

MERCER KIWISAVER SCHEME

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019



MERCER KIWISAVER SCHEME
Financial Statements
For the Year Ended 31 March 2019

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MERCER KIWISAVER SCHEME

Directory

For the year ended 31 March 2019

Manager:	Mercer (N.Z.) Limited	Supervisor:	Trustees Executors Limited Level 7, 51 Shortland Street PO Box 4197, Shortland Street Auckland 1140
	Registered Office Level 18, 151 Queen Street Auckland 1010		
	Investor and Advisor Enquiries PO Box 1849 Wellington 6140 Website: mercerfinancialservices.co.nz Helpline: 0508 637 237	Custodians:	BNP Paribas Fund Services Australasia Pty Ltd Level 18, State Insurance Building 1 Willis Street Wellington 6011
	Directors: Ross Gregory Butler (Chairman) Peter Lochiel Cameron (resigned 18/08/2018) Kristen Jane Kohere-Soutar Martin Paul Lewington David Lawrence McKeown (appointed 17/08/2018) Benjamin Jon Cossart Walsh		Trustees Executors Limited Level 7, 51 Shortland Street PO Box 4197, Shortland Street Auckland 1140
		Auditor:	PricewaterhouseCoopers Level 4, 10 Waterloo Quay PO Box 243 Wellington

MERCER KIWISAVER SCHEME
Statements of Net Assets
As at 31 March 2019

Note	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
	9,482	9,406	2,913	4,554	2,982	2,407	1,137	1,066
5	1,906,348	1,741,723	1,095,165	1,060,153	383,258	340,291	173,262	147,300
	1,915,830	1,751,129	1,098,078	1,064,707	386,240	342,698	174,399	148,366
ASSETS								
	194	186	188	177	2	3	1	2
6	24	27	15	18	5	5	2	2
	12,178	11,046	7,548	6,375	2,459	2,529	712	1,041
	2,051	1,125	1,296	856	426	80	118	41
	972	256	447	183	157	36	80	20
6	228	234	181	192	22	22	10	9
	15,647	12,874	9,675	7,801	3,071	2,675	923	1,115
Total Liabilities (excluding net assets attributable to members)								
NET ASSETS ATTRIBUTABLE TO MEMBERS								
4	1,900,183	1,738,255	1,088,403	1,056,906	383,169	340,023	173,476	147,251
4	1,900,183	1,738,255	1,088,403	1,056,906	383,169	340,023	173,476	147,251
	Represented by:							
	Net assets available for benefits							

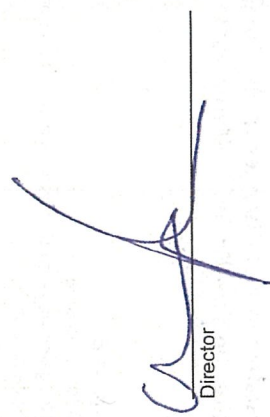


The accompanying notes form part of and should be read in conjunction with these statements.

MERCER KIWISAVER SCHEME
Statements of Net Assets
As at 31 March 2019

Note	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
ASSETS								
	194	221	970	541	1,088	439	198	178
Cash and cash equivalents								
Financial assets at fair value through profit or loss	18,178	16,801	118,785	90,504	94,543	68,933	23,157	17,741
Total Assets	18,372	17,022	119,755	91,045	95,631	69,372	23,355	17,919
LIABILITIES								
Investment management fees payable	1	1	1	1	1	1	-	1
Supervisor fees payable	-	-	1	1	1	1	-	-
Portfolio investment entity tax payable	77	66	805	489	518	449	59	97
Benefits payable	69	53	63	9	47	70	32	16
Unallocated contributions	5	1	230	7	45	8	8	1
Administration fees payable	2	1	7	5	5	4	1	1
Total Liabilities (excluding net assets attributable to members)	154	122	1,107	512	617	533	100	116
NET ASSETS ATTRIBUTABLE TO MEMBERS								
	18,218	16,900	118,648	90,533	95,014	68,839	23,255	17,803
Represented by:								
Net assets available for benefits	18,218	16,900	118,648	90,533	95,014	68,839	23,255	17,803

These Financial Statements were authorised for issue by Mercer (N.Z.) Limited, the Manager on 26 July 2019 For and on behalf of the Directors


 Director


 Director



MERCER KIWISAVER SCHEME
Statements of Changes in Net Assets
For the Year Ended 31 March 2019

Note	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
	194	226	111	137	39	44	18	19
Interest income								
Net gains/(losses) on financial assets at fair value through profit or loss	94,723	95,186	51,694	50,157	20,667	22,202	10,611	13,141
Total Income	94,917	95,412	51,805	50,294	20,706	22,246	10,629	13,160
EXPENSES								
Investment management fees	2,125	2,101	2,061	2,036	26	30	16	15
Supervisor fees	309	319	183	204	61	60	27	26
Manager fees (expense recoveries)	-	(14)	-	(9)	-	(3)	-	(1)
Other expenses	3	4	2	2	1	1	-	-
Total Expenses	2,437	2,410	2,246	2,233	88	88	43	40
NET PROFIT BEFORE MEMBERSHIP ACTIVITIES	92,480	93,002	49,559	48,061	20,618	22,158	10,586	13,120
MEMBERSHIP ACTIVITIES:								
Contributions / Transfers In								
Member contributions	143,509	144,189	89,651	94,515	24,786	24,630	11,648	10,497
Employer contributions	75,509	77,056	50,438	54,611	11,681	11,541	5,406	4,888
Government contributions	-	4	-	4	-	-	-	-
Tax credits	24,768	25,763	18,015	19,647	3,158	3,202	1,422	1,324
Transfers in from other schemes	10,176	7,366	4,918	4,273	869	497	1,370	773
Transfers (from)/to funds	-	-	(58,192)	(78,372)	11,990	16,492	6,134	8,678
Total Contributions/Transfers In	253,962	254,378	104,830	94,678	52,484	56,362	25,980	26,160
Benefits/Transfers Out/Membership Expenses/Tax								
Benefits	(62,891)	(53,578)	(40,056)	(35,885)	(11,211)	(8,252)	(2,973)	(1,927)
Transfers out to other schemes	(106,599)	(114,923)	(73,046)	(85,573)	(15,999)	(15,655)	(6,530)	(6,032)
Administration fees	(2,753)	(2,852)	(2,188)	(2,340)	(268)	(268)	(118)	(111)
Portfolio investment entity taxation expense	(12,271)	(11,535)	(7,602)	(6,721)	(2,478)	(2,611)	(720)	(1,065)
Total Benefits/Transfers Out/Membership Expenses/Tax	(184,514)	(182,888)	(122,892)	(130,519)	(29,956)	(26,786)	(10,341)	(9,135)
Total transactions with members in their capacity as members	69,448	71,490	(18,062)	(35,841)	22,528	29,576	15,639	17,025
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE FINANCIAL YEAR	1,738,255	1,573,763	1,056,906	1,044,686	340,023	288,289	147,251	117,106
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR	1,900,183	1,738,255	1,088,403	1,056,906	383,169	340,023	173,476	147,251

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



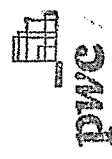
MERCER KIWISAVER SCHEME
Statements of Changes in Net Assets
For the Year Ended 31 March 2019

	Note	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
		2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
INCOME									
Interest income		2	2	12	13	10	9	2	2
Net gains/(losses) on financial assets at fair value through profit or loss	6	367	320	5,195	3,328	4,915	4,491	1,274	1,547
Total Income		369	322	5,207	3,341	4,925	4,500	1,276	1,549
EXPENSES									
Investment management fees	6	4	4	8	7	8	7	2	2
Supervisor fees	6	3	3	17	12	14	11	4	3
Manager fees (expense recoveries)	6	-	-	-	(1)	-	-	-	-
Other expenses		-	1	-	-	-	-	-	-
Total Expenses		7	8	25	18	22	18	6	5
NET PROFIT BEFORE MEMBERSHIP ACTIVITIES		362	314	5,182	3,323	4,903	4,482	1,270	1,544
MEMBERSHIP ACTIVITIES:									
Contributions / Transfers In									
Member contributions		909	975	7,804	6,340	6,836	5,975	1,875	1,257
Employer contributions		459	506	3,353	2,439	3,322	2,488	850	583
Government contributions		-	-	-	-	-	-	-	-
Tax credits		152	161	1,022	734	810	581	189	114
Transfers in from other schemes	8	99	38	834	396	1,335	1,107	751	282
Transfers (from)/to funds		4,324	3,983	19,287	29,790	14,585	16,077	1,872	3,352
Total Contributions/Transfers In		5,943	5,663	32,300	39,699	26,888	26,228	5,537	5,588
Benefits/Transfers Out/Membership Expenses/Tax									
Benefits	7	(4,070)	(3,805)	(3,174)	(2,240)	(1,042)	(918)	(365)	(551)
Transfers out to other schemes		(821)	(673)	(5,297)	(4,038)	(3,991)	(2,588)	(915)	(364)
Administration fees	6	(18)	(18)	(86)	(59)	(60)	(45)	(15)	(11)
Portfolio investment entity taxation expense		(78)	(70)	(810)	(507)	(523)	(460)	(60)	(101)
Total Benefits/Transfers Out/Membership Expenses/Tax		(4,987)	(4,566)	(9,367)	(6,844)	(5,616)	(4,011)	(1,355)	(1,027)
Total transactions with members in their capacity as members		956	1,097	22,933	32,855	21,272	22,217	4,182	4,561
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE FINANCIAL YEAR		16,900	15,489	90,533	54,355	68,839	42,140	17,803	11,698
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR		18,218	16,900	118,648	90,533	95,014	68,839	23,255	17,803

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 2019

	Note	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
		2019	2018	2019	2018	2019	2018	2019	2018
		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
CASH FLOWS FROM OPERATING ACTIVITIES									
Proceeds from sale of financial assets		34,957	34,031	46,790	63,376	4,793	-	1,323	120
Interest income		194	226	111	137	39	44	18	19
Payments for purchase of financial assets		(104,859)	(121,104)	(30,108)	(38,873)	(27,093)	(32,443)	(16,674)	(17,952)
Fees and other expenses paid		(2,432)	(2,648)	(2,238)	(2,452)	(89)	(100)	(44)	(44)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	9	(72,140)	(89,495)	14,555	22,188	(22,350)	(32,499)	(15,377)	(17,857)
CASH FLOWS FROM FINANCING ACTIVITIES									
Member contributions		143,509	144,189	89,651	94,515	24,786	24,630	11,648	10,497
Employer contributions		75,509	77,056	50,438	54,611	11,661	11,541	5,406	4,888
Government contributions		-	4	-	4	-	-	-	-
Tax credits		24,768	25,763	18,015	19,647	3,158	3,202	1,422	1,324
Transfers in from other schemes		10,176	7,366	4,918	4,273	869	497	1,370	773
Transfers (from)/to funds		-	-	(58,192)	(78,372)	11,990	16,492	6,134	8,678
Portfolio investment entity taxation		(11,139)	(8,397)	(6,429)	(4,404)	(2,548)	(2,136)	(1,049)	(1,096)
Unallocated contributions		716	(171)	264	(106)	121	(56)	60	-
Benefits paid		(61,965)	(54,692)	(39,616)	(36,499)	(10,865)	(8,653)	(2,896)	(1,979)
Transfers out to other schemes		(106,599)	(114,923)	(73,046)	(85,573)	(15,999)	(15,655)	(6,530)	(6,032)
Administration fees		(2,759)	(2,861)	(2,199)	(2,349)	(268)	(269)	(117)	(111)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		72,216	73,334	(16,196)	(34,253)	22,925	29,593	15,448	16,942
Net increase/(decrease) in cash and cash equivalents		76	(16,161)	(1,641)	(12,065)	575	(2,906)	71	(915)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		9,406	25,567	4,554	16,619	2,407	5,313	1,066	1,981
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		9,482	9,406	2,913	4,554	2,982	2,407	1,137	1,066



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 2019

Note	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
CASH FLOWS FROM OPERATING ACTIVITIES								
	3,733	3,295	621	221	500	20	1,669	273
Proceeds from sale of financial assets	2	2	12	13	10	9	2	2
Interest income	(4,743)	(4,209)	(23,707)	(33,550)	(21,195)	(22,548)	(5,811)	(4,803)
Payments for purchase of financial assets	(7)	(8)	(25)	(20)	(22)	(19)	(7)	(5)
Fees and other expenses paid								
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(1,015)	(920)	(23,099)	(33,336)	(20,707)	(22,538)	(4,147)	(4,533)
9								
CASH FLOWS FROM FINANCING ACTIVITIES								
Member contributions	909	975	7,804	6,340	6,836	5,975	1,875	1,257
Employer contributions	459	506	3,353	2,439	3,322	2,488	850	583
Government contributions								
Tax credits	152	161	1,022	734	810	581	189	114
Transfers in from other schemes	99	38	834	396	1,335	1,107	751	282
Transfers (from)/to funds	4,324	3,983	19,287	29,790	14,585	16,077	1,872	3,352
Portfolio investment entity taxation	(67)	(75)	(494)	(261)	(454)	(318)	(98)	(107)
Unallocated contributions	4	(2)	223	(2)	37	(4)	7	(1)
Benefits paid	(4,054)	(3,902)	(3,120)	(2,268)	(1,065)	(855)	(349)	(536)
Transfers out to other schemes	(821)	(673)	(5,297)	(4,038)	(3,991)	(2,588)	(915)	(364)
Administration fees	(17)	(19)	(84)	(58)	(59)	(44)	(15)	(11)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	988	992	23,528	33,072	21,356	22,419	4,167	4,569
Net increase/(decrease) in cash and cash equivalents	(27)	72	429	(264)	649	(119)	20	36
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR								
	221	149	541	805	439	558	178	142
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR								
	194	221	970	541	1,088	439	198	178

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 2019

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:

	2019	2018
Opening Membership at 1 April	94,052	96,807
New Members	7,495	7,776
Exited Members	(8,449)	(10,531)
Closing Membership at 31 March	93,098	94,052

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"):

Investment Portfolio
Mercer Investment Trusts New Zealand
 Mercer Trans-Tasman Shares Trust
 Mercer Unhedged Overseas Shares Trust

- 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 Hedged Overseas Shares Trust

Mercer Trans-Tasman Property Trust
 Mercer Property and Infrastructure Trust

- Mercer Listed Property Portfolio
- Mercer Listed Infrastructure Portfolio
- Mercer Unlisted Infrastructure Portfolio
- Mercer Cash Portfolio

Mercer Infrastructure Trust

Mercer New Zealand Cash and Fixed Interest Trust

Mercer Overseas Fixed Interest Trust

- 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

Mercer Commodities Trust
 Mercer Diversified Trust

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

1 SCHEME DESCRIPTION (Continued)

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 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 2018 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 financial position reported for the Scheme is an aggregation of the result, financial 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 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.

Assumptions, Estimates and Judgements

The preparation of the financial statements in conformity with NZ IFRS and 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.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

2 BASIS OF PREPARATION (Continued)

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 2019, employer contribution rates are either 3% or greater (2018: 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 have been applied consistently to all years presented, unless otherwise stated.

(i) Income

Interest income

Interest income as recognised in the Statements of Changes in Net Assets is derived from cash and cash equivalents 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 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.

(ii) Financial Instruments

Classification

Financial instruments comprise investments in unlisted unit trusts including prepaid investments.

Investments in unlisted unit trusts including prepaid investments 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. The Scheme has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income.

Based on the Scheme's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets, the Manager has determined that all financial assets of the Scheme are classified as fair value through profit or loss with the exception of cash and cash equivalents, which are classified as financial assets at amortised cost.

Financial liabilities at amortised cost comprise investment management fees payable, supervisor fees payable, benefits payable, unallocated contributions, administration fees payable, manager fees (expense recoveries) payable and net assets attributable to members.

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.

Financial assets are derecognised when the rights to receive cash flows from the investment have expired or the Scheme has transferred substantially all risks and rewards of ownership.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) **Financial Instruments (Continued)**

Measurement

Financial assets 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 at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the Statements of Changes in Net Assets in the period in which they arise.

Financial assets and liabilities at amortised cost are initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition of the financial asset or liability and subsequently measured at amortised cost.

Fair value estimation

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

(iii) **Expenses**

Expenses comprise management fees, Supervisor fees, custody fees, management expense recoveries and other expenses. All expenses are accounted for on an accrual basis. Administration fees are charged monthly per member via unit deduction and are recognised in Membership Activities in the Statements of Changes in Net Assets.

(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) **Financial Assets at Amortised Cost**

Financial assets at amortised cost (formerly referred to as loans and receivables) comprises cash at bank. Financial assets at amortised cost 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) **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.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vi) Net Assets Attributable to Members (Continued)

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.

(vii) 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.

(viii) 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.

(ix) 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.

(x) 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 conditions 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.

(xi) 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.

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xii) 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 2018 did not have a material impact on the financial statements of the Scheme.

NZ-IFRS 9 - Financial instruments became effective for annual periods beginning on or after 1 January 2018. NZ IFRS 9, was issued in September 2014 as a complete version of the standard. It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. It replaces the multiple classification and measurement models in NZ IAS 39 – Financial Instruments: Recognition and Measurement.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPi). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPi and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. NZ IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

The adoption of NZ IFRS 9 did not result in a change to the measurement of financial instruments of the Scheme. However, the classification of the financial instruments have changed as follows:

	Classification & measurement under NZ IAS 39	Classification & measurement under NZ IFRS 9
Assets		
Cash and cash equivalents	Loans and receivables at amortised cost	Financial assets at amortised cost
Financial assets at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through profit or loss
Liabilities		
Investment management fees payable; Supervisor fees payable, benefits payable, unallocated contributions, administration fees payable, manager fees (expense recoveries) payable; and net assets attributable to members	Other financial liabilities at amortised cost	Financial liabilities at amortised cost

The Scheme has not made any election at initial recognition to irrevocably designate a financial asset as measured at fair value through profit or loss.

The Scheme retrospectively adopted this standard with effect from 1 April 2017.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2018 that have a material effect on the financial statements of the Scheme.

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

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

(xiii) Presentation of financial statements

The assets and liabilities in the financial statements have been presented in order of their liquidity. Other than the financial assets disclosed in note 5 which have restriction redemptions, all assets and liabilities either have a maturity of less than a year or have no fixed maturity and are therefore considered current assets/liabilities (2018 Same).

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

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	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Member accounts – vested benefits	1,899,831	1,737,915	1,087,932	1,056,469	383,271	340,108	173,492	147,258
Adjustments arising from valuation differences	352	340	471	437	(102)	(85)	(16)	(7)
Net Assets Attributable to Members	1,900,183	1,738,255	1,088,403	1,056,906	383,169	340,023	173,476	147,251
	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Member accounts – vested benefits	18,173	16,857	118,655	90,540	95,051	68,875	23,257	17,808
Adjustments arising from valuation differences	45	43	(7)	(7)	(37)	(36)	(2)	(5)
Net Assets Attributable to Members	18,218	16,900	118,648	90,533	95,014	68,839	23,255	17,803

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, this results in timing differences in the settlement of certain accrued items and the impact thereof on unit pricing. 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 2019

5 FINANCIAL ASSETS 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	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Financial assets at fair value through profit or loss								
Mercer Balanced Portfolio	383,258	340,291	-	-	383,258	340,291	-	-
Mercer Global Absolute Return Bond Portfolio	16,048	15,850	16,048	15,850	-	-	-	-
Mercer Global Credit Portfolio	138,378	132,254	138,378	132,254	-	-	-	-
Mercer Growth Portfolio	94,543	68,933	-	-	-	-	-	-
Mercer Hedged Overseas Shares Plus Portfolio	54,823	50,389	54,823	50,389	-	-	-	-
Mercer Cash Portfolio	399,756	392,967	381,578	376,166	-	-	-	-
Mercer Listed Infrastructure Portfolio	4,461	4,328	4,461	4,328	-	-	-	-
Mercer Listed Property Portfolio	6,178	4,118	6,178	4,118	-	-	-	-
Mercer High Growth Portfolio	173,262	147,300	-	-	-	-	173,262	147,300
Mercer Moderate Portfolio	118,785	90,051	-	-	-	-	-	-
Mercer Natural Resources Portfolio	3,346	4,459	3,346	4,459	-	-	-	-
Mercer New Zealand Sovereign Bond Portfolio	153,601	149,938	153,601	149,938	-	-	-	-
Mercer Hedged Overseas Shares Portfolio	18,968	19,620	18,968	19,620	-	-	-	-
Mercer Overseas Low Volatility Shares Portfolio	19,340	19,109	19,340	19,109	-	-	-	-
Mercer Overseas Sovereign Bond Portfolio	170,171	166,232	170,171	166,232	-	-	-	-
Mercer Shares Portfolio	23,157	17,741	-	-	-	-	-	-
Mercer Trans-Tasman Shares Portfolio	40,359	36,806	40,359	36,806	-	-	-	-
Mercer Overseas Shares Portfolio	14,666	13,986	14,666	13,986	-	-	-	-
Mercer Overseas Shares Plus Portfolio	45,165	37,399	45,165	37,399	-	-	-	-
Mercer Unlisted Infrastructure Portfolio*	14,960	15,214	14,960	15,214	-	-	-	-
Mercer Unlisted Property Portfolio*	13,123	14,285	13,123	14,285	-	-	-	-
Prepaid Investments	-	453	-	-	-	-	-	-
Total Financial Assets at Fair Value through Profit or Loss	1,906,348	1,741,723	1,095,165	1,050,153	383,258	340,291	173,262	147,300

* 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 2019

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

The Scheme held investments in the following MITNZ investment portfolios:

Financial assets at fair value through profit or loss	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Mercer Growth Portfolio	-	-	-	-	94,543	68,933	-	-
Mercer Cash Portfolio	18,178	16,801	-	-	-	-	-	-
Mercer Moderate Portfolio	-	-	118,785	90,051	-	-	-	-
Mercer Shares Portfolio	-	-	-	-	-	-	23,157	17,741
Prepaid Investments	-	-	-	453	-	-	-	-
Total Financial Assets at Fair Value through Profit or Loss	18,178	16,801	118,785	90,504	94,543	68,933	23,157	17,741

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

Financial assets at fair value through profit or loss	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Mercer Balanced Portfolio	383,258	340,291	-	-	383,258	340,291	-	-
Mercer Global Credit Portfolio	138,378	132,254	138,378	132,254	-	-	-	-
Mercer Cash Portfolio	399,756	392,967	381,578	376,166	-	-	-	-
Mercer High Growth Portfolio	173,262	147,300	-	-	-	-	173,262	147,300
Mercer Moderate Portfolio	118,785	90,051	-	-	-	-	-	-
Mercer New Zealand Sovereign Bond Portfolio	153,601	149,938	153,601	149,938	-	-	-	-
Mercer Hedged Overseas Shares Portfolio	54,823	-	54,823	-	-	-	-	-
Mercer Overseas Sovereign Bond Portfolio	170,171	166,232	170,171	166,232	-	-	-	-
Total Financial Assets at Fair Value through Profit or Loss	1,592,034	1,419,033	898,551	824,590	383,258	340,291	173,262	147,300

Financial assets at fair value through profit or loss	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Mercer Growth Portfolio	-	-	-	-	94,543	68,933	-	-
Mercer Cash Portfolio	18,178	16,801	-	-	-	-	-	-
Mercer Moderate Portfolio	-	-	118,785	90,051	-	-	-	-
Mercer Shares Portfolio	-	-	-	-	-	-	23,157	17,741
Total Financial Assets at Fair Value through Profit or Loss	18,178	16,801	118,785	90,051	94,543	68,933	23,157	17,741



MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

5 FINANCIAL ASSETS 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 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 (2018: Same). During the year there were no transfers between levels in the fair value hierarchy (2018: 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 2019 and 2018, Fund charges consisted of In Fund costs, expense reimbursement to the Manager for Scheme expenses paid by the Manager, investment management fees and supervisor fees. The fee rates for 2019 and 2018 are disclosed below.

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

An administration fee of \$2.50 is charged per member, per month. Members who are Mercer and Marsh employees and their families are entitled to a waiver of this 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 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 2019

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	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Investment management fees								
Investment management fees to Mercer, other related and third party investment managers via MITNZ unit price	8,553	7,618	3,351	3,400	2,437	2,129	1,312	1,102
Investment management fees to Mercer	2,125	2,101	2,061	2,036	26	30	16	15
Total investment management fees	10,678	9,719	5,412	5,436	2,463	2,159	1,328	1,117
Administration fees								
Administration fees to Mercer	2,753	2,852	2,188	2,340	268	268	118	111
Supervisor fees								
Supervisor fees to Trustees Executors Limited	309	319	183	204	61	60	27	26
Manager fees (expense recoveries)								
Manager fees (expense recoveries) to Mercer	-	(14)	-	(9)	-	(3)	-	(1)
Total	13,740	12,876	7,783	7,971	2,792	2,484	1,473	1,253

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Investment management fees								
Investment management fees to Mercer, other related and third party investment managers via MITNZ unit price	53	47	588	377	626	431	186	132
Investment management fees to Mercer	4	4	8	7	8	7	2	2
Total investment management fees	57	51	596	384	634	438	188	134
Administration fees								
Administration fee expenses to Mercer	18	18	86	59	60	45	15	11
Supervisor fees								
Supervisor fee expenses to Trustees Executors Limited	3	3	17	12	14	11	4	3
Manager fees (expense recoveries)								
Manager fees (expense recoveries) to Mercer	-	-	-	(1)	-	-	-	-
Total	78	72	699	454	708	494	207	148

Outstanding balances due to related parties are not interest bearing.



MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

6 RELATED PARTIES (Continued)

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

Fund	Investment management fees		Supervisor fees		Administration fees	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Mercer Conservative	188	177	15	18	181	192
Mercer Balanced	2	3	5	5	22	22
Mercer High Growth	1	2	2	2	10	9
Mercer Cash	1	1	-	-	2	1
Mercer Moderate	1	1	1	1	7	5
Mercer Growth	1	1	1	1	5	4
Mercer Shares	-	1	-	-	1	1
Total	194	186	24	27	228	234

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 unit holder of the Growth, Conservative, Shares, and High Growth funds amounting to \$745,598, \$79,926, \$72,440 and \$27,892 respectively. (2018: \$670,199, \$84,658, \$74,057 and \$20,164 respectively)

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

Scheme Total	Opening Balance		Purchases		Sales		Net Change in Fair Value		Closing Balance	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Mercer Balanced Portfolio	340,291	285,646	27,093	32,443	(4,793)	-	20,667	22,202	383,258	340,291
Mercer Global Absolute Return Bond Portfolio	15,850	-	-	16,223	-	(562)	198	189	16,048	15,850
Mercer Global Credit Portfolio	132,254	138,450	2,247	-	(2,072)	(9,677)	5,949	3,481	138,378	132,254
Mercer Growth Portfolio	68,933	41,914	21,195	22,548	(500)	(20)	4,915	4,491	94,543	68,933
Mercer Hedged Overseas Shares Plus Portfolio	50,389	47,545	9,268	3,493	(7,417)	(7,319)	2,563	6,670	54,823	50,389
Mercer Cash Portfolio	392,967	376,076	12,353	37,947	(13,862)	(29,092)	8,298	8,036	399,756	392,967
Mercer Listed Infrastructure Portfolio	4,328	4,487	-	-	(500)	(111)	633	(48)	4,461	4,328
Mercer Listed Property Portfolio	4,118	4,714	1,300	-	(6)	(974)	766	378	6,178	4,118
Mercer High Growth Portfolio	147,300	116,327	16,674	17,952	(1,323)	(120)	10,611	13,141	173,262	147,300
Mercer Moderate Portfolio	90,051	53,847	24,160	33,097	(621)	(221)	5,195	3,328	118,785	90,051
Mercer Natural Resources Portfolio	4,459	3,369	1,204	800	(2,500)	-	183	290	3,346	4,459
Mercer New Zealand Sovereign Bond Portfolio	149,938	153,447	-	5,755	(6,310)	(15,505)	9,973	6,241	153,601	149,938
Mercer Hedged Overseas Shares Portfolio	19,620	17,587	-	500	(1,569)	-	917	1,533	18,968	19,620
Mercer Overseas Low Volatility Shares Portfolio	19,109	20,802	-	-	(1,076)	(3,117)	1,307	1,424	19,340	19,109
Mercer Overseas Sovereign Bond Portfolio	166,232	158,059	1,593	7,543	(5,446)	(6,649)	7,792	7,279	170,171	166,232
Mercer Shares Portfolio	17,741	11,664	5,811	4,803	(1,669)	(273)	1,274	1,547	23,157	17,741
Mercer Trans-Tasman Shares Portfolio	36,806	36,543	-	400	(2,148)	(4,733)	5,701	4,596	40,359	36,806
Mercer Overseas Shares Portfolio	13,986	17,982	-	-	(622)	(5,461)	1,302	1,465	14,966	13,986
Mercer Overseas Shares Plus Portfolio	37,399	43,058	6,150	-	(2,145)	(11,470)	3,761	5,811	45,165	37,399
Mercer Unlisted Infrastructure Portfolio	15,214	15,013	-	-	(1,614)	(1,580)	1,360	1,781	14,960	15,214
Mercer Unlisted Property Portfolio	14,285	12,934	400	-	(2,900)	-	1,338	1,351	13,123	14,285
Total	1,741,270	1,559,464	129,448	183,504	(59,093)	(86,884)	94,723	95,186	1,905,348	1,741,270

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

6 RELATED PARTIES (Continued)

Investment in related parties (Continued)

	Opening Balance		Purchases		Sales		Net Change in Fair Value		Closing Balance	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Mercer Conservative	15,850	-	-	16,223	-	(562)	198	189	16,048	15,850
Mercer Global Absolute Return Bond Portfolio	132,254	138,450	2,247	-	(2,072)	(9,677)	5,949	3,481	138,378	132,254
Mercer Global Credit Portfolio	50,389	47,545	9,268	3,493	(7,417)	(7,319)	2,583	6,670	54,823	50,389
Mercer Hedged Overseas Shares Plus Portfolio	376,166	360,509	15,846	41,412	(18,365)	(33,471)	7,931	7,716	381,578	376,166
Mercer Cash Portfolio	4,328	4,487	-	-	(500)	(111)	633	(48)	4,461	4,328
Mercer Listed Infrastructure Portfolio	4,118	4,714	1,300	-	(6)	(974)	766	378	6,178	4,118
Mercer Listed Property Portfolio	4,459	3,369	1,204	800	(2,500)	-	183	290	3,346	4,459
Mercer Natural Resources Portfolio	149,938	153,447	-	5,755	(6,310)	(15,505)	9,973	6,241	153,601	149,938
Mercer New Zealand Sovereign Bond Portfolio	19,620	17,587	-	500	(1,076)	-	917	1,533	18,968	19,620
Mercer Hedged Overseas Shares Portfolio	19,109	20,802	-	-	(1,076)	(3,117)	1,307	1,424	19,340	19,109
Mercer Overseas Low Volatility Shares Portfolio	166,232	158,059	1,593	7,543	(5,446)	(6,649)	7,792	7,279	170,171	166,232
Mercer Overseas Sovereign Bond Portfolio	36,806	36,543	-	400	(2,148)	(4,733)	5,701	4,596	40,359	36,806
Mercer Trans-Tasman Shares Portfolio	13,986	17,982	-	-	(622)	(5,461)	1,302	1,465	14,665	13,986
Mercer Overseas Shares Portfolio	37,399	43,058	6,150	-	(2,145)	(11,470)	3,761	5,811	45,165	37,399
Mercer Overseas Shares Plus Portfolio	15,214	15,013	-	-	(1,614)	(1,580)	1,360	1,781	14,960	15,214
Mercer Unlisted Infrastructure Portfolio	14,285	12,934	400	-	(2,900)	-	1,338	1,351	13,123	14,285
Total	1,060,153	1,034,499	38,008	76,126	(54,690)	(100,629)	51,694	50,157	1,095,165	1,060,153



MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

6 RELATED PARTIES (Continued)

Investment in related parties (Continued)

	Opening Balance		Purchases		Sales		Net Change in Fair Value		Closing Balance	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Mercer Balanced										
Mercer Balanced Portfolio	340,291	285,646	27,093	32,443	(4,793)	-	20,667	22,202	383,258	340,291
Mercer High Growth										
Mercer High Growth Portfolio	147,300	116,327	16,674	17,952	(1,323)	(120)	10,611	13,141	173,262	147,300
Mercer Cash										
Mercer Cash Portfolio	16,801	15,567	4,743	4,209	(3,733)	(3,295)	367	320	18,178	16,801
Mercer Moderate										
Mercer Moderate Portfolio	90,051	53,847	24,160	33,097	(621)	(221)	5,195	3,328	118,785	90,051
Mercer Growth										
Mercer Growth Portfolio	68,933	41,914	21,195	22,548	(500)	(20)	4,915	4,491	94,543	68,933
Mercer Shares										
Mercer Shares Portfolio	17,741	11,664	5,811	4,803	(1,669)	(273)	1,274	1,547	23,157	17,741

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	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Mercer Cash Portfolio	8,236	7,674	(8,236)	(7,674)
Total	8,236	7,674	(8,236)	(7,674)

The non-cash transactions comprising purchases and sales between MITNZ portfolios within Mercer Conservative and at the Scheme level amounted to \$7,900,000 (2018: \$37,253,104) and \$16,236,247 (2018: \$25,600,196), respectively.

At 31 March 2019, there were no prepaid investments (2018: \$452,874).



MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

7 PAYMENT OF BENEFITS

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Retirement	32,303	25,996	21,084	18,312	6,535	4,532	816	544
Serious ill health	1,615	1,472	1,231	1,084	187	247	26	8
Death or disability	1,785	2,554	-	28	-	-	-	-
Significant financial hardship	2,031	1,966	1,594	1,500	254	291	98	111
First home assistance	21,572	19,178	13,598	13,612	3,746	2,804	1,706	1,031
Permanent emigration to Australia	399	73	274	47	4	14	121	-
Permanent emigration excluding Australia	2,522	1,625	1,738	738	427	328	178	128
Other	664	714	537	564	58	36	28	105
Total	62,891	53,578	40,056	35,885	11,211	8,252	2,973	1,927
	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Retirement	1,657	842	1,926	1,360	216	255	69	151
Serious ill health	7	57	76	62	30	14	58	-
Death or disability	1,785	2,526	-	-	-	-	-	-
Significant financial hardship	24	11	38	32	22	16	1	5
First home assistance	583	344	1,066	743	654	567	219	77
Permanent emigration to Australia	-	12	-	-	-	-	-	-
Permanent emigration excluding Australia	-	13	68	41	93	59	18	318
Other	14	-	-	2	27	7	-	-
Total	4,070	3,805	3,174	2,240	1,042	918	365	551

8 TRANSFERS IN FROM OTHER SCHEMES

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Transfers from other KiwiSaver Schemes	5,248	3,555	2,317	1,921	462	262	874	405
Transfers from other superannuation schemes	1,605	914	434	598	171	(88)	237	14
Transfers from Trans-Tasman portability	3,323	2,897	2,167	1,754	236	323	259	354
Total	10,176	7,366	4,918	4,273	869	497	1,370	773
	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Transfers from other KiwiSaver Schemes	58	1	366	84	529	633	642	248
Transfers from other superannuation schemes	20	37	252	214	410	139	81	-
Transfers from Trans-Tasman portability	21	-	216	98	396	335	28	33
Total	99	38	834	396	1,335	1,107	751	282

MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

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

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Net profit before membership activities	92,480	93,002	49,559	48,061	20,618	22,158	10,586	13,120
<i>Adjustments for:</i>								
Net gains on financial assets at fair value through profit or loss	(94,723)	(95,186)	(51,694)	(50,157)	(20,667)	(22,202)	(10,611)	(13,141)
Proceeds from sale of financial assets	34,957	34,031	48,790	63,376	4,793	-	1,323	120
Payments for purchase of financial assets	(104,859)	(121,104)	(30,108)	(38,873)	(27,093)	(32,443)	(16,674)	(17,952)
<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)	5	(238)	8	(219)	(1)	(12)	(1)	(4)
Net Cash flows (used in)/from Operating Activities	(72,140)	(89,495)	14,555	22,188	(22,350)	(32,499)	(15,377)	(17,857)

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Net profit before membership activities	362	314	5,182	3,323	4,903	4,482	1,270	1,544
<i>Adjustments for:</i>								
Net gains on financial assets at fair value through profit or loss	(367)	(320)	(5,195)	(3,328)	(4,915)	(4,491)	(1,274)	(1,547)
Proceeds from sale of financial assets	3,793	3,295	621	221	500	20	1,669	273
Payments for purchase of financial assets	(4,743)	(4,209)	(23,707)	(33,550)	(21,195)	(22,548)	(5,811)	(4,803)
<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)	-	(920)	(23,099)	(33,336)	(20,707)	(22,538)	(4,147)	(4,533)
Net Cash flows (used in)/from Operating Activities	(1,015)	(920)	(23,099)	(33,336)	(20,707)	(22,538)	(4,147)	(4,533)



MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

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	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Audit fees for the audit of financial statements (2018: Audit of financial statements and registry compliance assurance)	102	97	59	59	21	19	9	8
Taxation fees for tax compliance services	6	2	4	1	1	-	1	1
Total	108	99	63	60	22	19	10	9
	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Audit fees for the audit of financial statements (2018: Audit of financial statements and registry compliance assurance)	1	1	6	5	5	4	1	1
Taxation fees for tax compliance services	-	-	-	-	-	-	-	-
Total	1	1	6	5	5	4	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 Schemes 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 underlying 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 2019

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 2019

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 MITNZ investment portfolios. 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	2019		2018		TOTAL
	\$000s	%	\$000s	%	
Mercer Conservative	1,095,165	58%	1,060,153	61%	
Mercer Balanced	383,258	20%	340,291	20%	
Mercer High Growth	173,262	9%	147,300	8%	
Mercer Cash	18,178	1%	16,801	1%	
Mercer Moderate	118,785	6%	90,051	5%	
Mercer Growth	94,543	5%	68,933	4%	
Mercer Shares	23,157	1%	17,741	1%	
Total Unlisted Unit Trusts	1,906,348	100%	1,741,270	100%	

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

Fund	2019				2018			
	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	109,517	(109,517)	109,517	(109,517)	106,015	(106,015)	106,015	(106,015)
Mercer Balanced	38,326	(38,326)	38,326	(38,326)	34,029	(34,029)	34,029	(34,029)
Mercer High Growth	17,326	(17,326)	17,326	(17,326)	14,730	(14,730)	14,730	(14,730)
Mercer Cash	1,818	(1,818)	1,818	(1,818)	1,680	(1,680)	1,680	(1,680)
Mercer Moderate	11,879	(11,879)	11,879	(11,879)	9,005	(9,005)	9,005	(9,005)
Mercer Growth	9,454	(9,454)	9,454	(9,454)	6,894	(6,894)	6,894	(6,894)
Mercer Shares	2,316	(2,316)	2,316	(2,316)	1,774	(1,774)	1,774	(1,774)
Total Unlisted Unit Trusts	190,636	(190,636)	190,636	(190,636)	174,127	(174,127)	174,127	(174,127)



MERCER KIWISAVER SCHEME
Notes to the Financial Statements
For the Year Ended 31 March 2019

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 (2018: 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) (2018: Same).

The Scheme measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Scheme.

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.



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")

We have audited the Funds' and Scheme's financial statements which comprise:

- the statements of net assets as at 31 March 2019;
- 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 significant accounting policies.

Our opinion

In our opinion, the Funds' and Scheme's financial statements present fairly, in all material respects, the financial position of the Funds and Scheme as at 31 March 2019, their financial performance 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 Funds and 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.

We have provided the following services to the Funds' and Scheme's Manager: controls assurance, member registry compliance assurance, and tax compliance and advisory services. Subject to certain restrictions, employees of the firm may invest in the Funds and Scheme on normal market terms. These services and relationships have not impaired our independence as auditor of the Funds and Scheme.



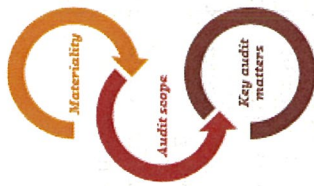
Our audit approach Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. We determine materiality for each Fund separately and the Scheme.

Our materiality for each Fund and the Scheme is calculated based on approximately 1% of the net assets attributable to members.

We chose net assets as the benchmark because, in our view, the objective of the Funds and Scheme is to provide members with a total return on assets taking account of both capital and income returns.

Because of the significance of the financial assets to the financial statements, we have determined there is one key audit matter: valuation and existence of financial assets at fair value through profit or loss.



Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for each Fund's and the Scheme's financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on each Funds' and the Scheme's financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on each Fund's and the Scheme's financial statements as a whole, taking into account the structure of the Funds and Scheme, the types of investments held by the Funds and Scheme, the accounting processes and controls, the use of third party service providers and the industry in which the Funds and Scheme operates.

Mercer (N.Z.) Limited ("the Manager") is responsible for the governance and control activities of the Funds and Scheme. The Manager has appointed BNP Paribas Fund Services Australasia Pty Ltd ("the Custodian") to act as Custodian of the Funds' and Scheme's financial assets at fair value through profit or loss. Investment administration and superannuation member administration services are provided by the Manager and related parties of the Manager.

In establishing our overall audit approach, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the control environment in place at the Manager, the Custodian and other related party service providers of the Manager.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Funds' and Scheme's financial statements of the current year. These matters were addressed in the context of our audit of the Funds' and Scheme's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Valuation and existence of financial assets at fair value through profit or loss
Refer to note 5 of the financial statements for disclosures of financial assets at fair value through profit or loss (financial assets at FVPL).

This was an area of focus for our audit as it represents the majority of the net assets of the Funds and the Scheme.

The Funds and Scheme invest solely into funds of Mercer Investment Trusts New Zealand (MITNZ). MITNZ are unlisted unit trusts which are also managed by the Manager. The fair value is based on the redemption price established by the investment fund administrator and categorised as level 2 in the fair value hierarchy.

In assessing the fair value and existence, the Manager uses information provided by the MITNZ investment fund administrator, including fund administrator and custodian controls reports, the financial statements of the underlying funds and recent transaction prices.

The Funds and Scheme have no investments where there are no observable inputs.

All financial assets at FVPL are held by the Custodian on behalf of the Funds and Scheme.

How our audit addressed the key audit matter

We assessed the processes employed by the Manager, for recording and valuing the financial assets at FVPL including the relevant controls over investment administration and custody services. Our assessment of the business processes and controls included:

- Understanding of the business processes over classification, recognition and measurement of financial assets at FVPL; and
- Obtaining the control reports over investment administration and custody services. We evaluated the evidence provided by the controls reports over the design and operating effectiveness of the key controls.

Valuation

For the valuation of the unlisted unit trusts we agreed the redemption price at year end to the confirmation obtained from the investment fund administrator of the unlisted unit trusts. We evaluated whether the redemption price represents fair value by:

- comparing the valuation of the investments in unlisted unit trusts to the Net Asset Value per unit calculated based on the audited financial statements of the MITNZ funds;
- assessing whether the underlying assets and liabilities of the MITNZ funds are primarily determined through observable market data to support that the net assets approximate fair value; and
- comparing the redemption price at 31 March 2019 to recent transaction prices to further support the fair value of financial assets at FVPL.

Existence

For existence, we agreed the financial assets at FVPL held by the Funds and Scheme at 31 March 2019 to a confirmation obtained directly from the Custodian.

From the procedures performed, we have no matters to report.



Information other than the financial statements and auditor's report

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, if other information is included in the annual report, 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 the other information has not yet been approved by the Manager.

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/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.



Who we report to

This report is made solely to the members of the Scheme, 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 Chris Barber.

For and on behalf of:

A handwritten signature in black ink, appearing to read 'Chris Barber', written in a cursive style.

Chartered Accountants
29 July 2019

Wellington