose of the Balanced Fund is to provide a strategy aimed at balancing risk and return suited to investors with a greater tolerance to risk taking than a conservative strategy, and as set out in the SIPO, which may be amended from time to time.
- The investment purpose of the Growth Fund is to provide an investment strategy aimed at higher capital growth than a balanced strategy, suited to investors with a longer term approach to investment and a higher tolerance to risk and as set out in the SIPO which may be amended from time to time.

Statutory base

These financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 ('FMCA'), the KiwiSaver Act 2006 (the 'Act'), the Financial Reporting Act 2013 and the Trust Deed.

2. Summary of accounting policies

2.1 Basis of preparation

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied throughout the periods 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 External Reporting Board and other applicable reporting standards. The Financial Statements 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.

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

These 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.

Notes to the Financial Statements for the period ended 31 March 2017

2. Summary of accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Future accounting developments

The following new standards and amendments to existing standards are not a comprehensive list of standards and amendments not yet effective but are only those that are considered relevant to the Scheme:

NZ IFRS 9 '*Financial Instruments*' is applicable to annual reporting periods beginning on or after 1 January 2018. This standard will replace the existing standard NZ IAS 39 '*Financial Instruments Recognition and Measurement*'. The requirements regarding the classification and measurement of financial liabilities have been retained, as well as the requirements for determining when financial liabilities are derecognised. Under the new standard, changes in fair value of financial liabilities at fair value through profit or loss due to changes in own credit risk will be recognised directly in the statement of changes in net assets. The standard also establishes two primary measurement categories for financial assets: amortised cost and fair value, with classification depending on an entity's business model and the contractual cash flow characteristics of the financial asset. The impact of NZ IFRS 9 has been assessed for the Scheme. Management do not foresee any significant change in the valuation or measurement methodology for any of the Funds' financial instruments. Consequently the impact on the Funds' reported results or financial positions as a result of the implementation of NZ IFRS 9, is considered to be insignificant. The Scheme intends to adopt NZ IFRS 9 for its financial period commencing 1 April 2018.

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

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

The Scheme classifies its investment in equities, listed and unlisted fixed interest securities and unlisted international managed funds as designated financial assets at fair value through profit or loss at initial recognition. Transaction costs recognition are charged to profit in the statement of changes in net assets. The financial assets can be classified as such, as the Scheme manages its investments and make purchase and sale decisions based on their fair value and in accordance with their investment strategy. Purchases and sales of investments are recognised on the trade date, the date on which the Scheme commits to purchase or sell the investment.

Held for trading financial assets and liabilities at fair value through profit or loss

Held for trading financial assets and liabilities at fair value through profit or loss comprise of derivative instruments which are primarily forward foreign exchange contracts. The use of these contracts by the Scheme is primarily for the risk management of their investments.

(b) Recognition

The Funds recognise financial assets and financial liabilities on the date they become parties to the contractual agreement (trade date). Financial assets and financial 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.

(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 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 held at fair value through profit or loss include financial instruments held for trading and financial instruments designated at fair value through profit or loss upon initial recognition. They are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs relating to financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all financial assets and liabilities held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit 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 are the last traded market price for both financial assets and financial liabilities where the last traded prices falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value. The quoted market price used for fixed interest securities is the current mid price. (Refer to note 5.3 for further details on the methodologies applied for fixed income securities).

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each balance date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Funds' investments in other funds are subject to the terms and conditions of the respective funds' offering documentation. The investments in other funds are primarily valued based on the latest available redemption price of such units for each other fund investment, as determined by the other funds' administrators. The Funds review the details of the reported information obtained from the other funds and consider: the liquidity of the other fund or its underlying investments; the value date of the net asset value provided; and restrictions on redemptions; and the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information is obtained from the other funds' advisors.

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 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 Notes 6 and 7.

Notes to the Financial Statements for the period ended 31 March 2017

2. Summary of accounting policies (continued)

2.2 Financial instruments (continued)

(d) Derecognition

Financial assets 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. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

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 to realise the asset and settle the liability simultaneously.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits and are measured initially at fair value. Subsequent to initial recognition, all cash and cash equivalents are measured at amortised cost.

2.5 Revenue recognition

- (a) Dividend and distribution income is recognised in the statement of changes in net assets when the 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 recorded net of any foreign withholding tax and recognised in the statement of changes in net assets as disclosed in note 2.2.
- (d) Foreign exchange gains and losses on cash and financial instruments at fair value through profit or loss are recognised in the statement of changes in net assets as disclosed in note 2.12.
- (e) Underwriting and brokerage income is recognised in the statement of changes in net assets when the 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 PIE regime.

2.6 Expenses

The Manager pays audit, supervisory and administration expenses from the management fee. The management fee is calculated on a daily basis based on the net asset value of the Scheme and is paid monthly. Administration and registry fees are charged monthly per member via a cancellation of units.

2.7 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date. These are classified as non-current assets. The Scheme's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of net assets. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. These assets are all held with high quality counterparties and are regularly reviewed for indication of impairment. Sales of securities and investments which are unsettled at balance date are included in receivables.

2.8 Trade and other payables

Trade and other payables include liabilities, purchases of securities and investments that are unsettled at balance date and accrued expenses owing by the Scheme which are unpaid at balance date and are initially measured at fair value and subsequently at amortised cost using the effective interest method. Trades are recorded on trade date, and normally settled within three business days.

2.9 Taxation

The Funds are Portfolio Investment Entities (PIEs). Under the PIE regime, income is effectively taxed in the hands of the members and therefore the Funds have no tax expense. Accordingly, no income tax expense is recognised in the statement of changes in net assets.

Under the PIE regime, the Manager attributes the taxable income of the Funds to members in accordance with the proportion of their overall interest in the Funds. The income attributed to each member is taxed at the member's "prescribed investor rate" which is capped at 28%. The Manager accounts for tax on behalf of members and undertakes any necessary adjustments to the members' interests in the Funds to reflect that the 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 reporting date. Positions taken in attributing taxable income to members, with respect to situations in which applicable tax regulations are subject to interpretation, are evaluated by the Manager as required.

2.10 Goods and services tax (GST)

The 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.

Notes to the Financial Statements for the period ended 31 March 2017

2. Summary of accounting policies (continued)

2.2 Financial instruments (continued)

2.11 Statement of cash flows

Definitions of the terms used in the statement of cash flows are:

- (a) 'Operating activities' include all transactions and other events that are not financing activities; and
- (b) 'Financing activities' are those activities that result in changes in the size and composition of members' funds.

2.12 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

Transactions denominated in foreign currencies are recognised at the exchange rates on the date of the transactions. Assets and liabilities as at balance date denominated in foreign currencies are translated at the foreign currency exchange rates on that date. Realised and unrealised exchange gains and losses during the financial period are recognised in profit and loss in the statement of changes in net assets.

2.13 Impairment of assets

The carrying amounts of the Scheme's assets other than assets accounted for at fair value through profit or loss are reviewed at each balance date to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of changes in net assets. Assets that are considered for impairment are cash and cash equivalents, and trade and other receivables. The risk of impairment is considered minimal due to the counterparties dealt with.

2.14 Net assets available for benefits

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 Funds issue units that are redeemable subject to the requirements of the Act at the Members' option and do not have identical features and are therefore classified as financial liabilities. The units can be put back to the Funds 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 Simplicity KiwiSaver Scheme or to a separate KiwiSaver Scheme and which are equal to a proportionate share of the respective Fund's net asset value which is the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (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. There are no separate classes of units within each Fund and each unit has the same rights attaching to it as all other units in the respective Fund.

Contributions received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed subject to the requirements of the KiwiSaver Act 2006 at the holder's option at prices based on the Funds' net asset value per unit at the time of issue or redemption. The Funds' net asset value per unit is calculated by dividing the net assets attributable to the holders of each Fund with the total number of outstanding units of each Fund. There are currently no entry or exit fees payable.

As disclosed in note 1, the Scheme is a defined contribution scheme and the member funds presented as the Net assets available for benefits in the Statements of Net Assets represent the fully vested benefits to which the members are entitled to as at balance date. The movements of the liability for promised retirement benefits are presented by the movements as disclosed in the Statements of Changes in Net Assets during the period.

2.15 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 note 1 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.

2.16 Changes in accounting policies

The Scheme has consistently applied the accounting policies to all periods presented in these financial statements.

Notes to the Financial Statements for the period ended 31 March 2017

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 year end. However as with all investments, their value is subject to variation due to market fluctuations.

The Manager has used judgement in the categorisation of its financial assets and liabilities at fair value through profit or loss in accordance with the fair value hierarchy under NZ IFRS 13. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value in its entirety. 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 balance date are outlined below:

\$ As at 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Forward exchange contracts (notional value in NZ\$)				
Sell AUD/Buy NZD	3,202,137	9,129,524	13,068,411	25,400,072
Forward exchange contracts (fair value in NZ\$)				
Sell AUD/Buy NZD	(817)	(2,328)	(3,333)	(6,478)

5. Financial Risk Management

5.1 Financial risk factors

The Trust Deed for the Scheme requires the Fund Manager to invest the assets of each Fund of the Scheme in accordance with the 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 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 domestic, international equity instruments and fixed interest securities.

In addition to internal risk management carried out by the Manager and the Investment 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.

Notes to the Financial Statements for the period ended 31 March 2017

5. Financial Risk Management (continued)

5.1 Financial risk factors (continued)

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 Manager of the underlying unit trusts advised that this risk is moderated through careful stock selection and diversification of unit trust investments, daily monitoring of the unit trusts' market position and adherence to the unit trusts' investment policy. 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 money 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 5% 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 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
5% increase in prices	208,886	1,010,170	3,507,140	4,726,196
5% decrease in prices	(208,886)	(1,010,170)	(3,507,140)	(4,726,196)

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

(b) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Scheme is exposed to currency risk through holding Australian dollar cash and cash equivalents, trade and other receivables, trade and other payables and forward foreign exchange contracts. The Manager may hedge the exposure to currency fluctuations. The Scheme is also exposed indirectly to currency risk through its holdings in unit trusts.

At the balance 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 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Monetary assets/(liabilities)				
Australian Dollar (AUD)	(3,202,111)	(9,129,492)	(13,068,388)	(25,399,991)

The table below summarises the impact on the Statement of Changes in Net Assets on monetary assets and liabilities at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% 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 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Monetary assets/(liabilities)				
Increase of 5%	152,481	434,738	622,304	1,209,523
Decrease of 5%	(168,532)	(480,500)	(687,810)	(1,336,842)

Notes to the Financial Statements for the period ended 31 March 2017

5. Financial Risk Management (continued)

5.1 Financial risk factors (continued)

5.1.1 Market risk (continued)

The table below summarises the impact on the Statement of Changes in Net Assets on non-monetary assets and liabilities at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% 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 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Non monetary assets/(liabilities)				
Australian Dollar (AUD)	3,202,378	9,126,939	13,055,994	25,385,311
\$ As at 31 March				
Non monetary assets/(liabilities)				
Increase of 5%	(152,494)	(434,616)	(621,714)	(1,208,824)
Decrease of 5%	168,546	480,365	687,158	1,336,069

(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 flow. The Funds hold fixed interest securities that expose that Funds of the Scheme 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 2017:

\$ As at 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
<i>Financial assets at fair value through profit or loss</i>				
Fixed interest securities				
Less than one year	-	-	-	-
1-2 years	497,323	841,756	713,309	2,052,388
2-5 years	716,801	1,352,706	1,173,637	3,243,144
Over 5 years	944,599	1,697,641	1,453,977	4,096,217
	2,158,723	3,892,103	3,340,923	9,391,749
<i>Loans and receivables</i>				
Cash and cash equivalents	200,644	348,784	2,753,561	3,302,989
	200,644	348,784	2,753,561	3,302,989

* Cashflow interest rate risk

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 variable of 100 basis points (1%) was selected as this is a reasonably expected movement based on past overnight cash rate movements. The one year cash flow sensitivity to a 100 basis point movement in interest rates (based on assets held at reporting date), with all other variables held constant, is shown in the following table:

\$ As at 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Increase of 1%	2,006	3,488	27,536	33,030
Decrease of 1%	(2,006)	(3,488)	(27,536)	(33,030)

Notes to the Financial Statements for the period ended 31 March 2017

5. Financial Risk Management (continued)

5.1 Financial risk factors (continued)

(c) Interest rate risk (continued)

* Fair value interest rate risk

At the balance 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 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Increase of 1%	(104,475)	(188,468)	(161,876)	(454,819)
Decrease of 1%	114,022	205,592	176,610	496,224

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, the Scheme is indirectly affected by the impact of interest rate changes on the earnings of their investments in managed funds, 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.

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.

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 no 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.

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. The Scheme invests cash with banks registered in New Zealand and Australia which carry a minimum short term credit rating of AA- (Standard & Poor's).

As at 31 March 2017 there were no financial assets past due or impaired.

The following table sets out the equivalent 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 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Cash and cash equivalents	AA-	200,644	348,784	2,753,561	3,302,989
		200,644	348,784	2,753,561	3,302,989
Fixed Interest Securities					
High Grade	AA+ /AA /AA-	2,158,723	3,892,103	3,340,923	9,391,749
		2,158,723	3,892,103	3,340,923	9,391,749

The forward foreign exchange contracts as disclosed in note 4 are with New Zealand registered Banks with a AA- Standard and Poor's credit rating.

Notes to the Financial Statements for the period ended 31 March 2017

5. Financial Risk Management (continued)

5.1 Financial risk factors (continued)

5.1.3 Liquidity risk

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

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) which are short term in nature and classified as a current liability at reporting date. Current liabilities of financial derivative instruments consist of the fair value of forward foreign exchange contracts at year end. The current fair value represents the estimated cash flow that may be required to dispose of the positions. Future cash flows of the Scheme and realised liabilities may differ from current liabilities based on future changes in market conditions.

The table below shows the undiscounted contracted cash outflows, excluding gross settled derivatives, for the Funds' financial liabilities:

\$ As at 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Financial liabilities held at fair value through profit or loss				
7 days to 2 months	817	2,328	3,333	6,478
Related party payables				
7 days to 2 months	1,511	5,784	17,718	25,013
Other payables				
Less than 7 days	65,906	16,026	6,967	21,942

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 safeguard its ability to continue as a going concern in order to provide returns to its members and maximise the Scheme's members' values as well as ensuring its net assets available to pay benefits are sufficient to meet all present and future obligations. In order to meet its objectives for capital management the Scheme's management monitors the Scheme's performance on a regular basis.

5.2.1 Units on Issue

Units As at 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Units on issue at the start of the period	-	-	-	-
Total contributions for the period	9,258,203	29,548,462	73,887,796	112,694,461
Total withdrawals for the period	(2,850,144)	(5,603,166)	(1,600,620)	(10,053,930)
Units on issue at the end of the period	6,408,059	23,945,296	72,287,176	102,640,531

Notes to the Financial Statements for the period ended 31 March 2017

5. Financial Risk Management (continued)

5.3 Fair value estimation

The carrying amounts of the Scheme's assets and liabilities at the balance date are their fair values. Fair value measurements are categorised into a three level hierarchy that reflects the significance of the inputs used in making the measurements. The Scheme recognises transfers between levels of the fair value hierarchy as at the end of the financial reporting period during which the change has occurred.

Level one - fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at balance date without any deduction for estimated future selling costs. Financial assets and liabilities are priced at last sale prices.

Level two - fair value in an inactive or unquoted market using valuation techniques and observable market data

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques for which all significant inputs are based on observable market data.

Level three - 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 following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into levels 1 to 3 based on the degree to which the fair value is observable. There are no level 3 financial instruments. There have been no transfers between levels.

\$ As at 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Level 1				
<i>Financial assets designated at fair value through profit or loss</i>				
Listed equities	228,718	2,667,066	10,457,042	13,352,826
Level 2				
<i>Financial assets designated at fair value through profit or loss</i>				
Unlisted funds/trusts	3,948,996	17,536,335	59,685,751	81,171,082
Fixed interest securities	2,158,723	3,892,103	3,340,923	9,391,749
Total financial assets at fair value through profit or loss	6,336,437	24,095,504	73,483,716	103,915,657
Level 2				
<i>Financial assets held for trading</i>				
Forward foreign exchange contracts	817	2,328	3,333	6,478
Total financial liabilities at fair value through profit or loss	817	2,328	3,333	6,478

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1 include listed equity instruments. The Funds do not adjust the quoted price for these instruments.

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 also holds investments in listed and unlisted fixed income securities. The fair values of these instruments are determined by using a valuation model for which the inputs are directly observable and are therefore classified in Level 2. Fixed income securities are calculated using market accepted formulas. The yields are derived from either credit spreads sourced from the New Zealand Financial Markets Association, direct sourcing such as New Zealand government bonds, relative value against like securities where there are a small number of quotes available and matrix yield curves.

The Funds' investments in other managed funds valued at fair value which are based on the latest available redemption prices as obtained from the third party fund administrator. The Manager reviews the details of the reported information obtained from the third party administrator and considers:

- (a) the liquidity of the Fund's holding in the managed funds or their underlying investments;
- (b) the value date of the net asset values ("NAVs") provided; and
- (c) any restrictions on redemptions

The fair value of international managed funds is determined using the redemption price, based on the valuation of its underlying investments, as supplied by the Manager on a daily basis. This measurement basis falls within Level 2 of the fair value hierarchy as all significant inputs used to calculate the fair value are based on observable market data.

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

Notes to the Financial Statements for the period ended 31 March 2017

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

\$ As at 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Designated at fair value through profit or loss at inception				
Listed equities	228,718	2,667,066	10,457,042	13,352,826
Unlisted funds/trusts	3,948,996	17,536,335	59,685,751	81,171,082
Fixed interest securities	2,158,723	3,892,103	3,340,923	9,391,749
Total designated at fair value through profit or loss at inception	6,336,437	24,095,504	73,483,716	103,915,657
Total financial assets at fair value through profit or loss	6,336,437	24,095,504	73,483,716	103,915,657

Financial liabilities at fair value through profit or loss

\$ As at 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Financial liabilities held for trading				
Forward foreign exchange contracts	817	2,328	3,333	6,478
Total financial liabilities at fair value through profit or loss	817	2,328	3,333	6,478

\$ For the period ended 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Net gains on financial assets and financial liabilities at fair value through profit or loss				
Net changes in fair value on financial assets and liabilities held for trading	(85,321)	(273,254)	(409,831)	(768,406)
Net changes in fair value on financial assets and financial liabilities designated at fair value through profit or loss	108,921	910,060	3,484,814	4,503,795
Total net gains on financial assets and financial liabilities at fair value through profit or loss	23,600	636,806	3,074,983	3,735,389

Notes to the Financial Statements for the period ended 31 March 2017

7. Financial instruments

The following table shows the details of any single investment exceeding 5% of net assets or 5% of any category of investments for each of the Funds and the Scheme as at 31 March.

\$ As at 31 March	Conservative Fund 2017		Balanced Fund 2017		Growth Fund 2017		Scheme Total 2017	
Trading securities exceeding 5% of Net assets available for benefits by Fund and by Scheme Total								
	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value
List of Securities								
NZGB 5% 15/03/2019	435,352	6.69%						
NZLGFA 6.00% 05/15/2021	416,842	6.41%						
NZGB 5.5% 15/04/2023	396,152	6.09%						
Vanguard Australian Shares Index Fund	-		2,218,401	9.03%	7,684,048	10.06%	9,902,449	9.21%
Vanguard International Shares Select Exclusions Index Fund -NZD Hedged	746,618	11.48%	8,409,396	34.23%	46,629,757	61.02%	55,785,771	51.90%
Vanguard International Credit Securities Index Fund Hedged	1,512,505	23.25%	3,461,625	14.09%				
Vanguard International Fixed Interest Index Fund Hedged	1,505,609	23.15%	3,446,913	14.03%				
Trading securities exceeding 5% by investment category by Fund and by Scheme Total								
	\$	% of investment type	\$	% of investment type	\$	% of investment type	\$	% of investment type
Investment types:								
<i>New Zealand listed equities</i>								
Auckland International Airport Ltd	27,980	12.23%	202,773	7.60%	802,277	7.67%	1,033,030	7.74%
Contact Energy Ltd	16,485	7.21%						
Fisher & Paykel Healthcare Ltd	24,822	10.85%	177,762	6.67%	703,299	6.73%	905,883	6.78%
Fletcher Building Ltd	26,516	11.59%	249,234	9.34%	976,277	9.34%	1,252,027	9.38%
Meridian Energy Limited	15,294	6.69%						
Ryman Healthcare Ltd	17,619	7.70%						
Sky City Entertainment Group	12,404	5.42%						
Spark New Zealand Ltd	28,371	12.40%	214,771	8.05%	841,288	8.05%	1,084,430	8.12%
<i>Australian Unlisted Funds</i>								
Vanguard Australian Shares Index Fund			2,218,401	12.65%	7,684,048	12.87%	10,086,713	12.43%
Vanguard International Shares Select Exclusions Index Fund -NZD Hedged	746,618	18.91%	8,409,396	47.95%	46,629,757	78.13%	55,785,771	68.73%
Vanguard International Credit Securities Index Fund Hedged	1,512,505	38.30%	3,461,625	19.74%			7,667,501	9.45%
Vanguard International Fixed Interest Index Fund Hedged	1,505,609	38.13%	3,446,913	19.66%			7,631,097	9.40%
<i>New Zealand fixed interest securities</i>								
NZGB 3% 15/04/2020	245,677	11.38%	506,645	13.02%	440,384	13.18%	1,192,706	12.70%
NZGB 3.5% 14/04/2033	129,288	5.99%	238,685	6.13%	198,904	5.95%	566,877	6.04%
NZGB 4.50% 15/04/2027	236,810	10.97%	433,596	11.14%	371,336	11.11%	1,041,742	11.09%
NZGB 5% 15/03/2019	434,456	20.13%	553,615	14.22%	456,601	13.67%	1,444,672	15.38%
NZGB 5.5% 15/04/2023	387,648	17.96%	695,927	17.88%	595,851	17.83%	1,679,426	17.88%
NZGB 6% 15/05/2021			261,595	6.72%				
NZLGFA 5% 15/03/2019			288,141	7.40%	256,708	7.68%	607,716	6.47%
NZLGFA 6.00% 05/15/2021	408,569	18.93%	584,466	15.02%	699,132	20.93%	1,692,167	18.02%

Notes to the Financial Statements for the period ended 31 March 2017

7. Financial instruments (continued)

\$ As at 31 March	Conservative Fund 2017		Balanced Fund 2017		Growth Fund 2017		Scheme Total 2017	
	\$	% of investment type	\$	% of investment type	\$	% of investment type	\$	% of investment type
<i>Cash and cash equivalents</i>								
ANZ New Zealand	200,644	100.00%	348,784	100.00%	2,753,561	100.00%	3,302,989	100.00%

The forward currency contracts as disclosed in note 4 are all with ANZ New Zealand.

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 2017		Balanced Fund 2017		Growth Fund 2017		Scheme Total 2017	
Assets at fair value through profit and loss								
Financial assets held at fair value through profit or loss	6,336,437		24,095,504		73,483,716		103,915,657	
Loans and receivables								
Cash and cash equivalents	200,644		348,784		2,753,561		3,302,989	
Trade and other receivables	36,221		141,660		191,218		302,142	
Total loans and receivables	236,865		490,444		2,944,779		3,605,131	
Total financial assets	6,573,302		24,585,948		76,428,495		107,520,788	
Liabilities at fair value through profit and loss								
Financial liabilities held at fair value through profit or loss	817		2,328		3,333		6,478	
Other financial liabilities at amortised cost								
Other payables	65,906		16,026		6,967		21,942	
Manager fees payable	1,511		5,784		17,718		25,013	
Total other financial liabilities at amortised cost	67,417		21,810		24,685		46,955	
Total financial liabilities	68,234		24,138		28,018		53,433	

Notes to the Financial Statements for the period ended 31 March 2017

7. Financial instruments (continued)

Offsetting and amounts subject to master netting arrangements and similar agreements

As at 31 March 2017 the Scheme was subject to an International Swaps and Derivatives Association (ISDA) arrangement with ANZ, the derivative counterparty. According to the terms of the ISDA arrangement with the counterparty, all the derivatives are settled net.

\$	Conservative Fund	Balanced Fund	Growth Fund	Scheme Total
As at 31 March	2017	2017	2017	2017
<i>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</i>				
Gross amounts of recognised financial liabilities	817	2,328	3,333	6,478
Gross amounts of recognised financial assets set-off in the statement of financial position	-	-	-	-
Net amounts of financial liabilities presented in the statement of financial position	817	2,328	3,333	6,478
<i>Related amounts not set-off in the statement of financial position</i>				
Financial instruments	-	-	-	-
Cash and cash equivalents	-	-	-	-
Net amount	817	2,328	3,333	6,478

Each party has the option to settle all open contracts on a net basis in the event of default by the other party. Per the terms of the ISDA agreement, an event of default includes the following:

* failure by a party to make a payment when due

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

* bankruptcy

8. Related parties

8.1 Manager and Supervisor

The Manager of the Scheme is Simplicity NZ Limited. The Manager is wholly owned by Simplicity Charitable Trust, a New Zealand registered trust. The Manager is entitled to the following capped management fees per annum for services as Manager:

- Simplicity KiwiSaver Conservative Fund - 0.31% of the net asset value per annum (comprising of 0.30% Manager's basic fee and 0.01% Other management and administration charges)
- Simplicity KiwiSaver Balanced Fund - 0.31% of the net asset value per annum (comprising of 0.30% Manager's basic fee and 0.01% Other management and administration charges)
- Simplicity KiwiSaver Growth Fund - 0.31% of the net asset value per annum (comprising of 0.30% Manager's basic fee and 0.01% Other management and administration charges)

The capped management fees are used to cover expenses for management fees and administration charges. The capped management fees are calculated daily and paid monthly directly from the Scheme.

Notes to the Financial Statements for the period ended 31 March 2017

8. Related parties (continued)

8.1 Manager and Supervisor (continued)

\$ 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Included in the Statement of Changes in Net Assets				
Management fees charged during the period	6,710	24,239	68,177	99,126
Included in the Statement of Net Assets				
Management fees payable to the Manager	1,511	5,784	17,718	25,013

The Supervisor of the Scheme is Public Trust. The Supervisor is entitled to receive a fee from the Manager for supervisory services. Audit expenses are also paid on behalf of the Scheme by the Manager.

The Manager also paid administration and custody expenses on behalf of the Funds to non-related parties. A monthly \$2.50 administration fee is deducted from each member by way of unit redemption and is payable to the Manager. This is accounted for as a withdrawal and does not impact net profit before membership activities. MMC Limited maintain the members' accounts and register of the Scheme and receives a fee for this service, paid by the Manager.

Directors of the Manager held units in the Simplicity KiwiSaver Scheme in the following proportions:

\$ As at 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Holdings	-	-	1.20%	0.85%

9. Trade and other receivables

\$ As at 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Accrued interest	31,490	57,367	49,456	138,313
Fee rebates receivable from external fund managers	2,197	9,284	28,774	40,255
Dividends and distributions receivable	2,525	21,883	86,862	111,270
Contributions receivable	9	53,126	26,126	12,304
Total trade and other receivables	36,221	141,660	191,218	302,142

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

10. Other payables

\$ As at 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Redemptions payable	65,799	16,026	6,967	21,835
Contributions received in advance	107	-	-	107
Total other payables	65,906	16,026	6,967	21,942

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

Notes to the Financial Statements for the period ended 31 March 2017

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

\$ For the period ended 31 March	Conservative Fund 2017	Balanced Fund 2017	Growth Fund 2017	Scheme Total 2017
Net profit after tax and before membership activities	59,350	753,562	3,365,833	4,178,745
Adjustments for non cash items:				
Unrealised changes in the fair value of financial instruments	(87,926)	(678,230)	(2,546,537)	(3,312,693)
Gains on realisation of investments in specie	(25,441)	(233,443)	(947,782)	(1,206,666)
Unrealised foreign exchange (gains)/losses on cash at bank	(825)	(2,902)	(182)	(3,909)
Distributions and dividends re-invested	(2,262)	(24,444)	(104,223)	(130,929)
	(116,454)	(939,019)	(3,598,724)	(4,654,197)
Movements in working capital items:				
(Increase)/decrease in trade and other receivables	(36,212)	(88,534)	(165,092)	(289,838)
(Decrease)/increase in trade and other payables	1,511	5,784	17,718	25,013
Decrease/(increase) in cost of investments	(6,931,079)	(23,157,059)	(69,170,753)	(99,258,891)
	(6,965,780)	(23,239,809)	(69,318,127)	(99,523,716)
Net cash outflow from operating activities	(7,022,884)	(23,425,266)	(69,551,018)	(99,999,168)

12. Contingent liabilities

There were no contingent liabilities as at 31 March 2017.

13. Capital commitments

There were no capital commitments as at 31 March 2017.

14. Events after balance date

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

Independent Auditor's Report

To the Members of Simplicity KiwiSaver Scheme

Opinion

We have audited the financial statements of Simplicity KiwiSaver Scheme (the 'Scheme'), which comprise the statement of net assets as at 31 March 2017, and the statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 4 to 22, present fairly, in all material respects, the net assets of the Scheme as at 31 March 2017, and its changes in Net Assets and 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 ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Managers' responsibilities for the financial statements

The Directors of the Manager are responsible on behalf of the Scheme for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors of the Manager 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 Directors of the Manager are responsible on behalf of the Scheme 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 directors either intend 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 and 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 our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Scheme's members, as a body. Our audit has been undertaken so that we might state to the Scheme's members those matters 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

**Andrew Burgess, Partner
for Deloitte Limited**
Auckland, New Zealand
4 July 2017

This audit report relates to the financial statements of Simplicity KiwiSaver Scheme (the 'Scheme') for the year ended 31 March 2017 included on the Scheme's website. The Directors of the Manager are responsible for the maintenance and integrity of the Scheme's website. We have not been engaged to report on the integrity of the Scheme's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 4 July 2017 to confirm the information included in the audited financial statements presented on this website.