## SUPEREASY KIWISAVER SUPERANNUATION SCHEME

**Financial Statements**

**For the Year Ended 31 March 2019**

**INDEX**

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## INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF THE SUPEREASY KIWISAVER SUPERANNUATION SCHEME

The Auditor-General is the auditor of the Supereasy Kiwisaver Superannuation Scheme (the Scheme). The Auditor-General has appointed me, Silvio Bruinsma, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the Scheme on his behalf.

**Opinion**

We have audited the financial statements of the Scheme on pages 4 to 15 that comprise the statement of net assets as at 31 March 2019, the statement of changes in net assets and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Scheme present fairly, in all material respects, its net assets as at 31 March 2019, and its financial performance and 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 our opinion**

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Scheme in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

**Audit Materiality**

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Scheme that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

**Key audit matters**

We have determined that there are no key audit matters to communicate in our report.

**Other information**

The Trustee is responsible for the other information. The other information comprises the information included in the separate Annual Report on pages 2 to 8, but does not include the financial statements, and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, we 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, 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.

**The Trustee's responsibilities for the financial statements**

The Trustee is responsible on behalf of the Scheme for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Trustee 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 Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee intends to wind up the Scheme or to cease operations, or has no realistic alternative but to do so.

The Trustee's responsibilities arise from the Financial Markets Conduct Act 2013.

**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 carried out in accordance with the Auditor-General's Auditing Standards 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 readers taken on the basis of these financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Scheme's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustee and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Trustee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Trustee, we determine those matters that were of most significant in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Silvio Bruinsma, Partner
for Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand
30 May 2019

## SUPEREASY KIWISAVER SUPERANNUATION SCHEME

### Statement of Changes in Net Assets
### For the Year Ended 31 March 2019

| | Notes | TOTAL 2019 $ | 2018 $ |
|---|---|---|---|
| **INVESTMENT ACTIVITIES** | | | |
| **Investment Income** | | | |
| Gain on Assets held at fair value through profit or loss | 7 | 27,319,439 | 15,819,566 |
| Interest | | 15,284 | 11,966 |
| | | 27,334,723 | 15,831,532 |
| **Investment Expenses** | | | |
| Investment Management Fees | 12 | 1,413,920 | 1,246,232 |
| **Net Investment Income** | | **25,920,803** | **14,585,300** |
| **OTHER EXPENSES** | | | |
| Administration Fees | 12 | 453,543 | 443,407 |
| **Total Other Expenses** | | **453,543** | **443,407** |
| **Change in Net Assets before Taxation and Membership Activities** | | **25,467,260** | **14,141,893** |
| **MEMBERSHIP ACTIVITIES** | | | |
| **Contributions** | 5 | | |
| Member Contributions | | 20,600,674 | 19,177,282 |
| Employer Contributions | | 9,903,467 | 9,588,003 |
| Crown Contributions | | 3,051,282 | 2,994,282 |
| Late Opt-Out | | (21,068) | (8,316) |
| Transfers In from Other KiwiSaver Schemes | | 2,119,036 | 1,590,465 |
| Transfers In from Other Superannuation Schemes | | - | 137,353 |
| Trans Tasman Portability Transfers In | | 113,270 | 321,275 |
| **Total Contributions** | | **35,766,661** | **33,800,344** |
| **Benefits Paid** | | | |
| Benefits Paid | 6 | 8,587,835 | 5,646,377 |
| Transfers Out to Other KiwiSaver Schemes | | 9,665,865 | 9,456,884 |
| **Total Benefits Paid** | | **18,253,700** | **15,103,261** |
| **Net Membership Activities** | | **17,512,961** | **18,697,083** |
| **Change in Net Assets Before Taxation** | | **42,980,221** | **32,838,976** |
| **PIE Tax Expense** | 9 | 1,472,096 | 1,115,794 |
| **Net Increase in Net Assets During Year** | | **41,508,125** | **31,723,182** |
| Net Assets Available for Benefits at Beginning of Year | | 237,971,652 | 206,248,470 |
| **Net Assets Available for Benefits at End of Year** | | **279,479,777** | **237,971,652** |

This statement is to be read in conjunction with the notes on pages 7 to 15

SUPEREASY KIWISAVER SUPERANNUATION SCHEME

**Statement of Net Assets**
**As at 31 March 2019**

| | Notes | TOTAL 2019 $ | 2018 $ |
|---|---|---|---|
| **CASH & INVESTMENTS** | | | |
| Cash & Cash Equivalents | | 585,386 | 1,093,378 |
| AMP Capital Investors (NZ) Ltd | | 219,820,589 | 186,545,503 |
| ANZ Investments Ltd | | 60,907,805 | 51,802,697 |
| **Total Cash & Investments** | | **281,313,780** | **239,441,578** |
| **TOTAL ASSETS** | | **281,313,780** | **239,441,578** |
| **Less LIABILITIES** | | | |
| Benefits Payable | | 35,909 | 174,664 |
| PIE Tax Payable | 9 | 1,451,693 | 976,753 |
| Other Payables | | 346,401 | 318,509 |
| **TOTAL LIABILITIES** | | **1,834,003** | **1,469,926** |
| **NET ASSETS AVAILABLE FOR BENEFITS** | | **279,479,777** | **237,971,652** |
| **LIABILITY FOR ACCRUED BENEFITS** | | | |
| *Represented By:* | | | |
| Members' Accounts | 3 | 279,479,777 | 237,971,652 |
| | | **279,479,777** | **237,971,652** |

Signed on behalf of the Trustee, Local Government Superannuation Trustee Limited, who authorised the issue of these financial statements on 30 May 2019.

Director of Trustee

Basil Morrison

Director of Trustee
Licensed Independent Trustee

Graeme Mitchell

This statement is to be read in conjunction with the notes on pages 7 to 15

SUPEREASY KIWISAVER SUPERANNUATION SCHEME

**Statement of Cash Flows**
**For the Year Ended 31 March 2019**

| | Note | TOTAL 2019 $ | 2018 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| ***Cash provided from*** | | | |
| Member Contributions | | 20,600,674 | 19,177,282 |
| Employer Contributions | | 9,903,467 | 9,588,003 |
| Crown Contributions | | 3,051,282 | 2,994,282 |
| Transfers In from Other Schemes | | 2,232,307 | 2,049,093 |
| Transfers Between Funds | | - | - |
| Interest Received | | 15,284 | 11,966 |
| | | 35,803,014 | 33,820,626 |
| ***Cash applied to*** | | | |
| Benefits Paid | | (8,726,591) | (5,494,180) |
| Transfers Out to Other KiwiSaver Schemes | | (9,665,865) | (9,456,884) |
| KiwiSaver Late Opt-Outs | | (21,068) | (8,316) |
| Other Expenses | | (450,976) | (440,102) |
| Withholding Tax Paid | | (4,584) | (3,590) |
| PIE Tax Paid | | (992,572) | (884,087) |
| | | (19,861,656) | (16,287,159) |
| **Net Cash Flows from Operating Activities** | 8 | **15,941,358** | **17,533,467** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| ***Cash applied to*** | | | |
| Investment purchases (Net of Investment Fees) | | (16,449,350) | (16,769,399) |
| **Net Cash Flows from Investing Activities** | | **(16,449,350)** | **(16,769,399)** |
| **Net (Decrease) / Increase in Cash Held** | | (507,992) | 764,068 |
| **Cash & Cash Equivalents at Beginning of the Year** | | 1,093,378 | 329,310 |
| **Cash & Cash Equivalents at End of the Year** | | **585,386** | **1,093,378** |

This statement is to be read in conjunction with the notes on pages 7 to 15

## 1. NATURE OF BUSINESS

### Scheme description

The SuperEasy KiwiSaver Superannuation Scheme (the "Scheme") was established under an umbrella trust with the Local Government Superannuation Scheme in accordance with Section 148 of the KiwiSaver Act 2006. The Scheme is a superannuation scheme with the principal purpose of providing members with benefits on retirement. It also provides benefits payable on death and other permitted withdrawals in accordance with the KiwiSaver Act 2006.

The Scheme was registered in New Zealand under the Financial Markets Conduct Act 2013 (reference SCH10494) on 15 March 2016. Under the KiwiSaver Act 2006, the Scheme is required to have a 31 March balance date.

The Scheme is a restricted KiwiSaver scheme. The Scheme is open to employees of New Zealand local authorities and certain other persons as described in the sections 9 – 23, 33 – 36, 53 and 116(A) 2-3 of the KiwiSaver Act 2006, and in clause 15.1.2 of the Trust Deed. There is only one class of member. There were no members receiving benefits other than those paid on transfer to another KiwiSaver scheme and other permitted withdrawals.

### Funding arrangements

The Scheme is a defined contribution scheme. Under the Trust Deed each member and their employer shall pay contributions at a rate expressed as a percentage of salary, or at the amount specified in the KiwiSaver Act 2006. Contributions in the form of the Kick Start payment (up until May 2015) and Member Tax Credits are received from the Crown via Inland Revenue, the amounts and timing of which are specified in the KiwiSaver Act 2006.

### Retirement benefits

The retirement benefits are determined by contributions to the Scheme together with investment earnings on these contributions over the period of membership. The timing of the retirement benefits are determined by the requirements of the KiwiSaver Act 2006.

### Termination terms

The Trust Deed sets out the basis on which the Scheme can be terminated.

### Investment Policies

The *Automatic Fund* invests in products offered by AMP Capital Investors (New Zealand) Ltd and ANZ Investments Limited. The objective of this Fund is to achieve the optimum long-term outcome by accepting a higher investment risk in the early stages of a member's working life as a trade for higher returns. So when a member is young the Automatic Fund provides greater exposure to investments with the potential for growth such as overseas and New Zealand equities. Each month as the member gets older the Automatic Fund will automatically and smoothly change their investments to a more conservative mix by increasing the member's exposure to income assets such as fixed interest securities and cash.

The *Aggressive Fund* invests in products offered by AMP Capital Investors (New Zealand) Ltd and ANZ Investments Limited. The objective of this Fund is to achieve a high level of real returns over the medium to long-term through substantial investment in equities, accepting that the returns may be subject to significant short-term variations.

The *Growth Fund* invests in products offered by AMP Capital Investors (New Zealand) Ltd and ANZ Investments Limited. The objective of this Fund is to achieve positive real returns through investment in growth assets, while controlling volatility through full diversification of the Fund's assets.

The *Balanced Fund* invests in products offered by AMP Capital Investors (New Zealand) Ltd and ANZ Investments Limited. The objective of this Fund is to reduce the chance of negative returns over the short to medium term through higher proportions of investment in defensive assets, such as cash and bonds, while still providing an opportunity for positive real returns over the long-term by investing a proportion of the Fund in growth assets such as equities and property.

The *Conservative Fund* invests in products offered by AMP Capital Investors (New Zealand) Ltd and ANZ Investments Limited. The objective of this Fund is to reduce the chance of negative returns over the short-term through higher proportions of investment in defensive assets, such as cash and bonds, while still providing an opportunity for positive real returns over the long-term by investing a proportion of the Fund in growth assets such as equities and property.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation and statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the requirements of the FMCA. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

### Presentation currency

These financial statements are presented in New Zealand dollars because that is the currency of the economic environment in which the Scheme operates.

### Classification of assets and liabilities

The SuperEasy KiwiSaver Superannuation Scheme operates as a superannuation scheme. As such, the assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

### Critical accounting estimates and judgements

There are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing material misstatement to the financial statements.

### Accounting Policies

The following are the significant accounting policies which have been adopted in the preparation of the financial statements:

#### (a) 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 period in which they occur.

#### (b) Expenses

All expenses are accounted for on an accruals basis. Investment management fees are charged by the administration manager based on the underlying funds under management. The investment management fees are 0.5% per annum expressed as a percentage of the total funds under management in the respective funds plus in fund costs charged by the underlying fund managers which are deducted prior to unit pricing.

#### (c) Taxation

The PIE tax expense represents the sum of the tax paid and payable.

The Scheme is a Portfolio Investment Entity (PIE) under the Income Tax Act 2007. Under current legislation regarding the taxation of PIEs, the Scheme pays tax on behalf of members. PIE tax payable to Inland Revenue on behalf of members is recognised as a liability and is measured based on Prescribed Investor Rates (PIR) applicable to the individual members that have been enacted or substantively enacted during the year and by the balance date.

#### (d) Financial Instruments

Financial assets and financial liabilities are recognised on the Scheme's Statement of Net Assets when the Scheme becomes a party to the contractual provisions of the instrument. The Scheme shall offset financial assets and financial liabilities if the Scheme has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

#### (e) Financial Assets

*Financial assets at fair value through profit or loss*
Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

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

The fair value hierarchy of financial instruments are categorised into 3 levels:

- Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments disclosed in these Financial Statements are categorised as Level 2 for both the 2018 and 2019 financial periods.

The Scheme invests in managed funds. The fair value is based upon unit prices calculated by the Manager of the fund.

The fair value of units is based upon a Net Asset Valuation using observable inputs of quoted security prices in active share markets and/or interest rates or yield curves which are observable at specific time intervals. The Net Asset Valuation of the fund may also include securities or derivatives which have inputs such as foreign exchange spot and forward rates and interest rate curves derived from quoted bond prices. The Net Asset Valuation may also have adjustments to reflect fees associated with the fund.

For unit prices, significant inputs into the calculation are market observable and are included within Level 2.

**(f) Other Receivables**
Other receivables are stated at amortised cost. As these do not carry any interest and are short-term in nature, amortised cost equals their nominal value as reduced by appropriate allowances for expected credit loss.

**(g) Other Payables**
Other payables are not interest-bearing and are stated at amortised cost.

**(h) 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 appropriate.

**(i) Cash Flow Statement**
The cash flows of the Scheme do not include those of the fund managers. The following are definitions of the terms used in the Cash Flow Statement:
*Cash & Cash Equivalents* - comprises cash balances held with banks in New Zealand.

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

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

**(j) Accrued Benefits**
The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and beneficiaries.

It has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities as at balance date. Accrued benefits include amounts allocated to members' accounts and reserves.

**(k) Contributions**
Contributions are accounted for on a cash basis when received from the employer, member or the Crown.

**(l) Benefits**
Benefits are accounted for on an accruals basis.

**Notes to the Financial Statements (Cont'd)**
**For the Year Ended 31 March 2019**

## 3. LIABILITY FOR ACCRUED BENEFITS

**Liability for accrued benefits as at 31 March:**

| Members' Accounts | TOTAL 2019 $ | 2018 $ |
|---|---|---|
| Opening Balance 1 April | 237,971,652 | 206,248,470 |
| Contributions | 35,766,661 | 33,800,344 |
| Benefits Paid and Transfers Out | (18,253,700) | (15,103,261) |
| Change in net assets before tax | 25,467,260 | 14,141,893 |
| PIE tax expense | (1,472,096) | (1,115,794) |
| **Balance 31 March** | **279,479,777** | **237,971,652** |

**Guaranteed Benefits**
No guarantees have been made in respect of any part of the liability for accrued benefits (2018: nil).

## 4. VESTED BENEFITS

Vested Benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Scheme at balance date. The Vested Benefits as at 31 March 2019 were $279,479,777 (31 March 2018: $237,971,652).

## 5. CONTRIBUTIONS

**Contributions by type**

| | TOTAL 2019 $ | 2018 $ |
|---|---|---|
| Member Contributions | 17,725,190 | 16,805,483 |
| Voluntary Member Contributions | 2,875,484 | 2,371,799 |
| Employer Contributions | 9,903,467 | 9,588,003 |
| Crown Contributions: | | |
| Kick Start | 1,000 | - |
| IRD Interest | 28,564 | 28,484 |
| Member Tax Credits | 3,021,718 | 2,965,798 |
| Late Opt-Out | (21,068) | (8,316) |
| Transfers In from Other Kiwisaver Schemes | 2,119,036 | 1,590,465 |
| Transfers In from Other Superannuation Schemes | - | 137,353 |
| Trans Tasman Portability Transfers In | 113,270 | 321,275 |
| Transfers Between Funds | - | - |
| **Total Contributions Received** | **35,766,661** | **33,800,344** |

SUPEREASY KIWISAVER SUPERANNUATION SCHEME

**Notes to the Financial Statements (Cont'd)**
**For the Year Ended 31 March 2019**

## 5. CONTRIBUTIONS (cont'd)

| | TOTAL 2019 $ | TOTAL 2018 $ |
|---|---|---|
| Contributions from members and employers who were: | | |
| Existing members | 34,669,909 | 31,837,252 |
| Members who joined the Scheme during the year | 956,177 | 1,286,030 |
| Lump sum contributions | 140,576 | 677,062 |
| **Total Contributions Received** | **35,766,662** | **33,800,344** |

## 6. BENEFITS PAID

| | TOTAL 2019 $ | TOTAL 2018 $ |
|---|---|---|
| Retirement | 6,153,679 | 2,915,849 |
| First Home Withdrawal | 1,713,850 | 1,716,504 |
| Serious Illness Withdrawal | 20,003 | 204,641 |
| Significant Financial Hardship Withdrawal | 289,410 | 346,781 |
| Trans Tasman Portability Transfers Out | 78,619 | 33,278 |
| Permanent Emigration | 99,739 | 180,930 |
| Death | 232,535 | 248,394 |
| Other | - | - |
| **Total Benefits Paid** | **8,587,835** | **5,646,377** |

## 7. GAIN ON ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

| | TOTAL 2019 $ | TOTAL 2018 $ |
|---|---|---|
| AMP Capital Investors (NZ) Ltd | 24,282,458 | 13,889,869 |
| ANZ Investments Ltd | 3,036,981 | 1,929,697 |
| **Total Gain on Financial Assets Held at Fair Value Through Profit or Loss** | **27,319,439** | **15,819,566** |

SUPEREASY KIWISAVER SUPERANNUATION SCHEME

**Notes to the Financial Statements (Cont'd)**
**For the Year Ended 31 March 2019**

## 8. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO INCREASE IN NET ASSETS DURING THE YEAR

| | TOTAL | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| **Increase in net assets during the year** | 41,508,125 | 31,723,182 |
| **Less non cash and investing items:** | | |
| Changes in fair value of financial assets through profit or loss after investment expenses | (25,920,803) | (14,585,300) |
| Non cash movement in investment manager fees | (10,038) | (38,983) |
| **Movements in other working capital items:** | | |
| (Decrease)/Increase in benefits payables | (138,756) | 152,197 |
| Increase in other payables | 27,893 | 54,254 |
| Increase in PIE tax payable | 474,937 | 228,117 |
| **Net Cash Inflow from Operating Activities** | **15,941,358** | **17,533,467** |

## 9. PIE TAX

The Scheme calculates and pays tax on members' behalf at the members' Prescribed Investor Rate (PIR) as follows:

- Members PIR were either 10.5%, 17.5% or 28% respectively.

| | TOTAL | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| Changes in net assets before tax and membership activities | 25,467,261 | 14,141,893 |
| *Less permanent differences:* | | |
| Non taxable income | 16,242,751 | 6,557,202 |
| **Taxable income** | **9,224,510** | **7,584,691** |
| Tax thereon at members PIR | 2,350,645 | 1,935,580 |
| Tax effect of allocated PIE credits | (878,549) | (819,786) |
| **Total tax expense** | **1,472,096** | **1,115,794** |
| **Current tax** | | |
| Opening balance | 976,754 | 748,636 |
| PIE Tax refund/ (paid) in respect of prior year | (977,278) | (749,159) |
| PIE tax in respect of current year | 1,472,096 | 1,115,794 |
| PIE tax expense paid on members behalf | (15,295) | (134,928) |
| Withholding tax paid | (4,584) | (3,590) |
| **PIE Tax Payable** | **1,451,693** | **976,753** |

## 10. FINANCIAL INSTRUMENTS

The Scheme is involved with a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

The Trustee has established the investment portfolio objectives and target asset allocations. Performance against these targets is reviewed regularly by the Trustee and asset reallocations undertaken as required.

**(a) 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 Scheme's accounting policies.

**(b) Capital Management**
The Scheme's capital is represented by net assets attributable to members and is reflected in the Statement of Net Assets as "Net Assets Available for Benefits". The Scheme invests contributions received in appropriate investments in order to provide returns to its members and to maximise the Scheme's members' value whilst maintaining sufficient liquidity to meet any withdrawal requests. The Scheme's management review the performance of the Scheme on a regular basis to monitor the capital management.

**(c) Market Risks**

**(i) Liquidity Risk**
All financial assets at fair value through profit and loss can be realised within 12 months. Other than the liability for accrued benefits, there are no significant financial liabilities. To manage liquidity risk the Scheme invests in financial instruments which are highly liquid. The Scheme also invests within established limits to ensure there is no concentration of risk. Due to the nature of a KiwiSaver scheme, it is unlikely that a significant number of members would exit at the same time. Financial liabilities of the Scheme consist of Net Assets Available for Benefits and Payables. Net Assets Available for Benefits are payable on demand, provided certain KiwiSaver withdrawal requirements are met, and Payables are typically paid within 30 days.

**(ii) Credit Risk**
Financial instruments which potentially expose the Scheme to credit risk consist of cash and cash equivalents, fixed interest securities and receivables and, indirectly, investments in unitised products which invest in cash and fixed interest investments. The Scheme does not require collateral or other security to support instruments with credit risk and as such, no collateral exists for any of the investments held by the Scheme. The maximum credit exposure is the carrying amount of the individual investments. All investments entered into are required to meet the credit rating parameters as set forth by the Trustee.

The significant counterparties of the Scheme are its fund managers AMP Capital Investors (New Zealand) Ltd and ANZ Investments Limited. The investments are held in trust by the Trustee for the benefit of the Scheme. The managers maintain diversified investment portfolios in accordance with the portfolio mix adopted by the Trustee. There are no specific industry related concentrations of credit risk.

**(iii) Currency Risk**
The Scheme is indirectly exposed to currency risk in that future currency movements will affect the valuation of investments in unitised products which invest in foreign currency denominated investments. Each of the five Funds may include investments in Australasian Shares, Global Shares, Global Fixed Interest and Global Property Shares asset classes. To reduce the impact of currency movements, the fund managers may currency hedge to New Zealand dollars from time to time in respect of the international investments.
Risk management activities are undertaken by the Scheme's investment managers to operate within the guidelines provided by the Trustee.

**(iv) Interest Rate Risk**
The Scheme is exposed to interest rate risk in that future interest rate movements will affect cash flows and fair values of fixed interest assets and, indirectly, the valuation of investments in unitised products which invest in cash and fixed interest investments.

As at balance date the Scheme's direct exposure to interest rate risk was in respect of the cash and cash equivalent balances of each Fund. The average interest rate for the year was 1.15% (2018: 1.20%).

Interest rate risk management activities are undertaken by the investment manager in accordance with the investment mandate set by the Trustee.

**(v) Market Price Risk**

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments of a specific type traded in the market. Market price risk is controlled by ensuring a diverse range of investments, limits on counterparty exposure and restrictions on types of instruments.

Had the market price of the underlying instruments increased or decreased by 10% with all other variables held constant, the increase or decrease respectively in income and the net assets attributable to members would amount to the following:

Aggressive Fund: $1,371,210 (2018: $1,115,677)
Growth Fund: $1,735,650 (2018: $1,466,962)
Balanced Fund: $918,486 (2018: $780,133)
Conservative Fund: $652,660 (2018: $511,047)
Automatic Fund: $23,394,833 (2018: $19,961,001)
Total: $28,072,839 (2018: $23,834,820)

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

The table below shows categories of the Scheme's Financial Instruments for 2018 and 2019:

| | **Financial assets at fair value through profit and loss** | | **Financial assets at amortised costs** | | **Financial liabilities at amortised costs** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | | | 585,386 | 1,093,378 | | | **585,386** | **1,093,378** |
| AMP Capital Investors (NZ) Ltd | 219,820,589 | 186,545,503 | | | | | **219,820,589** | **186,545,503** |
| ANZ Investments Ltd | 60,907,805 | 51,802,697 | | | | | **60,907,805** | **51,802,697** |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Benefits payable | | | | | 35,909 | 174,664 | **35,909** | **174,664** |
| PIE Tax payable | | | | | 1,451,693 | 976,753 | **1,451,693** | **976,753** |
| Other payables | | | | | 346,401 | 318,509 | **346,401** | **318,509** |

## 11. COMMITMENTS AND CONTINGENT LIABILITIES

There were no commitments or contingent liabilities outstanding as at 31 March 2019 (2018: nil).

## 12. RELATED PARTIES

Civic Financial Services Limited has been appointed the administration manager of the Scheme by the Scheme's Trustee, Local Government Superannuation Trustee Limited. Civic Financial Services Ltd is the parent entity of Local Government Superannuation Trustee Limited.

The Scheme holds no investments in any of the employer companies or any of its related parties. Civic Financial Services Ltd is charged a Trustee fee of $39,646 (2018: $39,041) and an audit fee of $39,880 (2018: $42,290) on behalf of the Schemes (SuperEasy KiwiSaver Superannuation Scheme and Local Government Superannuation Scheme - SuperEasy) and re-charged through the Scheme administration fee of $1,750,798 (2018: $1,576,451), which is split between administration and investment management fees.

## 13. NEW AND AMENDED STANDARDS ADOPTED BY THE SCHEME

NZ IFRS 9, 'Financial instruments', was issued in September 2014 as a complete version of the standard. NZ IFRS 9 completely replaces NZ IAS 39 in regards to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those subsequently measured at fair value and those subsequently measured at amortised cost. The determination is made at initial recognition. The 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 for financial liabilities is that, in cases where the fair value option is taken, 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. NZ IFRS 9 also introduces a new expected credit loss model for calculating the impairment of financial assets.

There are no recognition or measurement changes as a result of adopting NZ IFRS 9. The impact of adopting NZ IFRS 9 on the classification of the scheme's financial assets is that the scheme now classifies cash at bank and sundry receivables as financial assets at amortised cost (previously these were classified as loans and receivables).

This standard is effective for annual reporting periods beginning on or after 1 January 2018. The scheme has elected to adopt NZ IFRS 9 from 1 April 2018. The adoption of this standard has resulted in amended disclosures but has not impacted the scheme's reported result or financial position.

NZ IFRS 15 (amendment) 'Revenue from Contracts with Customers', was issued in July 2014 effective for periods from 1 January 2018. This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction Contracts', IAS 18, 'Revenue' and related interpretations. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The scheme's main sources of revenue are dividends, distributions, interest income and gains on financial instruments measured at fair value through profit or loss. As these are outside the scope of the new standard the adoption of this standard did not have a significant impact on the scheme's financial position and financial performance, or the presentation and disclosures in the Financial Statements.

## 14. EVENTS AFTER BALANCE DATE

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