

# **SUPEREASY KIWISAVER SUPERANNUATION SCHEME**

## **Financial Statements**

**For the Year Ended 31 March 2020**

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## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF THE SUPEREASY KIWISAVER SUPERANNUATION SCHEME'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 2020, 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 2020; and
  - its changes in net assets and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our audit was completed on 5 June 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements, we comment on other information and we explain our independence.

#### Basis for our opinion

We carried out 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 Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

#### Key audit matters

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

## **Responsibilities of the Trustees for the financial statements**

The Trustees are responsible on behalf of the Scheme for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible on behalf of the Scheme for assessing the Scheme's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Trustees intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

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

## **Responsibilities of the auditor 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 are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the 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 Trustees.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees 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 Trustees 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 Trustees 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 Trustees, we determine those matters that were of most significance in the audit of the consolidated 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 benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

## Other information

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

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.

## Independence

We are independent of the Scheme in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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



Silvio Bruinsma, Partner  
for Deloitte Limited  
On behalf of the Auditor-General  
Wellington, New Zealand  
5 June 2020

## SUPEREASY KIWISAVER SUPERANNUATION SCHEME

### Statement of Changes in Net Assets For the Year Ended 31 March 2020

	Notes	2020 \$	TOTAL 2019 \$
<b>INVESTMENT ACTIVITIES</b>			
<b>Investment Income</b>			
(Loss)/Gain on Assets held at fair value through profit or loss	7	(2,258,594)	27,319,439
Interest		11,316	15,284
		(2,247,278)	27,334,723
<b>Investment Expenses</b>			
Investment Management Fees	12	1,674,189	1,413,920
<b>Net Investment Income</b>		<b>(3,921,467)</b>	<b>25,920,803</b>
<b>OTHER EXPENSES</b>			
Administration Fees	12	471,033	453,543
<b>Total Other Expenses</b>		<b>471,033</b>	<b>453,543</b>
<b>Change in Net Assets before Taxation and Membership Activities</b>		<b>(4,392,500)</b>	<b>25,467,260</b>
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>			
	5		
Member Contributions		26,673,510	20,600,674
Employer Contributions		10,416,479	9,903,467
Crown Contributions		3,132,599	3,051,282
Late Opt-Out		(1,370)	(21,068)
Transfers In from Other KiwiSaver Schemes		2,406,951	2,119,036
Transfers In from Other Superannuation Schemes		105,297	-
Trans Tasman Portability Transfers In		693,341	113,270
<b>Total Contributions</b>		<b>43,426,807</b>	<b>35,766,661</b>
<b>Benefits Paid</b>			
Benefits Paid	6	11,140,110	8,587,835
Transfers Out to Other KiwiSaver Schemes		9,476,096	9,665,865
<b>Total Benefits Paid</b>		<b>20,616,206</b>	<b>18,253,700</b>
<b>Net Membership Activities</b>		<b>22,810,601</b>	<b>17,512,961</b>
<b>Change in Net Assets Before Taxation</b>		<b>18,418,101</b>	<b>42,980,221</b>
<b>PIE Tax Expense</b>	9	730,510	1,472,096
<b>Net Increase in Net Assets During Year</b>		<b>17,687,591</b>	<b>41,508,125</b>
Net Assets Available for Benefits at Beginning of Year		279,479,777	237,971,652
<b>Net Assets Available for Benefits at End of Year</b>		<b>297,167,368</b>	<b>279,479,777</b>

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

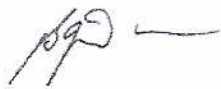
**SUPEREASY KIWISAVER SUPERANNUATION SCHEME**

**Statement of Net Assets  
As at 31 March 2020**

	Notes	TOTAL	
		2020 \$	2019 \$
<b>CASH &amp; INVESTMENTS</b>			
Cash & Cash Equivalents		2,584,991	585,386
Other Receivables		19,529	-
AMP Capital Investors (NZ) Ltd		219,518,820	219,820,589
ANZ Investments Ltd		76,719,774	60,907,805
<b>Total Cash &amp; Investments</b>		<b>298,843,114</b>	<b>281,313,780</b>
<hr/>			
<b>TOTAL ASSETS</b>		<b>298,843,114</b>	<b>281,313,780</b>
<hr/>			
<b>Less LIABILITIES</b>			
Benefits Payable		587,646	35,909
PIE Tax Payable	9	689,232	1,451,693
Other Payables		398,868	346,401
<b>TOTAL LIABILITIES</b>		<b>1,675,746</b>	<b>1,834,003</b>
<hr/>			
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		<b>297,167,368</b>	<b>279,479,777</b>
<hr/>			
<b>LIABILITY FOR ACCRUED BENEFITS</b>			
<i>Represented By:</i>			
Members' Accounts	3	297,167,368	279,479,777
		<b>297,167,368</b>	<b>279,479,777</b>

Signed on behalf of the Trustee, Local Government Superannuation Trustee Limited, who authorised the issue of these financial statements on 5 June 2020.

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 2020

	Note	TOTAL	
		2020	2019
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash provided from</i>			
Member Contributions		26,673,510	20,600,674
Employer Contributions		10,416,479	9,903,467
Crown Contributions		3,132,599	3,051,282
Transfers In from Other Schemes		3,186,060	2,232,307
Interest Received		11,316	15,284
		<u>43,419,964</u>	<u>35,803,014</u>
<i>Cash applied to</i>			
Benefits Paid		(10,588,373)	(8,726,591)
Transfers Out to Other KiwiSaver Schemes		(9,476,096)	(9,665,865)
KiwiSaver Late Opt-Outs		(1,370)	(21,068)
Other Expenses		(465,932)	(450,976)
Withholding Tax Paid		(3,395)	(4,584)
PIE Tax Paid		(1,489,576)	(992,572)
		<u>(22,024,742)</u>	<u>(19,861,656)</u>
<b>Net Cash Flows from Operating Activities</b>	<b>8</b>	<b>21,395,222</b>	<b>15,941,358</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash applied to</i>			
Investment purchases (Net of Investment Fees)		(19,395,617)	(16,449,350)
<b>Net Cash Flows from Investing Activities</b>		<b>(19,395,617)</b>	<b>(16,449,350)</b>
<b>Net Increase / (Decrease) in Cash Held</b>		<b>1,999,605</b>	<b>(507,992)</b>
<b>Cash &amp; Cash Equivalents at Beginning of the Year</b>		<b>585,386</b>	<b>1,093,378</b>
<b>Cash &amp; Cash Equivalents at End of the Year</b>		<b>2,584,991</b>	<b>585,386</b>

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

## SUPEREASY KIWISAVER SUPERANNUATION SCHEME

For the year ended 31 March 2020

### 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).

## **SUPEREASY KIWISAVER SUPERANNUATION SCHEME**

For the year ended 31 March 2020

All financial instruments disclosed in these Financial Statements are categorised as Level 2 for both the 2019 and 2020 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.

## SUPEREASY KIWISAVER SUPERANNUATION SCHEME

### Notes to the Financial Statements (Cont'd) For the Year Ended 31 March 2020

#### 3. LIABILITY FOR ACCRUED BENEFITS

Liability for accrued benefits as at 31 March:

Members' Accounts	TOTAL	
	2020	2019
	\$	\$
Opening Balance 1 April	279,479,777	237,971,652
Contributions	43,426,807	35,766,661
Benefits Paid and Transfers Out	(20,616,206)	(18,253,700)
Change in net assets before tax	(4,392,500)	25,467,260
PIE tax expense	(730,510)	(1,472,096)
<b>Balance 31 March</b>	<b>297,167,368</b>	<b>279,479,777</b>

#### Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for accrued benefits (2019: 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 2020 were \$297,167,368 (31 March 2019: \$279,479,777).

#### 5. CONTRIBUTIONS

##### Contributions by type

Contributions by type	TOTAL	
	2020	2019
	\$	\$
Member Contributions	19,658,583	17,725,190
Voluntary Member Contributions	7,014,927	2,875,484
Employer Contributions	10,416,479	9,903,467
Crown Contributions:		
Kick Start	-	1,000
IRD Interest	30,923	28,564
Member Tax Credits	3,101,676	3,021,718
Late Opt-Out	(1,370)	(21,068)
Transfers In from Other Kiwisaver Schemes	2,406,951	2,119,036
Transfers In from Other Superannuation Schemes	105,297	-
Trans Tasman Portability Transfers In	693,341	113,270
<b>Total Contributions Received</b>	<b>43,426,807</b>	<b>35,766,661</b>

## SUPEREASY KIWISAVER SUPERANNUATION SCHEME

### Notes to the Financial Statements (Cont'd)

For the Year Ended 31 March 2020

#### 5. CONTRIBUTIONS (cont'd)

	TOTAL	
	2020	2019
	\$	\$
Contributions from members and employers who were:		
Existing members	38,239,541	34,669,908
Members who joined the Scheme during the year	1,640,382	956,177
Lump sum contributions	3,546,884	140,576
<b>Total Contributions Received</b>	<b>43,426,807</b>	<b>35,766,661</b>

#### 6. BENEFITS PAID

	TOTAL	
	2020	2019
	\$	\$
Retirement	7,431,314	6,153,679
First Home Withdrawal	2,618,212	1,713,850
Serious Illness Withdrawal	244,868	20,003
Significant Financial Hardship Withdrawal	481,635	289,410
Trans Tasman Portability Transfers Out	36,234	78,619
Permanent Emigration	104,699	99,739
Death	156,505	232,535
Other	66,643	-
<b>Total Benefits Paid</b>	<b>11,140,110</b>	<b>8,587,835</b>

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

	TOTAL	
	2020	2019
	\$	\$
AMP Capital Investors (NZ) Ltd	(5,120,226)	24,282,458
ANZ Investments Ltd	2,861,632	3,036,981
<b>Total Gain on Financial Assets Held at Fair Value Through Profit or Loss</b>	<b>(2,258,594)</b>	<b>27,319,439</b>

## SUPEREASY KIWISAVER SUPERANNUATION SCHEME

### Notes to the Financial Statements (Cont'd) For the Year Ended 31 March 2020

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

	TOTAL	
	2020	2019
	\$	\$
<b>Increase in net assets during the year</b>	17,687,591	41,508,125
<b>Less non cash and investing items:</b>		
Changes in fair value of financial assets through profit or loss after investment expenses	3,921,467	(25,920,803)
Non cash movement in investment manager fees	(36,051)	(10,038)
<b>Movements in other working capital items:</b>		
Increase in other receivables	(19,529)	-
Increase / (Decrease) in benefits payables	286,495	(138,756)
Increase in other payables	317,710	27,893
(Decrease) / Increase in PIE tax payable	(762,461)	474,937
<b>Net Cash Inflow from Operating Activities</b>	<b>21,395,222</b>	<b>15,941,358</b>

#### 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	
	2020	2019
	\$	\$
Changes in net assets before tax and membership activities	(4,392,499)	25,467,261
<i>Less permanent differences:</i>		
Non taxable income	(11,027,006)	16,242,751
<b>Taxable income</b>	<b>6,634,507</b>	<b>9,224,510</b>
Tax thereon at members PIR	1,700,382	2,350,645
Tax effect of allocated PIE credits	(969,872)	(878,549)
<b>Total tax expense</b>	<b>730,510</b>	<b>1,472,096</b>
<b>Current tax</b>		
Opening balance	1,451,693	976,754
PIE Tax paid in respect of prior year	(1,452,217)	(977,278)
PIE tax in respect of current year	730,510	1,472,096
PIE tax expense paid on members behalf	(37,359)	(15,295)
Withholding tax paid	(3,395)	(4,584)
<b>PIE Tax Payable</b>	<b>689,232</b>	<b>1,451,693</b>

## SUPEREASY KIWISAVER SUPERANNUATION SCHEME

For the year ended 31 March 2020

### 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 0.73% (2019: 1.15%).

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

## SUPEREASY KIWISAVER SUPERANNUATION SCHEME

For the year ended 31 March 2020

### (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: \$1,396,656 (2019: \$1,371,210)  
 Growth Fund: \$1,782,344 (2019: \$1,735,650)  
 Balanced Fund: \$961,164 (2019: \$918,486)  
 Conservative Fund: \$890,228 (2019: \$652,660)  
 Automatic Fund: \$24,593,466 (2019: \$23,394,833)  
 Total: \$29,623,858 (2019: \$28,072,839)

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

Financial assets were negatively impacted in the March 2020 quarter which will likely go down in history as one of the most severe market shocks as the quick spread and global reach of the Covid19 virus took course. As countries moved into lockdown and borders around the world were closed, the fear of the unknown impact the virus would have on global economies saw share markets fall dramatically. Daily volatility of markets of +/- 4 percent moves become "normal" with one day even seeing the US share market plummet over 10%. Bond markets were not immune through the month of March although they were supported by central banks and government treasuries stepping in to intervene, helping steady the ship via bond purchase programmes, slashing cash rates and creating new forms of monetary liquidity. Since the end of March share markets have rebounded quite powerfully, however there is still much to play out before it is known whether equity markets will continue this recovery or will potentially test the lows seen towards the end of March 2020.

The table below shows categories of the Scheme's Financial Instruments for 2019 and 2020:

	Financial assets at fair value through profit and loss		Financial assets at amortised costs		Financial liabilities at amortised costs		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>								
Cash and cash equivalents			2,584,991	585,386			2,584,991	585,386
Receivables			19,529	-			19,529	-
AMP Capital Investors (NZ) Ltd	219,518,820	219,820,589					219,518,820	219,820,589
ANZ Investments Ltd	76,719,774	60,907,805					76,719,774	60,907,805
<b>Liabilities</b>								
Benefits payable					587,646	35,909	587,646	35,909
PIE Tax payable					689,232	1,451,693	689,232	1,451,693
Other payables					398,868	346,401	398,868	346,401

## **SUPEREASY KIWISAVER SUPERANNUATION SCHEME**

For the year ended 31 March 2020

### **11. COMMITMENTS AND CONTINGENT LIABILITIES**

There were no commitments or contingent liabilities outstanding as at 31 March 2020 (2019: 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 \$43,225 (2019: \$39,646) and an audit fee of \$44,050 (2019: \$39,880) on behalf of the Schemes (SuperEasy KiwiSaver Superannuation Scheme and Local Government Superannuation Scheme - SuperEasy) and re-charged through the Scheme administration fee of \$2,007,769 (2019: \$1,750,798), which is split between administration and investment management fees.

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

There are no new standards or amendments in the current period which have a material impact on the financial statements.

### **14. EVENTS AFTER BALANCE DATE**

There is general uncertainty as the real economic effect of the CoVid19 pandemic plays out over the coming months which will likely see further volatility in share markets however there have been no material events after balance date that require adjustment to or further disclosure in the financial statements.