

Craigs Investment Partners Superannuation Scheme

**Financial Statements
For the year ended 31 March 2019**

Craigs Investment Partners Superannuation Scheme
Statement of Changes in Net Assets
for the year ended 31 March 2019

	Note	2019	2018
INVESTMENT ACTIVITIES			
Investment Income			
Dividend income		3,570,268	4,109,408
Interest income		272,384	229,145
Net foreign exchange gain/(loss) (excluding investment assets)		75,695	1,611,102
Net changes in fair value of investment assets	3	16,621,697	19,903,997
Net investment income		20,540,044	25,853,652
Expenses			
Brokerage fees	11(a)	381,280	386,665
Management fees	11(c)	1,564,311	1,845,875
Audit fees - audit of financial statements	11(d)	8,500	8,500
- other assurance services (register audits)	11(d)	2,113	2,171
Other operating expenses	11(d)	8,078	1,266
Total expenses		1,964,282	2,244,477
Net profit before membership activities		18,575,762	23,609,175
Taxation expense	5	1,363,148	2,300,157
Net profit before membership activities after tax		17,212,614	21,309,018
MEMBERSHIP ACTIVITIES			
Contributions received from members		1,649,491	1,664,962
Payments to members			
Transfers to other schemes		944,481	1,692,079
Death		344,605	-
Hardship		10,500	8,000
Court Order		-	21,523
Serious Illness		-	812,631
Withdrawals		46,598,733	39,601,305
Insurance premiums		-	178,893
Total payments		47,898,319	42,314,431
Net membership activities		(46,248,828)	(40,649,469)
Net increase/(decrease) in Net Assets during the year		(29,036,214)	(19,340,451)
Net assets available for benefits at the beginning of the year		267,726,119	287,066,570
Net assets available for benefits at the end of the year		238,689,905	267,726,119

Please read in conjunction with the attached notes set out on pages 5 to 15.



Craigs Investment Partners Superannuation Scheme
Statement of Net Assets
as at 31 March 2019

	Note	2019	2018
Assets			
Cash and cash equivalents	6	23,182,363	28,563,975
Accrued interest		19,849	2,284
Accounts receivable	4	2,538	-
Investment assets	7	216,159,887	240,207,180
Total assets		<u>239,364,637</u>	<u>268,773,439</u>
Liabilities			
Related party payable	11	306,674	493,365
Tax payable		368,058	553,955
Total liabilities		<u>674,732</u>	<u>1,047,320</u>
Net assets available for benefits		<u>238,689,905</u>	<u>267,726,119</u>
Members' funds	10	<u>238,689,905</u>	<u>267,726,119</u>

On behalf of The New Zealand Guardian Trust Company Limited as Trustee who authorise the issue of these financial statements on 26 July 2019.

Director:

Date: 26/7/19

Director:

Date: 26/7/19



Please read in conjunction with the attached notes set out on pages 5 to 15.

Craigs Investment Partners Superannuation Scheme
Statement of Cash Flows
for the year ended 31 March 2019

	Note	2019	2018
Cash flows from operating activities			
Dividends and/or distributions received		3,570,268	4,109,408
Interest received		254,819	236,341
Sales of investment assets		56,643,550	53,140,948
Purchases of investment assets		(15,974,560)	(26,322,332)
Incomes taxes paid		(1,549,045)	(1,328,618)
Other operating expenses paid		(2,153,511)	(2,346,107)
Net cash flows from operating activities	8	40,791,521	27,489,640
Cash flows from financing activities			
Proceeds from contributions by members		1,649,491	1,664,962
Payments for withdrawals by members		(47,898,319)	(42,314,432)
Net cash flows from financing activities		(46,248,828)	(40,649,470)
Net increase /(decrease) in cash and cash equivalents		(5,457,307)	(13,159,830)
Cash and cash equivalents at the beginning of the year		28,563,975	40,112,703
Effect of exchange rate fluctuations on cash held		75,695	1,611,102
Cash and cash equivalents at the end of the year	6	23,182,363	28,563,975



Please read in conjunction with the attached notes set out on pages 5 to 15.

Craigs Investment Partners Superannuation Scheme

Notes to the Financial Statements

for the year ended 31 March 2019

1. General Information

(a) Reporting Entity

These financial statements are for the Craigs Investment Partners Superannuation Scheme (the "scheme").

The scheme was established under a Trust Deed dated 18 December 2006 under an umbrella Trust Deed. The umbrella Trust Deed was rescinded on 21 September 2012 and a new Trust Deed was established on 21 September 2012 which was subject to an amendment on 19 October 2012 and 8 September 2017. The scheme is a defined contribution scheme. The scheme invests in a variety of equities, fixed interest securities and unit trusts in order to gain direct and indirect exposure to cash, bonds, equity and property markets.

The scheme was registered under the Superannuation Schemes Act 1989 under the registration number AS/16422 (Superannuation Scheme). The financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

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

On 30 November 2016, the Scheme transitioned from the Securities Act 1978 to the Financial Markets Conduct Act 2013. Following this transition the Scheme has been closed to new members. The Scheme is governed by an amended and restated Trust Deed dated 29 November 2016, which was subject to an amendment dated 8 September 2017.

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

The New Zealand Guardian Trust Company Limited (the statutory trustee) is licenced under the Financial Markets Supervisors Act 2011.

The New Zealand Guardian Trust Company Limited has appointed Citibank N.A. as custodian for certain assets.

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

(b) Statement of compliance

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

The financial statements are prepared for the year ended 31 March 2019.

The financial statements were authorised for issue by the directors of the Trustee on 26 July 2019.



Craigs Investment Partners Superannuation Scheme

Notes to the Financial Statements (continued)

for the year ended 31 March 2019

1. General Information (continued)

(c) Basis of preparation

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. There are no significant estimates and judgements in preparing these financial statements.

NZ IFRS 9 *Financial Instruments* has been applied in the year ended 31 March 2019 (refer note 2(g)) otherwise the accounting policies have been applied consistently across all the financial periods presented in these financial statements.

2. Summary of significant accounting policies

(a) Investments

Recognition and derecognition

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

Measurement

The scheme measures its investment assets on a fair value basis, and carries them at their fair value, with changes recognised in the Statement of Changes in Net Assets. Investment assets are designated as "fair value through profit or loss" on initial recognition. The fair value of investments is based on their quoted market prices at the reporting date using last trade prices.

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds.

(b) Other financial assets and liabilities

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

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

Other financial assets are classified as loans and receivables.

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



Craigs Investment Partners Superannuation Scheme

Notes to the Financial Statements (continued)

for the year ended 31 March 2019

2. Summary of significant accounting policies (continued)

(c) Foreign currency transactions

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

(d) Investment income

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

(e) Expenses

Expenses are recognised on an accrual basis.

(f) Net assets available for benefits

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

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

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

(g) New Standards and pronouncements relevant to the Scheme

This is the first set of annual financial statements in which NZ IFRS 9 *Financial Instruments* has been applied. The scheme has applied this standard from 1 April 2018. There has been no material impact in the recorded balances or disclosure as a result of implementing this new standard.



Craigs Investment Partners Superannuation Scheme Notes to the Financial Statements (continued)

for the year ended 31 March 2019

2. Summary of significant accounting policies (continued)

(h) Taxation

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

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

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

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

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

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

3. Net changes in fair value of investment assets

	2019	2018
Realised change in fair value	4,521,927	3,299,423
Unrealised change in fair value	12,099,770	16,604,574
Net changes in fair value of investment assets	16,621,697	19,903,997

4. Accounts receivable

	Note	2019	2018
Advance interest payments to closed members		211	-
Related party receivable	11(b)	2,327	-
		2,538	-



Craigs Investment Partners Superannuation Scheme
Notes to the Financial Statements (continued)
for the year ended 31 March 2019

5. Taxation

Reconciliation of tax expense

Profit for the year before taxation	18,575,762	23,609,175
Income tax using the schemes tax rate of 28%	5,201,213	6,610,569
Non assessable (gains)/losses on investment assets	(3,517,980)	(3,767,740)
Recognition of previously unrecognised tax losses	-	(142,110)
Foreign tax credits	(153,259)	(253,291)
Imputation credits	(166,826)	(147,271)
Taxation expense	1,363,148	2,300,157

Represented by:

PIE tax paid	9,204	857,635
Current taxation	1,353,944	1,442,522
	1,363,148	2,300,157

Unrecognised deferred tax asset

Deferred tax assets have not been recognised in respect of the following items:

	2019	2018
Opening balance 1 April	-	142,110
Prior period adjustment for unrecognised tax losses	-	-
Current year tax losses	-	-
Recognition of previously unrecognised tax losses	-	(142,110)
Closing balance 31 March	-	-

Tax losses relate to foreign currency translation losses on financial arrangements. Deferred tax assets have not been recognised in respect of these losses.

6. Cash and cash equivalents

	2019	2018
Members' Funds held by Trustee	30,612	72,497
NZD cash at bank	8,016,067	8,161,961
AUD call account	483,992	387,692
GBP call account	11,372,369	16,457,911
USD call account	3,149,323	3,275,914
NZD term deposit	130,000	208,000
Total cash and cash equivalents	23,182,363	28,563,975

Members' funds held by Trustee represent member contributions which are being held by the Trustee in a separate bank account until the next trading day.



Craigs Investment Partners Superannuation Scheme **Notes to the Financial Statements (continued)** for the year ended 31 March 2019

7. Investment assets

	2019	2018
NZ equities & listed unit trusts	12,447,964	12,645,496
Australian equities & unlisted unit trusts	6,730,135	7,260,462
Other international equities & listed unit trusts	101,789,244	116,495,432
NZ unlisted unit trusts (see note 11(a))	94,990,798	103,454,598
NZ fixed interest securities	201,746	351,194
Total investment assets	216,159,887	240,207,180

The following direct investments exceeded 5% of the net assets available for benefits by the funds at 31 March 2019:

QuayStreet Funds – Balanced Fund	34,198,202 14.3%	36,084,297 13.5%
QuayStreet Funds – Growth Fund	18,514,576 7.8%	17,975,954 6.7%

Fair value hierarchy

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

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

31 March 2019	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
Listed equities and unit trusts	120,967,343	-	-	120,967,343
Unlisted NZ unit trusts	-	94,990,798	-	94,990,798
NZ fixed interest securities	201,746	-	-	201,746
Total	121,169,089	94,990,798	-	216,159,887

31 March 2018	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
Listed equities and unit trusts	136,401,389	-	-	136,401,389
Unlisted NZ unit trusts	-	103,454,597	-	103,454,597
NZ fixed interest securities	226,480	124,714	-	351,194
Total	136,627,869	103,579,311	-	240,207,180



Craigs Investment Partners Superannuation Scheme Notes to the Financial Statements (continued)

for the year ended 31 March 2019

8. Reconciliation of net profit to net cash flows from operating activities

	Note	2019	2018
Net profit before membership activities after tax		17,212,614	21,309,018
<i>Non-cash items</i>			
Unrealised change in fair value	3	(12,099,770)	(16,604,574)
Foreign exchange gains		(75,695)	(1,611,102)
<i>Movement in operating balances</i>			
Deferred tax asset		-	-
Accounts payable and accruals		(186,691)	(101,630)
Accounts receivable		(2,538)	-
Accrued interest		(17,565)	7,196
Taxation receivable/payable		(185,897)	971,539
Investment assets		36,147,063	23,519,193
Net cash flows from operating activities		40,791,521	27,489,640

9. Financial risk management

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

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

The Trust Deed requires the Manager to invest the scheme's assets in accordance with relevant investment mandates. The Scheme provides members the flexibility to build a portfolio of investments from an extensive list of Investment Options to suit their risk profile and investment objectives. The Manager reports on investments to the Trustee on a monthly basis.

(a) Credit risk

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

Where the scheme invests in unit trusts managed by the related entity, QuayStreet Asset Management Limited, as set out in Note 11, the investment strategies of these unit trusts ensure an appropriate diversification of investments so that the scheme indirectly has no significant concentrations of counterparty or credit risk.

Cash and cash equivalents were held with the ANZ Bank New Zealand Limited. The credit rating of ANZ Bank New Zealand Limited is AA- according to Standard & Poors.

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

Craigs Investment Partners Superannuation Scheme Notes to the Financial Statements (continued)

for the year ended 31 March 2019

9. Financial risk management (continued)

(b) Foreign exchange risk

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

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

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

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

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

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

	Change against NZ (\$)	2019	2018
Australian Dollar	5%	360,706	382,408
Great British Pound	5%	3,440,046	4,231,162
US Dollar	5%	2,375,501	2,580,301



Craigs Investment Partners Superannuation Scheme

Notes to the Financial Statements (continued)

for the year ended 31 March 2019

9. Financial risk management (continued)

(c) Interest rate risk

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

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

Cash and cash equivalents are held in a call account and receive the prevailing bank interest rate on credit balances. The weighted average interest rate on cash and cash equivalents as at 31 March 2019 was 0.59% (2018: 0.46%).

Short-term deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited. The weighted average interest rate on short-term deposits was 3.75% as at 31 March 2019 (2018: 3.6%).

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

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

	Change in interest rate %	2019	2018
Change in interest income for one year based on floating rate financial assets	1%	461,669	498,141

(d) Liquidity risk

Liquidity risk is the risk that the scheme will encounter difficulty in meeting obligations associated with financial liabilities. The scheme is exposed to daily cash redemptions of members' funds. Accordingly, all material investments are readily convertible to cash in normal market conditions. Investments in unit trusts are redeemable on demand. The redemption amount is set at the net tangible asset value of each unit, which is set regularly.

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

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



Craigs Investment Partners Superannuation Scheme

Notes to the Financial Statements (continued)

for the year ended 31 March 2019

9. Financial risk management (continued)

(e) Market price risk

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

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

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

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

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

	Change in price %	2019	2018
Change in fair value of investments	5%	10,807,994	13,434,933

10. Members' funds

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

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

The scheme does not have any externally imposed capital requirements. Members' funds may be redeemed on dates as the Manager shall from time to time determine, subject to any restrictions imposed by the Financial Markets Conduct Act 2013.

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



Craigs Investment Partners Superannuation Scheme

Notes to the Financial Statements (continued)

for the year ended 31 March 2019

11. Related party transactions

(a) Nature of Relationships

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

Craigs Investment Partners Limited, parent company of the Manager, effects trades on behalf of the scheme and collects brokerage. For the year ended 31 March 2019 the brokerage fees amounted to \$381,280 (2018: \$386,665) and as at 31 March 2019 \$31,036 was owing to the Manager (2018: \$Nil).

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

(b) Transactions with the Manager

The Manager reimburses the Scheme for bank charges. As at 31 March 2019, \$2,327 remained outstanding.

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

(c) Management fees

Under the terms of the Trust Deed, the Manager is entitled to receive management fees, calculated by reference to the daily gross asset value of the scheme and is inclusive of the Trustee fee of \$130,390 (2018: \$146,634) and Citibank N.A. custody fee. Fees paid directly for the period are disclosed in the Statement of Changes in Net Assets as \$1,564,311 (2018: \$1,845,875). As at 31 March 2019 \$206,512 was recognised as payable to the Manager in the Statement of Net Assets (2018: \$417,261). The Manager is entitled to receive up to 1.25% of the value of all member accounts per annum of the gross asset value of the scheme, determined upon each valuation day.

Craigs Investment Partners Limited, the parent company of the Manager, received fees of \$928,973 (2018: \$974,352) via the QuayStreet Funds from members of this scheme on behalf of the Manager. Fees are deducted by the cancellation of investment units in the underlying unit trusts. These fees are reflected in the change in fair value of investment assets in the statement of changes in net assets.

(d) Reimbursement of expenses

Under the terms of the Trust Deed, the Manager and the Trustee are entitled to be reimbursed for expenses such as audit fees, legal fees and postage expenses. For the year ended 31 March 2019 these were \$18,691 (2018: \$11,937). These expenses have been charged to the scheme and reflected in the accounts payable and accruals of the scheme. As at 31 March 2019 the Scheme has a payable to the Manager for expenses and other payables of \$69,126 (2018: \$76,104).

Where the actual expenses paid by the Manager are higher than those charged to the scheme, the Manager is able to carry amounts forward to be recovered in future periods. As at 31 March 2019, there was no carry-forward amount owing to the Manager (2018: \$Nil).

(e) Directors Interests

Directors and key management personnel of the Manager, Craigs Investments Partners Superannuation Management Limited, along with their families and other prescribed interests have investment holdings of \$397,678 (2018: \$376,442) in the Scheme. There have been no contributions or withdrawals in the current year. These related party transactions are conducted on standard commercial terms and conditions.

12. Subsequent Events

No significant events have occurred since the end of the reporting period which would impact on the Statement of Net Assets as at 31 March 2019 or on the results and cash flows of the scheme for the year ended on that date.

Independent Auditor's Report

To the members of Craigs Investment Partners Superannuation Scheme

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Craigs Investment Partners Superannuation Scheme (the Scheme) on pages 2 to 15:

- i. Present fairly in all material respects the Scheme's financial position as at 31 March 2019 and its financial performance and cash flows for the year ended on that date; and
- ii. Comply with New Zealand Equivalents to International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- The statement of net assets as at 31 March 2019;
- The statements of changes in net assets and cash flows for the year then ended; and
- Notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

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

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

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

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



Key audit matters

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

The key audit matter

How the matter was addressed in our audit

Existence and valuation of investments

As disclosed in Note 7 of the Financial Statements, the Scheme has investment assets of \$216.16 million.

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

As described in Note 7, the Schemes investments include:

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

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

Our audit procedures included:

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

We did not identify any material differences from our procedures.



Use of this independent auditor's report

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



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the Scheme, is responsible for:

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

Auditor's responsibilities for the audit of the financial statements

Our objective is:

- To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- To issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

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

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

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

For and on behalf of



KPMG
Tauranga

26 July 2019