20
12

BRITANNIA SUPERANNUATION SCHEME

Investment Statement

Britannia Superannuation Scheme 2012 is registered under the Superannuation Schemes Act 1989

BRITANNIA
Financial Services Ltd

This is an investment statement for the purposes of the Securities Act 1978. It has been prepared as at 15 September 2016, in accordance with schedule 13 of the Securities Regulations 2009. It relates to an offer of membership of the Britannia Superannuation Scheme 2012.

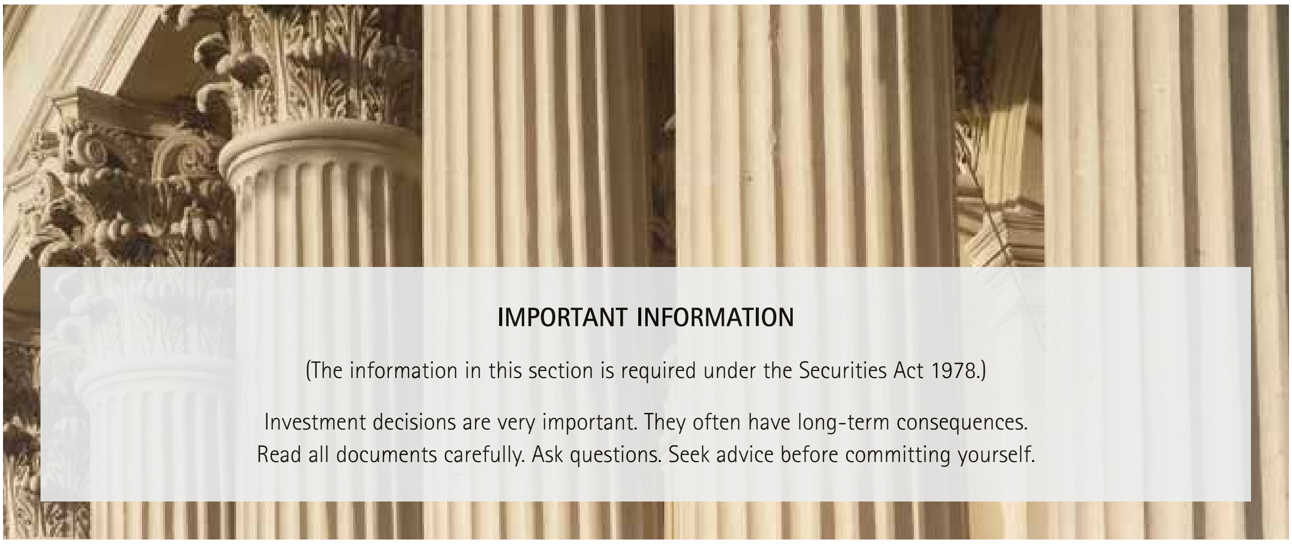
20
12

BRITANNIA SUPERANNUATION SCHEME

Investment Statement

Britannia Superannuation Scheme 2012 is registered under the Superannuation Schemes Act 1989

This is an investment statement for the purposes of the Securities Act 1978. It has been prepared as at 15 September 2016, in accordance with schedule 13 of the Securities Regulations 2009. It relates to an offer of membership of the Britannia Superannuation Scheme 2012.



IMPORTANT INFORMATION

(The information in this section is required under the Securities Act 1978.)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

The Financial Markets Authority regulates conduct in financial markets

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets.

For more information about investing, go to www.fma.govt.nz

Financial advisers can help you make investment decisions

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check –

- the type of adviser you are dealing with:
- the services the adviser can provide you with:
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at www.fspr.govt.nz

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

Key Information Summary

KEY TERMS	BRIEF SUMMARY	FOR MORE INFORMATION
What sort of investment is this?	This is an investment in a superannuation scheme. The Britannia Superannuation Scheme 2012 **(Scheme)** is a contributory, cash accumulation superannuation scheme which provides retirement benefits based upon the accumulated value of member contributions plus the investment returns achieved from year to year. You can withdraw a lump sum prior to retirement only in limited circumstances. The Scheme is a qualifying recognised overseas pension scheme **(QROPS)** which means that members can transfer their UK pension monies to the Scheme.	Page 4
Who looks after the Scheme?	Britannia Nominees Limited is the Trustee of the Scheme, Britannia Retirement Funds Limited is the Administration Manager and Britannia Financial Services Limited is the Promoter of the Scheme. All three companies are related parties.	Pages 5-6
What Funds does the Scheme invest in?	The Scheme invests contributions in one, or a combination of, the following funds in the IOOF Integral Master Trust, which comprises a number of unit trusts managed by IOOF New Zealand Limited **(the IOOF Funds or Funds)**. There are two diversified funds and three specialist (asset class) funds, which each invest in different asset classes. You can choose that your savings be invested in one, or any combination of, the following IOOF Funds, each with differing levels of risk and returns: • Conservative Fund • Balanced Fund • Fixed Interest Fund • Global Equities Fund • Cash Holding Fund.	Page 6
When can I withdraw my money from the Scheme?	If you have a UK tax-relieved fund, at least 70% of the original amount transferred from a UK pension scheme will be paid to you in the form of an income for life when you reach the UK normal minimum pension age (currently 55 years old) or if you suffer ill-health. The remaining amount (up to 30% of the original amount transferred plus any investment returns) may be paid as a lump sum. However, if you have been a UK resident at any time within the current or preceding 5 full UK tax years when you become entitled to the benefit, then only up to 25% of the original amount transferred from a UK pension scheme can be paid out as a lump sum. The remainder (after fees and taxes), but at least 70% of the original amount transferred from a UK pension scheme, will be paid as an income for life. If you have non-UK tax-relieved fund in your Account, unless you request an annuity or regular payments, you will be entitled to a cash lump sum equal to your balance on retirement (65 years old or between 55 and 65 years old, if you provide evidence to our satisfaction that you have partially or fully retired), if we are satisfied that your circumstances justify early payment (e.g. significant financial hardship), if you are residing outside New Zealand (and have done so for at least 12 months) and intend to reside outside New Zealand permanently, or for death or permanent incapacity. Any withdrawal of a benefit from your Account of non-UK tax relieved funds will be deemed under the QROPS Rules to be a withdrawal first from your UK tax-relieved funds (if you have any UK tax-relieved funds in the Scheme). This deeming rule may result in your non-UK tax relieved funds being subject to the withdrawal restrictions for UK-tax relieved funds above. We may pay you a benefit before retirement in limited circumstances. If we consent, non-tax relieved funds may be transferred to another superannuation scheme and UK tax-relieved funds may be transferred to a QROPS or UK registered pension scheme, at any time.	Pages 10-12

How much do I have to pay?	You may, but are not required to, make lump sum contributions with our approval (minimum NZ$1,000 or equivalent in foreign currency). You may (but are not required to) agree to make regular contributions by way of nomination in your application form. Regular contributions can be varied and/or suspended with our agreement (provided a minimum account balance of $2,400 is maintained).	Pages 7-8
What are the risks?	All investments involve a degree of risk. Investment returns are not guaranteed and there is a risk that returns may be negative and you may recover less than you contribute to the Scheme. The potential return on an investment is generally related to the risk of the investment. The key factor that determines your returns is the investment performance of the relevant IOOF Fund(s) you select for your Scheme investments. The performance of a Fund is principally determined by the Fund's asset allocation, the performance of individual investments, market sentiment, interest rates, currency movements, fees and expenses. A lack of diversification of a portfolio can increase the asset class risk.	Pages 13-17
What are the charges?	The following fees are payable to us out of the funds invested, or to be invested, on your account: • a contribution fee of up to 5% (including GST, if any) of all amounts you invest in the Scheme; and • an annual management fee of up to 0.95% (including GST, if any) per annum of the gross asset value of the funds invested. In addition, IOOF New Zealand Limited **(IOOF New Zealand)** charges the following fees, which are directly or indirectly payable out of your investment in the Scheme: • a product fee of up to 0.65% per annum calculated on the average daily balance and charged monthly in arrears; and • the total management cost for each Fund calculated daily as a percentage of the gross asset value of the Funds and deducted monthly from the Funds in arrears (which includes the investment management fee, the registrar's fee, the administration management fee and the trustee and custodian fee) of: • Conservative Fund - 0.63% per annum • Balanced Fund - 0.65% per annum • Global Equities Fund - 0.72% per annum • Cash Holding Fund - 0.39% per annum • Fixed Interest Fund – 0.65% per annum. A buy/sell spread is charged as a transaction fee, and costs and expenses can be recovered from the Funds. If you transfer your balance in the Scheme out to another scheme, you will be required to pay a transfer out fee of $750. When you become entitled to a retirement benefit, you may be required to pay a benefit calculation fee of $200 during the period of payment of your "income for life". You may also be charged fees on a time cost basis at such rates as we determine from time to time, for administering your death benefit on your death, or for following your instructions. A fee of $100 may be charged for administrative work relating to foreign account tax administration and reporting.	Pages 7-8
Does anyone guarantee the investment?	No person or company guarantees the payment of any money payable by the Scheme.	See the prospectus
Who can I contact for further information?	If you have any questions about your investment, you can contact your financial adviser (if you have one), email britannia@xtra.co.nz, call us on + 64 9 414 4215 (or 0800 500 811 toll free within New Zealand) or write to us at our address.	Page 18

What sort of investment is this?

The Britannia Superannuation Scheme 2012 **(Scheme)** is a superannuation scheme registered under the Superannuation Schemes Act 1989 **(Act).** The Scheme is a qualifying recognised overseas pension scheme **(QROPS)** under the law of the United Kingdom of Great Britain **(UK)** (QROPS number 504269). Because the Scheme has QROPS status, lump sum benefit withdrawals from UK tax-relieved funds are restricted and we are required to provide reports to the UK Government (see below). These QROPS requirements are discussed in detail on pages 10-12.

The Scheme's purpose is to assist you to save for your retirement and to provide you with benefits in retirement based on your savings.

You may contribute into the Scheme such amounts and at the times and in the manner you decide (subject to certain minimum contribution limits). Contributions are invested by us as the trustee of the Scheme in one or a combination of the IOOF Funds described below, which are managed and promoted by IOOF New Zealand.

You should be aware that if you transfer amounts to the Scheme from a foreign scheme, they are treated as withdrawals from that scheme and are potentially subject to tax.

You can choose which of these IOOF Funds your contributions are invested in by the Scheme.

Returns from your investments are accumulated in your account, from which the fees and expenses (described below) are deducted. Benefits are paid from the balance of your account.

Foreign Superannuation Withdrawal Tax may apply for New Zealand Resident Investors

If you are a New Zealand resident investor, you should be aware that if you transfer amounts to the Scheme from a foreign scheme, they are treated as withdrawals from that scheme and are potentially subject to tax in New Zealand. We recommend you understand the tax implications of your decision and seek tax advice if necessary.

Benefit Withdrawal Restrictions

Withdrawals of UK-Tax Relieved Funds

Benefits derived from UK tax-relieved funds are subject in all cases to compliance with UK pension laws and may be taxed in the UK if the Scheme loses its QROPS status.

At least 70% of retirement benefits paid from **UK tax-relieved funds** can be paid only as an income for life (see below). Since the percentage is based on the original amount transferred from a UK pension scheme you would not receive any lump sum payment on your retirement if your balance in the Scheme is less than 70% of the original amount transferred from a UK pension scheme.

If, at the time you reach the UK normal minimum pension age (currently 55 years old) or you suffer ill-health (described on page 8):

- you have not been a UK resident within the current or preceding 5 full UK tax years, the remaining amount (the current value of your investment less 70% of retirement benefits paid from UK tax-relieved funds) and any investment returns can be paid as a lump sum.
- you have been a UK resident at any time within the current or preceding 5 full UK tax years, then only up to 25% of the original amount transferred from a UK pension scheme can be paid out as a lump sum.

In each of the above cases, the remainder after the lump sum payment (and after fees and taxes) will be paid as an income for life as per HMRC guidelines (otherwise UK tax could be payable).

An income for life cannot be guaranteed. However, we are committed to conducting regular reviews of your income for life payment to assess whether projected investment returns on the Funds selected by you are likely to be met as these affect the amount of your annual income for life payment. A benefit calculation fee may be payable on each three-yearly anniversary when your income for life payment is recalculated – see *"What are the charges?"* on page 7.

As a consequence of this review we may be required to adjust your income for life payment to ensure the "income for life" principles by which we are bound under QROPS regulations are being adhered to. Our future reviews may result in the purchase of a contracted annuity to ensure you will receive a guaranteed income for the balance of your natural life (see the description of Longevity Risk under the *"What are my risks?"* section on page 13 for further detail).

A limited number of benefits may be payable from your UK tax-relieved fund before age 55 years at the discretion of the Scheme's Trustee:

(1) **Ill-Health benefit:** If you suffer injury or illness before age 55 years and are unable to carry on employment in the occupation for which you have been trained and are usually employed, you may apply for an early commencement of your pension. The amount of each will depend on how long you have been outside the UK and be determined in accordance with the rules above on page 7. We would require relevant evidence from a registered medical practitioner to support this claim.

(2) **Serious ill-health benefit:** If you suffer a serious illness, meaning that death is expected within a 12 month period, you may apply for payment of your entire benefit entitlement as a lump sum. We would require relevant evidence, generally from two registered medical practitioners, to support your request to be paid a serious ill-health benefit.

(3) **Death benefit:** Upon receiving evidence of the event of death, the full balance of your account will be paid to your beneficiaries or personal representative.

Withdrawals of Non-UK Tax Relieved Funds

You can claim benefits derived from your **non-UK tax-relieved funds** when you reach retirement age (when you reach 65 years old, or reach between 55 and 65 years old provided you satisfy us that you have partially or fully retired) or earlier than age 55 provided you satisfy us that:

- your circumstances justify early payment (e.g. significant financial hardship); or
- you are residing outside New Zealand (and have done so for at least 12 months) and intend to reside outside New Zealand permanently; or
- in certain other limited circumstances.

Any withdrawal of a benefit from your Account of non-UK tax relieved funds will be deemed under the QROPS Rules to be a withdrawal first from your UK tax-relieved funds (if you have any UK tax-relieved funds in the Scheme).

The effect of this deeming rule is that if you wish to make a withdrawal from your non-UK tax-relieved funds, and you still have UK tax-relieved funds in the Scheme, your withdrawal will be deemed to come from your UK-tax relieved funds first. Accordingly the withdrawal will be subject to the withdrawal restrictions above (e.g. at least 70% of retirement benefits from UK tax-relieved funds can be paid only as an income for life from age 55, except in cases of serious ill-health or death).

Your legal personal representatives or your nominated beneficiaries (at the Trustee's sole and absolute discretion) can claim your benefit if you die.

Who is involved in providing it for me?

This investment statement relates to an offer of interests in the Britannia Superannuation Scheme 2012. The Scheme was established with effect from 10 February 2012 and is governed by a Trust Deed dated 13 March 2012 as amended on 17 December 2014 **(Trust Deed)**. Its number on the Superannuation Schemes Register is AS/1930.

As at the date of this investment statement, the Trustee of the Scheme is Britannia Nominees Limited **(Trustee)**. The Trustee's address is 4/106 Bush Road, Albany, Auckland 0632 (P.O. Box 302 369, North Harbour, Auckland 0751). The Trustee can be contacted on 0800 500 811 (toll free within New Zealand).

As at the date of this investment statement, the Administration Manager of the Scheme is Britannia Retirement Funds Limited **(Administration Manager)** of 4/106 Bush Road, Albany, Auckland 0632 (P.O. Box 302 369, North Harbour, Auckland 0751), and may also be contacted on 0800 500 811 (toll free within New Zealand).

Britannia Financial Services Limited **(Promoter)** of 4/106 Bush Road, Albany, Auckland 0632 (P.O. Box 302 369, North Harbour, Auckland 0751), is the promoter of the Scheme as at the date of this investment statement, and may also be contacted on 0800 500 811 (toll free within New Zealand).

The Trustee, Administration Manager and the Promoter are related parties and therefore are not independent of each other.

The following directors and senior managers of the Administration Manager are also directors of the Trustee and Promoter:

David Thomas Milner (CFP, CLU, Grad Dip Bus Stud (Massey), MInstD:

David has over 30 years' experience in the financial services industry, 15 of which have been directly involved in the governance, management and administration of New Zealand-based superannuation schemes. David, Alun-Rees Williams and their administration team administer funds in excess of $550,000,000 representing the retirement savings of some 6,000 members as at the date of this investment statement.

David holds the internationally recognised financial planning qualifications Certified Financial Planner (CFP) and Chartered Life Underwriter (CLU), and is a graduate of Massey University having completed a Graduate Diploma in Business Studies endorsed Personal Financial Planning. David is a Fellow of the Institute of Financial Advisers (IFA) having served as the Association's inaugural President.

David has been involved in pension planning and pension transfer work since 1984 and has overseen the successful transfer of some 26,000 overseas domiciled pension accounts to qualifying schemes domiciled in New Zealand.

David has been a director of the Britannia and Endeavour group companies since they were incorporated (the earliest in 1999).

Alun Peter Rees-Williams AFA, MInstD:

Alun joined the financial services sector in 1991. He brings proven experience in staff management to the Scheme and is responsible for the day to day management of the administration function of the Scheme's processes. Alun, David Milner and their administration team administer funds in excess of $550,000,000, representing the retirement savings of some 6,000 members as at the date of this Investment Statement.

Alun is also responsible for the efficient maintenance of the Scheme's databases and computer systems and has responsibility for anti-money laundering compliance issues and the Scheme's legal requirements in that regard.

Alun is an Authorised Financial Adviser **(AFA)** under the New Zealand Financial Advisers Act 2008, is well versed on matters pertaining to pension transfer requirements, PIE tax reporting and Her Majesty's Revenue and Customs **(HMRC)** pension transfer regulations. Alun is also a member of the Institute of Financial Advisers (IFA).

Alun has been a director of the Britannia group companies and the related Endeavour group companies since they were incorporated (the earliest in 1999).

Transition to the Financial Markets Conduct Act 2013

On or before 1 December 2016, the Scheme will transition to and be subject to the provisions of the Financial Markets Conduct Act 2013 (FMCA). Once the Scheme has transitioned to the FMCA, the above structure will change. Britannia Nominees Limited will continue as trustee of the Scheme. The Scheme's trust deed will be amended to take account of certain new obligations and requirements introduced by the new FMCA regime.

The Scheme will be closed to new members on and after the effective date of transition to the FMCA regime, which will take place on a date yet to be determined (but prior to 1 December 2016). Existing members will not be affected by this change. The Scheme will not accept new applications for membership or transfers on and after the date of transition.

Investment Manager

As at the date of this investment statement, IOOF New Zealand of Level 4, 85 Fort Street, Auckland 1010 (P.O. Box 105-684, Auckland 1010), is the manager and promoter of the IOOF Funds and therefore the Investment Manager of the Scheme. Both regular and lump sum contributions to the Scheme are invested in the IOOF Funds.

The IOOF Funds are part of the IOOF Integral Master Trust range of unit trusts offered by IOOF New Zealand. The IOOF Integral Master Trust comprises a number of unit trusts, including two diversified funds and three specialist (asset class) funds. You are able to choose (with the assistance of our advisers) that your savings be invested in one or any combination of the IOOF Funds.

IOOF QuantPlus, a division of IOOF Investment Management Limited (IOOF IML) of Level 28, Central Park, 152-158 St Georges Terrace, Perth (P.O. Box 7008, Cloisters Square, Perth WA 6850) provides a range of investment services to IOOF New Zealand. IOOF New Zealand and IOOF IML are both wholly owned subsidiaries of IOOF Holdings Limited of Melbourne, Victoria, which is listed on the Australian Securities Exchange.

IOOF QuantPlus has been providing investment management services to Australian clients since 1994, and employs disciplined, deliberate and integrated investing principles to manage broadly diversified portfolios that benefit from rebalancing efficiencies and careful cost management.

IOOF New Zealand's directors are:

- John David Atkinson;
- David William John Coulter; and
- Christopher Francis Kelaher.

The Investment Manager has delegated investment management for the IOOF Funds described in this investment statement to IOOF QuantPlus, a division of IOOF IML. The following persons are directors and senior managers of IOOF IML:

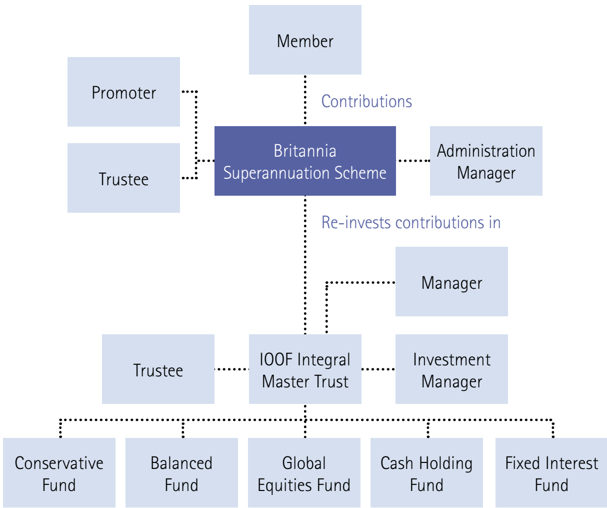
- Dr. Roger Sexton;
- Ian Griffiths;
- Jane Harvey;
- George Venardos;
- Allan Griffiths
- Elizabeth Flynn; and
- Christopher Francis Kelaher.

Further details about IOOF New Zealand are contained on its website www.ioofnz.com, along with further details about IOOF QuantPlus. Details about the directors of the Investment Manager and the directors and senior managers of IOOF IML can be found in the prospectus for the Scheme.

Relationship with the Investment Manager

The names and addresses of the Trustee, Administration Manager, the Promoter, IOOF New Zealand and IOOF IML, and their respective directors, may change at any time. The current names and addresses of each of these entities and directors may be obtained by contacting us on 0800 500 811.

Structure of the Scheme and its Funds



Diversified Funds

Conservative Fund (*): The objective of this Fund is to aim to generate consistent returns utilising a diversified portfolio, with a slight bias towards defensive or income assets. IOOF New Zealand seeks to invest the Fund in the following proportions over time (but will vary from these proportions as and when it thinks fit): NZ cash 15%, international fixed interest 45%, Australian shares 10%, global shares 30% (recommended minimum investment term – 4 years). A very small amount of the global shares allocation may be invested in New Zealand equities.

(*) on or before 30th September 2016, it is expected that the underlying IOOF Integral Master Trust fund into which this fund invests will be renamed "Diversified 40" although the objective and underlying investment allocations will remain as detailed above. This note applies through this Investment Statement in relation to any description of the IOOF Integral Master Trust "Conservative Fund".

Balanced Fund: The objective of this Fund is to aim to generate long term capital growth utilising a diversified portfolio with a slight bias towards growth assets. IOOF New Zealand seeks to invest the Fund in the following proportions over time (but will vary from these proportions as and when it thinks fit): NZ cash 10%, international fixed interest 30%, Australian shares 15%, global shares 45% (recommended minimum investment term – 5 years). A very small amount of the global shares allocation may be invested in New Zealand equities.

(*) on or before 30th September 2016, it is expected that the underlying IOOF Integral Master Trust fund into which this fund invests will be renamed "Diversified 60" although the objective and underlying investment allocations will remain as detailed above. This note applies through this Investment Statement in relation to any description of the IOOF Integral Master Trust "Conservative Balanced Fund".

Asset Class Funds

Global Equities Fund: The objective of this Fund is to aim to achieve long term capital growth through a structured exposure to listed global equities. IOOF New Zealand aims to invest 100% of the Fund in global equities, but for operational liquidity will have a small allocation of cash (not more than 5% of the Fund). Generally 97% of the Fund is invested in the listed shares of global companies (recommended minimum investment term – 7 to 10 years). A very small amount of the global shares allocation may be invested in New Zealand equities. None of this Fund's investments are hedged – see *"Currency risk"* on page 15.

Cash Holding Fund: The objective of this Fund is to aim to preserve capital while providing a regular source of returns from cash and short term interest bearing securities. IOOF New Zealand seeks to invest the Fund in cash and highly liquid short term cash equivalent instruments that have a maturity date of not more than one year (no recommended minimum investment term).

Fixed Interest Fund: The objective of this Fund is to aim to provide a low to medium risk income producing investment over the medium term by investing in a diversified portfolio of fixed interest investments (recommended minimum investment term – 3 years). IOOF New Zealand aims to invest 100% of the Fund in New Zealand and international fixed interest securities which generally have a maturity date of less than five years and which are hedged to the New Zealand dollar (in the case of international fixed interest securities). For operational liquidity purposes, the Fund will have a small allocation of cash (not more than 5% of the Fund).

The trustee (supervisor from 30th September 2016) for the IOOF Funds is Public Trust.

How much do I pay?

You may (but are not required to) make lump sum contributions (minimum $1,000 or equivalent in foreign currency) with our approval, to the Trustee at 4/106 Bush Road, Albany, Auckland 0632. Lump sum contributions may be made by cheque payable to the Trustee (crossed and marked "not transferable" or "account payee only").

You may (but are not required to) agree to make regular contributions by way of nomination in your application form. Regular contributions are payable by direct debit to the bank account nominated by us unless other payment arrangements are agreed with us (for example by direct deduction from salary or wages).

Regular contributions can be varied and/or suspended with our agreement (provided a minimum account balance of $2,400 is maintained), but if you fail to make the regular contributions nominated in your application without our agreement, costs and expenses of the Scheme will continue to be debited to your account until you become entitled to a benefit.

What are the charges?

Fees payable

As at the date of this investment statement, the following annual fees are directly or indirectly payable out of your investment in the Scheme (refer Table 1).

TABLE 1: Fees Payable

FUND	ONGOING ANNUAL MANAGEMENT FEES PAYABLE TO US[1]	FEES PAYABLE TO IOOF NZ		TOTAL FEES
		PRODUCT FEE[2]	TOTAL MANAGEMENT COST[3]	
Conservative Fund	Up to 0.95%	0.65%	0.63%	2.23%
Balanced Fund	Up to 0.95%	0.65%	0.65%	2.25%
Global Equities Fund	Up to 0.95%	0.65%	0.72%	2.32%
Cash Holding Fund	Up to 0.95%	0.40%	0.39%	1.74%
Fixed Interest Fund	Up to 0.95%	0.40%	0.65%	2.00%

1 Includes GST, if any, of the gross asset value of the funds you invest (which will also be agreed in writing with you in advance) with us. The annual management fee is deducted monthly from your account at a rate of: days in month/365 x 0.95%.

2 The Product Fee is calculated as a percentage of the value of your investment, calculated on your average daily balance and charged monthly in arrears. Includes GST, if any, which is charged on 10% of up to 0.395% of the product fee amount, although the percentage of the fee on which GST is payable is currently under review by Inland Revenue, and therefore may change.

3 The IOOF New Zealand total management cost is calculated as a percentage of the gross asset value of the Funds, calculated daily and deducted from the Funds monthly in arrears. The IOOF New Zealand total management cost covers the investment management fee, the registrar's fee, the administration management fee, the trustee and custodian fees. The total management cost also covers the indirect management costs associated with the underlying investments of each IOOF Fund.

The annual management fees and IOOF product fees are deducted from the Scheme. If your contributions are invested in multiple Funds, the relevant fee may be deducted either from the Fund you have nominated or from the lowest risk IOOF Fund that your contributions are invested in (in this order: Cash Holding, Fixed Interest, Conservative, Balanced, Global Equities) unless you elect otherwise.

As at the date of this investment statement, the following additional fees are payable by all Scheme members (refer Table 2).

TABLE 2: Additional Fees

TYPE OF FEE	FEE CALCULATION	FEE AMOUNT	PAID TO	OTHER INFORMATION
Contribution fee	A percentage amount of all amounts you invest in the Scheme, agreed in writing with you before your contributions are made	Up to 5% (including GST, if any) of all amounts you invest in the Scheme will be payable to us. The contribution fee may be deducted directly from the money you invest in the Scheme. Any contribution fee payable to us, together with any contribution fee payable to IOOF New Zealand, if any, will not exceed, in aggregate, 5% of the amount invested in the Scheme. Currently there is no contribution fee payable to IOOF New Zealand.	Britannia	The contribution fee covers any personalised financial advice associated with your contributions and the administration associated with you joining and making additional payments into the Scheme and, in the case of members transferring UK tax-relieved funds from overseas schemes to the Scheme, the further administration involved in making those transfers.
Transfer out fee	A fixed amount payable if you transfer out of the Scheme to a QROPS, UK registered pension scheme, or another superannuation scheme	$750 if you transfer out of the Scheme to a QROPS, UK registered pension scheme, or another superannuation scheme.	Britannia	The Trustee may waive the transfer out fee in certain circumstances.
Benefit calculation fee	A fixed amount payable on each three year anniversary when you are being paid an income for life that is recalculated	$200 will be payable on each three-yearly anniversary when you are being paid an income for life and your income for life payment is recalculated in accordance with the "income for life requirements" in the QROPS rules.	Britannia	
Special benefit calculation fee	A fixed amount payable for those requiring a special benefit calculation	$200 will be payable for investors who require a special benefit calculation outside of the Registered Pension Schemes Manual	Britannia	
FATCA fee	A fixed amount charged for the administrative work associated with the US FATCA regime	If you are a US resident, the FATCA fee is $100 per year. This fee is charged for the additional administrative work that we are required to undertake in relation to the reporting obligations imposed on the Scheme by the Tax Administration Act 1994 that implements the US FATCA requirements.	Britannia	There may be additional foreign tax reporting requirements in the future.
Other fees	Fees charged on a time cost basis at rates agreed between the investor and the Trustee	Fees may be charged on a time cost basis at such rates as we determine from time to time for other activities, such as administering a death benefit request, and acting on the instructions of a member.	Britannia	

The transfer out fee, benefit calculation fee and administration fees referred to above may be increased or waived in whole or in part from time to time, either generally or in relation to a particular member or group of members.

Transaction costs and other expenses

At the date of this investment statement, the only transaction costs recoverable by the IOOF Funds are buy/sell spread fees of up to 0.25% of the application/redemption amount (but is currently charged between nil and 0.16%) and any costs (including bank fees) incurred from irregular investor instructions. IOOF New Zealand may, in the future, charge switching, withdrawal and transfer fees in respect of the IOOF Funds, but we would not expect these to be significant if they were introduced.

Unless otherwise agreed between the Trustee and Promoter, all costs and expenses of, or incurred by, us in respect of the Scheme, will be paid by us with the exception of:

- any currency conversion fees payable (including any margin we earn by obtaining a better currency conversion rate than the rate that is payable to members from apportioning wholesale currency conversions to members using daily published bank currency conversion rates) on conversion of any money paid by way of a benefit in a currency other than pounds sterling, or, payable by us on money invested by us in a currency other than pounds sterling;
- any incidental bank charges deducted from funds that are paid to you or to the Investment Manager for investment;
- any costs or expenses imposed by law or incurred as a consequence of changes in any applicable laws;
- any taxes (including any portfolio investment entity **(PIE)** tax), payable by, or in respect of, you in connection with the investment of your member account and/or the payment of benefits; and
- any other costs and expenses agreed in writing by you.

Expenses such as accounting, audit, actuarial and other professional fees incurred by us in connection with the Scheme may be recovered by us from the Scheme. Expenses such as audit, registry fees, and any regulatory levies may also be charged by IOOF New Zealand to the Funds.

In joining the Scheme, you accept and authorise the deduction of these fees, costs and expenses. These fees, costs and expenses may affect the amount of returns payable to you. The Trustee will determine your portion of these fees, costs and expenses monthly, quarterly or annually (as appropriate). The amount of these charges will vary from year to year and are of an indeterminate amount. You can contact us at any time to find out how much you may be charged for these fees, costs and expenses.

All fees, commission, charges, costs and expenses are subject to change from time to time without notice and without limitation. The Trust Deed for the Scheme does not require us to notify members of any change to the fees, commissions, charges, costs and expenses that members are liable to pay or which will affect returns of the Scheme. We will monitor all fees, commissions, charges, costs and expenses including investment management and investment account administration charges to ensure they remain at appropriate levels.

All fees that are tax deductible will be offset against PIE-allocated income and cannot be deducted in your personal tax return, even when they are charged directly to you. Any entry, registration, exit and transfer fees charged will generally not be tax deductible and will not be offset against PIE-allocated income.

What returns will I get?

At your election, your contributions will be invested in the IOOF Funds you select (with our approval) from the range of IOOF Funds identified in this investment statement. See the description of the investment classes in which the IOOF Funds invest under the *"Who is involved in providing it for me?"* section on page 5 and more detailed information in the prospectus. The returns you will earn will depend on the returns earned on your balances in those selected IOOF Funds, after deduction of all fees and expenses. All net returns will be credited/debited to your account daily or weekly (as applicable), and invested in the IOOF Funds in accordance with your instructions, until they are paid out as benefits.

The amount available to you as benefits will reflect the contributions you make and the returns achieved in the IOOF Funds you select and how long you are invested in the Scheme. The returns are not guaranteed (or promised) and may vary from year to year (investment returns can be positive or negative).

The key factors that will determine your returns are:

- the amounts you contribute;
- your choice from the IOOF Funds we offer;
- how your investments perform;
- how long you invest for;
- your prescribed investor rate (PIR) (described on page 12);
- whether you are subject to UK taxation on withdrawals; and
- the fees and expenses payable.

Investment performance of the IOOF Funds is affected by the performance of the class of assets selected and changes in the investment markets they are in. Markets are affected by a range of factors, including interest rates, exchange rates, political, regulatory, economic and market sentiment changes.

We will adjust your returns for any tax payable on income allocated to you as described later in this section.

Taxes paid by the Scheme on your PIE income will be deducted by adjusting your beneficial interest in the Scheme. You also will personally indemnify us for any tax payable on your PIE income which cannot be deducted in this way. However, this indemnity would apply only if your allocated PIE tax liability is more than the value of your investment.

The IOOF Funds (excluding the Cash Holding Fund) in which your contributions will be reinvested will seek a medium to long-term return with an acceptable level of risk. They have differing risk profiles because, generally, greater risk provides a greater opportunity for return. Their investment strategies are described earlier in the *"Who is involved in providing it for me?"* section on page 5 and, in more detail, in the prospectus.

Because the specialist funds are of a more specialist nature, they may be more suited to the financial profile and investment objectives of some individual members. Risks will vary. For example, the Cash Holding Fund is likely to return steady returns, whereas the returns from the Global Equities Fund are likely to be less predictable but have the potential to be higher.

Returns are usually calculated by measuring changes in unit prices. Unit prices for the IOOF Funds are determined by adding the market value of the relevant IOOF Fund's investments and any income on each normal business day (including accrued income) and deducting all liabilities and then dividing this result by the number of units on issue in the relevant IOOF Fund.

Relevant Transfer Fund

If you become a member, you will have an account or accounts within the Scheme into which contributions and net investment returns are credited and charges debited. You will have a sub-account (the **Relevant Transfer Fund**) where UK tax-relieved funds received from a UK registered pension scheme (or that were originally sourced from a UK registered pension scheme) will be credited.

Certain restrictions apply to, and we have certain discretionary powers with respect of, the payment of benefits from your Relevant Transfer Fund. Relevant Transfer Funds can be paid to you, or on your account, only to the extent the payment of benefits would not be unauthorised member payments under UK pension laws or as permitted under the QROPS rules.

Additionally, if necessary to preserve the status of the Scheme as a QROPS under UK pension law, we may refuse to make certain payments to you from your Relevant Transfer Fund. These are payments which would not have been authorised from a UK registered pension scheme. We may also make such payments subject to such terms as we think fit. We will not however deduct amounts payable by you to the UK Government without your written consent. If the UK law changes and requires us to make such deductions without your consent, we will notify you as soon as is reasonably practicable after the UK law change takes effect.

Entitlement to benefits from your Relevant Transfer Fund

Benefits derived from UK tax-relieved funds are subject in all cases to compliance with UK pension laws and may be taxed in the UK if the Scheme loses its QROPS status.

Retirement or Ill-Health Benefits: At least 70% of retirement benefits from UK tax-relieved funds can be paid only as an income for life (see below). Since the percentage is based on the original amount transferred from a UK pension scheme you would not receive any lump sum payment on your retirement if your balance in the Scheme is less than 70% of the original amount transferred from a UK pension scheme.

If, at the time you reach the UK normal minimum pension age (currently 55 years old) or you suffer ill-health (detailed on page 15):

- you have not been a UK resident within the current or preceding 5 full UK tax years, the remaining amount (the current value of your investment less 70% of retirement benefits paid from UK tax-relieved funds) and any investment returns can be paid as a lump sum; or
- you have been a UK resident at any time within the current or preceding 5 full UK tax years, then only up to 25% of the original amount transferred from a UK pension scheme and any investment returns can be paid out as a lump sum.

In each of the above cases, the remainder after the lump sum payment (and after fees and taxes) will be paid as an income for life (otherwise UK tax could be payable). In some cases the amount may be determined by the member, so long as that approach is consistent with the QROPS rules and the UK tax legislation and regulations.

An income for life cannot be guaranteed. However, we are committed to conducting regular reviews of your income for life payments to ensure we meet our obligations under the "income for life" QROPS rules described earlier. A benefit calculation fee may be payable on each three-yearly anniversary when your income for life payment is recalculated – see *"What are the charges?"* on page 7.

As a consequence of this review, we may be required to adjust your income for life payment to ensure we meet our obligations under the "income for life" QROPS rules described earlier. Our future reviews may result in the purchase of a contracted annuity to ensure you will receive a guaranteed income for the balance of your natural life (see the description of Longevity Risk under the *"What are my risks?"* section on page 13 for further detail).

A benefit may be payable before age 55 on grounds of Ill-health above if:

- we have received evidence from a registered medical practitioner that you are (and will continue to be) incapable of carrying on your occupation because of physical and mental impairment; and
- you have in fact ceased to carry on your occupation.

Serious Ill-Health Benefits: If you are suffering from serious ill-health then, provided certain conditions are met, we may commute any pension entitlement which you hold under the scheme and pay you your entire benefit entitlement as a lump sum (a **serious ill-health lump sum**).

A serious ill-health lump sum may be payable at any time if:

- we have received written evidence from two registered medical practitioners) confirming that the member is expected to live for less than one year;
- the member has not used up all of their lifetime allowance when the payment is made; and
- the payment extinguishes the member's entitlement to benefits under the arrangement (this means that all of the benefits under the arrangement must be commuted and paid as a serious ill-health lump sum).

We will not charge the early payment fee (25 months) for any payments made under the serious ill-health lump-sum condition set out above.

Death Benefits: Upon receiving evidence of death the full balance of the account will be paid to the member's beneficiaries or personal representative.

Transfers to other QROPS

At any time you can apply to transfer the balance in your Relevant Transfer Fund account to another scheme that has QROPS status (subject to our consent). Charges will be payable on the transfer to another scheme in New Zealand or overseas – see *"What are the charges?"* on page 7 for further details.

Entitlement to benefits from your Account (excluding your Relevant Transfer Fund)

If you do not request an annuity or regular payments, you will be entitled to a cash lump sum equal to the balance in your Account (excluding your Relevant Transfer Fund) within the Scheme on retirement (when you reach 65 years, or between 55 and 65 years if you provide evidence to our satisfaction that you have partially or fully retired), or earlier in certain other limited circumstances.

We may pay you a benefit before retirement from your Account (excluding your Relevant Transfer Fund, and subject to the deeming rule below), if:

- we are satisfied that your circumstances justify early payment (e.g. serious illness or significant financial hardship or other grave circumstances); or
- you are residing outside New Zealand and intend to reside outside New Zealand permanently.

Any withdrawal of a benefit from your Account of non-UK tax relieved funds will be deemed under the QROPS Rules to be a withdrawal first from your UK tax-relieved funds (if you have any UK tax-relieved funds in the Scheme).

The effect of this deeming rule is that if you wish to make a withdrawal from your non-UK tax-relieved funds, and you still have UK tax-relieved funds in the Scheme, your withdrawal will be deemed to come first from those UK-tax relieved funds, and accordingly will be subject to the withdrawal restrictions above (e.g. at least 70% of retirement benefits paid from UK tax-relieved funds can be paid only as an income for life from age 55 onwards, except in cases of ill-health, etc).

Transfers of Non-UK Tax Relieved Funds

If we consent, non-tax relieved funds may be transferred to another superannuation scheme at any time. Charges will be payable on the transfer to another scheme in New Zealand or overseas – see *"What are the charges?"* on page 7 for further details.

Additional withdrawal restrictions

If any assets transferred to the Scheme from another superannuation scheme are required by the trustee of the transferring scheme to be subject to specific withdrawal restrictions and we accept such assets on that basis, then the amount representing such assets, irrespective of any other provisions of the Trust Deed, can be paid to you only in accordance with the specific withdrawal restrictions required by the trustee of the transferring scheme.

If any assets transferred to the Scheme from another superannuation scheme are required by the trustee of the transferring scheme to be applied to purchase an annuity, or to be paid by regular instalments, then that part of the benefit becoming payable to you will be applied to the purchase of an annuity or be paid by regular instalments.

If you die, your Non-Relevant Transfer Fund balance will be paid as a lump sum to your legal personal representatives or to any beneficiaries nominated in writing by you (at the Trustee's sole and absolute discretion).

Nature of benefit

In addition to the requirement (set out above) to pay at least 70% of your retirement benefit (as it relates to your Relevant Transfer Fund) as an income for your life, we may, at your request, utilise all or part of any cash lump sum to which you become entitled, in respect of any other benefit, to purchase an annuity for you or to make regular payments to you.

In the event that you die before the balance in your account (your income for life) is exhausted, the balance of your Non-Relevant Transfer Fund will be paid out as described above and your Relevant Transfer Fund will be paid to your legal personal representatives.

If we purchase an annuity for you, the annuity will be payable by the relevant insurance company or annuity provider from whom the annuity is purchased and our liability will cease.

Benefits are payable in any tradable currency you choose. If you choose a currency other than New Zealand dollars, charges may be payable – see *"What are the charges?"* on page 7 for further details.

The Trustee (except in respect of annuities purchased from a life insurance company or other annuity provider) is legally liable to pay your benefits.

If we consent, non-tax relieved funds may be transferred to another superannuation scheme or UK tax-relieved funds may be transferred to a QROPS or UK registered pension scheme, at any time.

PIE Taxation

As a PIE, the Scheme allocates all its taxable income (or loss) between its members based on the size of their beneficial interest in the relevant IOOF Funds. The tax payable on such income allocated to you will be calculated on the basis of your PIR (explained below).

If you are a New Zealand tax resident, you must notify us of your IRD number and applicable PIR when you join the Scheme and when these details change. If you do not notify both your IRD number and PIR, you will be taxed on PIE income allocated to you by the Scheme at the default rate of 28%. Inland Revenue may also require the Scheme to apply the default rate. We will seek reconfirmation of these details annually.

Your PIR will be one of the following:

- **10.5%:** if you are a New Zealand resident, you have a 10.5% PIR if both of the following conditions can be met in one or both of the two immediately preceding income years:
    - your taxable income (excluding PIE income) did not exceed $14,000; and
    - your combined taxable and PIE income did not exceed $48,000.

  'Income year' means the period commencing 1 April of a given year and ending on 31 March of the following year.
- 17.5%: if you are a New Zealand resident (and do not have a 10.5% PIR) you have a 17.5% PIR if both of the following conditions can be met in one or both of the two immediately preceding income years:
    - your taxable income (excluding PIE income) did not exceed $48,000; and
    - your combined taxable and PIE income did not exceed $70,000.
- **28%:** if you do not meet the criteria for either of the other PIRs.

When you determine your PIR, you must include non-New Zealand sourced income when calculating your taxable income for a particular income year, even if you were not a New Zealand tax resident when that income was earned. This is especially important for new residents to consider. New residents will be able to elect out of this treatment in some cases (see www.ird.govt.nz).

We are required to provide you with an annual statement containing information regarding your interest in the Scheme, including the PIE income allocated to you and the amount of tax paid at your PIR. This information will be necessary when determining your PIR in the future.

The Scheme's tax liability on income allocated to you will be met by reducing your account balance by an amount equal to the value of the tax liability, at the earliest of the following three times in respect of each income year:

i) at the end of the income year (following 31 March);

ii) upon a full withdrawal or switch; or

iii) if at any time, and especially upon a partial withdrawal, partial switch, or reallocation, the balance of your account is, or could potentially become, insufficient to cover the Scheme's accrued tax liability on income allocated to you. In these circumstances an amount will be deducted on account of PIE tax. We will consider potential market movements when determining whether your account balance is of sufficient value to cover the tax liability.

A refund of tax will be provided to the Scheme to compensate for PIE tax losses or excess tax credits relating to you, which is then allocated to you by increasing your account balance.

If the correct PIR (or a rate that is higher than the correct PIR) has been used, the tax paid on PIE income allocated to you will be a final tax, and no obligation to file a tax return or pay any tax (in respect of this investment) will arise as a consequence. Nor will the PIE income impact on family assistance eligibility, student loan repayment obligations or child support payment obligations.

You must advise us if your PIR changes. Failure to advise us of a change in your PIR, or advising a PIR that is lower than the correct PIR, will mean you are personally liable to pay any resulting tax shortfall including penalties or interest and may be required to file a tax return. If you advise a PIR that is higher than the correct PIR, the excess tax paid cannot be paid back to you, as PIE tax is a final tax in this circumstance.

Withdrawals from the Scheme will generally be tax-free.

Transfers to a New Zealand superannuation scheme from a foreign scheme (other than an Australian complying superannuation scheme) are treated as withdrawals and are potentially subject to tax for New Zealand resident members. Before making such a transfer into the Scheme, you should consult your tax adviser. Non-New Zealand-resident investors will not be affected by this new legislation.

Taxation of the Scheme's investments

The IOOF Funds will generally be taxed using the fair dividend rate (FDR) method under the foreign investment fund (FIF) rules. Under this method, the Scheme will be deemed to derive, and pay tax on behalf of tax-paying members on taxable income equal to 5% of the average opening market value of the these interests during the relevant income year. Dividends and gains from holdings subject to tax under the FDR method are not taxed. Any losses will not be deductible.

The above comments in relation to taxation are general comments only, based on current New Zealand tax law and policy announcements as at the date of this investment statement. We do not accept any responsibility for the impact of taxation liabilities on you.

As indicated above, tax legislation and rates of tax may be subject to change from time to time. The impact of taxation may vary depending on your individual circumstances. You should consult your own independent tax adviser if you are uncertain of your taxation position in relation to the Scheme and the tax consequences of holding and withdrawing your account balance in the Scheme.

What are my risks?

Almost every investment carries some level of risk. In the event of poor investment performance, returns may be negative, reducing your account balances. In such cases, you may recover, in total, benefits less than your contributions into the Scheme. In the event of a financial catastrophe in world financial markets your account balances may reduce significantly. If your account balances reduce your benefits payable will also reduce (i.e. the benefit payable in any year may be less than that payable in the preceding year because of poor investment performance). You carry the investment risk on your investments. Investment returns are not guaranteed. You should understand the UK tax implications of any withdrawal from the Scheme before making it. If the Scheme were to be wound up, you may be liable for UK tax on the part of your wind-up benefit relating to UK tax-relieved funds.

We aim to mitigate the risks outlined below by utilising the services of IOOF New Zealand, the manager and promoter of the IOOF Funds, and the Investment Manager for the Scheme. IOOF New Zealand has delegated investment management for the IOOF Funds described in this investment statement to IOOF QuantPlus, a division of IOOF IML. IOOF QuantPlus employs disciplined, deliberate and integrated investing principles to manage broadly diversified or specialist (asset class) portfolios that benefit from rebalancing efficiencies and careful cost management. When selecting assets for the IOOF Funds, IOOF QuantPlus considers diversification, liquidity, cost, potential risk and returns, and tax efficiency.

We also actively monitor the QROPS compliance rules to ensure the Scheme retains its QROPS status. As outlined below, the implications (for you) of our reporting obligations to the UK Government are important and you may be liable to pay UK tax as a result of certain transfers or payments to you (see below). We recommend that you discuss proposed transfers and any withdrawals with your UK and New Zealand tax advisers (as applicable).

QROPS rules

Under the QROPS rules, we are required to ensure that at least 70% of retirement benefits paid from UK tax-relieved funds are paid as an income for life (other than in the case of serious ill-health or death). Since the percentage is based on the original amount transferred from a UK pension scheme, if investment returns in the IOOF Fund you are invested in have been poor, or currency movements have been adverse, it is possible you may not be entitled to any lump sum payment on retirement. In this case all of your retirement benefit will be paid as an income for life.

UK tax liability

We are expected to adhere to certain requirements in order to retain QROPS status. When we make a payment to you from your Relevant Transfer Fund, or we allow you to transfer your Relevant Transfer Fund to another superannuation scheme, we are required to report the payment or transfer to the UK Government within certain time periods (reporting to the UK Government is required for 10 years after you have transferred your money from a UK pension scheme). This may result in you being liable to pay UK tax (although potentially only if, when you withdraw your money, you have been a UK resident within the current or preceding 5 full UK tax years) and you may have to file a UK income tax return. The Scheme's Trust Deed matches the proposed UK restrictions, so in the ordinary course of the Scheme you should not be liable to pay UK tax on your benefit payments from the Scheme.

We have processes in place to ensure that all payments and transfers are reported within the required timeframes to the UK Government.

If the Scheme were to lose QROPS status, however, you may be subject to UK tax liability on UK tax-relieved funds transferred to the Scheme. We have discretion under the Trust Deed to restrict payments, if required, from your Relevant Transfer Fund in order to preserve the status of the Scheme as a QROPS.

If you transfer funds to the Scheme from a UK registered pension scheme or another superannuation scheme (including an overseas scheme) that has QROPS status, we may provide the UK Government with such information with respect to payments to you, whether from your Relevant Transfer Fund or otherwise, as the UK Government may require from time to time in order to maintain the status of the Scheme as a QROPS.

The implications (for you) of our reporting obligations to the UK Government are important. If a payment to you results in you becoming subject to a UK tax liability because it is made when you have been a UK resident within the current or preceding 5 UK tax years, you will be liable to pay UK tax.

Investment risk

Each investment sector has risks typical of that sector. The diversified funds invest (or will normally invest) across the range of investment sectors. The specialist funds invest in specific investment sectors.

Lack of portfolio diversification

Concentrating investments increases risk. A lack of diversification of a portfolio (for example, in the Global Equities Fund or the Cash Holding Fund) can increase the volatility and expose investors to unexpected changes in market conditions and increases asset class risk.

Asset class risk

The diversified funds invest in a range of asset classes. Different classes of investments have different levels of risk, with short term Government guaranteed debt typically having the lowest risk and speculative investments having the highest. Typically, the higher the level of risk, the higher the potential return.

The investment strategies of the diversified funds allow for different asset class weightings among the diversified funds (see the *"Who is involved in providing it for me?"* section on page 5 and the prospectus for details), resulting in the diversified funds having different risk exposures. The Conservative Fund has less risk attached to it, while the Balanced Fund has an increased level of risk. Detailed below are examples of how risks relate to the different asset classes offered through investing in the diversified funds offered as part of the Scheme:

- Cash is generally considered to be the lowest risk investment because of its limited potential to rise and fall in value over the short term. However, cash investments typically may not earn enough in the long term to meet your financial goals. Cash may also be subject to currency risk, see below.
- Fixed interest investments (e.g. bonds) are seen as a moderate risk investment. Fixed interest investments are generally less volatile over the short term than property or equities. Fixed interest may also be subject to currency risk, see below.
- Equities are exposed to general economic factors such as inflation, interest rates and changes in market conditions and sentiment. These factors will all have an effect on the value of equities as does the performance of the companies invested in. There are also additional risks for global equities relating to exchange rates, currencies and political risks associated with investing in other countries.

While the Trustee is permitted to invest the Scheme's assets in Australasian equities, as at the date of this investment statement, the IOOF Funds in which the Scheme's assets are invested generally invest in Australian equities when seeking an Australasian exposure. The investment proportions which IOOF New Zealand seeks to invest each IOOF Fund in, are described on page 6. The Global Equities Fund, Conservative Fund and Balanced Fund may each have a small indirect exposure to New Zealand equities under the "global shares" allocation if the underlying fund managers include a small portion of New Zealand equities in their portfolios.

Please see the prospectus for the investment policy and objectives of the IOOF Funds.

Capital risk

Investments can decline in value as well as appreciate. The measure of this change in value is referred to as volatility (i.e. the more the value varies over time, the more volatile the investment is and, therefore, the more risk involved in investing in it). Equities are more volatile than cash. There is more risk in investing in equities but greater opportunity for gain; in the case of cash there is less likelihood of any significant loss or gain. The diversified funds available endeavour to balance risk and return, however those IOOF Funds that invest in equities (all of the IOOF Funds except the Cash Holding Fund and the Fixed Interest Fund) will experience some volatility. Increasing levels of exposure to equities within the IOOF Funds will increase the volatility in the particular IOOF Fund. The specialist funds provide investment opportunities in specific investments; their volatility varies accordingly.

Events that can affect the return or value and unit prices of the underlying funds include the following:

- economic, political, regulatory or market conditions that affect share prices, currency or interest rates;
- the performance of individual companies or securities in the relevant IOOF Fund;
- changes in foreign exchange rates that affect the value of an overseas investment;
- the risk a bond issuer or mortgagor may default on either interest or debt repayments (credit risk);
- if interest rates rise, bond investments or funds can decrease in value (and vice versa);
- decisions made by investment or fund managers (including the risk of market timing and poor diversification);
- obtaining unmanageable exposure to markets compared to the net value of an underlying asset (gearing risk);
- failure by counterparties to honour their contractual obligations; and
- changes in tax or other legislation that affects returns or any change to the tax status of the Scheme.

Inflation risk

There is the risk that an investment will lose real value because the rate of inflation is above the rate of return on the investment. The risk is greater in long term investments due to the difficulty in predicting inflation rates over long periods of time.

Interest rate risk

Exposure to investments in cash or bonds will be subject to interest rate risk where an interest rate change directly affects returns. Interest rate changes also have an effect on the value of bond, equity and property markets. The effect may take some time to be seen and in these markets the expectation of a change is often built into prices. It is the difference between the expectation and the actual change in the interest rate that will affect the return on your investment.

Currency risk

As some of the assets of the Scheme are invested offshore, returns in New Zealand are affected by movements between the New Zealand dollar and other currencies, where the offshore investment is not in or fully hedged to the New Zealand dollar. Futures, options, hedging and forward-rate contracts may be used to endeavour to manage the risk associated with equity market, fixed interest investments and currency movements and these may be employed by the IOOF Funds where the assets are invested in currencies other than the New Zealand dollar. The Scheme itself does not employ any of these methods to manage the current risk between the New Zealand dollar and other currencies. However, IOOF New Zealand effectively hedges the Fixed Interest Fund's underlying assets to the New Zealand dollar by investing in a diversified portfolio of fixed interest investments which are hedged to the New Zealand dollar. None of the IOOF Funds' global share investments are hedged.

Country risk

Investing internationally brings with it a range of specific risks. Each country's market is regulated by different authorities, resulting in different levels of consumer protection. Economic and political conditions may be more volatile in other countries, creating uncertainty and an increase in unforeseen factors.

Emerging markets risk

Investments in emerging markets include risks additional to those normally associated with an investment in securities in more developed markets. These risks may include restrictions on investment and repatriation of investment capital, the ability to exchange currencies for New Zealand dollars, currency and security price volatility, and markets that may be less liquid and less regulated. Political and social unrest together with government involvement in the economy can also increase risk.

Single trust fund risk

Despite there being separate Funds within the Scheme, which are designed to enable members to have their savings invested by reference to particular asset classes or mixes of asset classes, the assets of the Scheme comprise a single trust fund as at the date of this investment statement.

This means that although liabilities incurred in relation to a Fund must be met in the first instance from the assets held for that Fund, in the unlikely event that the assets attributable to a particular Fund are insufficient to meet the liabilities attributable to that Fund, the assets of any other Fund may be called on to meet those liabilities on an equitable basis.

Except to the extent necessary to meet liabilities incurred in relation to another Fund, all investments made with the moneys of a Fund must be held by the Trustee exclusively for that Fund, and for the exclusive benefit of the members who have interests in that Fund. However, subject to the tax rules for PIEs, the Trustee may transfer value between Funds to accommodate the Scheme being a single taxpayer.

Longevity risk

While we are required to apply at least 70% of your Relevant Transfer Fund (the amount originally transferred from a UK pension scheme) in the form of an income for your life, it is possible that you will not receive income from the Scheme for the rest of your life. This is because an "income for your life" is determined either:

- in accordance with the Trust Deed and based on current actuarial mortality tables (that assume how long you will live for) and projected returns for the portfolios you have re-invested in (where you have not been a UK resident within the current or preceding 5 full UK tax years); or
- by reference to the UK Government Actuarial Department tables and an income calculation carried out as per HMRC guidelines (if you have been a UK resident at any time within the current or preceding 5 full UK tax years).

Accordingly, if you live beyond your assumed life expectancy contained in the actuarial mortality tables or UK Government Actuarial Department Tables, the returns for the portfolios you have selected or your income (as the case may be) do not match those projected, it is possible that you will not receive an income for your life, and payments will cease prior to the end of your life. However, we are committed to conducting regular reviews of your income for life payment to assess whether projected investment returns on the IOOF Funds selected by you are likely to be met (as these affect the amount of your annual income for life payment). As a consequence of this review we may decide to adjust your income for life payment to ensure the "income for life" principles by which we are bound under QROPS regulations are being adhered to. Our future reviews may result in the purchase of a contracted annuity to ensure you will receive a guaranteed income for the balance of your natural life.

Operational risk

Risks may arise from a failure of processes and procedures, fraud, litigation, disruption to business by industrial disputes, systems failures, pandemics, natural disasters and other unforeseen external events which might affect our business or the Scheme and its assets.

Legislative risk

Changes to existing law or the introduction of new law could have a significant impact on an investment. Legislative risk generally entails an amendment, introduction or abolition of one or more laws that may directly impact a given investment.

Taxation risk

If the Scheme were to lose its PIE status due to an event - for example, not meeting any applicable requirement relating to member numbers, member return adjustments, or the size of member interests - then the Scheme should be taxed as a widely held superannuation scheme at a rate of 28% rather than at each member's PIR.

In relation to the size of member interests, a member's beneficial interest in a particular investment fund in which the Scheme invests on account of members i.e. currently the IOOF Funds (combined with beneficial interests of any associated parties in the same investment fund), cannot exceed 20% of the total beneficial interests of members in that investment fund. In relation to member numbers, generally there must be at least 20 members with beneficial interests in each investment fund in which the Scheme invests on account of members.

We may also treat contributions as void from when they were made so as to ensure that any applicable requirement relating to the size of members' beneficial interests or member numbers is met and PIE status is maintained. If some or all of your contributions are treated as void from when they were made, you will receive a refund of those contributions, but any other compensation will be at our discretion.

Liquidity risk

Low liquidity is a risk, as it can reflect the lack of demand for an investment, and make that investment harder to sell in a timely manner. This may affect returns if there is insufficient time to wait for demand to increase and a sale is required to be made at a lower price. It is a characteristic of markets throughout the world that some assets trade infrequently. Generally, the property market has a greater liquidity risk in comparison to the equities market. Within the equities market, smaller companies will be less liquid than larger companies that are traded more frequently. All of the IOOF Funds invest in global equities (except the Cash Holding Fund and the Fixed Interest Fund).

Some assets are more difficult to realise than others, particularly if market conditions deteriorate. If these assets need to be sold (for instance to pay benefits) they may need to be sold at a lower price. If one of the IOOF Funds, or an underlying fund into which one or more of the IOOF Funds invest, were to experience liquidity problems, redemptions from the relevant IOOF Fund or underlying fund (as the case may be) may be suspended which may affect the Scheme's liquidity.

Counterparty risk

Counterparty risk is a risk that a party to a contract (including an investment contract) defaults or a third party fails to properly provide services for the Scheme, or fails to complete transactions with us, or there is a dispute in relation to a contract, or that such a person becomes insolvent and is placed into receivership, liquidation or statutory management. If this occurs, you may not recover the full amount of your investment in the Scheme.

Consequences of insolvency/winding up of the Scheme

You will not be liable to pay money to any person as a result of the insolvency of the Scheme, except for any outstanding contributions you have agreed to make or any PIE tax you owe to us.

If the Scheme is ever wound up, your member account balance will be paid by us to you after deducting all liabilities (including the costs of winding up the Scheme).

In the event that the Scheme is wound up, claims for fees and expenses payable in the normal course of business, and other claims preferred at law, will rank ahead of claims by Scheme members. However, you will otherwise have no liability to contribute to any shortfall in the assets of the Scheme.

If the Scheme is wound up, your claim on the Scheme's assets will rank equally with the claims of other Scheme members.

Consequences of insolvency/winding up of the IOOF Funds

You will not be liable to pay money to any person as a result of the insolvency of an IOOF Fund, except for any outstanding PIE tax.

In the event that one of the IOOF Funds is wound up, claims for fees and expenses payable in the normal course of business, and other claims preferred at law, will rank ahead of claims by the Scheme. However, you will have no liability to contribute to any shortfall in the assets of the IOOF Funds.

If an IOOF Fund is wound up, the Scheme's claim on that IOOF Fund's assets will rank equally with the claims of other investors in that IOOF Fund.

If one of the IOOF Funds is wound up, the impact on the Scheme will depend on the portion of the Scheme's assets that are invested in that IOOF Fund.

Can the investment be altered?

You are permitted to switch your account balance between the investment funds offered (switching fees may be payable – see the *"What are the charges?"* section on page 7). Currently the investment funds offered are the IOOF Funds. Switching may be deemed to be a withdrawal, and adjustments to your account balance as a result of a PIE tax liability may occur on switching.

We may change the provisions of the Scheme's Trust Deed subject to the constraints of the Act. However, if any change is contemplated that may adversely affect the benefits of some or all members of the Scheme, the change cannot be made without those members' consents in writing.

The Trustee has the power to remove and appoint the Scheme's Investment Manager and will review both the investment strategy and the performance of the IOOF Funds from time to time.

You may elect to make additional lump sum contributions at any time (minimum $1,000 or equivalent in foreign currency). Regular contributions can also be varied or suspended with our agreement (provided a minimum account balance of $2,400 is maintained).

All fees, commission, charges, costs and expenses are subject to change from time to time without notice and without limitation. However, we will monitor all fees, commissions, charges, costs and expenses including investment management and investment account administration charges.

Where you have selected more than one IOOF Fund for the investment of your account balance, the proportions (within certain tolerance limits) you choose to invest between those IOOF Funds will be automatically maintained by redeeming (selling) units held on your account in any IOOF Fund that has more than your stated proportion.

We will use the proceeds to buy units on your account in any IOOF Fund that is lower than your stated proportion. We refer to this as **Rebalancing**. You must notify us in writing if you do not wish to use this service.

IOOF New Zealand will Rebalance your investments around the middle of each month. You do not have to pay a fee to use this service, but any units that are purchased or sold on your account will incur a buy/sell spread. Please refer to the heading *"Transaction costs and other expenses"* on page 9 for more detail about buy/sell spreads.

Any tax liability arising from Rebalancing will be calculated. Any tax owing will be held in your investment account and paid to Inland Revenue at the end of the tax year, or at the date you make a withdrawal from the Scheme if this is earlier.

IOOF New Zealand will not automatically purchase units if the following minimum thresholds are not met. These thresholds are based on the total value of your account balance in the Scheme. IOOF New Zealand will value your account balance in the Scheme on any date IOOF New Zealand Rebalances and if that value is:

- less than $25,000, IOOF New Zealand will Rebalance only if the investments held for your benefit differ from your stated proportions by more than 5%;
- equal or more than $25,000 but less than $50,000, IOOF New Zealand will Rebalance only if the investments held for your benefit differ from your stated proportions by more than 4%;
- equal or more than $50,000 but less than $100,000, IOOF New Zealand will Rebalance only if the investments held for your benefit differ from your stated proportions by more than 3%;
- equal or more than $100,000, IOOF New Zealand will Rebalance only if the investments held for your benefit differ from your stated proportions by more than 2%.

IOOF New Zealand will not Rebalance if it will result in the balance invested on your account in an individual IOOF Fund falling below the minimum investment amount (currently $2,400). IOOF New Zealand can refuse to Rebalance a Fund at its discretion.

How do I cash in my investment?

There is no right to terminate, cancel, surrender or otherwise end participation in the Scheme at will. You are not permitted to sell, assign or charge your interest in the Scheme. However you can apply to transfer non-tax relieved funds to another superannuation scheme or UK tax-relieved funds may be transferred to a QROPS or UK registered pension scheme, but a transfer out fee may be payable on the transfer – see *"What are the charges?"* on page 7.

For information on access to benefits and transfer of benefits, please see *"Entitlement to benefits from your Account (excluding your Relevant Transfer Fund)"* section on page 11 and *"What are the charges?"* section on page 7 for charges payable in some instances when you access a benefit from the Scheme.

Who do I contact with enquiries about my investment?

Any enquiries should be made to either the Trustee or the Administration Manager at the following address and telephone number:

Britannia Superannuation Scheme 2012
4/106 Bush Road, Albany, Auckland 0632
(PO Box 302 369, North Harbour, Auckland 0751)

Phone: 0800 500 811 (toll free within New Zealand)
Email: britannia@xtra.co.nz

Is there anyone to whom I can complain if I have problems with the investment?

If you have a complaint, you should contact either the Trustee or the Administration Manager at:

Britannia Superannuation Scheme 2012
4/106 Bush Road, Albany, Auckland 0632
(PO Box 302 369, North Harbour, Auckland 0751)

Phone: 0800 500 811 (toll free within New Zealand)
Email: britannia@xtra.co.nz

The Trustee, the Administration Manager and the Promoter are all registered as financial service providers under the Financial Service Providers (Registration and Dispute Resolution) Act 2008 (FSP numbers 30686, 31167 and 10221 respectively); and are all members of the ISO External Disputes Resolution Scheme, an approved dispute resolution scheme (c/- Insurance & Savings Ombudsman, PO Box 10-845, Wellington 6143 – Phone: +64 4 499 7612 (ISO participant numbers 200040, 2000308 and 2000146 respectively). Complaints may also be lodged with that dispute resolution scheme.

You may also complain to the Financial Markets Authority. The Financial Markets Authority's address and telephone number is as follows:

Financial Markets Authority
Level 5, Ernst & Young Building, 2 Takutai Square,
Britomart, Auckland 1010
(DX Box CX10033, PO Box 106 672, Auckland 1143)

Phone: +64 9 300 0400
Fax: +64 9 300 0499.

What other information can I obtain about this investment?

Other information about the investment and the Scheme is contained, or referred to, in the current prospectus and the Scheme's financial statements. A copy of the current registered prospectus and the most recent financial statements can be obtained free of charge by contacting the Trustee or Administration Manager at 4/106 Bush Road, Albany, Auckland 0632; phone: 0800 500 811 (toll free within New Zealand); email: britannia@xtra.co.nz.

The prospectus, financial statements and the Trust Deed (including all amendments) have been filed with the Registrar of Financial Service Providers, ASB Building, Level 18, 135 Albert Street, Auckland, and may be viewed on the Companies Office website at www.business.govt.nz/companies (select "Search Other Registers –Superannuation Scheme"). The Scheme's number for this purpose is 2558385. The financial statements of the Scheme have been filed with the Registrar of Financial Service Providers.

Further information about the IOOF Funds is described in the prospectus relating to those Funds (contained in the "IOOF Integral Master Trust Prospectus", which is the name of the master trust overarching the IOOF Funds). The prospectus may be viewed online at www.business.govt.nz/companies (select "Search for a company"). The reference number for IOOF New Zealand is 985692.

This investment statement explains the benefits payable to you only in general terms. Complete details of the Scheme are contained in the Scheme's Trust Deed. You may examine a copy of the Scheme's Trust Deed (including any amendments) free of charge at 4/106 Bush Road, Albany, Auckland 0632. A copy of the Scheme's Trust Deed (including any amendments) is available from us by phoning +64 9 414 4215 (or 0800 500 811 toll free within New Zealand). A fee of 20 cents per page may be charged.

You will receive free of charge an annual benefit statement showing contributions made since the last statement, current account balances and interest earned. You have a right upon request to receive an estimate of your benefits at any time by contacting the Trustee or Administration Manager at 4/106 Bush Road, Albany, Auckland 0632; phone: 0800 500 811 (toll free within New Zealand); email: britannia@xtra.co.nz.

The Act requires us to provide you, within six months after the end of each financial period of the Scheme (currently 31 March), with a copy of our Trustee annual report in respect of that period. The annual report contains certain statutory information as well as audited financial statements.

BRITANNIA
Financial Services Ltd