

MEDICAL ASSURANCE SOCIETY

KIWISAVER PLAN

Financial Statements

For the Year Ended 31 March 2016

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Independent Auditor's Report

To the Trustees of Medical Assurance Society Kiwisaver Plan (the 'Plan')

Report on the Financial Statements

We have audited the financial statements of the plan on pages 2 to 16, which comprise the statement of net assets of the Plan at 31 March 2016, and a statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements, in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the Plan's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

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

Partners and employees of our firm may deal with the Plan on normal terms within the ordinary course of trading activities of the business of the Plan.

Opinion

In our opinion, the financial statements on pages 2 to 16:

- ▶ comply with generally accepted accounting practice in New Zealand;
- ▶ comply with International Financial Reporting Standards; and
- ▶ give a true and fair view of the financial position of the Plan as at 31 March 2016 and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- ▶ We have obtained all the information and explanations that we have required; and
- ▶ In our opinion proper accounting records have been kept by the Plan as far as appears from our examination of those records.

Marianne P. Chung

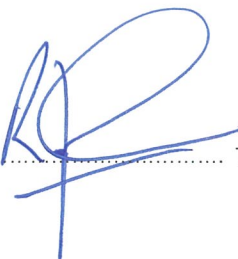
29 June 2016
Wellington


MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

**Statement of Net Assets
As at 31 March 2016**

	Notes	2016 NZ\$	2015 NZ\$
Assets			
Cash and Cash Equivalents	5, 6	50,246,580	39,053,457
Investments at Fair Value Through Profit or Loss	5	395,144,709	356,941,576
Derivative Financial Instruments	5	4,268,209	88,349
Total Assets		<u>449,659,498</u>	<u>396,083,382</u>
Less: Liabilities			
Benefits Payable		(153,540)	(150,707)
Prepaid Contributions		(49,992)	(175,970)
Accounts Payable		(1,159,914)	(1,007,388)
PIE Tax Payable		(3,194,575)	(3,616,693)
Derivative Financial Instruments	10	(280,494)	(2,860,840)
		<u>(4,838,515)</u>	<u>(7,811,598)</u>
Net Assets Available to pay Benefits		<u>444,820,983</u>	<u>388,271,784</u>
Liability for Promised Benefits			
<i>Represented by:</i>			
Member Accounts	3	444,820,983	388,271,784
		<u>444,820,983</u>	<u>388,271,784</u>

Approved for issue on behalf of the Trustees of Medical Assurance Society KiwiSaver Plan.


Trustee
29/6/16
Date


Trustee
29/6/16
Date

This statement is to be read in conjunction with the notes on pages 5 to 16.

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Statement of Changes in Net Assets For the Year Ended 31 March 2016

	Notes	2016 NZ\$	2015 NZ\$
Investment Activities			
Investment Revenues			
Dividends Received		8,069,143	7,266,489
Interest Received		7,501,189	6,015,157
Net Realised and Unrealised (Loss)/Gain on Financial Assets at Fair Value through Profit or Loss	7	(4,471,345)	37,629,384
Total Investment Revenue		<u>11,098,987</u>	<u>50,911,030</u>
Other Revenues			
Bank Interest Received		<u>12,634</u>	<u>14,392</u>
		12,634	14,392
Other Expenses			
Administration Expenses		(4,384,700)	(3,523,047)
Auditor's - Audit Fee for Current Year		(15,877)	(13,225)
Auditor's - Under Accrual of Prior Year Fee		(63)	(450)
Auditor's - Prospectus Reviews		-	(3,914)
Trustee Fees		<u>(6,000)</u>	<u>(6,000)</u>
Total Other Expenses		<u>(4,406,640)</u>	<u>(3,546,636)</u>
Change in Net Assets before Taxation and Membership Activities		6,704,981	47,378,786
Membership Activities			
Contributions			
Member Contributions	3	38,368,297	35,852,059
Member Voluntary Contributions		107,525	92,678
Employer Contributions		18,937,390	17,974,776
Interest Received from IRD		127,928	95,462
Government Kick-Start		274,996	703,000
Crown Tax Credit		4,906,800	4,759,278
Transfers from Other Plans		<u>8,940,951</u>	<u>8,674,420</u>
		71,663,887	68,151,673
Benefits Paid			
Transfers to other Plans		(5,076,145)	(4,916,195)
Deaths		(560,204)	(105,065)
First Home Withdrawals		(7,056,232)	(4,050,555)
Hardship		(112,367)	(123,670)
Illness		(113,810)	(77,787)
Partial Withdrawals		(1,711,000)	(1,329,544)
Permanent Emigration		(270,601)	(222,066)
Retirement		(3,362,623)	(2,170,346)
Court Ordered Payments		(266,354)	(159,450)
IRD Refunds		<u>(5,373)</u>	<u>(16,030)</u>
		(18,534,709)	(13,170,708)
PIE Tax Paid and Payable		(3,195,416)	(3,652,602)
KiwiSaver Management Fee		<u>(89,544)</u>	<u>(88,578)</u>
Net Membership Activities		<u>49,844,218</u>	<u>51,239,785</u>
Net Increase in Net Assets During Year		56,549,199	98,618,571
Net Assets Available for Benefits at Beginning of Year		<u>388,271,784</u>	<u>289,653,213</u>
Net Assets Available for Benefits at End of Year		<u><u>444,820,983</u></u>	<u><u>388,271,784</u></u>

This statement is to be read in conjunction with the notes on pages 5 to 16.

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

**Statement of Cash Flows
For the Year Ended 31 March 2016**

	Notes	2016 NZ\$	2015 NZ\$
Cash Flows from Operating Activities			
Cash provided from:			
Contributions from Members		71,537,945	68,081,067
Sundry Income		12,634	14,393
		<u>71,550,579</u>	<u>68,095,460</u>
<i>less:</i> Cash applied to:			
Benefits Paid		(18,531,878)	(13,200,540)
Expenses		(4,277,045)	(3,297,841)
KiwiSaver Management Fee		(66,647)	(93,756)
Tax Paid		<u>(3,617,534)</u>	<u>(2,990,018)</u>
		<u>(26,493,104)</u>	<u>(19,582,155)</u>
Net Cash Inflow from Operating Activities	8	45,057,475	48,513,305
Cash Flows from Investing Activities			
Cash provided from:			
Proceeds from Sale of Investment Assets		31,407,700	29,993,181
<i>less:</i> Cash applied to:			
Purchase of Investment Assets		(65,272,052)	(62,163,130)
Net Cash Outflow from Investing Activities		<u>(33,864,352)</u>	<u>(32,169,949)</u>
Net Increase in Cash Held		11,193,123	16,343,356
Add Cash at start of Year		39,053,457	22,710,101
Balance at end of Year		<u><u>50,246,580</u></u>	<u><u>39,053,457</u></u>

This statement is to be read in conjunction with the notes on pages 5 to 16.

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements

For the Year Ended 31 March 2016

1. Plan Description

Medical Assurance Society Kiwisaver Plan ("the Plan") is a defined contribution Superannuation Scheme for Members of the Medical Assurance Society. Under the Plan, contributions are made by Plan Members and Employers. The Plan is registered under the KiwiSaver Act 2006.

The Plan is domiciled in New Zealand and the address of the registered office is 19-21 Broderick Road, Johnsonville, Wellington.

The Administration Manager of the Plan is Aon Hewitt.

During the year 659 Members received benefits from the Plan (2015: 615 Members).

Funding Arrangements

Members can choose to contribute either 3%, 4% or 8% of gross salary or wages. Members may from time to time make additional voluntary contributions to the Plan. In certain circumstances, employers are required to contribute to KiwiSaver schemes in respect of their employees who are members at a rate of 3%. Employer contributions are subject to Employer Superannuation Contribution Tax ("ESCT"). The Government has ceased the \$1,000 one-off lump sum contribution to Members joining the Plan, effective from 21 May 2015. The Government pays 50 cents for every dollar of Member contribution annually up to a maximum of \$521.43.

Retirement Benefits

Member benefits will be locked into the Plan until the later of the date for reaching the qualifying age for New Zealand Superannuation or the date on which the Member has been a member of any KiwiSaver Scheme or a member of a complying Superannuation Scheme for a period of five years. Retirement benefits are determined by contributions to the Plan together with investment earnings net of tax on these contributions over the period of membership.

Termination Terms

The Trust Deed sets out the basis on which the Plan can be terminated. Clause A21 of the Trust Deed covers the situation where the Plan can be wound-up.

Changes to the Plan

There were no changes to the Trust Deed during the year ended 31 March 2016.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"), the requirements of the Financial Reporting Act 1993, the KiwiSaver Act 2006, the Superannuation Schemes Act 1989, the Trust Deed governing the Plan and the requirements of the Financial Reporting Act 1993, in accordance with the transitional provisions under Section 55, of Financial Reporting Act 2013 and Schedule 4, Clause (18)(1)(b), Financial Markets Conduct Act 2013. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit orientated entities. The financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Plan will prepare financial statements under the FMC Act once fully transitioned as an FMC reporting entity (expected to be the financial year ending 31 March 2017). It is expected that the change in legislation will have no material impact on the Plan's obligation to prepare general purpose financial statements.

The Plan comprises seven investment portfolios: Cash, Defensive, Conservative, Balanced, Growth, Aggressive and Global Equity. The financial statements have been prepared at the Plan level as the liabilities of the individual investment choices are not limited to the assets of each investment choice. Therefore assets of one investment choice could be used to meet liabilities of another.

The Plan is classified as an investment entity under NZ IFRS 10, no investments are controlled, and there has been no consolidation of investments.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement Base

The measurement base adopted is that of historical cost except for financial instruments which are measured at fair value through profit or loss at the end of the reporting period.

Presentation and Functional Currency

These financial statements are rounded to the nearest dollar and presented in New Zealand dollars because that is the currency of the primary economic environment in which the Plan operates.

Classification of Assets and Liabilities

Assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements For the Year Ended 31 March 2016

2. Summary of Significant Accounting Policies (Continued)

New Standards and Interpretations not yet adopted

NZ IFRS 9- Financial Instruments

On 24 July 2014, the NZ IASB issued the complete NZ IFRS 9 (NZ IFRS 9 (2014)). The mandatory effective date of NZ IFRS 9 is for annual periods beginning on or after 1 January 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

NZ IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under NZ IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

NZ IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognise ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The Plan intends to adopt NZ IFRS 9 (2014) in the financial statements for the annual period beginning on 1 April 2018. The Plan does not expect the standard to have a material impact on the financial statements.

NZ IAS 1 - Disclosure Initiative - Amendments to IAS 1

On 18 December 2014, the NZ IASB issued amendments to NZ IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures.

The Plan intends to adopt these amendments in its financial statements for the annual period beginning on 1 April 2016. The extent of the impact of adoption of the amendments has not yet been determined.

Investment Income

Interest, dividends and distributions from unitised investments are taken to income on a due and receivable basis. Net realised and unrealised gains and losses are recognised in the Statement of Changes in Net Assets in the year in which they occur.

Foreign Currencies

Transactions in currencies other than NZ dollars are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance date, assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance date. Gains and losses arising on retranslation are included in changes in net assets for the year.

Income and Expenses

All income and expenses are accounted for on an accrual basis.

Investments

Investments are recognised and derecognised on the trade date and are initially measured at fair value. Investment fund values are supplied by the Fund Manager JBWere (NZ) Pty Ltd ("JBWere"). Investments are classified at fair value through profit or loss. As the Plan's business is investing in financial assets with a view to profiting from their total return in the form of interest, distributions or increases in fair value, cash deposits are designated at fair value through profit or loss on initial recognition. Financial assets designated as fair value through profit or loss, are measured at subsequent reporting dates at fair value, which is the last trade price of the exchange on which the investment is quoted. Purchases and sales of investments are accounted for at trade date.

Reclassification of Comparative Information

Where necessary, prior comparative numbers have been reclassified to match the current year classifications.

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements For the Year Ended 31 March 2016

2. Summary of Significant Accounting Policies (Continued)

Financial Instruments

(i) Classification

The Plan classifies its investments as financial assets at fair value through profit or loss. These financial assets are designated by the Plan at fair value through profit or loss at inception.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Plan's documented investment strategy. The Plan's policy is for the Trustees to evaluate the information about these financial assets on a fair value basis together with other related financial information. The Trustees have determined that all financial assets of the Plan are designated at fair value through profit and loss with the exception of cash, cash equivalents, receivables and payables which are measured at amortised cost.

(ii) Recognition/derecognition

The Plan recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets from this date. Investments are derecognised when the right to receive cash flows from the investments has expired or the Plan has transferred substantially all risks and rewards of ownership. All realised gains and losses on financial assets at fair value through profit or loss are recognised in the Statement of Changes in Net Assets.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Changes in Net Assets.

The fair value of unitholdings is determined using the price as calculated by the fund manager at balance date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer a liability takes place either:

- In the principal market of the asset or liability;
- In the absence of a principal market, in the most advantageous market for the asset or liability; or
- The principal or most advantageous market accessible by the Plan.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset assuming market participants act in their economic best interest.

Taxation

The Plan is a Portfolio Investment Entity ("PIE") under the Income Tax Act 2007. Under the PIE regime, income earned by the Plan is attributed to all Members in accordance with the proportion of their interest in the overall Plan. The income attributed to each Member is taxed at the Member's prescribed investor rate ("PIR") which is similar to an individual's marginal tax rate, however it is capped at a maximum rate of 28%. The Plan deducts tax from each Member's allocation and pays the tax to Inland Revenue on behalf of the Member.

PIE tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to Inland Revenue on behalf of the Members based on the members' current period's taxable income and their PIR.

Receivables

Receivables do not carry any interest and are short-term in nature and are accordingly stated at their amortised cost.

Payables

Payables include liabilities and accrued expenses owing by the Plan which are unpaid as at balance date. These amounts are unsecured and are usually paid within 30 days of recognition. These amounts are initially recognised at fair value, and subsequently measured at amortised cost.

Derivative Financial Instruments

During the year the Plan invested in a range of pooled investment vehicles by way of pooled units that were managed by JBWere. During the normal course of business the Plan enters into foreign exchange contracts, financial futures, swaps and options. These instruments are for hedging purposes only and accounted for at fair value. The Plan does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Plan's policies approved by the Trustees.

Changes in the fair value of derivative financial instruments are recognised in the Statement of Changes in Net Assets as they arise.

Goods and Services Tax ("GST")

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

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements For the Year Ended 31 March 2016

2. Summary of Significant Accounting Policies (Continued)

Promised Benefits

The liability for promised benefits is the Plan's present obligation to pay benefits to Members. It has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the sundry liabilities and income tax liabilities as at balance date. Promised benefits include amounts allocated to Members' accounts and reserves.

Statement of Cash flows

The following are definitions of the terms used in the Statement of Cash Flows:

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Operating activities - include all transactions and other events that are not investing activities.

Investing activities - comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

Contributions and Benefits

Contributions and benefits are accounted for on an accrual basis. Contributions are recognised in the Statement of Changes in Net Assets when they become receivable.

Benefits are recognised in Statement of Changes in Net Assets when they become payable.

Transfers In and Transfers Out

Transfers in and out are accounted for on an accruals basis.

Capital Risk Management

The Plan's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations of the Plan, as defined by the liability for promised benefits.

The Plan achieves this through obtaining contributions from Members and their Employers and investing them into financial assets.

Critical Accounting Estimates and Judgements

The Trustees have applied their judgement in selecting the accounting policy to designate financial assets and financial liabilities at fair value through profit or loss. The policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair values of all financial assets as unit, bond and derivative prices are readily available from fund managers. Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of making material adjustments to the carrying value of assets and liabilities at year end. However, as with all investments their value is subject to variation due to market fluctuations. For the purposes of the fair value hierarchy of financial assets at fair value through profit or loss, the Trustees have to apply their judgement as to what constitutes "observable prices". For further details refer to note 10 (Fair Value).

3. Liability for Promised Benefits

	2016 NZ\$	2015 NZ\$
Movements in Members' Accounts		
Balance at beginning of year	388,266,835	289,653,213
Contributions received	71,663,887	68,151,673
Investment earnings transferred from reserve	6,836,123	46,977,777
KiwiSaver management fee	(89,544)	(88,578)
PIE tax payable	(3,195,416)	(3,652,602)
Interest on partial exits and switches	173,426	396,060
Benefits paid	<u>(18,534,709)</u>	<u>(13,170,708)</u>
Balance at end of year	445,120,602	388,266,835
Movements in Reserve Fund		
Balance at beginning of year	4,949	-
Investment earnings for year	6,704,981	47,378,786
Investment earnings allocated to members	(6,836,123)	(46,977,777)
Interest on partial exits and switches	<u>(173,426)</u>	<u>(396,060)</u>
Balance at end of year - to be allocated to Member's accounts in April 2016	(299,619)	4,949
Total balance at end of year	<u>444,820,983</u>	<u>388,271,784</u>

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits (2015: Nil).

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements For the Year Ended 31 March 2016

4. Vested Benefits

Vested Benefits are benefits payable to Members or Beneficiaries, under the conditions of the Plan, on the basis of all Members ceasing to be members of the Plan at balance date. Vested Benefits as at 31 March 2016 were the net assets available to pay benefits less wind up costs.

5. Investments

	2016 NZ\$	2015 NZ\$
The funds were invested by JBWere in the following asset classes:		
Domestic Fixed Interest	85,797,943	84,262,746
International Fixed Interest (Unit Trust)	39,485,988	26,904,818
Domestic Equities	38,665,636	31,170,609
Australian Equities	50,558,535	45,313,655
International Equities	162,154,458	158,928,088
Alternative Investments	16,892,598	9,794,075
Domestic Property	1,589,551	567,585
	<u>395,144,709</u>	<u>356,941,576</u>
JBWere Cash Account	50,028,592	38,847,792
Derivatives held for Trading (Forward FX Contracts and Interest Swaps)	4,268,209	88,349
Total Investments	<u>449,441,510</u>	<u>395,877,717</u>

The majority of the total sum invested is invested in the name of the investing entity (Medical Assurance Society KiwiSaver Plan), via a custodian. The remaining funds are primarily invested into unitised or pooled vehicles.

(a) Trading Securities exceeding 5% of net assets available for benefits

	%	2016 NZ\$	%	2015 NZ\$
International Equities				
MSCI EMU	6	28,617,686	6	25,010,429
S&P North American Technology	8	34,728,879	7	26,594,448
SPDR S&P Bank ETF	7	32,636,049	8	31,848,353
WisdomTree Japan Hedged Equity Fund	-	-	5	20,891,355
International Fixed Interest (Unit Trust)				
Pimco Global Bond Fund	9	39,376,338	7	26,904,818
Cash				
JBWere NZD Premium Custody Call	5	23,959,907	6	24,485,384

(b) Trading Securities exceeding 5% of security class

Australian Equities				
Amcor Ltd	5	2,496,124	-	-
ANZ Banking Group Ltd	10	5,009,405	14	6,159,465
BHP Billiton Ltd	-	-	10	4,425,939
Crown Resorts Ltd	5	2,437,186	-	-
CSL Ltd	7	3,714,504	6	2,853,854
Healthscope Limited	5	2,331,561	5	2,262,247
National Australia Bank Ltd	10	4,883,528	12	5,326,614
Ramsay Health	5	2,503,231	5	2,466,061
Resmed Inc	5	2,416,729	6	2,566,145
Transurban Group Ltd	5	2,366,973	-	-
Wesfarmers Ltd	-	-	5	2,105,950
Westpac Banking Corp	6	2,869,902	-	-

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements
For the Year Ended 31 March 2016

5. Investments (Continued)

(b) Trading Securities exceeding 5% of security class (Continued)

	%	2016 NZ\$	%	2015 NZ\$
International Equities				
Euro STOXX 50 UCITS ETF	-	-	5	7,405,995
FTSE 250 UCITS ETF	5	8,277,435	5	7,764,435
Industrial Select Sector SPDR ETF	-	-	5	7,447,701
Ishares St 600 He Care De	5	8,008,955	5	7,865,961
MSCI India ETF	5	8,717,617	6	9,387,357
MSCI EMU	17	28,617,686	16	25,010,429
S&P North American Technology	21	34,728,879	17	26,594,448
SPDR S&P Bank ETF	20	32,636,049	20	31,848,353
U.S. Medical Devices	10	16,872,533	5	7,861,599
WisdomTree Japan Hedged Equity Fund	12	20,153,565	13	20,891,355
Domestic Equities				
Air New Zealand Ltd	6	2,365,509	7	2,225,265
Fisher & Paykel Healthcare Ltd	9	3,567,955	7	2,311,416
Fletcher Building Ltd	7	2,749,365	9	2,763,318
Fonterra Shareholders Fund	8	2,956,419	9	2,657,849
Freightways Ltd	-	-	5	1,495,000
Infratil Ltd	10	3,831,604	12	3,671,126
Meridian Energy Ltd	12	4,536,292	11	3,486,724
Metlifecare Ltd	8	3,169,016	9	2,800,182
Z Energy Ltd	9	3,614,395	10	3,260,664
Domestic Property				
Stride Property (formerly DNZ Property)	100	1,589,551	100	567,585
Domestic Fixed Interest				
ANZNZ 4.00% 22/03/2021	8	6,622,638	-	-
ANZ Perpetual Bonds	11	9,149,166	11	9,063,851
ASB Bank	13	10,857,041	13	10,872,456
BZLNZ 5.314% 17/12/2015	11	9,214,377	-	-
Contact Energy	-	-	5	3,835,849
CENNZ 5.277 05/27/20	5	3,944,460	-	-
Insurance Australia Group Ltd	7	5,669,275	7	5,724,585
Mighty River Power	10	8,582,280	10	8,547,986
Powerco Ltd	-	-	5	3,970,392
Alternative Investments				
GMO Systematic Global Macro	34	5,745,603	71	6,968,049
Maui Capital Aqua Fund	8	1,406,151	12	1,196,724
Maui Capital Indigo Fund	5	786,747	7	726,705
LM-BW GLB OPP FI	16	2,776,316	-	-
NZAM Alpha Fund	18	3,103,679	-	-
Pencarrow IV Fund	-	-	5	465,228
WINTONG Global Alpha	14	2,321,113	-	-
International Fixed Interest (Unit Trust)				
Pimco Global Bond Fund	100	39,376,338	100	26,904,818
Cash and Cash Equivalents				
BZLNZ Term Deposit	26	13,163,063	-	-
UDCFIN Term Deposit	26	13,091,470	-	-
JBWere NZD Premium Custody Call	47	24,485,384	79	24,485,384
Kiwibank Term Deposits	-	-	13	4,130,956

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

6. Cash and Cash Equivalents

	2016 NZ\$	2015 NZ\$
ANZ Bank Current Account	217,988	205,665
JBWere Cash Account	50,028,592	38,847,792
	<u>50,246,580</u>	<u>39,053,457</u>

7. Changes in Net Market Value

	2016 NZ\$	2015 NZ\$
Cash - Foreign Denominated	345,838	627,950
Domestic Fixed Interest	(305,233)	2,884,053
International Fixed Interest	687,878	2,526,134
Domestic Equities	4,811,680	5,323,873
International Equities	(16,758,806)	29,026,880
Derivative Financial Instruments	6,747,298	(2,759,506)
	<u>(4,471,345)</u>	<u>37,629,384</u>

8. Reconciliation of Net Cash Flow from Operating Activities to Increase Net Assets

	2016 NZ\$	2015 NZ\$
Increase in Net Assets	56,549,199	98,618,571
Add/(less) non-cash items:		
Dividends received	(8,069,143)	(7,266,489)
Interest received	(7,501,189)	(6,015,157)
(Loss)/Gain on disposal of, and changes in value of, investments	4,471,345	(37,629,384)
Trade payables/receivables	-	(39,690)
Add/(less) movement in other working capital items:		
Decrease/(Increase) in other receivables	-	39,701
(Decrease) in prepaid contributions	(125,978)	(70,609)
Increase/(Decrease) in benefits payable	2,833	(29,835)
Increase in accounts payable	152,526	243,614
(Decrease)/Increase in PIE tax payable	(422,118)	662,583
Net cash Inflows from operating activities	<u>45,057,475</u>	<u>48,513,305</u>

9. Financial Instruments and Risk Management

The Plan's risk management is carried out in accordance with policies set by the Trustees. These policies provide clear structure for managing key financial risks. Whilst their review of risk is ongoing, the Trustees formally review the major risks faced by the Plan on a quarterly basis.

The Plan's fund manager enters into currency derivatives, principally to protect the value of investments against adverse currency movements. They are prevented by policy guidelines established by the Trustees from entering into such contracts for speculative purposes.

The Trustees have approved a Statement of Investment Policy and Objectives which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Trustees and asset reallocations undertaken as required.

The majority of the total sum invested, is invested in the name of the investing entity (Medical Assurance Society KiwiSaver Plan), via a custodian. The remaining funds are primarily invested into unitised or pooled vehicles.

The Plan's activities expose it primarily to the financial risks of, market, liquidity and credit.

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements For the Year Ended 31 March 2016

9. Financial Instruments and Risk Management (Continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Plan is exposed indirectly to foreign exchange risk, interest rate risk and other price risks through its investments. These investments are unitised and the underlying securities comprise cash, domestic and international equity instruments, New Zealand commercial property and domestic and international fixed interest securities.

Due to the unitised nature of the investments it is not practical to determine the sensitivity of the unit price to changes in foreign exchange rates, interest rates, or other market factors. The investments are managed by JBWere.

Market risk management is carried out in accordance with policies set by the Trustees. These policies provide clear structure for managing market risks. While their review is ongoing, the Trustees formally review market risks faced by the Plan on a quarterly basis.

Liquidity Risk

Liquidity risk represents the risk that the Plan may not have the financial ability to meet its contractual obligations. The Plan evaluates its liquidity requirements on an ongoing basis and maintains a substantial investment in cash and cash equivalents to cover the possibility of any member withdrawals. All financial assets at fair value through profit and loss can be realised within 12 months. All financial liabilities are payable within 12 months.

Liquidity Profile of Financial Liabilities

	0-6 Months	6-12 Months	Total
	\$	\$	\$
31 March 2016			
Financial Liabilities			
Derivative Financial Instruments	280,494	-	280,494
Other Liabilities	1,363,446	-	1,363,446
	<u>1,643,940</u>	<u>-</u>	<u>1,643,940</u>
31 March 2015			
Financial Liabilities			
Derivative Financial Instruments	2,860,840	-	2,860,840
Other Liabilities	1,334,065	-	1,334,065
	<u>4,194,905</u>	<u>-</u>	<u>4,194,905</u>

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, resulting in a financial loss to the Plan. The financial instruments that potentially expose the Plan to credit risk consist of cash and short term deposits, fixed interest securities and receivables and, indirectly, investments in unitised products which invest in cash and fixed interest investments. The maximum exposure to credit risk is the carrying value of these financial instruments. The Fund Manager of the Plan is JBWere which the Trustees consider to be a financial institution of high quality. The Fund Manager maintains a diversified investment portfolio in accordance with the portfolio mix adopted by the Trustees. The credit risk on liquid funds and derivatives is minimised by restricting transactions to rated banks and major fund managers.

There are no financial assets past due or impaired at balance date (2015: Nil).

Statement of Net Asset Credit Exposures	2016 NZ\$	2015 NZ\$
Cash and Cash Equivalents	50,246,580	39,053,457
Domestic Fixed Interest	85,797,943	84,262,746
International Fixed Interest	39,485,988	26,904,818
Derivatives Held for Trading	4,268,209	88,349
	<u>179,798,720</u>	<u>150,309,370</u>

The following table provides information on the credit risk exposure for financial assets with external credit ratings of the Plan. Investment grade financial assets are classified within the range of AAA to BBB, with AAA being the highest possible rating. The 'not rated' column discloses those assets not rated by external ratings agencies and principally comprises fixed interest investments with local government authorities.

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

9. Financial Instruments and Risk Management (Continued)

Credit Risk (Continued)

	AAA	AA	A	BBB	Below BBB	Not rated	Carrying Value
31 March 2016							
Cash	-	100%	-	-	-	-	50,246,580
Fixed Interest	14.4%	10.5%	5.9%	53.5%	3.2%	12.6%	125,283,931
31 March 2015							
Cash	-	100%	-	-	-	-	39,053,457
Fixed Interest	-	4.6%	31.2%	48.1%	0.1%	16%	111,167,564

Currency Risk

The Plan is exposed to currency risk in that future currency movements will affect the valuation of holdings in foreign currency denominated investments.

	2016 NZ\$	2015 NZ\$
AUD Currency	60,537,542	52,704,142
USD Currency	142,538,958	137,319,609
EUR Currency	11,644,330	15,296,418
GBP Currency	8,338,240	7,802,342

To mitigate currency risk relative to the investment portfolio, the Trustees have developed currency hedging ranges which the fund manager must adhere to.

Sensitivity Analysis

The following table shows the sensitivity of profit and members' funds to reasonably possible appreciation or depreciation in the NZ dollar against the Australian, US and Euro dollar and the Great Britain pound at 31 March 2016:

	Change in Net Assets after Taxation Higher/(Lower)	
	2016 NZ\$	2015 NZ\$
10% Decrease in NZD		
AUD Denominated Equities	6,497,698	5,832,029
AUD Denominated Cash	228,696	23,986
EUR Denominated Equities	1,293,814	1,696,884
EUR Denominated Cash	-	2,826
GBP Denominated Equities	919,715	862,715
GBP Denominated Cash	6,756	4,212
USD Denominated Equities	15,747,370	15,068,182
USD Denominated Cash	90,292	189,552
10% Increase in NZD		
AUD Denominated Equities	(5,316,298)	(4,771,660)
AUD Denominated Cash	(187,115)	(19,625)
EUR Denominated Equities	(1,058,575)	(1,388,360)
EUR Denominated Cash	-	(2,224)
GBP Denominated Equities	(752,494)	(705,858)
GBP Denominated Cash	(5,528)	(3,446)
USD Denominated Equities	(12,884,212)	(12,328,513)
USD Denominated Cash	(73,875)	(155,088)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan is exposed to interest rate risk in that interest rate movements will affect cash flows and net market values of fixed interest securities. The Trustees review the Plan's interest rate exposure on a quarterly basis.

Sensitivity Analysis

The following table shows the sensitivity of profit and members' funds to reasonably possible changes in interest rates at 31 March 2016:

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements For the Year Ended 31 March 2016

9. Financial Instruments and Risk Management (Continued)

Change in Net Assets after Taxation Higher/(Lower)

	2016 NZ\$	2015 NZ\$
50bp Decrease in Interest Rates		
NZD Denominated Bonds	1,135,456	1,233,791
International Denominated Bonds	1,247,757	745,263
Cash and Cash Equivalents	(251,233)	(195,267)
50bp Increase in Interest Rates		
NZD Denominated Bonds	(1,135,456)	(1,233,791)
International Denominated Bonds	(1,247,757)	(745,263)
Cash and Cash Equivalents	251,233	195,267

Other Price Risk

All equity and unit price instruments present a risk of loss of capital often due to factors beyond the Fund Manager's control such as competition, regulatory changes, commodity price changes and changes in general economic conditions. These risks are managed through stock selection and diversification.

Sensitivity Analysis

The following table shows the sensitivity of profit and members' funds to reasonably possible changes in equity and unit prices at 31 March 2016:

Change in Net Assets after Taxation Higher/(Lower)

	2016 NZ\$	2015 NZ\$
Prices Increase by 10%		
USD Denominated Equities	14,172,633	13,559,347
NZD Denominated Equities	5,043,974	3,401,025
AUD Denominated Equities	5,847,928	5,228,170
GBP Denominated Equities	827,744	776,444
EUR Denominated Equities	1,164,433	1,527,196
Prices Decrease by 10%		
USD Denominated Equities	(14,172,633)	(13,559,347)
NZD Denominated Equities	(5,043,974)	(3,401,025)
AUD Denominated Equities	(5,847,928)	(5,228,170)
GBP Denominated Equities	(827,744)	(776,444)
EUR Denominated Equities	(1,164,433)	(1,527,196)

Classification of Financial Instruments

	2016 NZ\$	2015 NZ\$
Financial Assets designated at fair value through profit or loss	395,144,709	356,941,576
Derivatives held for trading	4,268,209	88,349
Loans & Receivables (including cash and cash equivalents)	50,246,580	39,053,457
Financial Liabilities held at amortised cost	(1,363,446)	(1,334,065)
Financial Liability for Derivatives held for trading	(280,494)	(2,860,840)

Capital Management

Net assets available to pay benefits are considered to be the Plan's capital for the purposes of capital management. The Plan does not have to comply with externally imposed capital requirements.

The Plan's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its Members and to maximise the Plan's members value.

10. Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the Plan's accounting policies.

The Plan classifies fair value measurements of financial instruments at fair value through profit of loss using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

**Notes to the Financial Statements
For the Year Ended 31 March 2016**

10. Fair Value (Continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the Trustees. The Trustees consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Plan's financial assets and liabilities (by class) measured at fair value:

31 March 2016:				
Assets	Level 1	Level 2	Level 3	Total Balance
Derivative Financial Instruments	-	4,268,209	-	4,268,209
Fixed Interest Investments	-	125,283,931	-	125,283,931
Equity Investments	252,968,180	13,946,711	2,945,887	269,860,778
Total Assets	252,968,180	143,498,851	2,945,887	399,412,918
Liabilities				
Derivative Financial Instruments	-	(280,494)	-	(280,494)
Total Liabilities	-	(280,494)	-	(280,494)
31 March 2015:				
Assets	Level 1	Level 2	Level 3	Total Balance
Derivative Financial Instruments	-	88,349	-	88,349
Fixed Interest Investments	-	111,167,564	-	111,167,564
Equity Investments	235,979,937	6,968,049	2,826,026	245,774,012
Total Assets	235,979,937	118,223,962	2,826,026	357,029,925
Liabilities				
Derivative Financial Instruments	-	(2,860,840)	-	(2,860,840)
Total Liabilities	-	(2,860,840)	-	(2,860,840)

There were no transfers between levels during the year (2015: Nil).

The financial assets designated at fair value through profit or loss level 1, being the Plan's Pooled Investment Funds held with JBWere were traded in an active market. The Financial assets designated at fair value through profit or loss in level 1 were fair valued using the net asset value of the Pooled Investment Funds, as reported by the Pool Investment Fund Manager. For these Pooled Investment Funds, the Trustees believe the Plan could have redeemed its investments at the net asset value per unit at the year end date of the Statement of Net Assets.

The financial assets designated at fair value through profit or loss level 2 were not quoted in an active market. The financial assets designated at fair value through profit or loss in level 2 were fair valued using market observable prices as used by market participants. For these investment funds the Trustees believe the Plan could have redeemed its investments at the net asset value at the year end date of the Statement of Net Assets.

Reconciliation of level 3 fair value movements

	2016 NZ\$	2015 NZ\$
Opening Balance	2,826,026	1,789,051
Redemption	(116,021)	-
Total Gains	235,882	1,036,975
Closing Balances	2,945,887	2,826,026

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements For the Year Ended 31 March 2016

10. Fair Value (Continued)

The financial assets designated at fair value through profit or loss level 3 were valued using valuation techniques which were consistent with last year. The fair value used for the Maui Capital Indigo Fund, Maui Capital Aqua Fund and Pencarrow IV Fund are determined with reference to valuations. The potential change in the relevant input by 10% would have the effect of impacting the fair value by \$294,589 (2015: \$282,603).

Derivative Financial Instruments Valuation

Derivative financial instruments are valued at fair value. The fair value of derivatives has been determined by reference to approximate price valuations received from registered banks. Valuations take account of relevant market conditions.

11. Key Sources of Estimation Uncertainty

The Plan's investments are measured at fair value in the Statement of Net Assets and it is possible to determine their fair values as quoted market values are readily available. For level 3 investments where all capital is yet to be invested, the investment is carried at cost which is considered to be an appropriate indicator of fair value.

12. Related Parties

The Plan is promoted by Medical Assurance Society New Zealand Limited. Medical Funds Management Limited ("MFM") provides management services to the Plan. MFM charged a management fee to the Plan of \$4,313,879 (2015: \$3,500,897) being 1% of funds under management, except for the cash fund where the fee is 0.5%. \$1,141,995 (2015: \$998,190) has been accrued at balance date. MFM is responsible for paying JBWere investment management fees relative to the management of those funds. MFM is also responsible for paying Aon Hewitt for administration costs. All related party transactions are at arms length. No related party debts have been written off or forgiven during the year (2015: Nil).

13. Commitments and Contingent Liabilities

	2016 NZ\$	2015 NZ\$
Maui Capital Aqua Fund	1,585,659	1,795,086
Maui Capital Indigo Fund	138,838	155,279
Pencarrow IV Fund	132,880	297,021
Total Capital Commitments	<u>1,857,377</u>	<u>2,247,386</u>

Capital commitments represent the uncalled capital contracted for at balance date but not yet paid to Maui Capital Aqua Fund, Maui Capital Indigo Fund, and Pencarrow IV Fund.

14. Events after Balance Date

There have been no material events after balance date that require adjustment or disclosure in the financial statements.