

MERCER KIWISAVER SCHEME
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

MERCER KIWISAVER SCHEME
Financial Statements
For the Year Ended 31 March 2018

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MERCER KIWISAVER SCHEME
Directory
For the year ended 31 March 2018

Manager: Mercer (N.Z.) Limited

Registered Office

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Investor and Advisor Enquiries

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Directors:

Ross Gregory Butler (Chairman)
Martin Paul Lewington
Peter Lochiel Cameron
Kristen Kohere-Soutar
Benjamin Jon Cossart Walsh

Supervisor: Trustees Executors Limited
Level 7, 51 Shortland Street
PO Box 4197, Shortland Street
Auckland 1140

Custodian: BNP Paribas Fund Services Australasia Pty Ltd
Level 18, State Insurance Tower
1 Willis Street
Wellington 6011

Auditor: PricewaterhouseCoopers
Level 22, 188 Quay Street
Private Bag 92162
Auckland

MERCER KIWISAVER SCHEME
Statements of Net Assets
As at 31 March 2018

	Note	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
		2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
ASSETS									
Cash and cash equivalents		9,406	25,567	4,554	16,619	2,407	5,313	1,066	1,981
Financial assets held at fair value through profit or loss	5	1,741,723	1,559,464	1,060,153	1,034,499	340,291	285,646	147,300	116,327
Total Assets		1,751,129	1,585,031	1,064,707	1,051,118	342,698	290,959	148,366	118,308
LIABILITIES									
Investment management fees payable	6	186	360	177	353	3	3	2	1
Supervisor fees payable	6	27	55	18	37	5	10	2	4
Portfolio investment entity tax payable		11,046	7,908	6,375	4,058	2,529	2,054	1,041	1,072
Benefits payable		1,125	2,239	856	1,470	80	481	41	93
Unallocated contributions		256	427	183	289	36	92	20	20
Administration fees payable	6	234	243	192	201	22	23	9	9
Manager fees (expense recoveries) payable	6	-	36	-	24	-	7	-	3
Total Liabilities (excluding net assets attributable to members)		12,874	11,268	7,801	6,432	2,675	2,670	1,115	1,202
NET ASSETS ATTRIBUTABLE TO MEMBERS	4	1,738,255	1,573,763	1,056,906	1,044,686	340,023	288,289	147,251	117,106
Represented by:									
Net assets available for benefits	4	1,738,255	1,573,763	1,056,906	1,044,686	340,023	288,289	147,251	117,106

The accompanying notes form part of and should be read in conjunction with these statements.

MERCER KIWISAVER SCHEME
Statements of Net Assets
As at 31 March 2018

Note	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
ASSETS								
	221	149	541	805	439	558	178	142
Cash and cash equivalents								
Financial assets held at fair value through profit or loss	16,801	15,567	90,504	53,847	68,933	41,914	17,741	11,664
Total Assets	17,022	15,716	91,045	54,652	69,372	42,472	17,919	11,806
LIABILITIES								
Investment management fees payable	1	-	1	1	1	1	1	1
Supervisor fees payable	-	1	1	2	1	1	-	-
Portfolio investment entity tax payable	66	71	489	243	449	307	97	103
Benefits payable	53	150	9	37	70	7	16	1
Unallocated contributions	1	3	7	9	8	12	1	2
Administration fees payable	1	2	5	4	4	3	1	1
Manager fees (expense recoveries) payable	-	-	-	1	-	1	-	-
Total Liabilities (excluding net assets attributable to members)	122	227	512	297	533	332	116	108
NET ASSETS ATTRIBUTABLE TO MEMBERS	16,900	15,489	90,533	54,355	68,839	42,140	17,803	11,698
Represented by:								
Net assets available for benefits	16,900	15,489	90,533	54,355	68,839	42,140	17,803	11,698

These Financial Statements were authorised for issue by Mercer (N.Z.) Limited, the Manager on 23 July 2018 For and on behalf of the Directors



Director



Director

The accompanying notes form part of and should be read in conjunction with these statements.

MERCER KIWISAVER SCHEME
Statements of Changes in Net Assets
For the Year Ended 31 March 2018

	Note	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
		2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
INCOME									
Interest income		226	323	137	220	44	58	19	23
Net gains/(losses) on financial assets held at fair value through profit or loss	6	95,186	90,106	50,157	48,278	22,202	21,305	13,141	12,670
Total Income		95,412	90,429	50,294	48,498	22,246	21,363	13,160	12,693
EXPENSES									
Investment management fees	6	2,101	2,920	2,036	2,855	30	20	15	8
Supervisor fees	6	319	328	204	222	60	59	26	23
Manager fees (expense recoveries)	6	(14)	36	(9)	24	(3)	7	(1)	3
Other expenses		4	2	2	1	1	1	-	-
Total Expenses		2,410	3,286	2,233	3,102	88	87	40	34
NET PROFIT BEFORE MEMBERSHIP ACTIVITIES		93,002	87,143	48,061	45,396	22,158	21,276	13,120	12,659
MEMBERSHIP ACTIVITIES:									
Contributions / Transfers In									
Member contributions		144,189	137,791	94,515	95,216	24,630	22,763	10,497	9,423
Employer contributions		77,056	76,546	54,611	55,711	11,541	11,564	4,888	4,395
Government contributions		4	10	4	9	-	-	-	1
Tax credits		25,763	26,592	19,647	20,732	3,202	3,291	1,324	1,285
Transfers in from other schemes	8	7,366	12,159	4,273	4,187	497	4,305	773	721
Transfers (from)/to funds		-	-	(78,372)	(35,722)	16,492	9,710	8,678	1,776
Total Contributions/Transfers In		254,378	253,098	94,678	140,133	56,362	51,633	26,160	17,601
Benefits/Transfers Out/Membership Expenses									
Benefits	7	(53,578)	(49,153)	(35,885)	(34,709)	(8,252)	(6,924)	(1,927)	(2,271)
Transfers out to other schemes		(114,923)	(104,061)	(85,573)	(77,953)	(15,655)	(15,276)	(6,032)	(5,241)
Administration fees	6	(2,852)	(2,939)	(2,340)	(2,442)	(268)	(278)	(111)	(106)
Portfolio investment entity taxation expense		(11,535)	(8,488)	(6,721)	(4,427)	(2,611)	(2,172)	(1,065)	(1,124)
Total Benefits/Transfers Out/Membership Expenses		(182,888)	(164,641)	(130,519)	(119,531)	(26,786)	(24,650)	(9,135)	(8,742)
Total transactions with members in their capacity as members		71,490	88,457	(35,841)	20,602	29,576	26,983	17,025	8,859
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE FINANCIAL YEAR		1,573,763	1,398,163	1,044,686	978,688	288,289	240,030	117,106	95,588
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR		1,738,255	1,573,763	1,056,906	1,044,686	340,023	288,289	147,251	117,106

The accompanying notes form part of and should be read in conjunction with these statements.

MERCER KIWISAVER SCHEME
Statements of Changes in Net Assets
For the Year Ended 31 March 2018

	Note	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
		2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
INCOME									
Interest income		2	3	13	10	9	8	2	1
Net gains/(losses) on financial assets held at fair value through profit or loss	6	320	375	3,328	2,498	4,491	3,608	1,547	1,372
Total Income		322	378	3,341	2,508	4,500	3,616	1,549	1,373
EXPENSES									
Investment management fees	6	4	29	7	3	7	4	2	1
Supervisor fees	6	3	3	12	11	11	8	3	2
Manager fees (expense recoveries)	6	-	-	(1)	1	-	1	-	-
Other expenses		1	-	-	-	-	-	-	-
Total Expenses		8	32	18	15	18	13	5	3
NET PROFIT BEFORE MEMBERSHIP ACTIVITIES		314	346	3,323	2,493	4,482	3,603	1,544	1,370
MEMBERSHIP ACTIVITIES:									
Contributions / Transfers In									
Member contributions		975	1,046	6,340	4,814	5,975	3,662	1,257	867
Employer contributions		506	544	2,439	2,097	2,488	1,753	583	482
Government contributions		-	-	-	-	-	-	-	-
Tax credits		161	180	734	575	581	420	114	109
Transfers in from other schemes	8	38	12	396	2,431	1,107	331	282	172
Transfers (from)/to funds		3,983	2,588	29,790	12,409	16,077	8,649	3,352	590
Total Contributions/Transfers In		5,663	4,370	39,699	22,326	26,228	14,815	5,588	2,220
Benefits/Transfers Out/Membership Expenses									
Benefits	7	(3,805)	(3,798)	(2,240)	(965)	(918)	(277)	(551)	(209)
Transfers out to other schemes		(673)	(695)	(4,038)	(2,603)	(2,588)	(1,651)	(364)	(642)
Administration fees	6	(18)	(20)	(59)	(51)	(45)	(33)	(11)	(9)
Portfolio investment entity taxation expense		(70)	(76)	(507)	(258)	(460)	(321)	(101)	(110)
Total Benefits/Transfers Out/Membership Expenses		(4,566)	(4,589)	(6,844)	(3,877)	(4,011)	(2,282)	(1,027)	(970)
Total transactions with members in their capacity as members		1,097	(219)	32,855	18,449	22,217	12,533	4,561	1,250
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE FINANCIAL YEAR		15,489	15,362	54,355	33,413	42,140	26,004	11,698	9,078
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR		16,900	15,489	90,533	54,355	68,839	42,140	17,803	11,698

The accompanying notes form part of and should be read in conjunction with these statements.

MERCER KIWISAVER SCHEME
Statements of Cash Flows
For the Year Ended 31 March 2018

	Note	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
		2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
CASH FLOWS FROM OPERATING ACTIVITIES									
Proceeds from sale of financial assets		34,031	24,665	63,376	24,099	-	-	120	-
Interest income		226	323	137	220	44	58	19	23
Payments for purchase of financial assets		(121,104)	(103,985)	(38,873)	(37,374)	(32,443)	(25,595)	(17,952)	(8,917)
Fees and other expenses paid		(2,648)	(3,474)	(2,452)	(3,263)	(100)	(100)	(44)	(40)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	9	(89,495)	(82,471)	22,188	(16,318)	(32,499)	(25,637)	(17,857)	(8,934)
CASH FLOWS FROM FINANCING ACTIVITIES									
Member contributions		144,189	137,791	94,515	95,216	24,630	22,763	10,497	9,423
Employer contributions		77,056	76,546	54,611	55,711	11,541	11,564	4,888	4,395
Government contributions		4	10	4	9	-	-	-	1
Tax credits		25,763	26,592	19,647	20,732	3,202	3,291	1,324	1,285
Transfers in from other schemes		7,366	12,159	4,273	4,187	497	4,305	773	721
Transfers (from)/to portfolios		-	-	(78,372)	(35,722)	16,492	9,710	8,678	1,776
Portfolio investment entity taxation		(8,397)	(8,140)	(4,404)	(5,908)	(2,136)	(1,616)	(1,096)	(35)
Unallocated contributions		(171)	(169)	(106)	(174)	(56)	(16)	-	6
Benefits paid		(54,692)	(48,175)	(36,499)	(34,170)	(8,653)	(6,627)	(1,979)	(2,246)
Transfers out to other schemes		(114,923)	(104,061)	(85,573)	(77,953)	(15,655)	(15,276)	(6,032)	(5,241)
Administration fees		(2,861)	(3,193)	(2,349)	(2,657)	(269)	(302)	(111)	(115)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		73,334	89,360	(34,253)	19,271	29,593	27,796	16,942	9,970
Net increase/(decrease) in cash and cash equivalents		(16,161)	6,889	(12,065)	2,953	(2,906)	2,159	(915)	1,036
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		25,567	18,678	16,619	13,666	5,313	3,154	1,981	945
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		9,406	25,567	4,554	16,619	2,407	5,313	1,066	1,981

The accompanying notes form part of and should be read in conjunction with these statements.

MERCER KIWISAVER SCHEME
Statements of Cash Flows
For the Year Ended 31 March 2018

	Note	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
		2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
CASH FLOWS FROM OPERATING ACTIVITIES									
Proceeds from sale of financial assets		3,295	1,629	221	1,270	20	156	273	593
Interest income		2	3	13	10	9	8	2	1
Payments for purchase of financial assets		(4,209)	(1,477)	(33,550)	(19,212)	(22,548)	(12,581)	(4,803)	(1,911)
Fees and other expenses paid		(8)	(39)	(20)	(16)	(19)	(13)	(5)	(3)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	9	(920)	116	(33,336)	(17,948)	(22,538)	(12,430)	(4,533)	(1,320)
CASH FLOWS FROM FINANCING ACTIVITIES									
Member contributions		975	1,046	6,340	4,814	5,975	3,662	1,257	867
Employer contributions		506	544	2,439	2,097	2,488	1,753	583	482
Government contributions		-	-	-	-	-	-	-	-
Tax credits		161	180	734	575	581	420	114	109
Transfers in from other schemes		38	12	396	2,431	1,107	331	282	172
Transfers (from)/to portfolios		3,983	2,588	29,790	12,409	16,077	8,649	3,352	590
Portfolio investment entity taxation		(75)	(88)	(261)	(233)	(318)	(195)	(107)	(65)
Unallocated contributions		(2)	2	(2)	2	(4)	9	(1)	2
Benefits paid		(3,902)	(3,650)	(2,268)	(997)	(855)	(277)	(536)	(208)
Transfers out to other schemes		(673)	(695)	(4,038)	(2,603)	(2,588)	(1,651)	(364)	(642)
Administration fees		(19)	(22)	(58)	(54)	(44)	(34)	(11)	(9)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		992	(83)	33,072	18,441	22,419	12,667	4,569	1,298
Net increase/(decrease) in cash and cash equivalents		72	33	(264)	493	(119)	237	36	(22)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		149	116	805	312	558	321	142	164
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		221	149	541	805	439	558	178	142

The accompanying notes form part of and should be read in conjunction with these statements.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

1 SCHEME DESCRIPTION

The Mercer KiwiSaver scheme ("the Scheme") is a KiwiSaver scheme registered under the KiwiSaver Act 2006 and has been specified as a default KiwiSaver scheme under that Act. The Scheme was established on 30 March 2007 in Auckland. The Scheme commenced accepting members on 1 October 2007. The Scheme is a defined contribution superannuation scheme and was established with the principal purpose of providing retirement benefits to members.

Details of membership during the year were:	2018	2017
Opening Membership at 1 April	96,807	99,303
New Members	7,776	7,940
Exited Members	<u>(10,531)</u>	<u>(10,436)</u>
Closing Membership at 31 March	<u>94,052</u>	<u>96,807</u>

The legal document governing the Scheme is the Trust Deed dated 10 September 2015.

These financial statements are for the Scheme which comprises the following funds (together "the Funds"):

- Mercer Conservative (default fund)
- Mercer Balanced
- Mercer High Growth
- Mercer Cash
- Mercer Moderate
- Mercer Growth
- Mercer Shares

The Funds invest in the following investment portfolios within Mercer Investment Trusts New Zealand ("MITNZ"):

Mercer Investment Trusts New Zealand

Mercer Trans-Tasman Shares Trust

Mercer Unhedged Overseas Shares Trust

Mercer Hedged Overseas Shares Trust

Mercer Trans-Tasman Property Trust

Mercer Property and Infrastructure Trust (formerly known as Mercer Overseas Property Trust)

Mercer Infrastructure Trust (formerly known as Mercer Cash Trust)

Mercer New Zealand Cash and Fixed Interest Trust (formerly known as Mercer New Zealand Fixed Interest Trust)

Mercer Overseas Fixed Interest Trust

Mercer Commodities Trust

Mercer Diversified Trust

Investment Portfolio

- Mercer Trans-Tasman Shares Portfolio
- Mercer Overseas Shares Portfolio
- Mercer Overseas Shares Plus Portfolio
- Mercer Overseas Low Volatility Shares Portfolio
- Mercer Hedged Overseas Shares Portfolio
- Mercer Hedged Overseas Shares Plus Portfolio
- Mercer Unlisted Property Portfolio
- Mercer Listed Property Portfolio
- Mercer Listed Infrastructure Portfolio
- Mercer Unlisted Infrastructure Portfolio (MUIN)
- Mercer Cash Portfolio (MNZCFIT)
- Mercer New Zealand Sovereign Bond Portfolio
- Mercer Overseas Sovereign Bond Portfolio
- Mercer Global Credit Portfolio
- Mercer Global Absolute Return Bond Portfolio
- Mercer Natural Resources Portfolio
- Mercer Balanced Portfolio
- Mercer Growth Portfolio
- Mercer High Growth Portfolio
- Mercer Moderate Portfolio
- Mercer Shares Portfolio

In the 2017 financial year the MITNZ was restructured into the above Trusts and Investment Portfolios.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

1 SCHEME DESCRIPTION (Continued)

In 2017 the Scheme transferred investments in the Mercer Infrastructure Trust ("MIT") (formerly known as Mercer Cash Trust) to the Mercer New Zealand Cash and Fixed Interest Trust ("MNZCFIT") (formerly known as Mercer New Zealand Fixed Interest Trust).

In 2017 the Mercer Unlisted Infrastructure Portfolio ("MUIP") in the Mercer Property and Infrastructure Trust closed. The Scheme transferred its investment in the Mercer Unlisted Infrastructure Portfolio ("MUIP") to the Mercer Unlisted Infrastructure Portfolio ("MUIIN") in the Mercer Infrastructure Trust.

Mercer (N.Z.) Limited ("Mercer") is the Manager and Issuer of the Scheme. It is responsible for the management and administration of the Scheme, including responsibility for the preparation and issue of the Scheme's financial statements.

Trustees Executors Limited is the Supervisor of the Scheme and is licensed under the Financial Markets Supervisors Act 2011 to act as Supervisor of the Scheme.

The Manager's registered office is Level 18, 151 Queen Street, Auckland City, Auckland 1010.

BNP Paribas Fund Services Australasia Pty Ltd ("BNP Paribas") is the custodian of the Scheme's financial assets held at fair value through profit or loss.

Trustees Executors Limited is the custodian of the Scheme's cash and cash equivalents.

2 BASIS OF PREPARATION

The financial statements are being presented on a segregated fund basis in accordance with the requirements of the Financial Markets Conduct Act 2013. Segregated fund reporting has also been applied to 31 March 2017 comparatives.

The assets of each Fund are the exclusive property of that Fund, and all liabilities incurred in relation to a Fund are the exclusive liabilities of that Fund.

The results and position reported for the Scheme is an aggregation of the result, position and cash flows of the Funds that make up the Scheme.

Statement of Compliance

The Scheme is the reporting entity. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the requirements of the Financial Markets Conduct Act 2013 and other relevant legislative requirements as appropriate for For-profit entities.

The Scheme is a Tier 1 entity and, as such, the financial statements comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"), other New Zealand accounting standards and authoritative notices as appropriate for For-profit entities. These financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Manager, Mercer.

Measurement Base

The measurement base adopted is that of historical cost modified by the revaluation of financial assets held at fair value through profit or loss.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (the "presentation currency") which is the currency of the primary economic environment in which the Scheme operates (the "functional currency"). The financial statements are rounded to the nearest thousand New Zealand dollar.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

2 BASIS OF PREPARATION (Continued)

Assumptions, Estimates and Judgements

The preparation of the financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the financial statements.

Duration of the Scheme

Clause 25 of the Trust Deed requires that the Scheme and each Member's Account will terminate:

- (i) at such time as the KiwiSaver Scheme Rules provide or the Manager determines; and
- (ii) on termination of the Scheme, the Supervisor will on the Manager's direction (but subject to Rule 1C(2) of the KiwiSaver Scheme Rules) realise all Scheme Property, pay or discharge all Scheme Liabilities and expenses of termination and distribute the net proceeds to the Members in accordance with the relevant requirements provided that all Members whose Member's Accounts were invested in a particular Fund shall, on termination of their Member's Accounts, rank equally amongst themselves in respect of the resulting assets attributable to that Fund in proportion to the number of units each Member held in that Fund.

Funding Policy

The Scheme is a defined contribution scheme as defined by the KiwiSaver Act 2006. Funding in the form of contributions is received primarily from three sources: Members of the Scheme; employers of members of the Scheme; and the Government (in accordance with the provisions of the KiwiSaver Act 2006). Members may contribute to the Scheme at varying designated additional contributions in excess of any salary or wage linked contributions. As of 31 March 2018, employer contribution rates are either 3% or greater (2017: 3% or greater) of each relevant Member's gross salary or wages.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the financial statements are set out below.

The accounting policies set out below have been applied consistently to all periods.

(i) **Income**

Interest income

Interest income as recognised in the Statements of Changes in Net Assets is derived from cash at bank and is recognised on a time-proportionate basis using the effective interest method.

Changes in fair value of investments

Net gains or losses on financial assets held at fair value through profit or loss are calculated as the difference between fair value at sale, or at year end, and the fair value at the previous valuation point and/or weighted average cost for purchases during the year. This includes both realised and unrealised gains and losses, but does not include interest income and is net of any fees charged within underlying unit trust investments where these are incurred through a reduction in the value of the investment.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Financial Assets at Fair Value Through Profit or Loss

Classification

The Scheme designates its investment securities comprising investments in unlisted unit trusts and prepaid investments as financial assets at fair value through profit or loss at inception. Financial assets held at fair value through profit or loss including prepaid investments are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's investment policy is for the Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information. As stated above, the Manager has determined that all financial assets of the Scheme are held at fair value through profit or loss with the exception of cash and cash equivalents, which are classified as loans and receivables.

Recognition and derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Scheme commits to purchase or sell the investment. Investments are derecognised when the rights to receive cashflows from the investment have expired or the Scheme has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets held at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statements of Changes in Net Assets. Subsequent to initial recognition, all financial assets held at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the "financial assets held at fair value through profit or loss" category are included in the Statements of Changes in Net Assets in the period in which they arise.

Fair value estimation

The fair value of units held by the Scheme in managed unlisted unit trusts is determined by reference to published bid prices at the close of business on the reporting date being the redemption price established by the underlying fund manager.

Offsetting financial instruments

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

(iii) Expenses

All expenses are accounted for on an accrual basis.

(iv) Taxation

The Scheme qualifies as, and has elected to be treated as, a Portfolio Investment Entity ("PIE") for tax purposes.

Under the PIE regime, the Manager attributes the taxable income of the Scheme to Members in accordance with their proportionate interest in the Scheme. The income attributed to each Member is taxed at the Member's prescribed investor rate ("PIR") which is currently capped at 28%. The Manager accounts for tax on behalf of natural persons and adjusts the Members' interests in the Scheme to reflect that tax is paid at varying rates on behalf of the Members. There is a unit price for each Fund and for each tax rate.

The legislation regarding the taxation of a PIE provides that the Scheme pays tax on behalf of its Members. As such, the PIE taxation expense/(refund) disclosed in the Statements of Changes in Net Assets is the expense attributable to Members and is measured based on tax rates applicable to those Members.

The tax amounts in the Statements of Net Assets represent the remaining tax payable/(receivable) by the Scheme on behalf of the Members under the PIE regime to 31 March each year.

(v) Loans and Receivables

Loans and receivables comprise of cash at bank. Loans and receivables are initially recognised at fair value, being the amounts receivable. They are subsequently measured at amortised cost using the effective interest method, reduced for impairment as appropriate. Any impairment charge is recognised within expenses in the Statements of Changes in Net Assets.

(vi) Payables

Payables are not interest-bearing and are initially stated at their fair value then subsequently measured at amortised cost using the effective interest method. The carrying amounts of the payables in the Scheme at balance date are a reasonable approximation of their fair value.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vii) **Net Assets Attributable to Members**

The net assets attributable to members represent the liability for promised retirement benefits and are measured at amortised cost.

The Scheme issues units in each Fund that are redeemable at the Member's option and do not have identical features and are therefore classified as financial liabilities. The units can be put back to the Scheme at any time for the purpose of permitted withdrawals (such as reaching the retirement age of 65 or enduring significant hardship), transferred to another Fund within the Scheme or a separate KiwiSaver Scheme and which are equal to a proportionate share of the respective Fund's net asset value which is the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable at the period end date if Members exercise their right to put the units back to the Scheme.

As stipulated in the Trust Deed, each unit represents a right to an individual share in the respective Fund and does not extend to a right in the underlying assets of the respective Fund. Separate classes of units are created within the Funds to reflect the PIR of the Members. Each Member's account is invested in classes of units within the relevant Funds based on the Member's PIR that has been most recently notified to the Manager. Each unit of a specified class has the same rights attached to it as all other units of the same class within the relevant Fund.

Units are issued and redeemed at the holder's option at prices based on the Funds' net asset value per class of unit at the time of issue or redemption. The Funds' net asset value per class of unit is calculated by dividing the net assets attributable to all holders of units in the same class for each Fund by the total number of units on issue of the same class in each Fund.

(viii) **Accounting Policy for Investment Entities**

Whilst the Scheme has investments in a number of related party wholesale unlisted unit trusts, it has not prepared consolidated financial statements. The Scheme has determined that it is an investment entity under the definition in NZ IFRS 10 Consolidated Financial Statements as it meets the following criteria:

- the Scheme has obtained funds from Members for the purpose of providing them with investment management services;
- the Scheme's business purpose, which it communicated directly to unit holders, is investing solely for returns from capital appreciation; and
- the performance of investments made by the Scheme are measured and evaluated on a fair value basis.

The Scheme also meets all of the typical characteristics of an investment entity.

As a consequence, in the event the interest in the wholesale unlisted unit trusts gives rise to control, the Scheme is not required to consolidate these investments, and continues to account for these investments at fair value through profit or loss.

(ix) **Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, cash at bank and deposits held at call with banks with an original maturity of three months or less.

(x) **Statements of Cash Flows**

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the Scheme's main income generating activity.

The cash flows of the Scheme do not include those of the investment managers. The following are definitions of the terms used in the Statements of Cash Flows:

Operating activities - are those relating to the principal income-producing activities of the Scheme and other activities that are not financing activities. These include those cash flows relating to the acquisitions, holding and disposal of investments and investments in securities not falling within the definition of cash.

Financing activities - are those activities that result in changes in the size and composition of Member's funds. This includes elements of Members' funds not falling within the definition of cash.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xi) Contributions and Withdrawals

Contributions and withdrawals are accounted for on an accruals basis. Contributions are initially recognised at fair value when the Manager has confirmed the validity of the application details and instructions. Claims for death, retirement or other benefits are recognised when the Member meets the condition required for withdrawal eligibility.

Unallocated contributions arise when monies have been received but not yet allocated to Members' accounts in the administration system at balance date. Unallocated contributions are recorded at their value, being the amounts received, and units are purchased at the unit price applicable on the date of allocation to Members' accounts.

(xii) Goods and Services Tax (GST)

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

(xiii) Application of Accounting Standards

(a) New and amended standards and interpretations adopted by the Scheme:

The standards, amendments to existing standards and interpretations that were effective for the first time for the financial year beginning 1 April 2017 did not have a material impact on the financial statements of the Scheme.

(b) New standards, amendments and interpretations not yet adopted:

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

NZ IFRS 9 - Financial instruments is applicable to annual reporting periods beginning on or after 1 January 2018. The Scheme will adopt this standard for the financial year ending 31 March 2019. NZ IFRS 9, was issued in September 2014 as a complete version of the standard. It addresses the classification, measurement and recognition of financial assets and financial liabilities, hedge accounting and impairment. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through other comprehensive income, those measured at fair value through profit or loss and those measured at amortised cost. The determination is made at initial recognition. Classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Based on the Scheme's initial assessment, this standard is not expected to have a material impact on the Scheme's measurement of financial instruments, financial results and financial position. Minor changes are expected to disclosures about the entity's financial instruments, particularly in the year of adoption of the new standard.

There are no other new standards, amendments or interpretations that are expected to have an impact on the Scheme's financial statements.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

4 VESTED BENEFITS

Vested benefits are the rights that under the conditions of the Scheme's Trust Deed, are not conditional on continued membership.

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Member accounts - vested benefits	1,737,915	1,573,494	1,056,469	1,044,200	340,108	288,387	147,258	117,112
Adjustments arising from valuation differences	340	269	437	486	(85)	(98)	(7)	(6)
Net Assets Attributable to Members	1,738,255	1,573,763	1,056,906	1,044,686	340,023	288,289	147,251	117,106

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Member accounts - vested benefits	16,857	15,446	90,540	54,461	68,875	42,177	17,808	11,711
Adjustments arising from valuation differences	43	43	(7)	(106)	(36)	(37)	(5)	(13)
Net Assets Attributable to Members	16,900	15,489	90,533	54,355	68,839	42,140	17,803	11,698

Valuation differences exist between the net assets attributable to members and vested benefits. Net assets attributable to members are derived using accounting principles on an accruals basis resulting in timing differences in the settlement of certain accrued items and the impact thereof on unit pricing, whereas vested benefits are derived as the sum of individual Member account balances, which are calculated using the 31 March unit prices.

No guarantees have been made in respect of any part of the net assets attributable to members.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

5 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

The Scheme held investments in the following MITNZ investment portfolios:

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Designated at fair value through profit or loss								
Mercer Balanced Portfolio	340,291	285,646	-	-	340,291	285,646	-	-
Mercer Global Absolute Return Bond Portfolio	15,850	-	15,850	-	-	-	-	-
Mercer Global Credit Portfolio	132,254	138,450	132,254	138,450	-	-	-	-
Mercer Growth Portfolio	68,933	41,914	-	-	-	-	-	-
Mercer Hedged Overseas Shares Plus Portfolio	50,389	47,545	50,389	47,545	-	-	-	-
Mercer Cash Portfolio (MNZCFIT)	392,967	376,077	376,166	360,510	-	-	-	-
Mercer Listed Infrastructure Portfolio	4,328	4,487	4,328	4,487	-	-	-	-
Mercer Listed Property Portfolio	4,118	4,714	4,118	4,714	-	-	-	-
Mercer High Growth Portfolio	147,300	116,327	-	-	-	-	147,300	116,327
Mercer Moderate Portfolio	90,051	53,847	-	-	-	-	-	-
Mercer Natural Resources Portfolio	4,459	3,369	4,459	3,369	-	-	-	-
Mercer New Zealand Sovereign Bond Portfolio	149,938	153,447	149,938	153,447	-	-	-	-
Mercer Hedged Overseas Shares Portfolio	19,620	17,587	19,620	17,587	-	-	-	-
Mercer Overseas Low Volatility Shares Portfolio	19,109	20,802	19,109	20,802	-	-	-	-
Mercer Overseas Sovereign Bond Portfolio	166,232	158,058	166,232	158,058	-	-	-	-
Mercer Shares Portfolio	17,741	11,664	-	-	-	-	-	-
Mercer Trans-Tasman Shares Portfolio	36,806	36,543	36,806	36,543	-	-	-	-
Mercer Overseas Shares Portfolio	13,986	17,982	13,986	17,982	-	-	-	-
Mercer Overseas Shares Plus Portfolio	37,399	43,058	37,399	43,058	-	-	-	-
Mercer Unlisted Infrastructure Portfolio (MUIN)*	15,214	15,013	15,214	15,013	-	-	-	-
Mercer Unlisted Property Portfolio*	14,285	12,934	14,285	12,934	-	-	-	-
Prepaid Investments	453	-	-	-	-	-	-	-
Total Financial Assets held at Fair Value through Profit or Loss	1,741,723	1,559,464	1,060,153	1,034,499	340,291	285,646	147,300	116,327

* Unit holders are required to give the Manager a minimum of notice of 2 and 5 years of their intention to redeem for investments in Mercer Unlisted Property Portfolio and the Mercer Unlisted Infrastructure Portfolio, respectively. The fair value applied to these portfolios is based on unit prices at reporting date. Any additional illiquidity is not considered to have a material effect on the fair value.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

5 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The Scheme held investments in the following MITNZ investment portfolios:

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Designated at fair value through profit or loss								
Mercer Growth Portfolio	-	-	-	-	68,933	41,914	-	-
Mercer Cash Portfolio (MNZCFIT)	16,801	15,567	-	-	-	-	-	-
Mercer Moderate Portfolio	-	-	90,051	53,847	-	-	-	-
Mercer Shares Portfolio	-	-	-	-	-	-	17,741	11,664
Prepaid Investments	-	-	453	-	-	-	-	-
Total Financial Assets held at Fair Value through Profit or Loss	16,801	15,567	90,504	53,847	68,933	41,914	17,741	11,664

The following investments are greater than 5% of the relevant class of security for the Scheme's Funds:

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Designated at fair value through profit or loss								
Mercer Balanced Portfolio	340,291	285,646	-	-	340,291	285,646	-	-
Mercer Global Credit Portfolio	132,254	138,450	132,254	138,450	-	-	-	-
Mercer Growth Portfolio	-	-	-	-	-	-	-	-
Mercer Cash Portfolio (MNZCFIT)	392,967	376,077	376,166	360,510	-	-	-	-
Mercer High Growth Portfolio	147,300	116,327	-	-	-	-	147,300	116,327
Mercer Moderate Portfolio	90,051	-	-	-	-	-	-	-
Mercer New Zealand Sovereign Bond Portfolio	149,938	153,447	149,938	153,447	-	-	-	-
Mercer Overseas Sovereign Bond Portfolio	166,232	158,058	166,232	158,058	-	-	-	-
Mercer Shares Portfolio	-	-	-	-	-	-	-	-
Total Financial Assets held at Fair Value through Profit or Loss	1,419,033	1,228,005	824,590	810,465	340,291	285,646	147,300	116,327

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Designated at fair value through profit or loss								
Mercer Growth Portfolio	-	-	-	-	68,933	41,914	-	-
Mercer Cash Portfolio (MNZCFIT)	16,801	15,567	-	-	-	-	-	-
Mercer Moderate Portfolio	-	-	90,051	53,847	-	-	-	-
Mercer Shares Portfolio	-	-	-	-	-	-	17,741	11,664
Total Financial Assets held at Fair Value through Profit or Loss	16,801	15,567	90,051	53,847	68,933	41,914	17,741	11,664

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

5 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Fair Value Hierarchy

The Scheme's financial instruments carried at fair value are grouped into Levels 1 to 3 based upon the degree to which the fair value is observable. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as published prices being the redemption price established by the underlying fund manager) or indirectly (i.e. derived from prices); or

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets held at fair value through profit or loss are classified as Level 2 under the fair value hierarchy as the fair value of these investments at balance date is determined using the last available redemption unit price of those funds (2017: Same). During the year there were no transfers between levels in the fair value hierarchy (2017: Same).

6 RELATED PARTIES

The related parties of the Scheme comprise the Manager and the Supervisor and their related entities.

The Manager and Supervisor are entitled to remuneration from the Scheme. This is represented by the Investment management fees, Supervisor fees and Administration fees in the Statements of Changes in Net Assets. These are recovered through the cancellation of units for Member fixed fees and through the unit price for net asset based fees. In 2018 and 2017, Fund charges consisting of In Fund costs, expense reimbursement to the Manager for Scheme expenses paid by the Manager, investment management fees and supervisor fees have been deducted. The fee rates for 2018 and 2017 are disclosed below.

Fund	Investment management fee	Administration fee	Supervisor fee	Custodian fee
	% p.a.	\$ per month per member	% p.a.	% p.a.
Mercer Conservative	0.50%	\$2.50	up to 0.03%	0.005%
Mercer Balanced	0.68%	\$2.50	up to 0.03%	0.005%
Mercer High Growth	0.82%	\$2.50	up to 0.03%	0.005%
Mercer Cash	0.32%	\$2.50	up to 0.03%	0.005%
Mercer Moderate	0.59%	\$2.50	up to 0.03%	0.005%
Mercer Growth	0.77%	\$2.50	up to 0.03%	0.005%
Mercer Shares	0.90%	\$2.50	up to 0.03%	0.005%

Members who are Mercer and Marsh employees and their families are entitled to a waiver of the monthly Administration fee. This waiver commenced on 1 March 2017.

Investment management fees incurred by the Scheme are deducted through two components:

- The first component comprises investment management fees charged at MITNZ level, a series of wholesale unlisted unit trusts managed by Mercer which the Scheme holds as disclosed in Note 5. These investment management fees are incurred through a reduction in the unit price of MITNZ holdings of the Scheme. This is reflected within net gains/(losses) on financial assets held at fair value through profit or loss in the Statements of Changes in Net Assets.
- The second component is fees deducted directly from the Scheme and invoiced by Mercer. These represent the balancing amounts of asset based investment management fees once the deduction of fees from MITNZ are taken into account.



MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

6 RELATED PARTIES (Continued)

Details of the Scheme's related party expenses including investment management fees charged through the unit price are disclosed below:

As outlined in the Scheme's Trust Deed, the Manager is also entitled to be reimbursed for various fees and expenses incurred in acting as Manager. In the disclosure below these expenses are titled Manager fees (expense recoveries) and may include legal and other professional services, audit and tax fees and filing fees.

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Investment management fees								
Investment management fees to Mercer, related party and third party investment managers via MITNZ unit price	7,618	5,595	3,400	2,281	2,129	1,801	1,102	864
Investment management fees to Mercer	2,101	2,920	2,036	2,855	30	20	15	8
Total investment management fees	9,719	8,515	5,436	5,136	2,159	1,821	1,117	872
Administration fees								
Administration fees to Mercer	2,852	2,939	2,340	2,442	268	278	111	106
Supervisor fees								
Supervisor fees to Trustees Executors Limited	319	328	204	222	60	59	26	23
Manager fees (expense recoveries)								
Manager fees (expense recoveries) to Mercer	(14)	36	(9)	24	(3)	7	(1)	3
Total	12,876	11,818	7,971	7,824	2,484	2,165	1,253	1,004
	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Investment management fees								
Investment management fees to Mercer, related party and third party investment managers via MITNZ unit price	47	22	377	271	431	263	132	93
Investment management fees to Mercer	4	29	7	3	7	4	2	1
Total investment management fees	51	51	384	274	438	267	134	94
Administration fees								
Administration fee expenses to Mercer	18	20	59	51	45	33	11	9
Supervisor fees								
Supervisor fee expenses to Trustees Executors Limited	3	3	12	11	11	8	3	2
Manager fees (expense recoveries)								
Manager fees (expense recoveries) to Mercer	-	-	(1)	1	-	1	-	-
Total	72	74	454	337	494	309	148	105

Outstanding balances due to related parties are not interest bearing.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

6 RELATED PARTIES (Continued)

Amounts payable to Mercer as at 31 March are as follows:

Fund	Investment management fees		Supervisor fees		Administration fees		Manager fees (expense recoveries)	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Mercer Conservative	177	353	18	37	192	201	-	24
Mercer Balanced	3	3	5	10	22	23	-	7
Mercer High Growth	2	1	2	4	9	9	-	3
Mercer Cash	1	-	-	1	1	2	-	-
Mercer Moderate	1	1	1	2	5	4	-	1
Mercer Growth	1	1	1	1	4	3	-	1
Mercer Shares	1	1	-	-	1	1	-	-
Total	186	360	27	55	234	243	-	36

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

6 RELATED PARTIES (Continued)

Investment in related parties

The Scheme invests in MITNZ. Mercer Investments (New Zealand) Limited ("MINZL"), a wholly owned subsidiary of Mercer, is the Trustee for the MITNZ. Mercer is the Manager of MITNZ. Two directors of Mercer are current members of the Scheme (2017: Two).

The Scheme holds units in the following investment portfolios in the MITNZ:

	Opening Balance		Purchases		Sales		Net Change in Fair Value		Closing Balance	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Scheme Total										
Mercer Balanced Portfolio	285,646	238,746	32,443	25,595	-	-	22,202	21,305	340,291	285,646
Mercer Global Absolute Return Bond Portfolio	-	-	16,223	-	(562)	-	189	-	15,850	-
Mercer Global Credit Portfolio	138,450	132,231	-	750	(9,677)	-	3,481	5,469	132,254	138,450
Mercer Growth Portfolio	41,914	25,881	22,548	12,581	(20)	(156)	4,491	3,608	68,933	41,914
Mercer Hedged Overseas Shares Plus Portfolio	47,545	37,175	3,493	4,387	(7,319)	(2,314)	6,670	8,297	50,389	47,545
Mercer Cash Portfolio (MNZCFIT)	376,076	-	37,947	371,936	(29,092)	(722)	8,036	4,862	392,967	376,076
Mercer Cash Portfolio (MIT)	-	357,503	-	10,000	-	(371,480)	-	3,977	-	-
Mercer Listed Infrastructure Portfolio	4,487	3,865	-	-	(111)	-	(48)	622	4,328	4,487
Mercer Listed Property Portfolio	4,714	4,520	-	-	(974)	-	378	194	4,118	4,714
Mercer High Growth Portfolio	116,327	94,740	17,952	8,917	(120)	-	13,141	12,670	147,300	116,327
Mercer Moderate Portfolio	53,847	33,407	33,097	19,212	(221)	(1,270)	3,328	2,498	90,051	53,847
Mercer Natural Resources Portfolio	3,369	3,073	800	-	-	-	290	296	4,459	3,369
Mercer New Zealand Sovereign Bond Portfolio	153,447	146,355	5,755	5,000	(15,505)	-	6,241	2,092	149,938	153,447
Mercer Hedged Overseas Shares Portfolio	17,587	13,766	500	932	-	-	1,533	2,889	19,620	17,587
Mercer Overseas Low Volatility Shares Portfolio	20,802	11,905	-	7,181	(3,117)	-	1,424	1,716	19,109	20,802
Mercer Overseas Sovereign Bond Portfolio	158,059	152,220	7,543	2,950	(6,649)	-	7,279	2,889	166,232	158,059
Mercer Shares Portfolio	11,664	8,974	4,803	1,911	(273)	(593)	1,547	1,372	17,741	11,664
Mercer Trans-Tasman Shares Portfolio	36,543	41,513	400	-	(4,733)	(7,500)	4,596	2,530	36,806	36,543
Mercer Overseas Shares Portfolio	17,982	15,079	-	1,500	(5,461)	(931)	1,465	2,334	13,986	17,982
Mercer Overseas Shares Plus Portfolio	43,058	44,426	-	4,904	(11,470)	(13,470)	5,811	7,198	37,399	43,058
Mercer Unlisted Infrastructure Portfolio (MUIN)*	15,013	-	-	15,096	(1,580)	-	1,781	(83)	15,214	15,013
Mercer Unlisted Infrastructure Portfolio (MUIP)	-	12,978	-	-	-	(15,096)	-	2,118	-	-
Mercer Unlisted Property Portfolio	12,934	11,681	-	-	-	-	1,351	1,253	14,285	12,934
Total	1,559,464	1,390,038	183,504	492,852	(96,884)	(413,532)	95,186	90,106	1,741,270	1,559,464

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

6 RELATED PARTIES (Continued)

Investment in related parties (Continued)

	Opening Balance		Purchases		Sales		Net Change in Fair Value		Closing Balance	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Mercer Conservative										
Mercer Global Absolute Return Bond Portfolio	-	-	16,223	-	(562)	-	189	-	15,850	-
Mercer Global Credit Portfolio	138,450	132,231	-	750	(9,677)	-	3,481	5,469	132,254	138,450
Mercer Hedged Overseas Shares Plus Portfolio	47,545	37,175	3,493	4,387	(7,319)	(2,314)	6,670	8,297	50,389	47,545
Mercer Cash Portfolio (MNZCFIT)	360,509	-	41,412	356,569	(33,471)	(716)	7,716	4,656	376,166	360,509
Mercer Cash Portfolio (MIT)	-	342,159	-	11,517	-	(357,484)	-	3,808	-	-
Mercer Listed Infrastructure Portfolio	4,487	3,865	-	-	(111)	-	(48)	622	4,328	4,487
Mercer Listed Property Portfolio	4,714	4,520	-	-	(974)	-	378	194	4,118	4,714
Mercer Natural Resources Portfolio	3,369	3,073	800	-	-	-	290	296	4,459	3,369
Mercer New Zealand Sovereign Bond Portfolio	153,447	146,355	5,755	5,000	(15,505)	-	6,241	2,092	149,938	153,447
Mercer Hedged Overseas Shares Portfolio	17,587	13,766	500	932	-	-	1,533	2,889	19,620	17,587
Mercer Overseas Low Volatility Shares Portfolio	20,802	11,905	-	7,181	(3,117)	-	1,424	1,716	19,109	20,802
Mercer Overseas Sovereign Bond Portfolio	158,059	152,220	7,543	2,950	(6,649)	-	7,279	2,889	166,232	158,059
Mercer Trans-Tasman Shares Portfolio	36,543	41,513	400	-	(4,733)	(7,500)	4,596	2,530	36,806	36,543
Mercer Overseas Shares Portfolio	17,982	15,079	-	1,500	(5,461)	(931)	1,465	2,334	13,986	17,982
Mercer Overseas Shares Plus Portfolio	43,058	44,426	-	4,904	(11,470)	(13,470)	5,811	7,198	37,399	43,058
Mercer Unlisted Infrastructure Portfolio (MUIN)*	15,013	-	-	15,096	(1,580)	-	1,781	(83)	15,214	15,013
Mercer Unlisted Infrastructure Portfolio (MUIP)	-	12,978	-	-	-	(15,096)	-	2,118	-	-
Mercer Unlisted Property Portfolio	12,934	11,681	-	-	-	-	1,351	1,253	14,285	12,934
Total	1,034,499	972,946	76,126	410,786	(100,629)	(397,511)	50,157	48,278	1,060,153	1,034,499

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

6 RELATED PARTIES (Continued)

Investment in related parties (Continued)

	Opening Balance		Purchases		Sales		Net Change in Fair Value		Closing Balance	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Mercer Balanced										
Mercer Balanced Portfolio	285,646	238,746	32,443	25,595	-	-	22,202	21,305	340,291	285,646
Mercer High Growth										
Mercer High Growth Portfolio	116,327	94,740	17,952	8,917	(120)	-	13,141	12,670	147,300	116,327
Mercer Cash										
Mercer Cash Portfolio (MNZCFIT)	15,567	-	4,209	16,142	(3,295)	(781)	320	206	16,801	15,567
Mercer Cash Portfolio (MIT)	-	15,344	-	790	-	(16,303)	-	169	-	-
Total	15,567	15,344	4,209	16,932	(3,295)	(17,084)	320	375	16,801	15,567
Mercer Moderate										
Mercer Moderate Portfolio	53,847	33,407	33,097	19,212	(221)	(1,270)	3,328	2,498	90,051	53,847
Mercer Growth										
Mercer Growth Portfolio	41,914	25,881	22,548	12,581	(20)	(156)	4,491	3,608	68,933	41,914
Mercer Shares										
Mercer Shares Portfolio	11,664	8,974	4,803	1,911	(273)	(593)	1,547	1,372	17,741	11,664

The purchases and sales between the Funds in the MITNZ portfolios are disclosed below. These transactions have been eliminated at the total Scheme level.

	Purchases		Sales	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Total				
Mercer Cash Portfolio (MIT)	-	2,307	-	(2,307)
Mercer Cash Portfolio (MNZCFIT)	7,674	775	(7,674)	(775)
Total	7,674	3,082	(7,674)	(3,082)

The non-cash transactions comprising purchases and sales between MITNZ portfolios within Mercer Conservative, Mercer Cash and at the Scheme level amounted to \$37,253,104 (2017: \$373,411,795), Nil (2017: \$15,455,149) and \$25,600,196 (2017: Nil), respectively.

At 31 March 2018, prepaid investments amounted to \$452,874 (2017: Nil).

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

7 PAYMENT OF BENEFITS

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Retirement	25,996	21,408	18,312	15,664	4,532	3,471	544	723
Serious ill health	1,472	1,245	1,084	1,060	247	120	8	29
Death or disability	2,554	2,212	28	70	-	-	-	-
Significant financial hardship	1,966	2,000	1,500	1,664	291	230	111	34
First home assistance	19,178	20,139	13,612	14,647	2,804	2,853	1,031	1,323
Permanent emigration to Australia	73	57	47	15	14	42	-	-
Permanent emigration excluding Australia	1,625	1,412	738	971	328	183	128	150
Other	714	680	564	618	36	25	105	12
Total	53,578	49,153	35,885	34,709	8,252	6,924	1,927	2,271

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Retirement	842	982	1,360	382	255	65	151	121
Serious ill health	57	2	62	34	14	-	-	-
Death or disability	2,526	2,142	-	-	-	-	-	-
Significant financial hardship	11	23	32	25	16	9	5	15
First home assistance	344	554	743	523	567	184	77	55
Permanent emigration to Australia	12	-	-	-	-	-	-	-
Permanent emigration excluding Australia	13	71	41	-	59	19	318	18
Other	-	24	2	1	7	-	-	-
Total	3,805	3,798	2,240	965	918	277	551	209

8 TRANSFERS IN FROM OTHER SCHEMES

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Transfers from other KiwiSaver Schemes	3,555	2,480	1,921	1,377	262	786	405	210
Transfers from other superannuation schemes	914	7,465	598	1,078	(88)	3,255	14	378
Transfers from Trans-Tasman portability	2,897	2,214	1,754	1,732	323	264	354	133
Total	7,366	12,159	4,273	4,187	497	4,305	773	721

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Transfers from other KiwiSaver Schemes	1	1	84	15	633	42	249	49
Transfers from other superannuation schemes	37	-	214	2,390	139	247	-	117
Transfers from Trans-Tasman portability	-	11	98	26	335	42	33	6
Total	38	12	396	2,431	1,107	331	282	172

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

9 RECONCILIATION OF NET PROFIT/(LOSS) BEFORE MEMBERSHIP ACTIVITIES TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Net profit/(loss) before membership activities	93,002	87,143	48,061	45,396	22,158	21,276	13,120	12,659
<i>Adjustments for:</i>								
Net gains/(losses) on financial assets held at fair value through profit or loss	(95,186)	(90,106)	(50,157)	(48,278)	(22,202)	(21,305)	(13,141)	(12,670)
Proceeds from sale of financial assets	34,031	24,665	63,376	24,099	-	-	120	-
Payments for purchase of financial assets	(121,104)	(103,985)	(38,873)	(37,374)	(32,443)	(25,595)	(17,952)	(8,917)
<i>Changes in assets and liabilities:</i>								
(Decrease)/increase in liabilities (excluding portfolio investment entity tax payable, benefits payable, unallocated contributions and administration fees payable)	(238)	(188)	(219)	(161)	(12)	(13)	(4)	(6)
Net Cash flows (used in)/from Operating Activities	(89,495)	(82,471)	22,188	(16,318)	(32,499)	(25,637)	(17,857)	(8,934)

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Net profit/(loss) before membership activities	314	346	3,323	2,493	4,482	3,603	1,544	1,370
<i>Adjustments for:</i>								
Net gains/(losses) on financial assets held at fair value through profit or loss	(320)	(375)	(3,328)	(2,498)	(4,491)	(3,608)	(1,547)	(1,372)
Proceeds from sale of financial assets	3,295	1,629	221	1,270	20	156	273	593
Payments for purchase of financial assets	(4,209)	(1,477)	(33,550)	(19,212)	(22,548)	(12,581)	(4,803)	(1,911)
<i>Changes in assets and liabilities:</i>								
(Decrease)/increase in liabilities (excluding portfolio investment entity tax payable, benefits payable, unallocated contributions and administration fees payable)	-	(7)	(2)	(1)	(1)	-	-	-
Net Cash flows (used in)/from Operating Activities	(920)	116	(33,336)	(17,948)	(22,538)	(12,430)	(4,533)	(1,320)

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

10 AUDITOR'S REMUNERATION

During the reporting period, the following fees were paid or payable to the auditor of the Scheme. Audit fees for the Scheme may be recovered from the Manager for expenses incurred in acting as Manager (Refer note 6). The auditor of the Scheme is PricewaterhouseCoopers.

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Audit fees for the audit of financial statements and registry compliance assurance	97	121	59	81	19	22	8	9
Tax Services - review of tax returns	2	2	1	1	-	-	1	1
Total	99	123	60	82	19	22	9	10

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Audit fees for the audit of financial statements and registry compliance assurance	1	1	5	4	4	3	1	1
Tax Services - review of tax returns	-	-	-	-	-	-	-	-
Total	1	1	5	4	4	3	1	1

11 FINANCIAL RISK MANAGEMENT

The Scheme's investments are comprised of units in unlisted unit trusts which, in turn, invest in equities, interest bearing securities, units in unit trusts and derivative financial instruments. The Manager has determined that these types of investments are appropriate for the Scheme and are in accordance with its investment objectives. The objectives of the Scheme are to achieve a return (over the medium to long term) which is competitive with comparable trusts that have similar risk characteristics, and to outperform the notional return of a benchmark portfolio of suitable market indices over periods of one year or greater.

The Scheme's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's financial performance.

The Manager has considered the above investment risks in constructing the asset portfolios of the Scheme and aims to manage those risks primarily through diversification, including using some or all of the following (as applicable):

- investing across different asset classes (to reduce market risk and liquidity risk);
- investing predominantly in unit trusts which, in turn, invest with a number of different investment managers;
- investing across different countries (to reduce market risk); and
- investing in a number of individual securities within each asset class.

Professional investment managers are appointed on a research-based process of selection to manage the underlying assets of the MITNZ via a set of investment guidelines. Risk management activities are performed within the underlying investment portfolios, not at the Scheme level. The investment managers of underlying investment portfolios may use derivatives and other instruments, including futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks and exposures from forecast transactions.

The Mercer KiwiSaver Scheme invests in the MITNZ investment portfolios. The investment in the MITNZ investment portfolios are directly exposed to market risk, credit risk and liquidity risk.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

11 FINANCIAL RISK MANAGEMENT (Continued)

a) Market Risk

Market risk is the risk 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 price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk is minimised by the Manager through research and analysis of the investment mix within investment portfolios and ensuring that all investment activities are undertaken in accordance with established investment strategies.

The Scheme's overall market positions are monitored by the Scheme's manager who uses research and analysis to form a view on these matters and then rebalances the investment mix of the investment portfolios to reduce the impact of market risk.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Scheme does not hold financial instruments denominated in currencies other than the New Zealand dollar, the functional currency. It is therefore not exposed to currency risk. Currency risk disclosure has been considered on the basis of the Scheme's direct investments and not on a look through basis for investments held indirectly through unit trusts. Consequently the Scheme may be exposed indirectly to currency risk where the Scheme has significant investments in unit trusts which have exposure to foreign currencies.

Exposure to currency risk is managed through hedging using derivative investments, which include forward exchange contracts, within the underlying MITNZ investment portfolios.

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

Interest rate risk disclosures have been considered on the basis of the Scheme's direct investments and not on a look through basis for investments held indirectly through unit trusts. Consequently the Scheme is exposed indirectly to interest rate risk where the Scheme has significant investments in unit trusts which have exposure to interest bearing financial instruments.

Exposure to interest rate risk is managed through the use of derivatives, diversification in holdings and the duration of fixed interest investments within the underlying MITNZ investment portfolios.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

11 FINANCIAL RISK MANAGEMENT (Continued)

a) Market Risk (Continued)

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Scheme's investments are susceptible to market price risk arising from uncertainties about future values of the investments which will directly affect net investment income.

As the majority of the Scheme's financial instruments are carried at fair value, all changes in market conditions will directly affect investment returns, recognised in the Statements of Changes in Net Assets. The Scheme's price risk is managed through diversification of the investments in unit trusts within the Fund and within the underlying investments in the MITNZ. In addition, price risk may be hedged using derivative financial instruments such as options or futures within the underlying MITNZ investment portfolios.

As at 31 March, the Scheme's exposure to market price risk through investments in MITNZ investment portfolios was as follows:

Fund	TOTAL		TOTAL	
	2018 \$000s	2018 %	2017 \$000s	2017 %
Mercer Conservative	1,060,153	61%	1,034,499	67%
Mercer Balanced	340,291	20%	285,646	18%
Mercer High Growth	147,300	8%	116,327	7%
Mercer Cash	16,801	1%	15,567	1%
Mercer Moderate	90,051	5%	53,847	3%
Mercer Growth	68,933	4%	41,914	3%
Mercer Shares	17,741	1%	11,664	1%
Total Unlisted Unit Trusts	1,741,270	100%	1,559,464	100%

The table below shows the sensitivity analysis in market price of the financial assets held at fair value through profit or loss, if all other variables were held constant and investment markets fluctuated by the percentages disclosed below.

Fund	2018				2017			
	Net profit before membership activities		Net Assets Attributable to Members		Net profit before membership activities		Net Assets Attributable to Members	
	10% increase \$000s	10% decrease \$000s	10% increase \$000s	10% decrease \$000s	10% increase \$000s	10% decrease \$000s	10% increase \$000s	10% decrease \$000s
Mercer Conservative	106,015	(106,015)	106,015	(106,015)	103,450	(103,450)	103,450	(103,450)
Mercer Balanced	34,029	(34,029)	34,029	(34,029)	28,564	(28,564)	28,564	(28,564)
Mercer High Growth	14,730	(14,730)	14,730	(14,730)	11,633	(11,633)	11,633	(11,633)
Mercer Cash	1,680	(1,680)	1,680	(1,680)	1,557	(1,557)	1,557	(1,557)
Mercer Moderate	9,005	(9,005)	9,005	(9,005)	5,385	(5,385)	5,385	(5,385)
Mercer Growth	6,894	(6,894)	6,894	(6,894)	4,191	(4,191)	4,191	(4,191)
Mercer Shares	1,774	(1,774)	1,774	(1,774)	1,166	(1,166)	1,166	(1,166)
Total Unlisted Unit Trusts	174,127	(174,127)	174,127	(174,127)	155,946	(155,946)	155,946	(155,946)

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2018

11 FINANCIAL RISK MANAGEMENT (Continued)

b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss. The Scheme is exposed to counterparty credit risk on cash and cash equivalents. None of these assets are impaired or past due (2017: Same).

With respect to credit risk arising from the cash and cash equivalents of the Scheme, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the carrying amount disclosed in the Statements of Net Assets. This represents the current maximum risk exposure at the reporting date.

The managers of the investment funds manage credit risk by establishing controls which are either specified in the guidelines set by the Manager or outlined in the product disclosure statement/information memorandum of underlying unit trust investments that it makes. Credit risk limitations include diversification of investments over a wide range of asset classes, companies, industries and maturities within the underlying investment portfolios. The Scheme's cash balances are held with Westpac New Zealand Limited (AA- rating, as measured by Standard & Poor's) (2017: Same).

c) Liquidity Risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that there will always be sufficient liquidity to meet liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme is exposed to daily cash redemptions of redeemable units.

The Scheme's liquidity risk is managed by investing in unlisted investment trusts which, in turn, invest in different asset classes and predominantly liquid assets.

Members are able to transfer their balances to another KiwiSaver Scheme at any time. As such, the liability for promised retirement benefits is deemed to be repayable on demand. All other financial liabilities of the Scheme are due within one month.

d) Capital Risk Management

The Scheme manages its net assets attributable to members as capital, notwithstanding net assets attributable to members is classified as a liability. The amounts of Members' funds can change significantly on a daily basis as the Funds are subject to daily applications and redemptions in accordance with the conditions of the KiwiSaver Act 2006. The Scheme's objective when managing capital is to safeguard the Scheme's ability to continue as a going concern in order to provide returns for Members and to maintain a strong capital base to support the development of the investment activities of the Scheme. In order to maintain or adjust the capital structure, the Scheme's policy is to perform the following:

- a) monitor the level of daily applications and redemptions relative to the assets it is able to liquidate within seven days; and
- b) redeem and issue new units in accordance with the constitutional documents of the Scheme, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions in accordance with the KiwiSaver Act 2006. The Scheme does not have any externally imposed capital requirements.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
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12 FINANCIAL INSTRUMENTS BY CATEGORY

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
ASSETS								
Designated at fair value through profit or loss								
Financial assets held at fair value through profit or loss	1,741,723	1,559,464	1,060,153	1,034,499	340,291	285,646	147,300	116,327
Total investments designated at fair value through profit or loss	1,741,723	1,559,464	1,060,153	1,034,499	340,291	285,646	147,300	116,327
Loans and receivables								
Cash and cash equivalents	9,406	25,567	4,554	16,619	2,407	5,313	1,066	1,981
Total loans and receivables	9,406	25,567	4,554	16,619	2,407	5,313	1,066	1,981
Total assets	1,751,129	1,585,031	1,064,707	1,051,118	342,698	290,959	148,366	118,308
LIABILITIES								
Amortised cost								
Investment management fees payable	186	360	177	353	3	3	2	1
Supervisor fees payable	27	55	18	37	5	10	2	4
Benefits payable	1,125	2,239	856	1,470	80	481	41	93
Unallocated contributions	256	427	183	289	36	92	20	20
Administration fees payable	234	243	192	201	22	23	9	9
Manager fees (expense recoveries) payable	-	36	-	24	-	7	-	3
Net assets attributable to members	1,738,255	1,573,763	1,056,906	1,044,686	340,023	288,289	147,251	117,106
Total liabilities	1,740,083	1,577,123	1,058,332	1,047,060	340,169	288,905	147,325	117,236
Mercer Cash								
Mercer Moderate								
Mercer Growth								
Mercer Shares								
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
ASSETS								
Designated at fair value through profit or loss								
Financial assets held at fair value through profit or loss	16,801	15,567	90,504	53,847	68,933	41,914	17,741	11,664
Total financial assets designated at fair value through profit or loss	16,801	15,567	90,504	53,847	68,933	41,914	17,741	11,664
Loans and receivables								
Cash and cash equivalents	221	149	541	805	439	558	178	142
Total loans and receivables	221	149	541	805	439	558	178	142
Total assets	17,022	15,716	91,045	54,652	69,372	42,472	17,919	11,806
LIABILITIES								
Amortised cost								
Investment management fees payable	1	-	1	1	1	1	1	1
Supervisor fees payable	-	1	1	2	1	1	-	-
Benefits payable	53	150	9	37	70	7	16	1
Unallocated contributions	1	3	7	9	8	12	1	2
Administration fees payable	1	2	5	4	4	3	1	1
Manager fees (expense recoveries) payable	-	-	-	1	-	1	-	-
Net assets attributable to members	16,900	15,489	90,533	54,355	68,839	42,140	17,803	11,698
Total liabilities	16,956	15,645	90,556	54,409	68,923	42,165	17,822	11,703

At 31 March 2018 the carrying amount of cash and cash equivalents and liabilities at amortised cost approximates their fair value (2017: Same).

MERCER KIWISAVER SCHEME
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13 UNITS ON ISSUE

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2018 000s	2017 000s	2018 000s	2017 000s	2018 000s	2017 000s	2018 000s	2017 000s
Units on issue at the beginning of the year	1,111,350	1,032,794	709,537	691,527	206,996	185,134	85,717	77,810
Units issued during the year	275,796	249,061	125,154	133,306	50,262	47,113	23,154	18,587
Units redeemed during the year	(206,688)	(170,505)	(143,523)	(115,296)	(28,158)	(25,251)	(10,592)	(10,680)
Units on Issue at the end of the year	1,180,458	1,111,350	691,168	709,537	229,100	206,996	98,279	85,717

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2018 000s	2017 000s	2018 000s	2017 000s	2018 000s	2017 000s	2018 000s	2017 000s
Units on issue at the beginning of the year	11,902	12,008	49,939	32,340	37,224	25,201	10,035	8,774
Units issued during the year	6,615	5,448	39,736	25,385	25,287	15,580	5,588	3,642
Units redeemed during the year	(5,720)	(5,554)	(10,514)	(7,786)	(6,271)	(3,557)	(1,910)	(2,381)
Units on Issue at the end of the year	12,797	11,902	79,161	49,939	56,240	37,224	13,713	10,035

14 CONTINGENT LIABILITY, ASSET AND COMMITMENTS

There were no material contingent liabilities or commitments as at 31 March 2018 (2017: Same).

15 EVENTS AFTER BALANCE DATE

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



Independent auditor's report

To the members of Mercer KiwiSaver Scheme ("the Scheme") comprising the following Funds: Mercer Conservative, Mercer Balanced, Mercer High Growth, Mercer Cash, Mercer Moderate, Mercer Growth and Mercer Shares (collectively referred to as the "Funds")

The Funds' and Scheme's financial statements comprise:

- the statements of net assets as at 31 March 2018;
- the statements of changes in net assets for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the Funds' and Scheme's financial statements present fairly, in all material respects, the net assets of the Funds and the Scheme as at 31 March 2018, their changes in net assets and their cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

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

Our firm carries out other services for the Scheme in the areas of tax compliance and advisory services. The provision of these other services has not impaired our independence as auditor of the Scheme.

Information other than the financial statements and auditor's report

Mercer (N.Z.) Limited ("the Manager") is responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.



Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing each Fund's and the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Funds or the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-5/>

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

A handwritten signature in black ink that reads 'Samuel Shuttleworth' in a cursive script.

Chartered Accountants
23 July 2018

Auckland