

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Financial Statements
For the year ended 31 March 2020

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NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Directory

For the year ended 31 March 2020

Manager: Mercer (N.Z.) Limited

Registered Office

Level 18, 151 Queen Street
Auckland 1010

Investor and Advisor Enquiries

Attn: NZDF Savings Scheme
PO Box 1849
Wellington 6140
Email: nzdf@mercer.com

Directors:

Ross Gregory Butler (resigned 29 November 2019)
Paula Elizabeth Jackson (appointed 1 February 2020)
Kristen Jane Kohere-Soutar (Chairperson)
Martin Paul Lewington
David Lawrence McKeown
Benjamin Jon Cossart Walsh (resigned 30 April 2020)

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

Custodians: BNP Paribas Fund Services Australasia Pty Ltd
Level 18, Aon Centre
1 Willis Street
Wellington 6011

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

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Net Assets
As at 31 March 2020

	Note	TOTAL		Cash		Conservative		Moderate	
		2020	2019	2020	2019	2020	2019	2020	2019
		\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Cash and cash equivalents		1,672,952	1,517,955	168,011	12,848	108,943	46,824	3,218	43,408
Financial assets at fair value through profit or loss	5	126,559,670	106,539,319	3,855,128	774,845	7,137,724	4,046,699	5,496,802	4,533,363
Portfolio investment entity taxation receivable		778,415	-	-	-	-	-	2,412	-
Total Assets		129,011,037	108,057,274	4,023,139	787,693	7,246,667	4,093,523	5,502,432	4,576,771
LIABILITIES									
Benefits payable		199,639	44,137	76,034	-	41,806	-	8,052	13,187
Unallocated contributions		11,843	72,730	866	371	922	97	211	141
Portfolio investment entity taxation payable		-	513,273	2,421	2,552	10,906	25,503	-	24,864
Investment management fees payable	6	38	13	38	13	-	-	-	-
Supervisor fees payable	6	19,294	16,000	588	116	1,088	608	838	681
Administration fees payable	6	20,439	10,262	375	103	667	313	947	470
Manager fees (expense recoveries) payable	6	61,842	40,457	1,884	294	3,488	1,537	2,686	1,721
Other expenses payable		80,069	79,571	2,439	579	4,516	3,022	3,478	3,386
Unsettled trades		367,055	-	-	-	-	-	-	-
Total Liabilities (excluding net assets attributable to members)		760,219	776,443	84,645	4,028	63,393	31,080	16,212	44,450
NET ASSETS ATTRIBUTABLE TO MEMBERS	4	128,250,818	107,280,831	3,938,494	783,665	7,183,274	4,062,443	5,486,220	4,532,321
<i>Represented by:</i>									
Net assets available for benefits	4	128,250,818	107,280,831	3,938,494	783,665	7,183,274	4,062,443	5,486,220	4,532,321

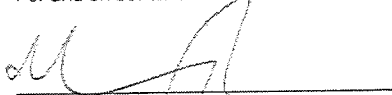
The accompanying notes form part of and should be read in conjunction with these statements.

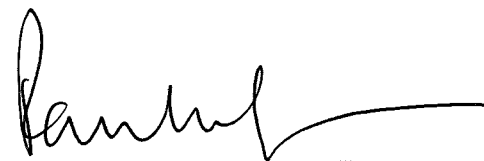
NEW ZEALAND DEFENCE FORCE KWISAVER SCHEME
Statements of Net Assets
As at 31 March 2020

	Note	Balanced		Growth		High Growth		Shares	
		2020	2019	2020	2019	2020	2019	2020	2019
		\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Cash and cash equivalents		805,520	775,450	238,532	268,686	316,528	238,115	32,200	132,624
Financial assets at fair value through profit or loss	5	55,130,162	49,583,942	22,627,027	19,453,555	22,140,419	19,436,957	10,172,408	8,709,958
Portfolio investment entity taxation receivable		211,270	-	184,108	-	246,848	-	147,104	-
Total Assets		56,146,952	50,359,392	23,049,667	19,722,241	22,703,795	19,675,072	10,351,712	8,842,582
LIABILITIES									
Benefits payable		58,369	26,497	13,304	2,453	1,380	-	694	-
Unallocated contributions		5,062	43,385	1,770	13,730	2,627	9,068	385	5,938
Portfolio investment entity taxation payable		-	286,088	-	90,052	-	69,263	-	14,951
Investment management fees payable	6	-	-	-	-	-	-	-	-
Supervisor fees payable	6	8,405	7,446	3,449	2,922	3,375	2,919	1,551	1,308
Administration fees payable	6	9,629	5,108	3,232	1,589	3,652	1,775	1,937	904
Manager fees (expense recoveries) payable	6	26,938	18,829	11,056	7,367	10,819	7,381	4,971	3,308
Other expenses payable		34,878	37,033	14,315	14,529	14,007	14,517	6,436	6,505
Unsettled trades		367,055	-	-	-	-	-	-	-
Total Liabilities (excluding net assets attributable to members)		510,336	426,386	47,126	132,662	35,860	104,923	15,974	32,914
NET ASSETS ATTRIBUTABLE TO MEMBERS	4	55,636,616	49,933,006	23,002,541	19,589,579	22,667,935	19,570,149	10,335,738	8,809,668
<i>Represented by:</i>									
Net assets available for benefits	4	55,636,616	49,933,006	23,002,541	19,589,579	22,667,935	19,570,149	10,335,738	8,809,668

These Financial Statements were authorised for issue by Mercer (N.Z.) Limited, the Manager on 24 July 2020.

For and on behalf of the Directors


 Director


 Director

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

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Changes in Net Assets
For the year ended 31 March 2020

	Note	TOTAL		Cash		Conservative		Moderate	
		2020	2019	2020	2019	2020	2019	2020	2019
		\$	\$	\$	\$	\$	\$	\$	\$
INCOME									
Interest income		21,230	24,711	647	180	1,197	939	922	1,051
Net (losses)/gains on financial assets at fair value through profit or loss	6	(7,340,222)	5,253,603	15,375	13,927	44,054	155,904	(70,009)	188,943
Total income		(7,318,992)	5,278,314	16,022	14,107	45,251	156,843	(69,087)	189,994
EXPENSES									
Investment management fees	6	207	135	207	135	-	-	-	-
Supervisor fees	6	45,294	33,012	1,380	240	2,554	1,254	1,967	1,405
Manager fees (expense recoveries)	6	33,267	28,860	1,013	210	1,876	1,096	1,445	1,228
Other expenses		222,842	176,888	6,790	1,283	12,568	6,719	9,679	7,528
Total expenses		301,610	238,895	9,390	1,868	16,998	9,069	13,091	10,161
NET (LOSS)/PROFIT BEFORE MEMBERSHIP ACTIVITIES		(7,620,602)	5,039,419	6,632	12,239	28,253	147,774	(82,178)	179,833
MEMBERSHIP ACTIVITIES:									
Contributions/Transfers In									
Member contributions		15,814,722	13,107,040	147,322	116,584	486,323	388,966	738,362	604,360
Employer contributions		8,580,881	7,871,299	82,499	76,511	253,823	239,548	379,765	356,312
Tax credits		2,037,891	1,662,002	18,761	16,040	64,993	49,981	93,525	76,841
Transfers in from other schemes	8	12,687,953	12,873,081	101,980	67,044	404,274	871,590	521,710	874,304
Transfers to/(from) funds		-	-	3,634,659	282,842	2,721,500	821,436	246,850	(117,607)
Total Contributions/Transfers In		39,121,447	35,513,422	3,985,221	559,021	3,930,913	2,371,521	1,980,212	1,794,210
Benefits/Transfers Out/Fees/Tax									
Benefits	7	(6,515,668)	(4,029,806)	(611,376)	(304,001)	(566,395)	(270,746)	(668,747)	(205,284)
Administration fees	6	(125,054)	(113,944)	(1,374)	(1,110)	(3,736)	(3,412)	(5,814)	(5,197)
Transfers out to other schemes		(4,662,406)	(2,796,080)	(221,666)	(520)	(256,952)	(193,135)	(271,719)	(141,687)
Portfolio investment entity taxation rebate / (expense)		772,270	(518,443)	(2,608)	(2,590)	(11,252)	(25,699)	2,145	(25,084)
Total Benefits/Transfers Out/Fees/Tax		(10,530,858)	(7,458,273)	(837,024)	(308,221)	(838,335)	(492,992)	(944,135)	(377,252)
Total transactions with members in their capacity as members		28,590,589	28,055,149	3,148,197	250,800	3,092,578	1,878,529	1,036,077	1,416,958
NET INCREASE/(DECREASE) IN NET ASSETS DURING THE YEAR		20,969,987	33,094,568	3,154,829	263,039	3,120,831	2,026,303	953,899	1,596,791
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE YEAR		107,280,831	74,186,263	783,665	520,626	4,062,443	2,036,140	4,532,321	2,935,530
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR		128,250,818	107,280,831	3,938,494	783,665	7,183,274	4,062,443	5,486,220	4,532,321

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

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Changes in Net Assets
For the year ended 31 March 2020

	Note	Balanced		Growth		High Growth		Shares	
		2020	2019	2020	2019	2020	2019	2020	2019
		\$	\$	\$	\$	\$	\$	\$	\$
INCOME									
Interest income		9,248	11,501	3,796	4,512	3,714	4,508	1,706	2,020
Net (losses)/gains on financial assets at fair value through profit or loss	6	(2,243,567)	2,464,292	(1,702,523)	958,686	(2,165,478)	1,030,444	(1,218,074)	441,407
Total income		(2,234,319)	2,475,793	(1,698,727)	963,198	(2,161,764)	1,034,952	(1,216,368)	443,427
EXPENSES									
Investment management fees	6	-	-	-	-	-	-	-	-
Supervisor fees	6	19,730	15,363	8,098	6,028	7,924	6,023	3,641	2,699
Manager fees (expense recoveries)	6	14,491	13,432	5,948	5,270	5,820	5,265	2,674	2,359
Other expenses		97,070	82,328	39,839	32,299	38,986	32,270	17,910	14,461
Total expenses		131,291	111,123	53,885	43,597	52,730	43,558	24,225	19,519
NET (LOSS)/PROFIT BEFORE MEMBERSHIP ACTIVITIES		(2,365,610)	2,364,670	(1,752,612)	919,601	(2,214,494)	991,394	(1,240,593)	423,908
MEMBERSHIP ACTIVITIES:									
Contributions/Transfers In									
Member contributions		7,260,363	6,485,427	2,667,642	2,156,525	3,058,115	2,249,097	1,456,595	1,106,081
Employer contributions		4,149,622	4,058,352	1,384,964	1,211,460	1,541,470	1,275,408	788,738	653,708
Tax credits		977,018	868,897	327,574	250,989	366,994	265,754	189,026	133,500
Transfers in from other schemes	8	6,976,046	6,145,850	2,096,736	2,021,719	1,985,620	2,037,878	601,587	854,696
Transfers to/(from) funds		(7,204,975)	(3,975,399)	(11,370)	1,101,873	47,764	1,320,816	565,572	566,039
Total Contributions/Transfers In		12,158,074	13,583,127	6,465,546	6,742,566	6,999,963	7,148,953	3,601,518	3,314,024
Benefits/Transfers Out/Fees/Tax									
Benefits	7	(2,360,136)	(1,783,613)	(851,768)	(642,070)	(1,081,821)	(622,696)	(375,425)	(201,396)
Administration fees	6	(59,935)	(58,618)	(19,952)	(17,138)	(22,636)	(18,907)	(11,607)	(9,562)
Transfers out to other schemes		(1,877,376)	(1,271,008)	(611,261)	(347,606)	(828,999)	(562,543)	(594,433)	(279,581)
Portfolio investment entity taxation rebate / (expense)		208,593	(288,494)	183,009	(90,996)	245,773	(70,206)	146,610	(15,374)
Total Benefits/Transfers Out/Fees/Tax		(4,088,854)	(3,401,733)	(1,299,972)	(1,097,810)	(1,687,683)	(1,274,352)	(834,855)	(505,913)
Total transactions with members in their capacity as members		8,069,220	10,181,394	5,165,574	5,644,756	5,312,280	5,874,601	2,766,663	2,808,111
NET INCREASE/(DECREASE) IN NET ASSETS DURING THE YEAR		5,703,610	12,546,064	3,412,962	6,564,357	3,097,786	6,865,995	1,526,070	3,232,019
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE YEAR		49,933,006	37,386,942	19,589,579	13,025,222	19,570,149	12,704,154	8,809,668	5,577,649
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR		55,636,616	49,933,006	23,002,541	19,589,579	22,667,935	19,570,149	10,335,738	8,809,668

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

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Cash Flows
For the year ended 31 March 2020

	Note	TOTAL		Cash		Conservative		Moderate	
		2020	2019	2020	2019	2020	2019	2020	2019
		\$	\$	\$	\$	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES									
Proceeds from sale of financial assets		2,408,941	2,079,941	888,744	1,001,941	1,089,823	672,313	1,119,394	516,159
Interest income		21,230	24,711	647	180	1,197	939	922	1,051
Other expenses paid		(276,224)	(127,204)	(5,260)	(923)	(13,073)	(4,576)	(11,877)	(5,337)
Payments for purchase of financial assets		(29,402,461)	(29,858,270)	(3,953,653)	(1,226,358)	(4,136,794)	(2,540,047)	(2,152,842)	(1,962,129)
Investment management fees		(182)	(131)	(182)	(131)	-	-	-	-
Net cash used in operating activities	9	(27,248,696)	(27,880,953)	(3,069,704)	(225,291)	(3,058,847)	(1,871,371)	(1,044,403)	(1,450,256)
CASH FLOWS FROM FINANCING ACTIVITIES									
Member contributions		15,814,722	13,107,040	147,322	116,584	486,323	388,966	738,362	604,360
Employer contributions		8,580,881	7,871,299	82,499	76,511	253,823	239,548	379,765	356,312
Tax credits		2,037,891	1,662,002	18,761	16,040	64,993	49,981	93,525	76,841
Unallocated contributions		(60,887)	(189,425)	495	371	825	(69,323)	70	(17,372)
Transfers in from other schemes		12,687,953	12,873,081	101,980	67,044	404,274	871,590	521,710	874,304
Portfolio investment entity taxation paid		(519,418)	(437,523)	(2,739)	(1,261)	(25,849)	(10,281)	(25,131)	(15,212)
Administration fees paid		(114,877)	(111,836)	(1,102)	(1,081)	(3,382)	(3,323)	(5,337)	(5,098)
Benefits paid		(6,360,166)	(4,005,520)	(535,342)	(323,852)	(524,589)	(270,746)	(673,882)	(192,097)
Transfers out to other schemes		(4,662,406)	(2,796,080)	(221,666)	(520)	(256,952)	(193,135)	(271,719)	(141,687)
Transfers from/(to) funds		-	-	3,634,659	282,842	2,721,500	821,436	246,850	(117,607)
Net cash from financing activities		27,403,693	27,973,038	3,224,867	232,678	3,120,966	1,824,713	1,004,213	1,422,744
Net (decrease)/increase in cash and cash equivalents		154,997	92,085	155,163	7,387	62,119	(46,658)	(40,190)	(27,512)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,517,955	1,425,870	12,848	5,461	46,824	93,482	43,408	70,920
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,672,952	1,517,955	168,011	12,848	108,943	46,824	3,218	43,408

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

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Cash Flows
For the year ended 31 March 2020

	Note	Balanced		Growth		High Growth		Shares	
		2020	2019	2020	2019	2020	2019	2020	2019
		\$	\$	\$	\$	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES									
Proceeds from sale of financial assets		1,374,439	817,915	788,984	-	1,651,573	139,807	1,466,618	318,646
Interest income		9,248	11,501	3,796	4,512	3,714	4,508	1,706	2,020
Other expenses paid		(124,378)	(60,223)	(49,903)	(23,066)	(49,346)	(22,855)	(22,387)	(10,224)
Payments for purchase of financial assets		(8,797,171)	(10,664,104)	(5,664,979)	(5,559,823)	(6,520,513)	(6,188,251)	(4,147,143)	(3,104,398)
Investment management fees		-	-	-	-	-	-	-	-
Net cash used in operating activities	9	(7,537,862)	(9,894,911)	(4,922,102)	(5,578,377)	(4,914,572)	(6,066,791)	(2,701,206)	(2,793,956)
CASH FLOWS FROM FINANCING ACTIVITIES									
Member contributions		7,260,363	6,485,427	2,667,642	2,156,525	3,058,115	2,249,097	1,456,595	1,106,081
Employer contributions		4,149,622	4,058,352	1,384,964	1,211,460	1,541,470	1,275,408	788,738	653,708
Tax credits		977,018	868,897	327,574	250,989	366,994	265,754	189,026	133,500
Unallocated contributions		(38,323)	(76,364)	(11,960)	7,746	(6,441)	1,566	(5,553)	(36,049)
Transfers in from other schemes		6,976,046	6,145,850	2,096,736	2,021,719	1,985,620	2,037,878	601,587	854,696
Portfolio investment entity taxation paid		(288,765)	(243,054)	(91,151)	(74,734)	(70,338)	(70,831)	(15,445)	(22,150)
Administration fees paid		(55,414)	(57,912)	(18,309)	(16,733)	(20,759)	(18,401)	(10,574)	(9,288)
Benefits paid		(2,330,264)	(1,755,116)	(840,917)	(639,617)	(1,080,441)	(622,696)	(374,731)	(201,396)
Transfers out to other schemes		(1,877,376)	(1,271,008)	(611,261)	(347,606)	(828,999)	(562,543)	(594,433)	(279,581)
Transfers from/(to) funds		(7,204,975)	(3,975,399)	(11,370)	1,101,873	47,764	1,320,816	565,572	566,039
Net cash from financing activities		7,567,932	10,179,673	4,891,948	5,671,622	4,992,985	5,876,048	2,600,782	2,765,560
Net (decrease)/increase in cash and cash equivalents		30,070	284,762	(30,154)	93,245	78,413	(190,743)	(100,424)	(28,396)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		775,450	490,688	268,686	175,441	238,115	428,858	132,624	161,020
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		805,520	775,450	238,532	268,686	316,528	238,115	32,200	132,624

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

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2020

1 SCHEME DESCRIPTION

New Zealand Defence Force KiwiSaver Scheme ("the Scheme") is a KiwiSaver Scheme registered under the KiwiSaver Act 2006. The Scheme was established by a Trust Deed on 16 September 2015. The Scheme is a defined contribution superannuation scheme and was established with the principal purpose of providing retirement benefits directly to natural persons within the New Zealand Defence Force community.

Trustees Executors Limited is the Supervisor of the Scheme and is licensed under the Financial Markets Supervisors Act 2011. Mercer (N.Z.) Limited ("Mercer" or "the Manager") is the Manager of the Scheme. Mercer is responsible for the management and administration of the Scheme, including responsibility for the preparation and issue of the Scheme's financial statements. The Manager's registered office is Level 18, 151 Queen Street, 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 Scheme's custodian of cash and cash equivalents.

These financial statements are for the Scheme which comprises the following funds: Cash, Conservative, Moderate, Balanced, Growth, High Growth and Shares (together "the Funds").

Details of membership during the year were:

	2020	2019
Opening Membership at 1 April	4,142	3,361
New Members	935	951
Exited Members	(219)	(170)
Closing Membership at 31 March	4,858	4,142

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

Mercer Investment Trusts New Zealand	Investment Portfolio
Mercer New Zealand Cash and Fixed Interest Trust ('MNZCFIT')	- Mercer Cash Portfolio
Mercer Diversified Trust ('MDT')	- Mercer Conservative Portfolio
	- Mercer Balanced Portfolio
	- Mercer Moderate Portfolio
	- Mercer Growth Portfolio
	- Mercer High Growth Portfolio
	- Mercer Shares Portfolio

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 ("FMCA") Section 461A. Segregated fund reporting has also been applied to 31 March 2019 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 Manager must ensure that the assets of a Fund are accounted for separately from other Funds and that the assets of one Fund are not available to meet the liabilities of any other Fund as stated in section 8.7 of the Trust Deed. The results and position reported for the Scheme is an aggregation of the result, position and cash flows of the Funds that make up the Scheme.

Statement of Compliance

The Scheme is the reporting entity. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the Financial Markets Conduct Act 2013, the provisions of the Trust Deed 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, on 24 July 2020.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2020

2 BASIS OF PREPARATION (Continued)

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. The financial statements have been prepared on a going concern basis.

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 New Zealand dollar.

Assumptions, Estimates and Judgements

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

On 11 March 2020, the World Health Organisation ("WHO") declared a global pandemic as a result of the outbreak and spread of COVID-19. Subsequent to this, on 25 March 2020, the New Zealand Government increased its Alert Level to 4 (full lockdown of non-essential services) for an initial 4 week period. Management accordingly and swiftly implemented its Business Continuity framework to mitigate business disruption. Management continues to closely monitor the impacts of the COVID-19 Pandemic on the Scheme as the situation continues to unfold. Management has evaluated the impact of COVID-19 on the valuation of financial instruments at 31 March 2020 and has concluded that an adjustment was not required on the basis that markets were functioning and the redemption price for the financial assets at fair value through profit or loss represented fair value. Management has monitored the liquidity requirements of the Scheme and concluded that there is sufficient liquidity to meet liabilities when due under current conditions. The adoption of the going concern assumption remains appropriate.

As at 31 March 2020, cash and cash equivalents included an amount of \$196,614 maintained at the total Scheme level for the settlement of transactions (2019: \$169,393). The Manager has estimated the allocation of this cash balance to the Funds. At 31 March 2020, the amounts allocated to Cash, Conservative, Moderate, Balanced, Growth, High Growth and Shares were \$127,275, \$64,267, (\$5,555), (\$44,088), \$45,741, \$75,460 and (\$66,486), respectively. (2019: \$990, \$2,300, \$3,565, \$70,167, \$29,461, \$30,607 and \$32,303, respectively).

Duration of the Scheme

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

- (i) the High Court, on the application of the Financial Markets Authority or the Supervisor, directs that the Scheme must be wound up; or
- (ii) the Manager, having obtained the Supervisor's and, where required by the Participation Agreement, the Participating Employer's written consent, determines; or
- (iii) where permitted by the Participation Agreement, the Participating Employer provides notice in writing to the Manager and to the Supervisor that the Scheme is to terminate.

Funding Policy

The Scheme is a defined contribution scheme as defined by the KiwiSaver Act 2006. Funding in the form of contributions is primarily received 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). A third party may contribute directly to the Scheme in respect of a Member such amounts as may be agreed from time to time between the Manager, the third party and the Member but only to the extent that the contribution: (a) is permitted under the KiwiSaver Act; and (b) is not covered by a preceding provision in Clause 6 of the Trust Deed. Members may contribute to the Scheme at varying designated additional contributions in excess of any salary or wage linked contributions. As of 31 March 2020, employer contribution rates are either 3% or greater of each relevant member's gross salary or wages (2019: Same).

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 periods, unless otherwise stated.

(i) Income

Interest income

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

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2020

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Financial Instruments

Classification

Financial assets at fair value through profit or loss comprise investment in unlisted unit trusts including ununitised investments.

Investments in unlisted unit trusts including ununitised 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 and other receivables, 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, unsettled trades, other expenses 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. Investments 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.

Ununitised investments comprise of investments in unlisted unit trusts purchased before year end, however, units are received after year end.

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 certain other members 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.

As the legislation regarding the taxation of PIEs provides that the Scheme pays tax on behalf of its members, 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.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2020

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Net Assets Attributable to Members

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

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

As stipulated in the Trust Deed, each unit represents a right to an individual share in the respective Fund and does not extend to a right in the underlying assets of the respective Fund. Separate classes of units are created within the Funds to reflect the different Prescribed Investment Rates (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 attaching 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.

(vi) 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 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 members, 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.

(vii) 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.

(viii) 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.

(ix) Contributions and Withdrawals

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

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

(x) 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.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2020

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xi) Application of New Accounting Standards

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

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2019 that have a material effect on the financial statements of the Scheme.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Scheme.

(xii) Presentation of financial statements

The assets and liabilities in the financial statements have been presented in order of their liquidity. 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. (2019: same)

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2020

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		Cash		Conservative		Moderate	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Member accounts	128,280,463	107,308,492	3,944,686	783,720	7,164,825	4,063,945	5,489,024	4,534,296
Adjustments arising from valuation differences	(29,645)	(27,661)	(6,192)	(55)	18,449	(1,502)	(2,804)	(1,975)
Net Assets Attributable to Members	128,250,818	107,280,831	3,938,494	783,665	7,183,274	4,062,443	5,486,220	4,532,321

	Balanced		Growth		High Growth		Shares	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Member accounts	55,666,712	49,950,603	23,010,857	19,595,881	22,674,495	19,570,856	10,329,864	8,809,191
Adjustments arising from valuation differences	(30,096)	(17,597)	(8,316)	(6,302)	(6,560)	(707)	5,874	477
Net Assets Attributable to Members	55,636,616	49,933,006	23,002,541	19,589,579	22,667,935	19,570,149	10,335,738	8,809,668

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

No guarantees have been made in respect of any part of the Net Assets Attributable to Members.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2020

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Scheme held units in the following MITNZ Investment Portfolios and ununitised investments:

	TOTAL		Cash		Conservative		Moderate	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Mercer Cash Portfolio	3,855,128	774,845	3,855,128	774,845	-	-	-	-
Mercer Conservative Portfolio	7,137,724	4,046,699	-	-	7,137,724	4,046,699	-	-
Mercer Moderate Portfolio	5,496,802	4,533,363	-	-	-	-	5,496,802	4,533,363
Mercer Balanced Portfolio	54,631,169	49,583,942	-	-	-	-	-	-
Mercer Growth Portfolio	22,627,027	19,453,555	-	-	-	-	-	-
Mercer High Growth Portfolio	22,140,419	19,436,957	-	-	-	-	-	-
Mercer Shares Portfolio	10,172,408	8,636,969	-	-	-	-	-	-
Ununitised Investments	498,993	72,989	-	-	-	-	-	-
Total financial assets at Fair Value through profit or loss	126,559,670	106,539,319	3,855,128	774,845	7,137,724	4,046,699	5,496,802	4,533,363

Percentage of financial assets held in the relevant class of security for the Scheme:

3% 1% 6% 4% 4% 4%

Percentage of financial assets held in the relevant class of security for the respective Fund:

100% 100% 100% 100% 100% 100%

	Balanced		Growth		High Growth		Shares	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Mercer Cash Portfolio	-	-	-	-	-	-	-	-
Mercer Conservative Portfolio	-	-	-	-	-	-	-	-
Mercer Moderate Portfolio	-	-	-	-	-	-	-	-
Mercer Balanced Portfolio	54,631,169	49,583,942	-	-	-	-	-	-
Mercer Growth Portfolio	-	-	22,627,027	19,453,555	-	-	-	-
Mercer High Growth Portfolio	-	-	-	-	22,140,419	19,436,957	-	-
Mercer Shares Portfolio	-	-	-	-	-	-	10,172,408	8,636,969
Ununitised investments	498,993	-	-	-	-	-	-	72,989
Total financial assets at Fair Value through profit or loss	55,130,162	49,583,942	22,627,027	19,453,555	22,140,419	19,436,957	10,172,408	8,709,958

Percentage of financial assets held in the relevant class of security for the Scheme:

44% 47% 18% 18% 17% 18% 8% 8%

Percentage of financial assets held in the relevant class of security for the respective Fund:

99% 100% 100% 100% 100% 100% 100% 99%

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2020

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); and

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 financial assets at balance date is determined using the last available redemption unit price of those funds. During the year there were no transfers of investments between levels of the fair value hierarchy (2019: Same).

6 RELATED PARTIES

Related parties comprise the Manager, the Supervisor and their related parties.

The Manager and Supervisor are entitled to remuneration from the Scheme. This is represented by the Investment management, Administration and Supervisor fees in the Statements of Changes in Net Assets. These are recovered through the cancellation of units for member fixed fees and a unit price adjustment for net asset based fees.

Trustees Executors Limited Supervisor fee was up to 0.04% of net assets per annum (2019: Same). The minimum fee per annum is \$15,000.

The investment management fee rates for 2020 and 2019 are disclosed below:

Fund	Investment management fee % p.a.
Cash	0.32%
Conservative	0.50%
Moderate	0.59%
Balanced	0.68%
Growth	0.77%
High Growth	0.82%
Shares	0.90%

Up to 1 October 2019, an administration fee of \$2.50 was charged per member, per month. From 1 October 2019, the fee was reduced to \$2.25, with members with balances of less than \$1,000 and members aged 17 years or less entitled to a waiver of this fee.

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

- The first component comprises investment management fees charged at Mercer Investment Trusts New Zealand ("MITNZ") level, a series of wholesale investment trusts managed by Mercer as disclosed in Note 5. These investment management fees are incurred through a reduction in the MITNZ unit price. This is reflected within net (losses)/gains 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 net asset based investment management fees once the deduction of fees in MITNZ are taken into account.

All related party transactions are conducted on normal commercial terms and conditions.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2020

6 RELATED PARTIES (Continued)

Amounts paid to Mercer and Mercer Investments (New Zealand) Limited ("MINZL") for their services as investment manager and administrator including investment management fees paid to Mercer (N.Z.) Limited, other related and third parties via the MITNZ unit price and Supervisor fees for the year 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		Cash		Conservative		Moderate	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Investment management fees								
Investment management fees expense to Mercer, other related and third party investment managers via MITNZ unit price	915,617	651,579	3,099	2,009	23,549	15,185	28,937	22,442
Investment management fees expense to Mercer	207	135	207	135	-	-	-	-
Total investment management fees	915,824	651,714	3,306	2,144	23,549	15,185	28,937	22,442
Administration fees								
Administration fees expense to Mercer	125,054	113,944	1,374	1,110	3,736	3,412	5,814	5,197
Supervisor fees								
Supervisor fees expense to Trustees Executors Limited	45,294	33,012	1,380	240	2,554	1,254	1,967	1,405
Manager fees (expense recoveries)								
Manager fees (expense recoveries) to Mercer	33,267	28,860	1,013	210	1,876	1,096	1,445	1,228
Total fees	1,119,439	827,530	7,073	3,704	31,715	20,947	38,163	30,272

	Balanced		Growth		High Growth		Shares	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Investment management fees								
Investment management fees expense to Mercer, other related and third party investment managers via MITNZ unit price	381,268	293,392	182,297	123,385	194,945	131,323	101,522	63,843
Investment management fees expense to Mercer	-	-	-	-	-	-	-	-
Total investment management fees	381,268	293,392	182,297	123,385	194,945	131,323	101,522	63,843
Administration fees								
Administration fees expense to Mercer	59,935	58,618	19,952	17,138	22,636	18,907	11,607	9,562
Supervisor fees								
Supervisor fees expense to Trustees Executors Limited	19,730	15,363	8,098	6,028	7,924	6,023	3,641	2,699
Manager fees (expense recoveries)								
Manager fees (expense recoveries) to Mercer	14,491	13,432	5,948	5,270	5,820	5,265	2,674	2,359
Total fees	475,424	380,805	216,295	151,821	231,325	161,518	119,444	78,463

Outstanding balances due to related parties are due within seven days and are not interest bearing.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2020

6 RELATED PARTIES (Continued)

Amounts payable to the Manager and Supervisor as at 31 March are as follows:

Fund	Investment management fees		Administration fees		Manager fees (expense recoveries)		Supervisor fees	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Cash	38	13	375	103	1,884	294	588	116
Conservative	-	-	667	313	3,488	1,537	1,088	608
Moderate	-	-	947	470	2,686	1,721	838	681
Balanced	-	-	9,629	5,108	26,938	18,829	8,405	7,446
Growth	-	-	3,232	1,589	11,056	7,387	3,449	2,922
High Growth	-	-	3,652	1,775	10,819	7,381	3,375	2,919
Shares	-	-	1,937	904	4,971	3,308	1,551	1,308
Total	38	13	20,439	10,262	61,842	40,457	19,294	16,000

Investment in related parties

The Scheme invests in MITNZ. MINZL, a wholly owned subsidiary of Mercer, is the Trustee for the MITNZ. During the year no related entity was a member of the Scheme.

The Scheme holds the following financial assets in MITNZ:

MITNZ Portfolio	Fund	Opening Balance		Purchases		Sales		Net Change in Fair Value		Closing Balance	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Mercer Cash Portfolio	Cash	774,844	527,006	3,953,653	1,235,852	(888,744)	(1,001,941)	15,375	13,927	3,855,128	774,844
Mercer Conservative Portfolio	Conservative	4,046,699	1,992,769	4,136,794	2,570,339	(1,089,823)	(672,313)	44,054	155,904	7,137,724	4,046,699
Mercer Moderate Portfolio	Moderate	4,533,363	2,898,450	2,152,842	1,962,129	(1,119,394)	(516,159)	(70,009)	188,943	5,496,802	4,533,363
Mercer Balanced Portfolio	Balanced	49,583,942	37,273,461	8,665,233	10,664,104	(1,374,439)	(817,915)	(2,243,567)	2,464,292	54,631,169	49,583,942
Mercer Growth Portfolio	Growth	19,453,555	12,935,046	5,664,979	5,559,823	(788,984)	-	(1,702,523)	958,686	22,627,027	19,453,555
Mercer High Growth Portfolio	High Growth	19,436,957	12,358,069	6,520,513	6,188,251	(1,651,573)	(139,807)	(2,165,478)	1,030,444	22,140,419	19,436,957
Mercer Shares Portfolio	Shares	8,636,968	5,482,799	4,220,132	3,031,408	(1,466,618)	(318,646)	(1,218,074)	441,407	10,172,408	8,636,968
Total Scheme		106,466,328	73,467,600	35,314,146	31,211,906	(8,379,575)	(3,466,781)	(7,340,222)	5,253,603	126,060,677	106,466,328

As at 31 March 2020, ununitised investments in Mercer Balanced Portfolio amounted to \$498,993 (2019: \$72,989 (Mercer Shares Portfolio)).

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2020

6 RELATED PARTIES (Continued)

During the year there were non-cash transactions comprising purchases and sales between portfolios in the MITNZ at the Scheme level. These are disclosed below:

	Purchases		Sales	
	2020	2019	2020	2019
	\$	\$	\$	\$
Mercer Cash Portfolio	2,046,288	32,990	(380,466)	(254,031)
Mercer Conservative Portfolio	2,415,861	370,452	(666,331)	(377,815)
Mercer Moderate Portfolio	401,491	144,358	(623,447)	(472,251)
Mercer Balanced Portfolio	218,277	-	(1,082,170)	(130,344)
Mercer Growth Portfolio	238,115	255,737	(788,984)	-
Mercer High Growth Portfolio	161,344	354,407	(1,566,671)	(66,142)
Mercer Shares Portfolio	489,258	228,896	(862,565)	(86,257)
Total	5,970,634	1,386,840	(5,970,634)	(1,386,840)

7 BENEFITS

	TOTAL		Cash		Conservative		Moderate	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Retirement	510,011	380,715	-	-	7,995	111,525	112,593	50,973
Serious ill health	-	-	-	-	-	-	-	-
Death or disability	149,996	74,629	149,996	74,629	-	-	-	-
Significant financial hardship	53,185	69,425	-	-	-	4,272	-	6,496
First home assistance	5,742,390	3,475,748	461,380	229,372	558,400	154,949	559,492	147,815
Permanent emigration to Australia	-	-	-	-	-	-	-	-
Permanent emigration excluding Australia	59,165	24,254	-	-	-	-	(3,338)	-
Enrolment in error	-	4,779	-	-	-	-	-	-
Late opt-out	921	256	-	-	-	-	-	-
Total	6,515,668	4,029,806	611,376	304,001	566,395	270,746	668,747	205,284

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2020

7 BENEFITS (Continued)

	Balanced		Growth		High Growth		Shares	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Retirement	366,442	196,337	20,906	21,880	1,381	-	694	-
Serious ill health	-	-	-	-	-	-	-	-
Death or disability	-	-	-	-	-	-	-	-
Significant financial hardship	53,185	30,383	-	25,224	-	-	-	3,050
First home assistance	1,894,685	1,534,904	822,176	594,912	1,071,288	615,631	374,969	198,165
Permanent emigration to Australia	-	-	-	-	-	-	-	-
Permanent emigration excluding Australia	44,903	17,280	8,686	-	9,152	6,974	(238)	-
Enrolment in error	-	4,453	-	54	-	91	-	181
Late opt-out	921	256	-	-	-	-	-	-
Total	2,360,136	1,783,613	851,768	642,070	1,081,821	622,696	375,425	201,396

8 TRANSFERS IN FROM OTHER SCHEMES

	TOTAL		Cash		Conservative		Moderate	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Transfers from other KiwiSaver Schemes	11,561,609	11,345,589	101,980	67,044	402,945	662,681	422,794	804,498
Transfers from superannuation schemes	977,833	1,060,800	-	-	1,329	208,909	77,714	69,636
Transfers from Trans-Tasman portability	148,511	466,692	-	-	-	-	21,202	170
Total	12,687,953	12,873,081	101,980	67,044	404,274	871,590	521,710	874,304

	Balanced		Growth		High Growth		Shares	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Transfers from other KiwiSaver Schemes	6,412,620	5,343,851	1,967,314	1,908,521	1,791,287	1,832,500	462,669	726,494
Transfers from superannuation schemes	499,879	413,003	81,793	70,219	184,361	187,849	132,757	111,184
Transfers from Trans-Tasman portability	63,547	388,996	47,629	42,979	9,972	17,529	6,161	17,018
Total	6,976,046	6,145,850	2,096,736	2,021,719	1,985,620	2,037,878	601,587	854,696

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

	TOTAL		Cash		Conservative		Moderate	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Net (loss)/profit before membership activities	(7,620,602)	5,039,419	6,632	12,239	28,253	147,774	(82,178)	179,833
<i>Adjustments for:</i>								
Net losses/(gains) on financial assets at fair value through profit or loss	7,340,222	(5,253,603)	(15,375)	(13,927)	(44,054)	(155,904)	70,009	(188,943)
Proceeds from sale of financial assets	2,408,941	2,079,941	888,744	1,001,941	1,089,823	672,313	1,119,394	516,159
Payments for purchase of financial assets	(29,402,461)	(29,858,270)	(3,953,653)	(1,226,358)	(4,136,794)	(2,540,047)	(2,152,842)	(1,962,129)
<i>Changes in assets and liabilities:</i>								
(Decrease)/increase in liabilities (excluding portfolio investment entity tax payable, benefits payable, administration fees payable and unallocated contributions)	25,204	111,560	3,948	814	3,925	4,493	1,214	4,824
Net Cash used in Operating Activities	(27,248,696)	(27,880,953)	(3,069,704)	(225,291)	(3,058,847)	(1,871,371)	(1,044,403)	(1,450,256)

	Balanced		Growth		High Growth		Shares	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Net (loss)/profit before membership activities	(2,365,610)	2,364,670	(1,752,612)	919,601	(2,214,494)	991,394	(1,240,593)	423,908
<i>Adjustments for:</i>								
Net losses/(gains) on financial assets at fair value through profit or loss	2,243,567	(2,464,292)	1,702,523	(958,686)	2,165,478	(1,030,444)	1,218,074	(441,407)
Proceeds from sale of financial assets	1,374,439	817,915	788,984	-	1,651,573	139,807	1,466,618	318,646
Payments for purchase of financial assets	(8,797,171)	(10,664,104)	(5,664,979)	(5,559,823)	(6,520,513)	(6,188,251)	(4,147,143)	(3,104,398)
<i>Changes in assets and liabilities:</i>								
(Decrease)/increase in liabilities (excluding portfolio investment entity tax payable, benefits payable, administration fees payable and unallocated contributions)	6,913	50,900	3,982	20,531	3,384	20,703	1,838	9,295
Net Cash used in Operating Activities	(7,537,862)	(9,894,911)	(4,922,102)	(5,578,377)	(4,914,572)	(6,066,791)	(2,701,206)	(2,793,956)

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
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10 AUDITORS' REMUNERATION

During the reporting period, the following fees (inclusive of GST) were paid or payable by the Manager to the auditor of the Scheme. The Manager may recover these fees from the Scheme. The auditor of the Scheme is PricewaterhouseCoopers.

	TOTAL		Cash		Conservative		Moderate	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Audit fees for the audit of financial statements	58,190	67,160	1,773	488	3,282	2,551	2,527	2,858
Taxation fees for tax compliance services	3,267	10,380	100	75	183	394	140	442
Taxation fees for tax advisory services	2,103	-	65	-	118	-	90	-
Total	63,560	77,540	1,938	563	3,583	2,945	2,757	3,300

	Balanced		Growth		High Growth		Shares	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Audit fees for the audit of financial statements	25,347	31,256	10,404	12,263	10,180	12,253	4,677	5,491
Taxation fees for tax compliance services	1,418	4,831	586	1,895	577	1,894	263	849
Taxation fees for tax advisory services	911	-	377	-	372	-	170	-
Total	27,676	36,087	11,367	14,158	11,129	14,147	5,110	6,340

11 FINANCIAL RISK MANAGEMENT

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

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

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

- investing across different asset classes (to reduce market risk and liquidity risk);
- investing predominantly in unit trusts which, in turn, invest with a number of different portfolios managed by several 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 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 share price and bond 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.

In light of COVID-19 and impacts of this on financial markets, Management have been actively monitoring Investment Managers and service providers with a view to ensuring each of these has the ability to provide continued investment services to Mercer (N.Z.) Limited. Questionnaires have been issued to respective Investment Managers with all respondents confirming that their performance to deliver investment services to Mercer (N.Z.) Limited has not been impaired by COVID-19. In addition, Management has focused on liquidity management, rebalancing and minimising trading costs. Some dynamic Asset Allocation changes have also been implemented. Management continues to engage regularly with investment managers both in New Zealand and globally during these unprecedented times.

The New Zealand Defence Force KiwiSaver Scheme invests in MDT that in turn invests in other MITNZ investment portfolios and MNZCFIT. The investment in the MITNZ investment portfolios are directly exposed to market risk, credit risk and liquidity risk.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
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11 FINANCIAL RISK MANAGEMENT (Continued)

a) Market Risk

Price 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 financial assets held indirectly through unit trusts. Consequently the Scheme may be exposed indirectly to currency risk where the Scheme has significant financial assets in unit trusts which have exposure to foreign currencies.

Exposure to currency risk is managed through hedging using derivative investments, which may 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 interest bearing securities.

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 investment portfolios.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
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11 FINANCIAL RISK MANAGEMENT (Continued)

a) Market Risk (Continued)

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price (other than those arising from interest rate risk or currency risk). The Scheme's financial assets are susceptible to market price risk arising from uncertainties about future values of the financial assets 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 financial assets within the Fund and within the underlying investments in the MITNZ. In addition, price risk may be hedged using derivative financial instruments such as options or futures within the underlying MITNZ investment portfolios.

As at 31 March, the Scheme's exposure to market price risk through unlisted unit trusts was as follows:

Fund	TOTAL		TOTAL	
	2020	2020	2019	2019
	\$	%	\$	%
Cash	3,855,128	3%	774,845	1%
Conservative	7,137,724	6%	4,046,699	4%
Moderate	5,496,802	4%	4,533,363	4%
Balanced	54,631,169	43%	49,583,942	47%
Growth	22,627,027	18%	19,453,555	18%
High Growth	22,140,419	18%	19,436,957	18%
Shares	10,172,408	8%	8,636,969	8%
Total Unlisted Unit Trusts	126,060,677	100%	106,466,330	100%

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

Fund	2020				2019			
	Net profit before membership activities		Net Assets Attributable to Members		Net profit before membership activities		Net Assets Attributable to Members	
	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
	\$	\$	\$	\$	\$	\$	\$	\$
Cash	385,513	(385,513)	385,513	(385,513)	77,485	(77,485)	77,485	(77,485)
Conservative	713,772	(713,772)	713,772	(713,772)	404,670	(404,670)	404,670	(404,670)
Moderate	549,680	(549,680)	549,680	(549,680)	453,336	(453,336)	453,336	(453,336)
Balanced	5,463,117	(5,463,117)	5,463,117	(5,463,117)	4,958,394	(4,958,394)	4,958,394	(4,958,394)
Growth	2,262,703	(2,262,703)	2,262,703	(2,262,703)	1,945,356	(1,945,356)	1,945,356	(1,945,356)
High Growth	2,214,042	(2,214,042)	2,214,042	(2,214,042)	1,943,696	(1,943,696)	1,943,696	(1,943,696)
Shares	1,017,241	(1,017,241)	1,017,241	(1,017,241)	863,697	(863,697)	863,697	(863,697)
Total	12,606,068	(12,606,068)	12,606,068	(12,606,068)	10,646,634	(10,646,634)	10,646,634	(10,646,634)

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
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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 nor past due (but not impaired) (2019: 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) (2019: 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 can be transferred, withdrawn as set out in 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 contributions, transfers in, transfers out and benefits 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 includes the ability to restrict redemptions in accordance with the KiwiSaver Act 2006. The Scheme does not have any externally imposed capital requirements.

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12 FINANCIAL INSTRUMENTS BY CATEGORY

	TOTAL		Cash		Conservative		Moderate	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Financial assets at fair value through profit or loss								
Financial assets at fair value through profit or loss	126,559,670	106,539,319	3,855,128	774,845	7,137,724	4,046,699	5,496,802	4,533,363
Total financial assets at fair value through profit or loss	126,559,670	106,539,319	3,855,128	774,845	7,137,724	4,046,699	5,496,802	4,533,363
Financial assets at amortised cost								
Cash and cash equivalents	1,672,952	1,517,955	168,011	12,848	108,943	46,824	3,218	43,408
Total financial assets at amortised cost	1,672,952	1,517,955	168,011	12,848	108,943	46,824	3,218	43,408
Total assets	128,232,622	108,057,274	4,023,139	787,693	7,246,667	4,093,523	5,500,020	4,576,771
LIABILITIES								
Financial liabilities at amortised cost								
Investment management fees payable	38	13	38	13	-	-	-	-
Supervisor fees payable	19,294	16,000	588	116	1,088	608	838	681
Benefits payable	199,639	44,137	76,034	-	41,806	-	8,052	13,187
Unallocated contributions	11,843	72,730	866	371	922	97	211	141
Administration fees payable	20,439	10,262	375	103	667	313	947	470
Manager fees (expense recoveries) payable	61,842	40,457	1,884	294	3,488	1,537	2,686	1,721
Other expenses payable	80,069	79,571	2,439	579	4,516	3,022	3,478	3,386
Unsettled trades	367,055	-	-	-	-	-	-	-
Net assets attributable to members	128,250,818	107,280,831	3,938,494	783,665	7,183,274	4,062,443	5,486,220	4,532,321
Total financial liabilities at amortised cost	129,011,037	107,544,001	4,020,718	785,141	7,235,761	4,068,020	5,502,432	4,551,907

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
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12 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Balanced		Growth		High Growth		Shares	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Financial assets at fair value through profit or loss								
Financial assets at fair value through profit or loss	55,130,162	49,583,942	22,627,027	19,453,555	22,140,419	19,436,957	10,172,408	8,709,958
Total financial assets at fair value through profit or loss	55,130,162	49,583,942	22,627,027	19,453,555	22,140,419	19,436,957	10,172,408	8,709,958
Financial assets at amortised cost								
Cash and cash equivalents	805,520	775,450	238,532	268,686	316,528	238,115	32,200	132,624
Total financial assets at amortised cost	805,520	775,450	238,532	268,686	316,528	238,115	32,200	132,624
Total assets	55,935,682	50,359,392	22,865,559	19,722,241	22,456,947	19,675,072	10,204,608	8,842,582
LIABILITIES								
Financial liabilities at amortised cost								
Investment management fees payable	-	-	-	-	-	-	-	-
Supervisor fees payable	8,405	7,446	3,449	2,922	3,375	2,919	1,551	1,308
Benefits payable	58,369	28,497	13,304	2,453	1,380	-	694	-
Unallocated contributions	5,062	43,385	1,770	13,730	2,627	9,068	385	5,938
Administration fees payable	9,629	5,108	3,232	1,589	3,652	1,775	1,937	904
Manager fees (expense recoveries) payable	26,938	18,829	11,056	7,387	10,819	7,381	4,971	3,308
Other expenses payable	34,878	37,033	14,315	14,529	14,007	14,517	6,436	6,505
Unsettled trades	367,055	-	-	-	-	-	-	-
Net assets attributable to Members	55,636,616	49,933,006	23,002,541	19,589,579	22,667,935	19,570,149	10,335,738	8,809,668
Total financial liabilities at amortised cost	56,146,952	50,073,304	23,049,667	19,632,189	22,703,795	19,605,809	10,351,712	8,827,631

At 31 March 2020 the carrying amount of the financial assets and liabilities at amortised cost approximates their fair value (2019: Same).

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13 UNITS ON ISSUE

	TOTAL		Cash		Conservative		Moderate	
	2020	2019	2020	2019	2020	2019	2020	2019
Units on issue at the beginning of the year	87,398,445	63,638,738	747,452	503,585	3,610,473	1,875,781	3,935,791	2,654,650
Units issued during the year	57,135,703	38,417,883	4,556,300	767,105	5,387,409	2,615,549	3,361,266	2,371,060
Units redeemed during the year	(35,171,678)	(14,658,176)	(1,575,428)	(523,238)	(2,672,570)	(880,857)	(2,498,595)	(1,089,919)
Units on issue at the end of the year	109,362,470	87,398,445	3,728,324	747,452	6,325,312	3,610,473	4,798,462	3,935,791

	Balanced		Growth		High Growth		Shares	
	2020	2019	2020	2019	2020	2019	2020	2019
Units on issue at the beginning of the year	41,406,975	32,527,162	15,825,766	11,097,219	15,145,716	10,443,901	6,726,272	4,536,440
Units issued during the year	19,791,790	16,049,680	8,807,058	6,649,957	9,768,542	6,717,322	5,463,338	3,247,210
Units redeemed during the year	(13,605,367)	(7,169,867)	(5,016,202)	(1,921,410)	(6,125,083)	(2,015,507)	(3,678,433)	(1,057,378)
Units on issue at the end of the year	47,593,398	41,406,975	19,616,622	15,825,766	18,789,175	15,145,716	8,511,177	6,726,272

14 CONTINGENT LIABILITY, ASSET AND COMMITMENTS

There were no material contingent liabilities or commitments as at 31 March 2020 (2019: Same).

15 EVENTS AFTER BALANCE DATE

The financial statements have been prepared based upon conditions existing at 31 March 2020 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. The COVID-19 pandemic continued to have a widespread economic and financial impact at the time of preparing these financial statements. (2019: There have been no material events after balance date that require adjustment to or disclosure in the financial statements).



Independent auditor's report

To the members of the New Zealand Defence Force KiwiSaver Scheme (“the Scheme”) comprising the following Funds:

- Cash
- Conservative
- Moderate
- Balanced
- Growth
- High Growth
- 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 2020;
- 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 the Scheme as at 31 March 2020, 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, collective registry compliance assurance, tax compliance and advisory services and the audit of financial statements of other funds managed by the Manager. 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.

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. This matter was 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 this matter.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation and existence of financial assets at fair value through profit or loss</i></p> <p>Refer to note 5 of the financial statements for disclosures of financial assets at fair value through profit or loss (financial assets at FVPL).</p> <p>This was an area of focus for our audit as it represents the majority of the net assets of the Funds and Scheme.</p> <p>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.</p> <p>In assessing the fair value and existence of financial assets at FVPL, the Manager uses information provided by the MITNZ investment fund administrator, including the investment fund administrator and</p>	<p>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:</p> <ul style="list-style-type: none">• 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 relevant controls. <p><i>Valuation</i></p> <p>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:</p>



Key audit matter

custodian controls reports and the financial statements of the underlying funds.

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

The Manager assessed the impact of COVID-19 on the financial statements of the Funds and Scheme, including financial assets at FVPL and included additional disclosures in relation to assumptions, estimates and judgements in note 2 and financial risk management in note 11.

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

- 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 2020 to recent transaction prices to further support the fair value of financial assets at FVPL.

We have considered the impact of COVID-19 on the valuation of financial assets at FVPL, including the disclosures in the financial statements.

Existence

For existence, we agreed the financial assets at FVPL held by the Funds and Scheme at 31 March 2020 to confirmations obtained directly from the Custodian and the Registry provider of the MITNZ.

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



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 and the Scheme separately.

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

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 investments 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 Funds' 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 the each Funds' and the Scheme's financial statements as a whole, taking into account the structure of the Funds and Scheme, the types of financial instruments 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 operate.

Mercer (N.Z.) Limited (“the Manager”) is responsible for the governance and control activities of the Funds and Scheme. The Supervisor 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 for the Funds and Scheme 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.

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 the 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 Funds’ 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 Christopher Barber.

For and on behalf of:

A handwritten signature in black ink that reads 'Price Waterhouse Coopers' in a cursive script.

Chartered Accountants
28 July 2020

Wellington