

---

**EVERGREEN RETIREMENT TRUST  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

---

Including the following Funds:

**Absolute Growth Fund (GBP) - Pounds sterling denominated**  
**Income Plus Fund (GBP) - Pounds sterling denominated**

**CONTENTS**

<b>Statement of Changes in Net Assets Available for Benefits</b>	<b>2</b>
<b>Statement of Net Assets Available for Benefits</b>	<b>3</b>
<b>Statement of Cash Flows</b>	<b>4</b>
<b>Notes to the Financial Statements</b>	<b>5 - 16</b>
<b>Independent Auditor's Report</b>	<b>17</b>

**EVERGREEN RETIREMENT TRUST**  
**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
		2017 £	2016 £	2017 £	2016 £	2017 \$	2016 \$
<b>Revenue</b>							
Interest income		759	389	-	610	1,394	2,218
Dividend income		5,344	28,990	44,427	37,083	91,382	146,696
Benefit payment fee		1,268	7,635	3,994	26,840	9,661	76,542
Net (losses)/profit on financial instruments at fair value through profit or loss	5	(6,368)	(3,341)	180,446	(418,082)	319,614	(935,649)
Foreign exchange gains/(losses) on cash at bank and outstanding settlements		9,350	267	(1,572)	6,270	14,281	14,514
<b>Total Revenue</b>		<b>10,353</b>	<b>33,940</b>	<b>227,295</b>	<b>(347,279)</b>	<b>436,332</b>	<b>(695,679)</b>
<b>Expenses</b>							
Investment management fees		52,742	50,745	118,411	123,546	314,244	386,963
Administration expenses	4	49,729	43,663	100,515	64,632	275,854	240,438
Transaction costs		744	2,111	1,473	1,856	4,071	8,808
Brokerage fees		-	2,958	23,445	-	43,046	6,567
Performance fees	11	-	-	-	1,404	-	3,117
Audit fees		8,383	6,629	19,561	15,422	51,306	48,958
<b>Total Expenses</b>		<b>111,598</b>	<b>106,106</b>	<b>263,405</b>	<b>206,860</b>	<b>688,521</b>	<b>694,851</b>
<b>Net Loss before Membership Activities and Transfer to Reserves</b>		<b>(101,245)</b>	<b>(72,166)</b>	<b>(36,110)</b>	<b>(554,139)</b>	<b>(252,189)</b>	<b>(1,390,530)</b>
Other comprehensive income - Movement in foreign currency translation reserve		-	-	-	-	(2,833,789)	1,240,384
<b>Net Loss before Membership Activities and after Transfer to Reserves</b>		<b>(101,245)</b>	<b>(72,166)</b>	<b>(36,110)</b>	<b>(554,139)</b>	<b>(3,085,978)</b>	<b>(150,146)</b>
<b>Contributions</b>							
Member contributions		-	-	-	880	-	1,954
<b>Withdrawals</b>							
Member attributed taxation		(636)	-	(1,250)	10,740	(3,463)	23,845
Member withdrawals		68,428	95,434	250,603	398,168	585,754	1,095,902
Scheme management fees	11	48,436	53,653	120,788	136,858	310,702	422,975
		116,228	149,087	370,141	545,766	892,993	1,542,722
<b>Net Membership Activities</b>		<b>(116,228)</b>	<b>(149,087)</b>	<b>(370,141)</b>	<b>(544,886)</b>	<b>(892,993)</b>	<b>(1,540,768)</b>
Movements in members' accounts		(217,473)	(221,253)	(406,251)	(1,099,025)	(3,978,971)	(1,690,914)
<b>Members' accounts at the start of the year</b>		<b>2,520,650</b>	<b>2,741,903</b>	<b>7,666,583</b>	<b>8,765,608</b>	<b>21,087,217</b>	<b>22,778,131</b>
<b>Members' accounts at the end of the year</b>		<b>2,303,177</b>	<b>2,520,650</b>	<b>7,260,332</b>	<b>7,666,583</b>	<b>17,108,246</b>	<b>21,087,217</b>

The notes to the financial statements set out on pages 5 to 16 should be read in conjunction with this statement of changes in net assets available for benefits.

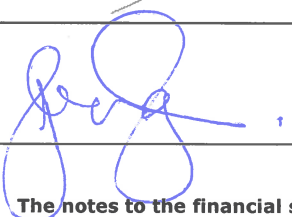
**EVERGREEN RETIREMENT TRUST  
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
AS AT 31 MARCH 2017**

	Note	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
		2017 £	2016 £	2017 £	2016 £	2017 \$	2016 \$
<b>Members' Funds</b>		<b>2,303,177</b>	2,520,650	<b>7,260,332</b>	7,666,583	<b>18,019,991</b>	19,165,173
Foreign currency translation reserve		-	-	-	-	<b>(911,745)</b>	1,922,044
		<b>2,303,177</b>	2,520,650	<b>7,260,332</b>	7,666,583	<b>17,108,246</b>	21,087,217
<b>Assets</b>							
Cash and cash equivalents	6	<b>333,315</b>	2,024	<b>12,438</b>	13,368	<b>618,521</b>	31,861
Trade and other receivables	8	<b>141,588</b>	564,790	<b>2,960,735</b>	4,534,014	<b>5,549,773</b>	10,554,345
Financial assets at fair value through profit or loss	7	<b>2,282,510</b>	2,132,842	<b>4,685,345</b>	3,260,600	<b>12,464,857</b>	11,164,236
Unit holder attributed taxation receivable	15	<b>1,063</b>	427	<b>1,615</b>	-	<b>4,791</b>	885
<b>Total Assets</b>		<b>2,758,476</b>	2,700,083	<b>7,660,133</b>	7,807,982	<b>18,637,942</b>	21,751,327
<b>Liabilities</b>							
Trade and other payables	9	<b>23,230</b>	19,347	<b>39,130</b>	58,180	<b>111,556</b>	160,478
Trade and other payables to related parties	9, 11	<b>5,640</b>	6,327	<b>10,898</b>	3,583	<b>29,585</b>	20,513
Financial liabilities at fair value through profit or loss	7	<b>426,429</b>	153,759	<b>349,773</b>	69,282	<b>1,388,555</b>	461,687
Unit holder attributed taxation payable	15	-	-	-	10,354	-	21,432
<b>Total Liabilities</b>		<b>455,299</b>	179,433	<b>399,801</b>	141,399	<b>1,529,696</b>	664,110
<b>Net Assets Attributable to Members</b>		<b>2,303,177</b>	2,520,650	<b>7,260,332</b>	7,666,583	<b>17,108,246</b>	21,087,217

These financial statements were authorised for issue by the Trustee, The New Zealand Guardian Trust Company Limited.

Director  \_\_\_\_\_

Date 28/9/17

Director  \_\_\_\_\_

Date 28/9/17

The notes to the financial statements set out on pages 5 to 16 should be read in conjunction with this statement of net assets available for benefits.

**EVERGREEN RETIREMENT TRUST  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
		2017 £	2016 £	2017 £	2016 £	2017 \$	2016* \$
<b>Cash Flows from Operating Activities</b>							
Cash was provided from:							
Interest income		834	387	-	900	1,531	2,861
Dividend income		5,344	28,990	44,427	30,795	91,382	132,735
Sale of investments		1,019,647	446,025	2,134,327	2,203,581	5,790,829	6,507,545
Other income/(expenses)		10,736	(3,823)	2,724	23,962	24,713	44,713
Cash was applied to:							
Payment of expenses		(105,062)	(99,674)	(254,414)	(201,460)	(660,013)	(683,547)
Purchase of investments		(481,180)	(284,467)	(1,537,686)	(1,359,788)	(3,706,722)	(3,740,461)
<b>Net cash from operating activities</b>	<b>10</b>	<b>450,319</b>	<b>87,438</b>	<b>389,378</b>	<b>697,990</b>	<b>1,541,720</b>	<b>2,263,846</b>
<b>Cash Flows used in Financing Activities</b>							
Cash was provided from:							
Contributions from members		-	-	-	880	-	1,954
Member attributed taxation		-	116	(10,719)	5,385	(19,681)	14,635
Cash was applied to:							
Withdrawals by members		(119,009)	(209,059)	(379,555)	(774,653)	(915,384)	(2,837,825)
<b>Net cash used in financing activities</b>		<b>(119,009)</b>	<b>(208,943)</b>	<b>(390,274)</b>	<b>(768,388)</b>	<b>(935,065)</b>	<b>(2,821,236)</b>
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>		<b>331,310</b>	<b>(121,505)</b>	<b>(896)</b>	<b>(70,398)</b>	<b>606,655</b>	<b>(557,390)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,024</b>	<b>123,519</b>	<b>13,368</b>	<b>80,820</b>	<b>31,861</b>	<b>519,878</b>
Effect of exchange rate fluctuations		(19)	10	(34)	2,946	(19,995)	69,373
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>333,315</b>	<b>2,024</b>	<b>12,438</b>	<b>13,368</b>	<b>618,521</b>	<b>31,861</b>

The notes to the financial statements set out on pages 5 to 16 should be read in conjunction with this statement of cash flows.

## **1. General Information**

The reporting entity is the Evergreen Retirement Trust ("the Scheme"). The Scheme is made up of the following funds ("the Funds") as detailed below. Notwithstanding the division of the Scheme into Funds, the Scheme comprises a single trust with the value of the members' interest in the Scheme determined by reference to the value of the units they hold in the Funds.

The Funds as at 31 March 2017 were as follows:

- Absolute Growth Fund - Pounds sterling denominated
- Income Plus Fund - Pounds sterling denominated

Regulatory changes in the New Zealand financial services sector required that the Scheme be transitioned from regulation under the Superannuation Scheme Act 1989 to regulation under the Financial Markets Conduct Act 2013 (FMC Act). The effective date of the changes to the new regulations was 1 December 2016 ("the Effective Date") and from that date the requirements of the FMC Act apply to the Scheme.

On the Effective Date the Scheme transitioned as a Restricted Legacy Scheme meaning that it continues to operate but is closed to new members.

On the 30 November 2016 the Scheme changed Trustee from Covenant Trustee Services Limited ("Covenant") to The New Zealand Guardian Trust Company Limited ("NZGT or Trustee"). Covenant and NZGT share the same parent company. The change of trustee was required to meet trustee and manager licensing requirements under the FMC Act.

The Scheme was established by Trust Deed dated 1 December 2011 (as amended). An amended Trust Deed was issued on 30 November 2016 incorporating the requirements of the FMC Act. The Scheme was registered with the Financial Markets Authority as a registered superannuation scheme and accepted by United Kingdom's Her Majesty Revenue and Customs ("UK HMRC") as a Qualifying Recognised Overseas Pension Scheme ("QROPs") on 24 January 2012. The Scheme is a Reporting entity in accordance with the FMC Act.

The Scheme became a Restricted Legacy Scheme on 1 December 2016, under the Financial Markets Conduct Act. As a Restricted Legacy Scheme, the Scheme can no longer be open to new members. On the 8<sup>th</sup> March 2017, the HMRC sent a letter to all QROPs, including the Scheme, which advised in order to remain a QROPs it would need to agree to new conditions. It is a primary condition of remaining a Recognised Overseas Pension Scheme ("ROPs") that a scheme is open to new members in the jurisdiction that it is administered in. As a Restricted Legacy Scheme, the Scheme could no longer meet these conditions. The Scheme ceased to be QROPs on the 14th April 2017, and has made all the necessary declarations to the HMRC. The Scheme continues to operate under the terms of the Trust Deed and must continue to report and meet the ongoing obligations of the QROPs rules. This update on QROPs status supersedes the previous commentary from when the Scheme was removed from the HMRC Recognised Overseas Pension Scheme List in November 2012 as a result of concerns raised by HMRC with the administration of the Scheme. The 8th March 2017 letter from the HMRC confirmed Evergreen Capital Partners Limited's determination that the Scheme remained a QROPs since November 2012 as the scheme was compliant and there was no notification from the UK HMRC that the Scheme has been excluded from being a QROPs.

NZGT has delegated management, administration and investment manager of the Scheme, in so far as it is possible under the FMC Act, to Evergreen Capital Partners Limited ("the Delegated Manager"). The Scheme's registered office is DLA Piper New Zealand, 50 Customhouse Quay, Wellington.

The Scheme is a defined contribution scheme 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 Trustee operates each Fund on a unitised basis, with the beneficial interest in each Fund being divided into units with each conferring an interest in that Fund.

The Funds are managed on an absolute return basis using multi-manager fund of funds approach. The assets of the Absolute Growth Fund are invested into underlying funds that invest into higher risk growth assets and the assets of the Income Plus Fund are invested into underlying funds that invest into lower risk income assets.

## **2. Summary of Accounting Policies**

### **i Statutory Base**

The financial statements have been prepared in accordance with the requirements of the Trust Deed and the Financial Reporting Act 2013.

### **ii Basis of Preparation**

Statement of Compliance

The financial statements have been prepared in accordance with 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 comply with International Financial Reporting Standards ("IFRS").

As the Scheme became a Restricted Legacy Scheme on transition to the Financial Markets Conduct Act 2013 and closed to new members the realisation basis of accounting has been used in the preparation of the financial statements.

Since no decision has been reached by the Trustee on the Scheme's future, and there is no set date for a potential decision on the Scheme's future:

- Operating expenses are recognised in the period they relate to and no future realisation costs are accrued; and
  - No liquidity adjustments have been made to the fair value of the Scheme assets that have a longer redemption period and may be realised at a material discount if the assets were to be redeemed early.
- See Note 12(i) for unit price risk and investment liquidity disclosure.

The Trustee has considered winding up the Scheme but no decision to wind up the Scheme has been made due to the following factors:

- The need to avoid any inadvertent UK tax liabilities
- Certain assets within the Scheme cannot be redeemed immediately
- The need to preserve equities between members.

Should the Trustee decide to wind up the Scheme, the costs to achieve the wind-up may be significant. In addition, should the Scheme assets be required to be redeemed early to reflect the timing of any future wind up, then significant losses on redemption may be incurred.

**2. Summary of Accounting Policies (continued)**

**ii Basis of Preparation (continued)**

The following new standard is relevant to the Scheme is not yet effective and has not yet been applied in preparing the financial statements:

*NZ IFRS 9: Financial Instruments* is applicable to annual reporting periods beginning on or after 1 January 2018. The Scheme plans to adopt this standard for the financial year ending 31 March 2019. 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 at fair value through profit or loss 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 through profit or loss due to changes in credit risk will be recognised directly in the Statement of Changes in Net Assets Available for Benefits. The standard also establishes three measurement categories: fair value through profit or loss, fair value through other comprehensive income or amortised cost. The adoption of this standard may result in additional or amended disclosures and is not expected to have an effect on the Scheme's reported result or financial position.

**iii Functional and Presentation Currency**

Items included in the Scheme's financial statements are measured using the currency in which applications and redemptions to and from Members are denominated. That is pounds sterling for the two Funds in the Scheme. The Trustee considers that GBP is the currency that most faithfully represent the effects of the underlying events and conditions. This is the Funds' functional and presentation currency. The financial statements for the Scheme are shown in New Zealand dollars as this is the currency of the country the Scheme is incorporated and regulated in. All financial information presented has been rounded to the nearest pounds sterling or dollar.

**iv Financial Instruments at Fair Value Through Profit or Loss**

*Designated financial assets at fair value through profit or loss*

Subsequent to the adoption of the cessation basis of accounting, financial instruments were valued at net realisable value. Net realisable value approximates fair value as of the date of adoption of the cessation basis of accounting. See note 2 (ii).

The Scheme classifies its investments in unitised funds as designated financial assets at fair value through profit or loss upon initial recognition. 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 the 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. Transaction costs on financial assets at initial recognition are charged to the Statement of Changes in Net Assets Available for Benefits.

Financial assets at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the "Financial Assets at fair value through profit or loss" category are presented in the Statement of Changes in Net Assets Available for Benefits.

Financial assets are derecognised upon maturity or disposal of the asset. Any gain or loss arising on derecognition of the asset is included in the Statement of Changes in Net Assets Available for Benefits in the period the item is derecognised. Gains or losses are calculated as the difference between the disposal proceeds and the carrying amount of the item.

The fair value of financial assets does not include dividends after the record date.

*Held for trading financial instruments at fair value through profit or loss*

Held for trading financial instruments at fair value through profit or loss comprise foreign exchange contracts. The use of these contracts by the Scheme is limited to the risk management of their investments.

Foreign exchange contracts are used as economic hedges for equity investments. Therefore, they are accounted for on the same basis as those investments and are recognised at their fair value. Foreign exchange contracts are measured at fair value both upon initial recognition and subsequently. Gains and losses arising from changes in the fair value are recognised in the Statement of Changes in Net Assets Available for Benefits when they arise.

**v Fair Value Estimation**

Fair value measurements for financial instruments at fair value through profit or loss can be categorised into a three level hierarchy based on their source:

*Level one - fair value in an active market*

The fair value of financial assets traded in active markets for the same instruments based on their quoted market prices at balance date without any deduction for estimated future selling costs. Financial assets 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 instruments 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 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.

**vi Revenue Recognition**

- (a) Interest income is recognised as the interest accrues using the effective interest rate method. Interest income is earned on short term deposits.
- (b) Dividend income is recognised in the Statement of Changes in Net Assets Available for Benefits when the Funds' right to receive payment is established.
- (c) Gains or losses of financial instruments at fair value through profit or loss are recognised in the Statement of Changes in Net Assets Available for Benefits as disclosed in note 2(iv) above.
- (d) Foreign exchange gains and losses on cash and outstanding settlements are recognised in the Statement of Changes in Net Assets Available for Benefits as they arise. Foreign exchange gains and losses on financial instruments at fair value through profit or loss are recognised in the Statement of Changes in Net Assets Available for Benefits as disclosed in note 2(iv) above.
- (e) 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. Summary of Accounting Policies (continued)**

**vii Expenses**

Expenses comprise performance fees, management fees, investment management fees, ad hoc trustee fees, professional fees, establishment fees, brokerage fees, audit fees, investment accounting fees, trail commissions, transaction costs, bank fees, and other sundry expenses. Management fees, investment management fees and performance fees (if applicable), are calculated and paid monthly. All other fees are recognised when incurred.

**viii 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.

**ix 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 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 Available for Benefits. 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. Subsequent to the adoption of the cessation basis of accounting, loan and receivables were measured at net realisable value. See note 2 (ii).

**x Taxation**

The Scheme is a Foreign Investment Zero-Rate Portfolio Investment Entity ("PIE"). Under the PIE regime income from a PIE is effectively taxed in the hands of the members and therefore the Scheme has no tax expense. Accordingly, no tax expense is shown on the Statement of Changes in Net Assets Available for Benefits.

Under the PIE regime, the Trustee attributes the taxable income of the Scheme to members in accordance with the proportion of their interest in the overall Scheme. The income attributed to each member is taxed at the member's notified investor rate which is currently capped at 28%. The Trustee accounts for tax on behalf of natural persons and certain trust members and undertakes any necessary adjustments to the members' interests in the Scheme to reflect that the Scheme pay 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 balance date. The Trustee periodically evaluates positions taken in attributing taxable income to members with respect to situations in which applicable tax regulations are subject to interpretation.

**xi Goods and Services Tax (GST)**

The Scheme is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where applicable.

**xii Foreign Currencies**

**(a) Transactions and balances**

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Realised and unrealised exchange gains and losses during the financial period are recognised in the Statement of Changes in Net Assets Available for Benefits.

**(b) Translation of GBP denominated funds functional currency to presentation currency**

The results of the GBP denominated funds are translated into New Zealand Dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve. On aggregation of the Funds' results, exchange differences arising from the translation of the net assets available for benefits in GBP denominated funds are taken to the foreign currency translation reserve.

**xiii Trade and Other Payables**

Trade and other payables include liabilities and accrued expenses owed by the Scheme that are unpaid at balance date. Trades are recorded on trade date, and normally settled within three business days. Purchases of securities and investments that are unsettled at reporting date are included in trade and other payables. Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method. Subsequent to the adoption of the cessation basis of accounting, trade and other payables were measured at net realisable value. See note 2 (ii).

**xiv 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.

(b) Financing activities are those activities that result in changes in the size and composition of members' funds. This includes elements of members' funds not falling within the definition of cash. Distributions paid in relation to members' funds are included in financing activities.

**xv Distributions**

In accordance with the Scheme's Trust Deed, the Trustee has full discretion as to whether to distribute any net income of the Funds. Income that is not distributed is invested as part of the assets of the Funds or may also be used to make later distributions to members.

**xvi Contributions and Withdrawals**

The contribution and withdrawal prices are determined as the net asset value of the Funds divided by the number of units on issue on the date of application or redemption. The Trustee may, in certain circumstances, suspend the redemption of units if the Trustee believes it is not practical or would be materially prejudicial to the interests of the members for units to be redeemed.

## 2. Summary of Accounting Policies (continued)

### xvii Net Assets available for Benefits

The liability for promised retirement benefits is the Scheme's present obligation to pay benefits to members and beneficiaries 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.

Net assets attributable to members meets the definition of an equity instrument as: (i) it entitles the member to a pro rata share of the Scheme's net assets in the event of the Scheme's liquidation, (ii) apart from the contractual obligation of the issuer to redeem units for cash or another financial asset, the units do 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 Scheme and (iii) the total expected cash flows attributable to the instrument over its life is based substantially on the income and expenditure and changes in the recognised net assets or the change in fair value of the recognised and unrecognised net assets of the Scheme over the life of the instrument.

Members can redeem their investments in the Scheme for cash equal to a proportionate share of the Scheme's net asset value, once the specific conditions of the Trust Deed have been met.

### xviii Vested benefits

Vested benefits are the benefits to which members are entitled to. There are no amounts which belong to the Scheme and are not allocated to members. As at balance date the value of vested benefits matched the value of the total members' accounts as all benefits surrendered are allocated to continuing member accounts and there are no other benefits which are not so allocated.

### xix Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Net Assets Available for Benefits when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### xx Impairment of Assets

The carrying amounts of the Scheme's assets, other than financial assets at fair value through profit or loss, are reviewed at each balance date to determine whether there is any objective evidence of impairment for example, when the payments or debts are more than 60 days overdue. 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 Available for Benefits.

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 quality of counterparties dealt with. A previously recognised impairment loss is reversed when in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was initially recognised.

### xxi Changes in Accounting Policies

There have been no changes in accounting policies during the period.

## 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 Trustee to exercise its judgement in the process of applying the Scheme's accounting policies. The Trustee has applied its judgement in selecting the accounting policy to designate financial assets at fair value through profit or loss at inception. This policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair value of financial assets where quoted market prices are readily available and in the case of derivatives observable market inputs are readily available. Where quoted market prices are not readily available the Scheme must exercise significant judgement to determine the fair value of the financial asset which may impact on the amounts disclosed in the financial statements. Therefore there are material assumptions or major sources of estimation uncertainty that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in these financial statements. As with all investments, their value is subject to variation due to market fluctuations.

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 7 for further details).

The determination of what constitutes 'observable' data requires significant judgement by the Scheme. The Scheme considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

At 31 March 2016 the Scheme owned approximately 75% of units in Spectrum Sterling Income Fund, this investment was fully redeemed on 31 May 2016. The Scheme is an investment entity as defined by NZ IFRS 10: *Consolidated Financial Statements* and therefore did not consolidate Spectrum Sterling Income Fund and measures its investment at fair value through profit and loss. Spectrum Sterling Income Fund's principal place of business was level 6, 2 Barrack Street, Sydney, NSW 2000, Australia. There were no significant restrictions on the ability of Spectrum Sterling Income Fund to transfer funds to the Scheme.

The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both;
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Scheme's Statement of Investment Policy and Objectives ("SIPO") details the investment objectives of the Scheme. The Absolute Growth Fund of the Scheme invest into other investment funds or segregated accounts that invest a majority of their assets into higher risk "growth assets" such as shares, currencies, commodities, derivatives, futures contracts and options. The Income Plus Fund invest into underlying funds that invest a majority of their assets into lower risk "fixed income assets" such as notes, bonds and related derivatives. The date of the last registered SIPO is 1 December 2016

The Scheme reports to its investors via annual investor information, and to its management via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by NZ IFRS in the Scheme's annual reports. The Trustee has also concluded that the Scheme meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties.

The Trustee has concluded that the Scheme meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.



**EVERGREEN RETIREMENT TRUST**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	\$	\$
<b>4. Administration Expenses</b>						
Professional fees	27,709	13,465	80,324	41,217	198,353	121,406
Interest paid	-	-	1,046	-	1,920	-
Investment accounting fees	21,769	17,441	18,657	15,212	74,224	72,497
Trail commissions	-	12,414	-	7,641	-	44,526
Other expenses	251	343	488	562	1,357	2,009
<b>Total administration expenses</b>	<b>49,729</b>	<b>43,663</b>	<b>100,515</b>	<b>64,632</b>	<b>275,854</b>	<b>240,438</b>
<b>5. Net (Losses)/gains on Financial Instruments at Fair Value through Profit or Loss</b>						
<i>Fair value through profit or loss - Designated</i>						
International equity unitised funds	272,013	66,480	202,398	(70,659)	871,038	(9,278)
International fixed interest unitised funds	-	-	186,963	(409,227)	343,271	(908,572)
International property trusts	-	-	72,344	79,263	132,827	175,981
<i>Fair value through profit or loss - Held for trading</i>						
Foreign exchange contracts	(278,381)	(69,821)	(281,259)	(17,459)	(1,027,522)	(193,780)
<b>Net (Losses)/gains on financial instruments at fair value through profit or loss</b>	<b>(6,368)</b>	<b>(3,341)</b>	<b>180,446</b>	<b>(418,082)</b>	<b>319,614</b>	<b>(935,649)</b>
<b>6. Cash and Cash Equivalents</b>						
Cash - Pounds sterling	333,207	1,383	104	2,527	596,263	8,094
Cash - New Zealand dollar	108	641	72	917	322	3,225
Cash - Australian dollar	-	-	12,262	9,924	21,936	20,542
<b>Total cash and cash equivalents</b>	<b>333,315</b>	<b>2,024</b>	<b>12,438</b>	<b>13,368</b>	<b>618,521</b>	<b>31,861</b>
Cash and cash equivalents include cash balances and are classified as loans and receivables under NZ IAS 39.						
<b>7. Financial Instruments at Fair Value Through Profit or Loss</b>						
<i>Financial assets at fair value through profit or loss - Designated</i>						
International equity unitised funds	2,236,497	2,132,842	1,613,787	661,390	6,887,807	5,783,962
International fixed interest unitised funds	-	-	2,508,023	2,108,211	4,486,624	4,363,923
International property trusts	-	-	563,343	490,999	1,007,769	1,016,351
<i>Financial assets at fair value through profit or loss - Held for trading</i>						
Forward foreign exchange contracts	46,013	-	192	-	82,657	-
<b>Financial assets at fair value through profit or loss</b>	<b>2,282,510</b>	<b>2,132,842</b>	<b>4,685,345</b>	<b>3,260,600</b>	<b>12,464,857</b>	<b>11,164,236</b>
<i>Financial liabilities at fair value through profit or loss - Held for trading</i>						
Forward foreign exchange contracts	(426,429)	(153,759)	(349,773)	(69,282)	(1,388,555)	(461,687)
<b>Financial liabilities at fair value through profit or loss</b>	<b>(426,429)</b>	<b>(153,759)</b>	<b>(349,773)</b>	<b>(69,282)</b>	<b>(1,388,555)</b>	<b>(461,687)</b>
As at 31 March the notional value of the forward foreign exchange contracts were:	<b>(2,219,818)</b>	<b>(1,528,123)</b>	<b>(3,350,686)</b>	<b>(714,752)</b>	<b>(9,965,124)</b>	<b>(4,642,671)</b>

The Scheme maintains an active hedging policy designed to hedge returns of the underlying funds back to the currency in which the Fund is denominated. Hedge accounting has not been used in the preparation of these financial statements. The Scheme uses OMF Financial Limited ("OMF") to execute margin foreign exchange contracts and deliverable foreign exchange contracts. For margin foreign exchange contracts OMF can unilaterally reduce the size of the margin foreign exchange contract if the Scheme's balance falls below an agreed minimum amount. To date, OMF has not established a minimum amount for the Scheme and OMF have not exercised that right. No assets of the Scheme were pledged as collateral or security against the margin account.

Cash receipts from OMF and payments to OMF were reported on a net basis in the Statement of Cash Flows because the turnover is quick, the amounts are large and the maturities are short.

**(i) Valuation**

Assets designated as fair value through profit or loss comprising of international equity, international fixed interest and international property unitised funds have been valued using redemption prices, which are based on the valuation of the underlying investments, as supplied by the managers of the underlying funds and are included in level two of the fair value hierarchy, except GDI No 36 Perth CBD Office Trust which is included in level three. GDI No 36 is an illiquid fund that invests in commercial property. The Trustee based the value of GDI No 36 Perth CBD Office Trust on the unit price provided by the manager of GDI No 36 Perth CBD Office Trust. The Trustee has been unable to independently verify the value of the investment in the Penrich Capital G10 Currency Income Fund as the audited financial statements of the fund are not yet available.

**EVERGREEN RETIREMENT TRUST**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**7. Financial Instruments at Fair Value Through Profit or Loss (continued)**  
**(i) Valuation (continued)**

Fair values for assets and liabilities that are held for trading comprising of forward foreign exchange contracts have been determined using valuation techniques using market observable inputs which are included in level two of the fair value hierarchy. The fair values have been calculated from spot exchange rates and forward points supplied by WM/Reuters.

The following table shows a reconciliation from the opening balance to the closing balance for the fair value measurements in level 3 of the fair value hierarchy:

	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	\$	\$
Opening balance	-	-	490,999	2,929,173	1,016,352	5,798,047
Transfers to level 2	-	-	-	(2,517,437)	-	(4,983,050)
Gains recognised in profit or loss	-	-	72,344	79,263	132,827	175,981
Movement in foreign currency translation reserve	-	-	-	-	(141,410)	25,373
Closing balance	-	-	563,343	490,999	1,007,769	1,016,351
Change in unrealised gains for the year included in profit or loss for financial assets and liabilities held at balance date	-	-	72,344	79,263	132,827	175,981

Financial assets at fair value through profit or loss exceeding 5% of the net assets available for benefits of each Fund at 31 March 2017 is detailed below.

Bennelong Long Short Equity Fund	19.91%	16.29%	-	-	4.80%	4.03%
Baillie Gifford Long Term Global Growth Fund	15.62%	-	-	-	3.76%	-
CF Odey UK Absolute Return Fund	10.06%	10.97%	-	-	2.42%	2.72%
GMO Systematic Global Macro Trust	19.12%	14.03%	-	-	4.60%	3.47%
Permal Select Opportunities II	17.28%	12.35%	3.91%	2.90%	7.13%	5.24%
Alphagen Relative Value Agriculture Fund	-	13.07%	-	-	-	3.24%
Rockhampton Fund	-	12.00%	-	-	-	2.97%
Whitehaven Correlation Fund	15.11%	5.89%	-	-	-	1.46%
CQS Diversified Fund	-	-	18.32%	5.73%	13.90%	4.31%
GDI No 36 Perth CBD Office Trust	-	-	7.76%	6.40%	5.89%	4.82%
Penrich Capital G10 Currency Income Fund	-	-	34.54%	-	26.22%	4.82%

**8. Trade and Other Receivables**

Accrued interest	-	2	617	-	1,104	4
Forwards margin accounts	141,588	564,788	2,960,118	4,534,014	5,548,669	10,554,341
<b>Total Trade and Other Receivables</b>	<b>141,588</b>	<b>564,790</b>	<b>2,960,735</b>	<b>4,534,014</b>	<b>5,549,773</b>	<b>10,554,345</b>

All trade and other receivable balances are current assets. Trade and other receivables are classified as loans and receivables under NZ IAS 39.

**9. Trade and Other Payables**

Audit fees payable	8,728	7,465	18,732	17,342	49,123	51,350
Interest payable	73	-	-	50	131	103
Other administration fees payable	5,080	974	3,559	3,081	15,454	8,394
Withdrawals payable	5,653	7,798	13,680	21,844	34,585	61,358
Futures margin accounts	-	-	-	13,179	-	27,280
Investment accounting fees payable	3,696	3,110	3,159	2,684	12,263	11,993
<b>Total Trade and Other Payables</b>	<b>23,230</b>	<b>19,347</b>	<b>39,130</b>	<b>58,180</b>	<b>111,556</b>	<b>160,478</b>
<b>Trade and Other Payables to Related Parties</b>						
Investment management fees payable (refer note 11)	5,640	6,327	10,898	3,583	29,585	20,513
<b>Total Trade and Other Payables to Related Parties</b>	<b>5,640</b>	<b>6,327</b>	<b>10,898</b>	<b>3,583</b>	<b>29,585</b>	<b>20,513</b>

All trade and other payables are current liabilities. Trade and other payables are classified as financial liabilities at amortised cost under NZ IAS 39.

**EVERGREEN RETIREMENT TRUST**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	\$	\$
<b>10. Reconciliation of net loss before membership activities to net cash flows from operating activities</b>						
Net loss before membership activities and transfers to reserves:	(101,245)	(72,166)	(36,110)	(554,139)	(252,189)	(1,390,530)
<b>Add Non Cash Items</b>						
Unrealised changes in fair value of financial assets	87,787	(7,922)	(385,636)	519,486	(546,863)	1,135,780
Unrealised foreign exchange losses/(gains) on cash at bank	19	(10)	34	(2,946)	97	(9,294)
<b>Movements in Working Capital Items</b>						
Decrease in trade and other receivables	423,202	269,125	1,573,279	235,546	3,665,622	1,774,118
Increase/(decrease) in trade and other payables	3,883	(250,258)	(19,050)	(294,109)	(27,847)	(2,000,289)
Increase/(decrease) in receivables from related parties	-	-	-	1,990	-	12,596
(Decrease)/increase in payables to related parties	(687)	(531)	7,315	2,441	12,169	3,085
Decrease/(increase) in cost of investments	35,215	89,228	(758,618)	550,094	(1,328,197)	1,419,431
<b>Less Items Classified as Financing Activities</b>						
Movements in payables attributable to financing activities	2,145	59,972	8,164	239,627	18,928	1,318,949
<b>Net cash flows from operating activities</b>	<b>450,319</b>	<b>87,438</b>	<b>389,378</b>	<b>697,990</b>	<b>1,541,720</b>	<b>2,263,846</b>

**11. Related Parties**

**Delegated Manager and Investment Manager**

The Delegated Manager of the Scheme is Evergreen Capital Partners Limited. The Delegated Manager is entitled to scheme management fees of 1.5% per annum (plus GST) of the value of the Member's Account. This fee is charged to each member by way of a unit redemption. This is accounted for as a withdrawal and is not included in the net gain/(loss) before membership activities.

Clearwater Capital LP, which is a related party of Evergreen Capital Partners, is the Investment Manager of the Scheme. The Investment Manager is entitled to management fees of 1.5% per annum (plus GST if any) of the net asset value of the Absolute Growth Funds and 1.0% (plus GST if any) of the Income Plus Funds.

The Investment Manager is also entitled to be paid a performance fee of 15% (plus GST if any) of the increase in net asset value per unit paid monthly for the Absolute Growth Funds and 10% for the Income Plus Funds. This is subject to a High Water Mark. The High Water Mark is the highest fund unit price on which any previous performance was paid. Performance fees are calculated and paid monthly in arrears.

Penrich Capital G10 Currency Income Fund is also a related party through a member of the Investment Committee of Clearwater Capital LP. Penrich G10 Currency Income Fund is a segregated portfolio of Antaeus SPC. The fund is managed by Penrich Active Capital Management Limited. A Director of Antaeus SPC and of Penrich Active Capital Management Limited is also a member of the investment committee of the investment manager of the Evergreen Retirement Trust, Clearwater Capital LP.

			Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
			2017	2016	2017	2016	2017	2016
			£	£	£	£	\$	\$
<b>Penrich Capital G10 Currency Income Fund</b>	Holding	Units	-	-	3,128	-	3,128	-
		\$	-	-	2,508,023	-	4,486,624	-
		% of the Fund's Net Assets	-	-	34.5%	-	26.2%	-
	Purchases	Units	-	-	3,128	-	3,128	-
		\$	-	-	2,344,505	-	4,304,608	-

Trustee fees for the day-to-day functions of acting as Trustee of the Scheme are currently paid by the Delegated Manager. Other ad hoc Trustee fees are charged to the Scheme.

The Delegated Manager's, Investment Manager's and Trustee's fees are provided for in accordance with the Trust Deed.

Fees paid or payable to related parties for the year were as follows:

	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	\$	\$
<b>Evergreen Capital Partners Limited:</b>						
Scheme management fee expense	48,436	53,653	120,788	136,858	310,702	422,975
Scheme management fee payable	2,931	3,429	9,231	11,085	21,755	30,044
<b>Clearwater Capital LP:</b>						
Investment management fee expense	37,347	39,948	77,078	89,205	210,089	286,747
Investment management fee payable	5,640	6,327	10,898	3,583	29,585	20,513
Performance fees expense	-	-	-	1,404	-	3,117

**EVERGREEN RETIREMENT TRUST  
NOTES TO THE AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**12. Financial Risk Management**

The Scheme is subject to a number of financial risks which are as a result of its activities, including: market risk, credit risk and liquidity risk. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Funds' financial performance.

**Market Risk**

The Scheme is exposed directly to unit price risk and currency risk through its holding of cash and cash equivalents, unitised fund investments and foreign exchange contracts. The maximum market risk resulting from financial instruments is determined by their fair value. The Scheme is indirectly exposed to interest rate risk through fair value changes in its investments into managed funds that in turn invest in fixed interest assets.

**(i) Unit Price Risk**

Unit 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 unitised funds present a risk of loss of capital often due to factors beyond the unitised funds manager's control such as competition, regulatory changes, commodity price changes and changes in general economic climate domestically and internationally. The managers of the underlying unitised funds moderate this risk through careful stock selection and diversification of unitised fund investments, daily monitoring of the unitised funds' market position and adherence to the unitised funds' investment policies.

Where non-monetary financial instruments, for example, unitised funds are denominated in currencies other than the Fund's functional currency, the price initially expressed in foreign currency and then converted into the Fund's functional currency will also fluctuate because of changes in foreign exchange rates (see note 12(ii) Currency Risk below). The foreign exposure relating to these assets and liabilities is considered to be a price risk component of market and not currency risk.

The Funds' investment policies as at 31 March 2017 state the following:

**Absolute Growth Fund**

- No more than 20% of the Fund can be allocated to any one underlying fund at the time of investment dealing.
- No more than 30% of the Fund may be invested with any one underlying manager.
- The Fund may not employ leverage to enhance returns.

**Income Plus Fund**

- There must be a minimum of two underlying funds selected across the two major strategies - fixed income and property related securities.
- No more than 50% of the Fund may be invested with any one underlying manager.
- The Fund may not take on leverage to enhance returns.

The removal of the Scheme from the QROPs list contributed to the Funds receiving no new member contributions. Member contributions are the most effective way to rebalance the portfolio, however, Clearwater Capital LP were forced to rebalance via redemptions. As some funds are more illiquid than others and with funds having minimum redemption amounts, compliant weightings were not maintained. Rebalancing naturally takes longer to effect due to the lag between placing redemption orders, receiving the cash back and reinvesting into new funds. Rebalancing also has dealing costs associated with its implementation, presenting a trade off between materiality of the breach and the reduction in performance from excessive dealing to rebalance small amounts. Finally given that there are minimum withdrawal and contribution amounts it is not always possible to make small adjustments to the fund allocations.

**Sensitivity Analysis**

A variable of 10% was selected for unit price risk as this is a reasonably expected movement based on historic trends.

The following table shows the sensitivity of profit for the period and sensitivity of members' funds to reasonably possible changes in unit prices at 31 March 2017 with all other variables held constant:

	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	\$	\$
Financial assets at fair value through profit or loss	<b>2,236,497</b>	2,132,842	<b>4,685,153</b>	3,260,600	<b>12,382,200</b>	11,164,236
Impact of a -10% change in unit prices	<b>(223,650)</b>	(213,284)	<b>(468,515)</b>	(326,060)	<b>(1,238,220)</b>	(1,116,424)
Impact of a +10% change in unit prices	<b>223,650</b>	213,284	<b>468,515</b>	326,060	<b>1,238,220</b>	1,116,424

Members' funds would be impacted by the same amount less the impact of PIE tax adjustments that would be attributed to members.

**EVERGREEN RETIREMENT TRUST  
NOTES TO THE AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**12. Financial Risk Management (continued)**

**Market Risk (continued)**

**(i) Unit Price Risk (continued)**

The Absolute Growth Fund's exposure to risk, through its investment in underlying funds, is detailed in the table below:

<b>Fund Name</b>	<b>Base Currency</b>	<b>Liquidity</b>	<b>Risk</b>
Baillie Gifford Long Term Global Growth Fund	GBP	Daily	Systemic Market Risk
Bennelong Long Short Equity Fund	AUD	Quarterly	Systemic Market Risk
GMO Systematic Global Macro Trust	AUD	Daily	Margin Risk
Permal Select Opportunities II	USD	9 Months	Systemic Market Risk
CF Odey UK Absolute Return Fund	GBP	Daily	Systemic Market Risk
Whitehaven SPC Correlation Fund	USD	Monthly	Margin Risk

The Income Plus Fund's exposure to risk, through its investment in underlying funds, is detailed in the table below:

<b>Fund Name</b>	<b>Base Currency</b>	<b>Liquidity</b>	<b>Risk</b>
CQS Diversified Fund	GBP	4 Months	Credit Risk and Systemic Market Risk
GDI No. 36 Perth CBD Office Trust	AUD	3 Years	Real Estate Risk
Penrich Capital G10 Currency Income Fund	USD	Daily	Systemic Market Risk
Permal Select Opportunities II	USD	9 Months	Systemic Market Risk

**(ii) Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a monetary financial instrument will fluctuate because of changes in foreign exchange rates. The Scheme is exposed to currency risk through holding foreign currency dollar cash and cash equivalents, foreign currency trade and other receivables and payables, and foreign exchange contracts. Currency risk is managed in line with the investment guidelines of the Scheme. The Scheme is also exposed to currency risk through its investments in the underlying funds denominated in foreign currencies as detailed in Note 12(i).

*Sensitivity Analysis*

The following table shows the sensitivity of profit for the period and sensitivity of members' funds to reasonably possible changes in foreign exchange (FX) rates as at 31 March with all other variables held constant:

	<b>Absolute Growth Fund (GBP)</b>		<b>Income Plus Fund (GBP)</b>		<b>Scheme (NZD)</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>\$</b>	<b>\$</b>
<b>Trade and other receivables</b>						
Carrying amount	<b>39,939</b>	67,954	<b>18,345</b>	3,658	<b>104,265</b>	148,234
Impact of a +/- 10% change in FX rates:						
NZD - 10% Profit and members' funds	<b>4,438</b>	7,550	<b>2,038</b>	-	<b>11,586</b>	15,628
NZD + 10% Profit and members' funds	<b>(3,630)</b>	(6,177)	<b>(1,668)</b>	-	<b>(9,477)</b>	(12,786)
AUD - 10% Profit and members' funds	-	-	-	406	-	841
AUD + 10% Profit and members' funds	-	-	-	(333)	-	(688)

**EVERGREEN RETIREMENT TRUST  
NOTES TO THE AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**12. Financial Risk Management (continued)**

**Market Risk (continued)**

**(ii) Currency Risk (continued)**

**Financial assets at fair value through profit or loss**

Investments in foreign currency denominated funds

Carrying amount of funds denominated in AUD  
Carrying amount of funds denominated in USD

Impact of a +/- 10% change in FX rates:

AUD - 10% Profit and members' funds  
AUD + 10% Profit and members' funds  
USD - 10% Profit and members' funds  
USD + 10% Profit and members' funds

	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	\$	\$
Carrying amount of funds denominated in AUD	<b>898,937</b>	762,385	<b>563,343</b>	493,045	<b>2,615,887</b>	2,598,695
Carrying amount of funds denominated in USD	<b>746,112</b>	762,324	<b>2,792,029</b>	222,199	<b>6,329,412</b>	2,037,928
Impact of a +/- 10% change in FX rates:						
AUD - 10% Profit and members' funds	<b>99,882</b>	84,709	<b>62,594</b>	54,783	<b>290,654</b>	288,744
AUD + 10% Profit and members' funds	<b>(81,722)</b>	(69,308)	<b>(51,213)</b>	(44,822)	<b>(237,808)</b>	(236,246)
USD - 10% Profit and members' funds	<b>82,901</b>	84,703	<b>310,225</b>	24,689	<b>703,268</b>	226,436
USD + 10% Profit and members' funds	<b>(67,828)</b>	(69,302)	<b>(253,821)</b>	(20,200)	<b>(575,401)</b>	(185,266)

Forward foreign exchange contracts

Carrying amount  
Contract value

Impact of a +/- 10% change in FX rates:

AUD - 10% Profit and members' funds  
AUD + 10% Profit and members' funds  
USD - 10% Profit and members' funds  
USD + 10% Profit and members' funds

Carrying amount	<b>(380,416)</b>	(153,759)	<b>(349,581)</b>	(69,282)	<b>(1,305,898)</b>	(461,687)
Contract value	<b>(2,219,818)</b>	(1,528,123)	<b>(3,350,686)</b>	(714,752)	<b>(9,965,124)</b>	(4,642,671)
Impact of a +/- 10% change in FX rates:						
AUD - 10% Profit and members' funds	<b>(99,106)</b>	(80,525)	<b>(62,914)</b>	(46,184)	<b>(289,839)</b>	(262,283)
AUD + 10% Profit and members' funds	<b>81,087</b>	65,884	<b>51,475</b>	37,787	<b>237,141</b>	214,595
USD - 10% Profit and members' funds	<b>(147,540)</b>	(89,266)	<b>(309,385)</b>	(33,233)	<b>(817,397)</b>	(253,570)
USD + 10% Profit and members' funds	<b>120,715</b>	73,036	<b>253,133</b>	27,191	<b>668,779</b>	207,466

**Trade and other payables**

Carrying amount

Impact of a +/- 10% change in FX rates:

NZD - 10% Profit and members' funds  
NZD + 10% Profit and members' funds

Carrying amount	<b>(15,651)</b>	(11,549)	<b>(25,450)</b>	(36,336)	<b>(73,526)</b>	(99,120)
Impact of a +/- 10% change in FX rates:						
NZD - 10% Profit and members' funds	<b>(1,739)</b>	(1,283)	<b>(2,828)</b>	(4,037)	<b>(8,170)</b>	(11,013)
NZD + 10% Profit and members' funds	<b>1,423</b>	1,050	<b>2,314</b>	3,303	<b>6,684</b>	9,011

**Trade and other payables related parties**

Carrying amount

Impact of a +/- 10% change in FX rates:

NZD - 10% Profit and members' funds  
NZD + 10% Profit and members' funds

Carrying amount	<b>(5,640)</b>	(6,327)	<b>(11,798)</b>	(3,583)	<b>(31,196)</b>	(20,513)
Impact of a +/- 10% change in FX rates:						
NZD - 10% Profit and members' funds	<b>(627)</b>	(703)	<b>(1,311)</b>	(398)	<b>(3,466)</b>	(2,279)
NZD + 10% Profit and members' funds	<b>513</b>	575	<b>1,073</b>	326	<b>2,836</b>	1,865

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

**EVERGREEN RETIREMENT TRUST  
NOTES TO THE AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**12. Financial Risk Management (continued)**

**(iii) Credit Risk**

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour the terms and conditions of a contract with the Scheme. Financial instruments that subject the Scheme to credit risk are cash and cash equivalents and trade and other receivables.

The maximum credit risk of financial instruments is considered to be the carrying amount of cash and cash equivalents and trade and other receivables on the Statement of Net Assets Available for Benefits. The risk is managed by investing in diversified fund that in themselves invest in a diversified portfolio of investments. 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 which carry a minimum Standard and Poor's short term credit rating of A-1+.

Future margin accounts with OMF are held by OMF on trust in one of OMF's client bank accounts where OMF acts as a bare trustee. OMF is subject to regulatory oversight from FMA. OMF has no external credit rating.

As at 31 March 2017 there were no financial assets past due or impaired (31 March 2016: Nil).

**(iv) Offsetting**

Financial assets and liabilities are offset and the net amount reported in the Statement of Net Assets Available for Benefits where the Funds currently have a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. In the normal course of business, the Funds enter into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the Statement of Net Assets Available for Benefits but still allow for the related amounts to be offset in certain circumstances such as the termination of the contracts.

The following table presents the recognised financial assets and liabilities that are subject to offsetting, or subject to enforceable master netting arrangements or other similar agreements but not offset, as at 31 March 2017. The 'Net amount' total shows what the net position for each derivative type would be if all offset rights were exercised.

In normal circumstances, under the terms of the master netting arrangements, the Funds and their counterparties may elect that a net amount, being the termination value, will be determined and this single net amount is due or payable in settlement of all the outstanding transactions. In certain circumstances, for example when a credit event such as a default occurs, each party's obligation to make payment will be automatically satisfied and discharged and all outstanding transactions under the agreement will be terminated.

	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	\$	\$
<b>Forward foreign exchange contracts</b>						
<b>Financial Assets</b>						
Amounts subject to offsetting: Gross assets	46,013	-	192	-	82,657	-
Gross liabilities offset	(46,013)	-	(192)	-	(82,657)	-
<b>Net amounts presented</b>	-	-	-	-	-	-
<b>Financial Liabilities</b>						
Amounts subject to offsetting: Gross liabilities	(426,429)	(153,759)	(349,773)	(69,282)	(1,388,555)	(461,687)
Gross assets offset	46,013	-	192	-	82,657	-
<b>Net amounts presented</b>	<b>(380,416)</b>	<b>(153,759)</b>	<b>(349,581)</b>	<b>(69,282)</b>	<b>(1,305,898)</b>	<b>(461,687)</b>

**(v) 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 some liquid investments to enable the Scheme to meet normal redemptions and commitments. The Trustee has invested the Scheme into mid and long term liquidity investments to reflect the longer term pension liabilities of the Scheme.

The liquidity terms of the Scheme's investments are summarised in the risk table included in Note 12(i) Unit Price Risk.

Monies received from members' applications may be used to offset redemptions and the Trustee may in certain circumstances suspend redemptions.

The Scheme's financial liabilities consist of trade and other payables and foreign exchange contracts which are short term in nature and classified as a current liability at balance date. Maturities are not expected to exceed 90 days.

**EVERGREEN RETIREMENT TRUST**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

**13. Capital Management**

The Scheme manages its members' funds as capital. All units in the Scheme carry the same rights and preferences and restrictions. There are restrictions on benefit payments as set out in the Trust Deed of the Scheme. The Trustee may defer giving effect to a permitted benefit payment or any transfer out of the Scheme if the Trustee determines that having regard to the realisation of assets required in order to make the benefit payment or transfer or the occurrence or existence of any other circumstance or event relating to the Scheme or generally, earlier payment or transfer would be imprudent or is impracticable.

The Trustee has discretion as to whether to distribute any net income of the Scheme. Income that is not distributed is invested as part of the assets of the Scheme or may also be used to make later distributions to members.

As at balance date the Scheme classified the following as members' funds:

Members' Funds	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	\$	\$
	<b>2,303,177</b>	2,520,650	<b>7,260,332</b>	7,666,583	<b>17,108,246</b>	21,087,217
Units	Number	Number	Number	Number	Number	Number
	<b>2,522,062</b>	2,653,233	<b>7,415,395</b>	7,805,104	<b>9,937,457</b>	10,458,337

**14. Units on Issue**

Units on issue at the start of the year	<b>2,653,233</b>	2,815,559	<b>7,805,104</b>	8,317,134	<b>10,458,337</b>	11,132,693
Total contributions for the year	-	-	-	5,359	-	5,359
Total withdrawals for the year	<b>(131,171)</b>	(162,326)	<b>(389,709)</b>	(517,389)	<b>(520,880)</b>	(679,715)
Units on issue at the end of the year	<b>2,522,062</b>	2,653,233	<b>7,415,395</b>	7,805,104	<b>9,937,457</b>	10,458,337

**15. Tax Attributable to Members**

Members' tax payments and refunds are settled with the Inland Revenue ("IR") via the cancellation and issue of units in the Scheme. Tax deducted at source on behalf of members is used to reduce members' tax liabilities.

	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	\$	\$
Accrued members' attributed tax at balance date	<b>1,063</b>	427	<b>1,615</b>	(10,354)	<b>4,791</b>	(20,547)
Members' attributed tax (refunded)/paid during the year	<b>(427)</b>	(427)	<b>(365)</b>	(386)	<b>(1,417)</b>	(1,683)
Foreign currency translation	-	-	-	-	<b>89</b>	(1,615)
Members' attributed tax for the year	<b>636</b>	-	<b>1,250</b>	(10,740)	<b>3,463</b>	(23,845)

**16. Contingent Liabilities**

There were no contingent liabilities as at 31 March 2017 (31 March 2016: Nil).

**17. Capital Commitments**

There were no capital commitments as at 31 March 2017 (31 March 2016: Nil).

**18. Events After Balance Date**

Following the transition of the Scheme to the FMC Act the Scheme ceased to be open to new members and the Scheme ceased to be a QROPs on the 14 April 2017 as it is no longer able to meet the conditions of a QROPs.

There were no other material subsequent events which require adjustment to or disclosure in these financial statements.



## Independent Auditor's Report to the Members of Evergreen Retirement Trust

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the financial statements of Evergreen Retirement Trust (the "Scheme") on pages 2 to 16, which comprise the statement of net assets available for benefits of the Scheme as at 31 March 2017, and the statement of changes in net assets available for benefits, and statement of cash flows for the year then ended of the Scheme, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the financial statements on pages 2 to 16 present fairly, in all material respects, the financial position of the Scheme as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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 and the Scheme's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Basis for Qualified Opinion

The Scheme's investments in Penrich G10 Currency Income Fund are carried at \$4.486 million in the statement of net assets available for benefits at fair value through profit or loss which represents 26% of net assets. The Penrich G10 Currency Income Fund, is a related party of the Scheme as disclosed in Note 11. The Scheme's investment in the Fund is valued using prices supplied by the Manager of the Fund.

The audited financial statements of Penrich G10 Currency Income Fund are not yet available. We were unable to satisfy ourselves by alternative means the valuation of the Scheme's investment in Penrich G10 Currency Income Fund, and therefore we have been unable to quantify any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning valuation of the Scheme's investment in Penrich G10 Currency Income Fund.

We conducted our audit in accordance with International Standards on Auditing (New Zealand). 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 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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interest in, the Scheme. We provide assurance services to the Scheme in relation to maintenance of the register of units and we report to the Trustee as required by the Scheme's Trust Deed.

#### Emphasis of Matter - Basis of Preparation of the Financial Statements

The financial statements have been prepared on a realisation basis as described in Note 2 (ii). This basis differs from the normal convention in that financial statements are usually prepared on the basis that the Scheme will carry on business as a going concern. Under the realisation basis, the financial statements include adjustments to the net book value of assets, reducing them to the amounts expected to be realised, together with additional provisions and liabilities which will arise as a result of the Scheme ceasing to trade.

No decision has been reached on the Scheme wind-down date by the Scheme Manager and the Trustee. As explained in Note 2(ii), no liquidity adjustments were made to the fair value of the Scheme assets that have a lengthy redemption period and may be realised at a material discount if the assets were to be redeemed early, because the Scheme Manager and the Trustee expect the Scheme assets will be realised in the ordinary course of business.

Our opinion is not qualified in respect of this matter.

## Information Other than the Financial Statements and Auditor's Report

The Scheme Manager is responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Scheme Manager's Responsibilities for the Financial Statements

The Scheme Manager is responsible for the preparation and fair presentation of the financial statements that comply with generally accepted accounting practice in New Zealand, as defined in the Financial Reporting Act 2013, are in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Scheme Manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

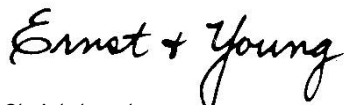
In preparing the financial statements, the Scheme Manager is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Scheme Manager either intends to liquidate the Scheme or 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 International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

[https://xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Description\\_Auditors\\_responsibilities.aspx](https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Description_Auditors_responsibilities.aspx): This description forms part of our auditor's report.



Christchurch  
28 September 2017