

ANNUAL REPORT

For the period ended 31 March 2016



**EVERGREEN RETIREMENT TRUST  
ANNUAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2016**

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**EVERGREEN RETIREMENT TRUST  
MANAGER'S REPORT  
FOR THE YEAR ENDED 31 MARCH 2016**

Dear Member

The Directors present their report on the Scheme including updating members on the fund performance and the future of the Scheme.

**Fund Performance**

<b>Fund</b>	<b>Investment Performance for the year ended 31 March 2016</b>	<b>Unit price as at 31 March 2016</b>	<b>Investment Performance for the period ended 31 March 2015</b>	<b>Unit price as at 31 March 2015</b>
Absolute Growth (GBP)	-3.32%	0.9541	0.57%	0.9869
Income Plus (GBP)	-1.83%	1.0436	0.24%	1.0630

Establishment costs are recognised as an expense immediately in the financial statements of the Scheme, but are amortised over five years for unit price calculation purposes.

**Absolute Growth Funds**

The Absolute Growth Fund (GBP) is a diversified portfolio that holds seven underlying funds allocated across commodities, equities and cash.

During the course of the year the Absolute Growth Fund returned -3.32% (2015: 0.57%). While a number of underlying funds generated good returns for the financial year this performance was offset by poorly performing funds and the funds operating costs.

Over the last financial year the Absolute Growth Fund contained investments that provided downside cover in the event of financial markets deteriorating. This cover has proven costly and recognising the cost we have subsequently reduced our allocation to such strategies.

Additionally, the exposure to commodities remains an area where the funds have not seen strong performance over the last financial year. Perhaps our worst performing sector has been the US Oil and Gas sector. Following a review we are now looking to reduce this exposure over time.

**Income Plus Funds**

The Income Plus Fund (GBP) is a diversified portfolio that holds four underlying funds allocated to bonds, structured credit, convertible debt and cash.

The Income Plus Fund (GBP) had taken a position that there would be a bounce back in credit spreads. While this has eventuated it was not within the period of these financial reports. So the

timing has cost us returns in this financial period. Again the Income Plus Fund (GBP) was hurt by the funds exposure to investments in the US Oil and Gas sector.

We have completed further liquidation of underlying fund investments with some impact on performance. We are currently looking to allocate the redemption proceeds however the disrupted market fundamentals, rallies in fundamentally poor stocks, worries about liquidity, negative bond yields and uncertainty about the direction of inflation leads us to believe that holding some cash is a prudent strategy at present.

Throughout the last two years we have held cash reserves anticipating a significant market correction. Through the first quarter of this year there has been something of a correction but nothing on the scale we anticipate. We still consider that a significant market correction is likely given current market turmoil surrounding Brexit and other geopolitical events. At present we believe we have positioned the fund appropriately.

Subsequent to year end the Investment Manager redeemed the funds holding in the Spectrum Sterling Income Fund and revalued the funds holding in GDI No 36 Perth CBD Office Trust. The transactions are considered adjusting events for the Financial Statements at 31 March 2016 but not for unit pricing. The unit price has incorporated the transactions in the month the transaction occurred.

### **Audit Opinion**

The Scheme's auditors, EY, have issued an unqualified audit opinion with an emphasis of matter regarding the realisation basis of preparation of the Scheme financial statements.

### **QROPS Suspension**

The Scheme was removed from the HMRC Qualifying Recognised Overseas Pension Scheme (QROPS) List in November 2012 as a result of concerns raised by HMRC with the administration of the Scheme. The Manager considers the Scheme is compliant as a QROPS and the Manager has not received notification from the UK HMRC that the Scheme has been excluded from being a QROPS. The result of the Scheme's removal from the HMRC QROPS List is that no new pension transfers from the United Kingdom have come into the Scheme from the November 2012 date of removal. The Scheme has therefore needed to manage liquidity on a monthly basis by redeeming some underlying positions to generate cash to meet Scheme expenses and member payments. This has had a subsequent impact on the decisions of the Investment Committee for the Income Plus and Absolute Growth funds. The Manager has received no recent communication from HMRC and the matter remains with the HMRC for determination.

### **Summary**

Overall as Manager, we recognise that the development of the Scheme has been hampered by the QROPS suspension.

The service contracts entered into by Evergreen Retirement Trust ("ERT") for the provision of administration, trustee and other services have minimum fixed fees. Due to the lower levels of funds under management in ERT than was initially anticipated the absolute fee levels are high when compared with level of returns generated from the funds under management. The cost base means that net returns to ERT members have been impacted.

The Manager closed the NZD funds in April 2015 following the redemption of all the members of the NZD funds as the funds were too small to support themselves and to comply with the PIE tax requirements.

The Trustee of the Scheme approached the New Zealand Financial Markets Authority ("FMA") to request an Order in Council designation for the Scheme as a restricted legacy scheme. That would allow the Scheme to transition to the Financial Markets Conduct Act 2013 as a restricted legacy superannuation scheme. On the 27<sup>th</sup> June 2016 the FMA confirmed that they will include the Scheme on an Order in Council with a restricted legacy designation. The Order in Council was enacted and came into force on 2 September 2016. A restricted legacy scheme will be closed to new members.

The Manager and the Trustee are considering the options to achieve the best outcome for the Scheme members. No decision has been reached on the best course of action as at the date of signing the Annual Report.



Simon Swallow  
Director  
Evergreen Capital Partners  
19th September 2016



James Murray  
Director  
Evergreen Capital Partners  
19th September 2016

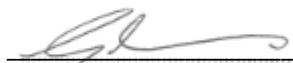
## Trustee's Report

In accordance with the reporting provisions of the Superannuation Schemes Act 1989, **Covenant Trustee Services Limited** ("the Trustee") the Trustee of the **Evergreen Retirement Trust** ("the Scheme"), declares the following with respect to the Scheme for the year ended 31 March 2016.

The Trustee certifies that:

- All contributions required to be made to the Scheme in accordance with the terms of the Trust Deed have been made.
- All benefits required to be paid from the Scheme in accordance with the terms of the Trust Deed have been made.
- The market value of assets of the Scheme at the close of the financial year equalled or exceeded the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at the close of the financial year.

On behalf of Covenant Trustee Services Limited



Director  
Covenant Trustee Services Limited  
19th September 2016

## The Scheme

Evergreen Retirement Trust (Evergreen, or the Scheme) is a registered New Zealand superannuation scheme which had been accepted as a Qualifying Recognised Overseas Pension Scheme (QROPS) by Her Majesty's Revenue and Customs, United Kingdom (UK HMRC). However, at the time of issuing this Annual report the scheme had been suspended from the QROP's list.

The Scheme is established under a trust deed dated 1 December 2011 (Trust Deed) principally for the purpose of providing retirement benefits to natural persons who have joined the scheme (Members) or paying benefits to persons who are the trustees of a registered superannuation scheme or a KiwiSaver scheme (Trustee Members). The Trust Deed has been amended by Deeds of Amendment dated 30 March 2012, 22 June 2012 and the 20 March 2014.

The principle amendments to the Trust Deed on 20 March 2014 were to allow the Scheme to receive pension transfers from Ireland and other jurisdictions and impose whatever conditions are necessary on those transfers to allow them to be made in accordance with the law of the transferring jurisdiction.

The registration date of the most recent prospectus was 20 March 2014 and this expired on 20 June 2014. The Scheme does not have a current registered prospectus or investment statement and is not open to new members at this time.

Membership of the Scheme was previously open to all natural persons to whom it is lawful to offer membership in the relevant country, and who are eligible to join as individual members. Membership of the Scheme was also open to trustees of registered superannuation schemes and KiwiSaver schemes.

The Scheme is structured as a foreign investment zero-rate Portfolio Investment Entity (PIE) and as such offers a tax efficient retirement savings product to New Zealand and offshore investors. Members of foreign investment zero-rate PIEs who are not New Zealand tax residents or who are moving to New Zealand and are enjoying 'transitional resident' tax status over the first four years, and who so elect, are eligible for a zero percent tax rate, and therefore will not be liable for New Zealand tax on income or gains from the Scheme.

# STATUTORY INFORMATION

## Membership Movements

	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)	
	Units	£	Units	£
Opening Balance	2,815,559	2,741,903	8,317,134	8,765,608
Units Issued	-	-	827	880
<b>Unit Withdrawals:</b>				
Hardship	-	-	-	-
Death	(42,475)	(41,702)	(166,574)	(175,386)
Transfer to Other Schemes	(44,196)	(43,239)	(150,300)	(158,811)
Early Retirement Benefit	(19,760)	(19,300)	(60,313)	(63,625)
Other	(55,895)	(47,211)	(135,670)	(155,268)
Funds Available to members	-	2,365	-	7,324
Net Gain before Membership Activities	-	(72,166)	-	(554,139)
Closing Balance	<b>2,653,233</b>	<b>2,520,650</b>	<b>7,805,104</b>	<b>7,666,583</b>

	Absolute Growth Fund (GBP)	Income Plus Fund (GBP)	Total
	Member Numbers	Member Numbers	
Members at the Beginning of the Year	385	389	389
New Members	-	-	-
Permanent Withdrawals	5	5	5
Number of Continuing Members	<b>380</b>	<b>384</b>	<b>384</b>

# Summary Financial Statements

## EVERGREEN RETIREMENT TRUST STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 31 MARCH 2016

	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
	2016 £	2015 £	2016 £	2015 £	2016 \$	2015* \$
<b>Revenue</b>						
Interest income	389	150	610	765	2,218	3,252
Dividend income	28,990	16,761	37,083	112,942	146,696	263,239
Benefit payment fee	7,635	11,333	26,840	35,140	76,542	92,643
Manager rebate to cover wind-up costs of NZD funds	-	-	-	-	-	8,140
Net (losses)/gains on financial instruments at fair value through profit or loss	(3,341)	70,878	(418,082)	150,899	(935,649)	480,549
Foreign exchange gains on cash at bank and outstanding settlements	267	34,388	6,270	2,487	14,514	74,964
<b>Total Revenue</b>	<b>33,940</b>	<b>133,510</b>	<b>(347,279)</b>	<b>302,233</b>	<b>(695,679)</b>	<b>922,787</b>
<b>Expenses</b>						
Investment management fees	50,745	51,675	123,546	110,126	386,963	332,383
Administration expenses	43,663	40,293	64,632	79,983	240,438	184,374
Transaction costs	2,111	3,401	1,856	4,669	8,808	17,974
Brokerage fees	2,958	-	-	228	6,567	460
Performance fees	-	-	1,404	4,909	3,117	9,786
Audit fees	6,629	8,251	15,422	20,741	48,958	77,214
<b>Total Expenses</b>	<b>106,106</b>	<b>103,620</b>	<b>206,860</b>	<b>220,656</b>	<b>694,851</b>	<b>622,191</b>
<b>Net (Loss)/gain before Membership Activities and Transfer to Reserves</b>	<b>(72,166)</b>	<b>29,890</b>	<b>(554,139)</b>	<b>81,577</b>	<b>(1,390,530)</b>	<b>300,596</b>
Other comprehensive income - Movement in foreign currency translation reserve	-	-	-	-	1,240,384	804,437
<b>Net (Loss)/gain before Membership Activities and after Transfer to Reserves</b>	<b>(72,166)</b>	<b>29,890</b>	<b>(554,139)</b>	<b>81,577</b>	<b>(150,146)</b>	<b>1,105,033</b>
<b>Contributions</b>						
Member contributions	-	232	880	47,403	1,954	95,082
<b>Withdrawals</b>						
Member attributed taxation	-	(116)	10,740	(5,414)	23,845	(13,446)
Member withdrawals	95,434	510,097	398,168	1,309,114	1,095,902	4,296,682
Scheme management fees	53,653	57,774	136,858	154,347	422,975	432,959
	149,087	567,755	545,766	1,458,047	1,542,722	4,716,195
<b>Net Membership Activities</b>	<b>(149,087)</b>	<b>(567,523)</b>	<b>(544,886)</b>	<b>(1,410,644)</b>	<b>(1,540,768)</b>	<b>(4,621,113)</b>
Movements in members' accounts	(221,253)	(537,633)	(1,099,025)	(1,329,067)	(1,690,914)	(3,516,080)
<b>Members' accounts at the start of the year</b>	<b>2,741,903</b>	<b>3,279,536</b>	<b>8,765,608</b>	<b>10,094,675</b>	<b>22,778,131</b>	<b>26,294,211</b>
<b>Members' accounts at the end 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>

\* Note: The NZD Fund comparatives are not presented and the 2015 Absolute Growth Fund (GBP) and Income Plus Fund (GBP) do not add to the Scheme total for 2015.

## EVERGREEN RETIREMENT TRUST STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 MARCH 2016

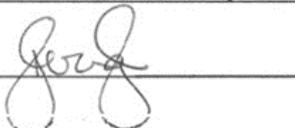
	Absolute Growth Fund (GBP)		Income Plus Fund (GBP)		Scheme (NZD)	
	2016 £	2015 £	2016 £	2015 £	2016 \$	2015* \$
<b>Members' Funds</b>	<b>2,520,650</b>	<b>2,741,903</b>	<b>7,666,583</b>	<b>8,765,608</b>	<b>19,165,173</b>	<b>22,096,471</b>
Foreign currency translation reserve	-	-	-	-	1,922,044	681,660
	<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>Assets</b>						
Cash and cash equivalents	2,024	123,519	13,368	80,820	31,861	519,878
Trade and other receivables	564,790	833,915	4,534,014	4,769,560	10,554,345	11,745,238
Trade and other receivable from related parties	-	-	-	1,990	-	12,117
Financial assets at fair value through profit or loss	2,132,842	2,136,935	3,260,600	4,371,538	11,164,236	12,907,555
Unit holder attributed taxation receivable	427	543	-	5,771	885	14,921
<b>Total Assets</b>	<b>2,700,083</b>	<b>3,094,912</b>	<b>7,807,982</b>	<b>9,229,679</b>	<b>21,751,327</b>	<b>25,199,709</b>
<b>Liabilities</b>						
Trade and other payables	19,347	269,605	58,180	352,289	160,478	2,022,665
Trade and other payables to related parties	6,327	6,858	3,583	1,142	20,513	16,991
Financial liabilities at fair value through profit or loss	153,759	76,546	69,282	110,640	461,687	381,922
Unit holder attributed taxation payable	-	-	10,354	-	21,432	-
<b>Total Liabilities</b>	<b>179,433</b>	<b>353,009</b>	<b>141,399</b>	<b>464,071</b>	<b>664,110</b>	<b>2,421,578</b>
<b>Net Assets Attributable to Members</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>

\* Note: The NZD Fund comparatives are not presented and the 2015 Absolute Growth Fund (GBP) and Income Plus Fund (GBP) do not add to the Scheme total for 2015.

These financial statements were authorised for issue by the Trustee, Covenant Trustee Services Limited.

Director 

Date 5/9/16

Director 

Date 5/9/16

**EVERGREEN RETIREMENT TRUST  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2016**

	Absolute Growth Fund (GBP) 2016 £	Income Plus Fund (GBP) 2016 £	Absolute Growth Fund (NZD) 2016 \$	Income Plus Fund (NZD) 2016 \$	Scheme (NZD) 2016 \$
<b>Cash Flows from Operating Activities</b>					
Cash was provided from:					
Interest income	387	900	-	4	2,861
Dividend income	28,990	30,795	-	-	132,735
Sale of investments	446,025	2,203,581	404,464	220,390	6,507,545
Other (expense)/income	(3,823)	23,962	-	-	44,713
Cash was applied to:					
Payment of expenses	(99,674)	(201,460)	(11,550)	(3,415)	(683,547)
Purchase of investments	(284,467)	(1,359,788)	(37,134)	(52,730)	(3,740,461)
<b>Net cash from operating activities</b>	<b>87,438</b>	<b>697,990</b>	<b>355,780</b>	<b>164,249</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	5,385	1,181	1,241	14,635
Cash was applied to:					
Withdrawals by members	(209,059)	(774,653)	(468,606)	(185,169)	(2,837,825)
<b>Net cash used in financing activities</b>	<b>(208,943)</b>	<b>(768,388)</b>	<b>(467,425)</b>	<b>(183,928)</b>	<b>(2,821,236)</b>
<b>Net decrease in Cash and Cash Equivalents</b>	<b>(121,505)</b>	<b>(70,398)</b>	<b>(111,645)</b>	<b>(19,679)</b>	<b>(557,390)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>123,519</b>	<b>80,820</b>	<b>102,842</b>	<b>12,562</b>	<b>519,878</b>
Effect of exchange rate fluctuations	10	2,946	8,803	7,117	69,373
<b>Cash and cash equivalents at the end of the year</b>	<b>2,024</b>	<b>13,368</b>	<b>-</b>	<b>-</b>	<b>31,861</b>

**EVERGREEN RETIREMENT TRUST  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2016**

	Absolute Growth Fund (GBP) 2015 £	Income Plus Fund (GBP) 2015 £	Absolute Growth Fund (NZD) 2015 \$	Income Plus Fund (NZD) 2015 \$	Scheme (NZD) 2015 \$
<b>Cash Flows from Operating Activities</b>					
Cash was provided from:					
Interest income	158	661	1,262	6,991	9,886
Dividend income	16,761	116,859	2,207	4,109	272,685
Sale of investments	1,598,533	5,969,685	204,965	142,057	15,434,143
Other income	26,437	50,129	5,254	1,330	159,217
Cash was applied to:					
Payment of expenses	(100,888)	(258,033)	(20,778)	(16,609)	(752,890)
Purchase of investments	(1,130,886)	(4,744,131)	(147,585)	(121,735)	(11,981,072)
<b>Net cash used in operating activities</b>	<b>410,115</b>	<b>1,135,170</b>	<b>45,325</b>	<b>16,143</b>	<b>3,141,969</b>
<b>Cash Flows from Financing Activities</b>					
Cash was provided from:					
Contributions from members	232	47,403	-	122	95,082
Member attributed taxation	(4,290)	(1,824)	-	-	(12,188)
Cash was applied to:					
Withdrawals by members	(525,534)	(1,292,978)	5,176	(17,453)	(3,637,451)
Member attributed taxation	-	-	(1,654)	(1,365)	(3,019)
<b>Net cash from financing activities</b>	<b>(529,592)</b>	<b>(1,247,399)</b>	<b>3,522</b>	<b>(18,696)</b>	<b>(3,557,576)</b>
<b>Net (decrease)/increase in Cash and Cash Equivalents</b>	<b>(119,477)</b>	<b>(112,229)</b>	<b>48,847</b>	<b>(2,553)</b>	<b>(415,607)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>243,048</b>	<b>196,113</b>	<b>55,334</b>	<b>15,186</b>	<b>914,250</b>
Effect of exchange rate fluctuations	(52)	(3,064)	(1,339)	(71)	21,235
<b>Cash and cash equivalents at the end of the year</b>	<b>123,519</b>	<b>80,820</b>	<b>102,842</b>	<b>12,562</b>	<b>519,878</b>

## Notes to the Summary Financial Statements For the period ended 31 March 2016

The summary financial statements are for the Evergreen Retirement Trust (the Scheme), which comprises the following investment funds (the Funds):

- Income Plus Fund – Pound Sterling Denominated
- Growth Fund - Pound Sterling Denominated

The information contained in the summary financial statements has been extracted from the Scheme's full financial statements for the year end 31 March 2016.

The Absolute Growth Fund (NZD) and the Income Plus Fund (NZD) were wound up on 31 March 2015. Comparative information for the Scheme includes the two NZ dollar denominated funds for 31 March 2015. The NZD Fund comparatives are only presented for the Statement of Cash Flows and the 31 March 2015 Absolute Growth Fund (GBP) and Income Plus Fund (GBP) and do not add to the Scheme total.

Full financial statements from which these summary financial statements have been extracted, comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. Full financial statements from which these summary financial statements have been extracted, comply with International Financial Reporting Standards ("IFRS").

Summary financial statements comply with NZ IFRS as it relates to the summary financial statements and have been prepared in accordance with FRS-43: *Summary Financial Statements*.

From 1 April 2014, the new Financial Reporting Act 2013 ("FRA 2013") came into force replacing the Financial Reporting Act 1993, effective for all for-profit entities with reporting periods beginning on or after 1 April 2014. In accordance with the transitional provisions under Section 55 of the Financial Reporting Act 2013 and Schedule 4, Clause 18(1)(a) of the Financial Markets Conduct ("FMC") Act 2013 ("FMC Act 2013"), the financial statements of the Scheme continue to comply with the Financial Reporting Act 1993 for the year ended 2016. The change in legislation will have no material impact on the Scheme's obligation to prepare general purpose financial statements.

The Trustee of the Scheme approached the New Zealand Financial Markets Authority ("FMA") to request an Order in Council designation for the Scheme as a restricted legacy scheme. That would allow the Scheme to transition to the FMC Act 2013 as a restricted legacy superannuation scheme. On the 27<sup>th</sup> June 2016 the FMA confirmed that they will include the Scheme on an Order in Council with a restricted legacy designation. The Order in Council was enacted and came into force on 2 September 2016. A restricted legacy scheme will be closed to new members.

The Manager and the Trustee are considering the options to achieve the best outcome for the Scheme members, which may include (a) continuing to operate as a restricted legacy superannuation scheme, (b) realizing the Scheme assets in an orderly manner and redeeming the member investments in the manner prescribed by the Trust Deed and applicable law, or (c) transferring all members and all Scheme assets and liabilities into an alternative qualifying scheme acceptable under the Trust Deed and applicable law.

No decision has been reached on the best course of action as at the date of the Annual Report. Although the Scheme is likely to continue its operation for the foreseeable future, the basis of accounting has been changed from the going concern basis to the realisation basis of accounting.

Since no decision has been reached on the Scheme 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 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 as the Manager and the Trustee expect the Scheme assets will be realised in the ordinary course of business.

The Scheme was established by Trust Deed dated 1 December 2011 (as amended). 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 an issuer as defined by the Financial Reporting Act 1993.

The Scheme was removed from the HMRC Qualifying Recognised Overseas Pension Scheme (QROPS) List in November 2012 as a result of concerns raised by HMRC with the administration of the Scheme. The Manager considers the Scheme is compliant as a QROPS and the Manager has not received notification from the UK HMRC that the Scheme has been excluded from being a QROPS. The result of the Scheme's removal from the HMRC QROPS List is that no new pension transfers from the United Kingdom have come into the Scheme from the November 2012 date of removal. The Scheme has therefore needed to manage liquidity on a monthly basis by redeeming some underlying positions to generate cash to meet Scheme expenses and member payments. This has had a subsequent impact on the decisions of the Investment Committee for the Income Plus and Absolute Growth funds. Evergreen Capital Partners has worked with legal counsel both in New Zealand (DLA Philips Fox) and in the UK (DLA Piper) to resolve the issues with HMRC. The Manager has not received notification from HMRC of a change in the Scheme's status in the last 12 months.

Presentation currency for the summary financial statements is NZD and GBP and has been rounded to the nearest dollar or pound.

The Scheme is a Zero-Rate Portfolio Investment Entity (PIE) for tax purposes. Under the PIE regime, income 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.

The summary financial statements for inclusion in the annual report were authorised and issued by the Trustee on 5 September 2016. The full financial statements for the year ended 31 March 2016 were issued by the Trustee on 5 September 2016 and the unqualified audit opinion with an emphasis of matter regarding the realisation basis of preparation of the Scheme's financial statements was issued at that date.

The information contained in the summary financial statements on pages 8-9 of this annual report has been extracted from the Scheme's full financial statements for the year ended 31 March 2016. Due to their summary nature, these financial statements cannot provide a full understanding of the Statement of Changes in Net Assets Available for Benefits, the Statement

of Net Assets Available for Benefits and the Statement of Cash Flows. Full understanding can only be obtained by reference to the unabridged financial statements.

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial assets at fair value through profit and loss. The methods used to measure fair values are discussed further below. These discussions are in summary and a full understanding can only be obtained by reference to the unabridged financial statements. The accrual basis of accounting has been applied. As noted above, the accounting basis has changed from the going concern basis to the realisation basis of accounting.

#### 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 Absolute Growth Fund (GBP) and Income Plus Fund (GBP) and New Zealand dollars for the Absolute Growth Fund (NZD) and Income Plus Fund (NZD). The Manager considers that GBP and NZD respectively are the currencies 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 regulated in. All financial information presented has been rounded to the nearest pounds sterling or dollar.

#### Financial Instruments

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 makes 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.

The Scheme owns approximately 75% of the units in Spectrum Sterling Income Fund as at 31 March 2016 (31 March 2015: 75%). The Scheme is an investment entity as defined by IFRS 10 *Consolidated Financial Statements* and therefore does not consolidate Spectrum Stirling Income Fund and measures its investment in fair value through profit and loss.

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 year the item is derecognised. Gains or losses are calculated as the difference between the disposal proceeds and the carrying amount of the item.

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.

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. 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.

Future margin accounts held with OMF are not included in “cash and cash equivalents” on the basis that the OMF is not a registered bank and has no external credit rating. Those future margin accounts are included in “trade and other receivables”

### 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.

### Related Parties

Detail of all related party transactions can be found in the unabridged financial statements.

The Scheme has incurred auditor’s fees and investment accounting fees during the year. For the Absolute Growth Fund (NZD) and Income Plus Fund (NZD), in prior years some of these costs have been borne by the Manager, Evergreen Capital Partners Limited. With the closure of the NZD funds these fees were not recovered by the Manager.

### **Scheme Documents**

The most recent investment statement, prospectus and other documents of or relating to the Scheme are filed on the public register at the Companies Office of the Ministry of Business, Innovation and Employment.

Members have a right to receive, on request, a copy of the most recent financial statements, auditors report, an estimate of member's benefits or a copy of the most recent investment statement and registered prospectus of the Scheme. The Scheme has not issued a prospectus since 20 March 2014 and this expired on 20 June 2014. These can be obtained at no cost by emailing [contact@evergreentrust.co.nz](mailto:contact@evergreentrust.co.nz) calling the scheme manager on +64 4 974 5145 or accessing member login via the Schemes website [www.evergreentrust.co.nz](http://www.evergreentrust.co.nz)

### **Calculation of the Value of a Member's Account**

Where the Trustee is required to pay a benefit, the total value of the Member Account will be calculated as follows:

- Taking the value of the Member's investments in the Investment Funds based on the unit value(s) applying at the next dealing date after the Trustee makes a final determination that a benefit should be paid;
- Adding the value of any cash held on account of the Member; and
- Deducting any amount the Trustee considers appropriate to deduct with respect to costs, expenses, fees, liabilities or tax.

### **Key Parties**

As at 31 March 2016, the Trustee of the Scheme was Covenant Trustee Services Limited (formerly Foundation Corporate Trust) ("the Trustee"). There have been a number of changes to the Board of the Trustee since Covenant Trustee Services Limited took over from Foundation Corporate Trust as the Trustee of the Scheme on 1 March 2016.

The current directors of the Trustee at the date the Annual Report is signed are

- James Earl Douglas
- Graham Russell Miller

Andrew Howard Barnes and Timothy James Shaw resigned as directors of the Trustee on 4 March 2016 and 3 August 2016 respectively.

The Trustee's ultimate holding company is Bath Street Capital Limited, a company incorporated in New Zealand.

The directors of the Trustee may change from time to time. A current list of directors is available online at [www.business.govt.nz/companies](http://www.business.govt.nz/companies).

There have been no other changes to key parties in the financial year.

The Investment Manager and Administration Manager of the Scheme is Evergreen Capital Partners Limited ("the Manager").

The Manager has delegated the administration functions to Trustee Executors Limited.

The Manager has delegated the investment management to Clearwater Capital LP.

The Trustee has appointed Ernst & Young as scheme auditors.

The Scheme lawyer is DLA Phillips Fox.

The Scheme's registered office is DLA Phillips Fox, 50 Customhouse Quay, Wellington.

### **Contact for Correspondence to the Trustee**

Enquiries can be made by in writing or by telephone to Evergreen Capital Partners (as agent of the Trustee) or via the Schemes website [www.evergreentrust.co.nz](http://www.evergreentrust.co.nz) using the member login or contact us options.

Telephone enquiries can be directed to Evergreen Client Service at +64 4 974 5145.

Email enquiries can be directed to [contact@evergreentrust.co.nz](mailto:contact@evergreentrust.co.nz)

Evergreen Capital Partners Limited Principal place of business is:

1F, 26 Carlton Mill Road,  
Christchurch 8014,  
New Zealand

## Independent Auditor's Report

To the members of Evergreen Retirement Trust

The summary financial statements on pages 7 to 15, which comprise the statement of net assets available for benefits as at 31 March 2016, the statement of changes in net assets available for benefits, cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of Evergreen Retirement Trust (the "Scheme") for the year ended 31 March 2016. We expressed an unqualified audit opinion with an emphasis of matter regarding the realisation basis of preparation on those financial statements in our report dated 5 September 2016. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Evergreen Retirement Trust.

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

### Trustee's Responsibilities

The Trustee is responsible for the preparation of summary financial statements in accordance with FRS-43: *Summary Financial Statements*.

### Auditor's Responsibilities

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810, "Engagements to Report on Summary Financial Statements."

Other than in our capacity as auditor, we report to Trustee of the Scheme as required by the Scheme's Trust Deed. We have no other relationship with, or interest in, the Scheme.

### Opinion

In our opinion, the summary financial statements are correctly extracted from the audited financial statements of Evergreen Retirement Trust for the year ended 31 March 2016 and are consistent, in all material respects, with those financial statements, in accordance with FRS-43.

### Emphasis of Matter

We included an emphasis of matter in our unqualified opinion on the audited financial statements of Evergreen Retirement Trust for the year ended 31 March 2016 from which the summary financial statements are derived. The matter is described in our report dated 5 September 2016:

*"The financial statements have been prepared on a realisation basis as described in Note 2(ii) to those financial statements. This basis differs from the normal convention in that financial statements are usually prepared on the basis that the company 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 company ceasing to trade.*

*No decision has been reached on the Scheme wind-down date by the 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 as the 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"*



19 September 2016  
Christchurch