

**MERCER KIWISAVER SCHEME**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**MERCER KIWISAVER SCHEME**  
**Financial Statements**  
**For the Year Ended 31 March 2020**

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## MERCER 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**

PO Box 1849  
Wellington 6140  
Website: [mercerfinancialservices.co.nz](http://mercerfinancialservices.co.nz)  
Helpline: 0508 637 237

**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

**MERCER KIWISAVER SCHEME**  
**Statements of Net Assets**  
**As at 31 March 2020**

	Note	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
		2020	2019	2020	2019	2020	2019	2020	2019
		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
<b>ASSETS</b>									
Cash and cash equivalents		13,008	9,482	7,247	2,913	1,280	2,982	1,217	1,137
Financial assets at fair value through profit or loss	5	1,946,731	1,906,348	1,077,502	1,095,165	391,938	383,258	171,334	173,262
Portfolio investment entity tax receivable		1,429	-	-	-	1,173	-	1,791	-
Investment management fees receivable	6	-	-	-	-	-	-	-	-
Other receivables		341	-	-	-	-	-	-	-
<b>Total Assets</b>		<b>1,961,509</b>	<b>1,915,830</b>	<b>1,084,749</b>	<b>1,098,078</b>	<b>394,391</b>	<b>386,240</b>	<b>174,342</b>	<b>174,399</b>
<b>LIABILITIES</b>									
Investment management fees payable	6	149	194	122	188	11	2	10	1
Supervisor fees payable	6	24	24	14	15	5	5	2	2
Portfolio investment entity tax payable		-	12,178	2,570	7,548	-	2,459	-	712
Benefits payable		2,735	2,051	1,474	1,296	582	426	36	118
Unallocated contributions		991	972	649	447	124	157	80	80
Administration fees payable	6	375	228	288	181	39	22	17	10
<b>Total Liabilities (excluding net assets attributable to members)</b>		<b>4,274</b>	<b>15,647</b>	<b>5,117</b>	<b>9,675</b>	<b>761</b>	<b>3,071</b>	<b>145</b>	<b>923</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>	4	<b>1,957,235</b>	<b>1,900,183</b>	<b>1,079,632</b>	<b>1,088,403</b>	<b>393,630</b>	<b>383,169</b>	<b>174,197</b>	<b>173,476</b>
<b>Represented by:</b>									
<b>Net assets available for benefits</b>	4	<b>1,957,235</b>	<b>1,900,183</b>	<b>1,079,632</b>	<b>1,088,403</b>	<b>393,630</b>	<b>383,169</b>	<b>174,197</b>	<b>173,476</b>

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

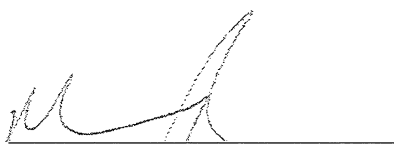


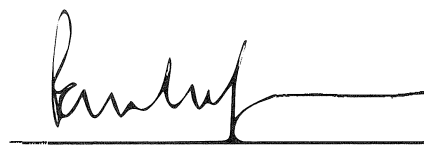
MERCER KIWISAVER SCHEME  
 Statements of Net Assets  
 As at 31 March 2020

	Note	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
		2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>ASSETS</b>									
Cash and cash equivalents		2,039	194	309	970	685	1,066	231	198
Financial assets at fair value through profit or loss	5	34,167	18,178	140,719	118,785	106,432	94,543	24,639	23,157
Portfolio investment entity tax receivable		-	-	-	-	799	-	339	-
Investment management fees receivable		2	-	-	-	-	-	-	-
Other receivables		-	-	341	-	-	-	-	-
<b>Total Assets</b>		<b>36,208</b>	<b>18,372</b>	<b>141,369</b>	<b>119,755</b>	<b>107,916</b>	<b>95,631</b>	<b>25,209</b>	<b>23,355</b>
<b>LIABILITIES</b>									
Investment management fees payable	6	-	1	2	1	4	1	2	-
Supervisor fees payable	6	-	-	2	1	1	1	-	-
Portfolio investment entity tax payable		60	77	43	805	-	518	-	59
Benefits payable		357	69	248	63	37	47	1	32
Unallocated contributions		11	5	58	230	59	45	10	8
Administration fees payable	6	3	2	15	7	10	5	3	1
<b>Total Liabilities (excluding net assets attributable to members)</b>		<b>431</b>	<b>154</b>	<b>368</b>	<b>1,107</b>	<b>111</b>	<b>617</b>	<b>16</b>	<b>100</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>	4	<b>35,777</b>	<b>18,218</b>	<b>141,001</b>	<b>118,648</b>	<b>107,805</b>	<b>95,014</b>	<b>25,193</b>	<b>23,255</b>
Represented by:									
<b>Net assets available for benefits</b>	4	<b>35,777</b>	<b>18,218</b>	<b>141,001</b>	<b>118,648</b>	<b>107,805</b>	<b>95,014</b>	<b>25,193</b>	<b>23,255</b>

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.

**MERCER KIWISAVER SCHEME**  
**Statements of Changes in Net Assets**  
**For the Year Ended 31 March 2020**

	Note	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
		2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>INCOME</b>									
Interest income		137	194	76	111	28	39	12	18
Net (losses)/gains on financial assets at fair value through profit or loss	6	(23,512)	94,723	17,088	51,694	(14,292)	20,667	(14,644)	10,611
<b>Total Income</b>		<b>(23,375)</b>	<b>94,917</b>	<b>17,164</b>	<b>51,805</b>	<b>(14,264)</b>	<b>20,706</b>	<b>(14,632)</b>	<b>10,629</b>
<b>EXPENSES</b>									
Investment management fees	6	2,096	2,125	1,976	2,061	48	26	34	16
Supervisor fees	6	302	309	167	183	62	61	29	27
Other expenses		6	3	2	2	1	1	-	-
<b>Total Expenses</b>		<b>2,404</b>	<b>2,437</b>	<b>2,145</b>	<b>2,246</b>	<b>111</b>	<b>88</b>	<b>63</b>	<b>43</b>
<b>NET (LOSS)/PROFIT BEFORE MEMBERSHIP ACTIVITIES</b>		<b>(25,779)</b>	<b>92,480</b>	<b>15,019</b>	<b>49,559</b>	<b>(14,375)</b>	<b>20,618</b>	<b>(14,695)</b>	<b>10,586</b>
<b>MEMBERSHIP ACTIVITIES:</b>									
<b>Contributions / Transfers In</b>									
Member contributions		161,438	143,509	91,877	89,651	31,032	24,786	14,066	11,648
Employer contributions		75,632	75,509	48,316	50,438	11,832	11,681	5,808	5,406
Tax credits		24,650	24,768	17,173	18,015	3,214	3,158	1,580	1,422
Transfers in from other schemes	8	9,235	10,176	4,874	4,918	1,341	869	862	1,370
Transfers (from)/to funds		-	-	(72,284)	(58,192)	10,987	11,990	5,996	6,134
<b>Total Contributions/Transfers In</b>		<b>270,955</b>	<b>253,962</b>	<b>89,956</b>	<b>104,830</b>	<b>58,406</b>	<b>52,484</b>	<b>28,312</b>	<b>25,980</b>
<b>Benefits/Transfers Out/Membership Expenses/Tax</b>									
Benefits	7	(66,320)	(62,891)	(39,622)	(40,056)	(11,610)	(11,211)	(3,164)	(2,973)
Transfers out to other schemes		(120,369)	(106,599)	(69,432)	(73,046)	(22,800)	(15,999)	(11,373)	(6,530)
Administration fees	6	(2,484)	(2,753)	(1,911)	(2,188)	(256)	(268)	(116)	(118)
Portfolio investment entity taxation rebate/(expense)		1,049	(12,271)	(2,781)	(7,602)	1,096	(2,478)	1,757	(720)
<b>Total Benefits/Transfers Out/Membership Expenses/Tax</b>		<b>(188,124)</b>	<b>(184,514)</b>	<b>(113,746)</b>	<b>(122,892)</b>	<b>(33,570)</b>	<b>(29,956)</b>	<b>(12,896)</b>	<b>(10,341)</b>
<b>Total transactions with members in their capacity as members</b>		<b>82,831</b>	<b>69,448</b>	<b>(23,790)</b>	<b>(18,062)</b>	<b>24,836</b>	<b>22,528</b>	<b>15,416</b>	<b>15,639</b>
<b>NET INCREASE/(DECREASE) IN NET ASSETS DURING THE YEAR</b>		<b>57,052</b>	<b>161,928</b>	<b>(8,771)</b>	<b>31,497</b>	<b>10,461</b>	<b>43,146</b>	<b>721</b>	<b>26,225</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<b>1,900,183</b>	<b>1,738,255</b>	<b>1,088,403</b>	<b>1,056,906</b>	<b>383,169</b>	<b>340,023</b>	<b>173,476</b>	<b>147,251</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR</b>		<b>1,957,235</b>	<b>1,900,183</b>	<b>1,079,632</b>	<b>1,088,403</b>	<b>393,630</b>	<b>383,169</b>	<b>174,197</b>	<b>173,476</b>

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

**MERCER KIWISAVER SCHEME**  
**Statements of Changes in Net Assets**  
**For the Year Ended 31 March 2020**

	Note	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
		2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>INCOME</b>									
Interest income		2	2	10	12	7	10	2	2
Net (losses)/gains on financial assets at fair value through profit or loss	6	287	367	(1,944)	5,195	(7,609)	4,915	(2,398)	1,274
<b>Total Income</b>		<b>289</b>	<b>369</b>	<b>(1,934)</b>	<b>5,207</b>	<b>(7,602)</b>	<b>4,925</b>	<b>(2,396)</b>	<b>1,276</b>
<b>EXPENSES</b>									
Investment management fees	6	2	4	15	8	16	8	5	2
Supervisor fees	6	3	3	20	17	17	14	4	4
Other expenses		-	-	3	-	-	-	-	-
<b>Total Expenses</b>		<b>5</b>	<b>7</b>	<b>38</b>	<b>25</b>	<b>33</b>	<b>22</b>	<b>9</b>	<b>6</b>
<b>NET (LOSS)/PROFIT BEFORE MEMBERSHIP ACTIVITIES</b>		<b>284</b>	<b>362</b>	<b>(1,972)</b>	<b>5,182</b>	<b>(7,635)</b>	<b>4,903</b>	<b>(2,405)</b>	<b>1,270</b>
<b>MEMBERSHIP ACTIVITIES:</b>									
<b>Contributions / Transfers In</b>									
Member contributions		965	909	12,304	7,804	9,118	6,836	2,076	1,875
Employer contributions		460	459	4,168	3,353	4,047	3,322	1,001	850
Tax credits		156	152	1,275	1,022	1,003	810	249	189
Transfers in from other schemes	8	409	99	336	834	1,191	1,335	222	751
Transfers (from)/to funds		21,356	4,324	18,404	19,287	13,131	14,585	2,410	1,872
<b>Total Contributions/Transfers In</b>		<b>23,346</b>	<b>5,943</b>	<b>36,487</b>	<b>32,300</b>	<b>28,490</b>	<b>26,888</b>	<b>5,958</b>	<b>5,537</b>
<b>Benefits/Transfers Out/Membership Expenses/Tax</b>									
Benefits	7	(4,943)	(4,070)	(4,675)	(3,174)	(1,847)	(1,042)	(459)	(365)
Transfers out to other schemes		(1,045)	(821)	(7,317)	(5,297)	(6,928)	(3,991)	(1,474)	(915)
Administration fees	6	(17)	(18)	(100)	(86)	(67)	(60)	(17)	(15)
Portfolio investment entity taxation rebate/(expense)		(66)	(78)	(70)	(810)	778	(523)	335	(60)
<b>Total Benefits/Transfers Out/Membership Expenses/Tax</b>		<b>(6,071)</b>	<b>(4,987)</b>	<b>(12,162)</b>	<b>(9,367)</b>	<b>(8,064)</b>	<b>(5,616)</b>	<b>(1,615)</b>	<b>(1,355)</b>
<b>Total transactions with members in their capacity as members</b>		<b>17,275</b>	<b>956</b>	<b>24,325</b>	<b>22,933</b>	<b>20,426</b>	<b>21,272</b>	<b>4,343</b>	<b>4,182</b>
<b>NET INCREASE/(DECREASE) IN NET ASSETS DURING THE YEAR</b>		<b>17,559</b>	<b>1,318</b>	<b>22,353</b>	<b>28,115</b>	<b>12,791</b>	<b>26,175</b>	<b>1,938</b>	<b>5,452</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<b>18,218</b>	<b>16,900</b>	<b>118,648</b>	<b>90,533</b>	<b>95,014</b>	<b>68,839</b>	<b>23,255</b>	<b>17,803</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR</b>		<b>35,777</b>	<b>18,218</b>	<b>141,001</b>	<b>118,648</b>	<b>107,805</b>	<b>95,014</b>	<b>25,193</b>	<b>23,255</b>

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

**MERCER KIWISAVER SCHEME**  
**Statements of Cash Flows**  
**For the Year Ended 31 March 2020**

	Note	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
		2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Proceeds from sale of financial assets		64,933	34,957	91,782	46,790	10,295	4,793	5,758	1,323
Interest income		137	194	76	111	28	39	12	18
Payments for purchase of financial assets		(129,169)	(104,859)	(57,031)	(30,108)	(33,267)	(27,093)	(18,474)	(16,674)
Fees and other expenses paid		(2,449)	(2,432)	(2,212)	(2,238)	(102)	(89)	(54)	(44)
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>	9	<b>(66,548)</b>	<b>(72,140)</b>	<b>32,615</b>	<b>14,555</b>	<b>(23,046)</b>	<b>(22,350)</b>	<b>(12,758)</b>	<b>(15,377)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Member contributions		161,438	143,509	91,877	89,651	31,032	24,786	14,066	11,648
Employer contributions		75,632	75,509	48,316	50,438	11,832	11,681	5,808	5,406
Tax credits		24,650	24,768	17,173	18,015	3,214	3,158	1,580	1,422
Transfers in from other schemes		9,235	10,176	4,874	4,918	1,341	869	862	1,370
Transfers (from)/to funds		-	-	(72,284)	(58,192)	10,987	11,990	5,996	6,134
Portfolio investment entity taxation		(12,558)	(11,139)	(7,759)	(6,429)	(2,536)	(2,548)	(746)	(1,049)
Unallocated contributions		19	716	202	264	(33)	121	-	60
Benefits paid		(65,636)	(61,965)	(39,444)	(39,616)	(11,454)	(10,865)	(3,246)	(2,896)
Transfers out to other schemes		(120,369)	(106,599)	(69,432)	(73,046)	(22,800)	(15,999)	(11,373)	(6,530)
Administration fees		(2,337)	(2,759)	(1,804)	(2,199)	(239)	(268)	(109)	(117)
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>70,074</b>	<b>72,216</b>	<b>(28,281)</b>	<b>(16,196)</b>	<b>21,344</b>	<b>22,925</b>	<b>12,838</b>	<b>15,448</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,526</b>	<b>76</b>	<b>4,334</b>	<b>(1,641)</b>	<b>(1,702)</b>	<b>575</b>	<b>80</b>	<b>71</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>9,482</b>	<b>9,406</b>	<b>2,913</b>	<b>4,554</b>	<b>2,982</b>	<b>2,407</b>	<b>1,137</b>	<b>1,066</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>13,008</b>	<b>9,482</b>	<b>7,247</b>	<b>2,913</b>	<b>1,280</b>	<b>2,982</b>	<b>1,217</b>	<b>1,137</b>

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

**MERCER KIWISAVER SCHEME**  
**Statements of Cash Flows**  
**For the Year Ended 31 March 2020**

	Note	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
		2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Proceeds from sale of financial assets		4,766	3,733	4,171	621	1,846	500	3,354	1,669
Interest income		2	2	10	12	7	10	2	2
Payments for purchase of financial assets		(20,468)	(4,743)	(28,390)	(23,707)	(21,344)	(21,195)	(7,234)	(5,811)
Fees and other expenses paid		(8)	(7)	(36)	(25)	(30)	(22)	(7)	(7)
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>	9	<b>(15,708)</b>	<b>(1,015)</b>	<b>(24,245)</b>	<b>(23,099)</b>	<b>(19,521)</b>	<b>(20,707)</b>	<b>(3,885)</b>	<b>(4,147)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Member contributions		965	909	12,304	7,804	9,118	6,836	2,076	1,875
Employer contributions		460	459	4,168	3,353	4,047	3,322	1,001	850
Tax credits		156	152	1,275	1,022	1,003	810	249	189
Transfers in from other schemes		409	99	336	834	1,191	1,335	222	751
Transfers (from)/to funds		21,356	4,324	18,404	19,287	13,131	14,585	2,410	1,872
Portfolio investment entity taxation		(83)	(67)	(832)	(494)	(539)	(454)	(63)	(98)
Unallocated contributions		6	4	(172)	223	14	37	2	7
Benefits paid		(4,655)	(4,054)	(4,490)	(3,120)	(1,857)	(1,065)	(490)	(349)
Transfers out to other schemes		(1,045)	(821)	(7,317)	(5,297)	(6,928)	(3,991)	(1,474)	(915)
Administration fees		(16)	(17)	(92)	(84)	(62)	(59)	(15)	(15)
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>17,553</b>	<b>988</b>	<b>23,584</b>	<b>23,528</b>	<b>19,118</b>	<b>21,356</b>	<b>3,918</b>	<b>4,167</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,845</b>	<b>(27)</b>	<b>(661)</b>	<b>429</b>	<b>(403)</b>	<b>649</b>	<b>33</b>	<b>20</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>194</b>	<b>221</b>	<b>970</b>	<b>541</b>	<b>1,088</b>	<b>439</b>	<b>198</b>	<b>178</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>2,039</b>	<b>194</b>	<b>309</b>	<b>970</b>	<b>685</b>	<b>1,088</b>	<b>231</b>	<b>198</b>

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

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2020**

**1 SCHEME DESCRIPTION**

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

Details of membership during the year were:	<b>2020</b>	<b>2019</b>
Opening Membership at 1 April	93,098	94,052
New Members	7,286	7,495
Exited Members	(7,521)	(8,449)
<b>Closing Membership at 31 March</b>	<b>92,863</b>	<b>93,098</b>

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

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

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

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

**Mercer Investment Trusts New Zealand**

Mercer Trans-Tasman Shares Trust  
 Mercer Unhedged Overseas Shares Trust  
  
 Mercer Hedged Overseas Shares Trust  
  
 Mercer Trans-Tasman Property Trust  
 Mercer Property and Infrastructure Trust  
  
 Mercer Infrastructure Trust  
 Mercer New Zealand Cash and Fixed Interest Trust  
  
 Mercer Overseas Fixed Interest Trust  
  
 Mercer Commodities Trust  
 Mercer Diversified Trust

**Investment Portfolio**

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

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2020**

**1 SCHEME DESCRIPTION (Continued)**

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

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

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

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

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

**2 BASIS OF PREPARATION**

The financial statements are being presented on a segregated fund basis in accordance with the requirements of the Financial Markets Conduct Act 2013. Segregated fund reporting has also been applied to 31 March 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 results and financial position reported for the Scheme is an aggregation of the result, financial position and cash flows of the Funds that make up the Scheme.

**Statement of Compliance**

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

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

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

**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 thousand New Zealand dollar.

**Assumptions, Estimates and Judgements**

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

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.

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2020**

**2 BASIS OF PREPARATION (Continued)**

**Assumptions, Estimates and Judgements (Continued)**

At 31 March 2020, cash and cash equivalents included an amount of \$1,969,000 maintained at the total Scheme level for the settlement of transactions (2019: \$890,000). The Manager has estimated the allocation of this cash balance to the Funds. At 31 March 2020, the amounts allocated to Mercer Conservative, Mercer Balanced, Mercer High Growth, Mercer Cash, Mercer Moderate, Mercer Growth and Mercer Shares were \$104,000, (\$33,000), \$217,000, \$1,770,000, (\$141,000), (\$24,000) and \$76,000, respectively. (2019: \$224,000, \$114,000, \$85,000, \$105,000, \$215,000, \$127,000 and \$20,000, respectively).

**Duration of the Scheme**

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

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

**Funding Policy**

The Scheme is a defined contribution scheme as defined by the KiwiSaver Act 2006. Funding in the form of contributions is received primarily from three sources: Members of the Scheme; employers of members of the Scheme; and the Government (in accordance with the provisions of the KiwiSaver Act 2006). Members may contribute to the Scheme at varying designated additional contributions in excess of any salary or wage linked contributions. As of 31 March 2020, employer contribution rates are either 3% or greater (2019: 3% or greater) of each relevant Member's gross salary or wages.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies which have been adopted in the preparation of the financial statements are set out below. The accounting policies have been applied consistently to all years presented, unless otherwise stated.

(i) **Income**

*Interest income*

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

*Changes in fair value of investments*

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



**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2020**

**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(ii) Financial Instruments**

*Classification*

Financial instruments comprise investments 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 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.

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

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

*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*

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Scheme is the current bid price. The Manager has determined that bid price is the most appropriate measure for fair value.

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.

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2020**

**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(iv) Taxation**

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

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

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

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

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

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

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

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

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

**(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 Consolidated Financial Statements as it meets the following criteria:

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

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

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

**(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.

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2020**

**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(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 conditions required for withdrawal eligibility.

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

**(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.

**(xi) Application of Accounting Standards**

**(a) New and amended standards and interpretations 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. Other than the financial assets disclosed in note 5 which have redemption restrictions, 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).

**MERCER 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		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Member accounts - vested benefits	1,956,690	1,899,831	1,078,810	1,087,932	393,767	383,271	174,283	173,492
Adjustments arising from valuation differences	545	352	822	471	(137)	(102)	(86)	(16)
<b>Net Assets Attributable to Members</b>	<b>1,957,235</b>	<b>1,900,183</b>	<b>1,079,632</b>	<b>1,088,403</b>	<b>393,630</b>	<b>383,169</b>	<b>174,197</b>	<b>173,476</b>

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Member accounts - vested benefits	35,730	18,173	141,012	118,655	107,863	95,051	25,225	23,257
Adjustments arising from valuation differences	47	45	(11)	(7)	(58)	(37)	(32)	(2)
<b>Net Assets Attributable to Members</b>	<b>35,777</b>	<b>18,218</b>	<b>141,001</b>	<b>118,648</b>	<b>107,805</b>	<b>95,014</b>	<b>25,193</b>	<b>23,255</b>

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

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

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2020**

**5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The Scheme held investments in the following MITNZ investment portfolios:

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>Financial assets at fair value through profit or loss</b>								
Mercer Balanced Portfolio	391,938	383,258	-	-	391,938	383,258	-	-
Mercer Global Absolute Return Bond Portfolio	53,935	16,048	53,935	16,048	-	-	-	-
Mercer Global Credit Portfolio	146,636	138,378	146,636	138,378	-	-	-	-
Mercer Growth Portfolio	106,432	94,543	-	-	-	-	-	-
Mercer Hedged Overseas Shares Plus Portfolio	41,926	54,823	41,926	54,823	-	-	-	-
Mercer Cash Portfolio	375,153	399,756	340,986	381,578	-	-	-	-
Mercer Listed Infrastructure Portfolio	7,705	4,461	7,705	4,461	-	-	-	-
Mercer Listed Property Portfolio	7,668	6,178	7,668	6,178	-	-	-	-
Mercer High Growth Portfolio	171,334	173,262	-	-	-	-	171,334	173,262
Mercer Moderate Portfolio	140,719	118,785	-	-	-	-	-	-
Mercer Natural Resources Portfolio	4,419	3,346	4,419	3,346	-	-	-	-
Mercer New Zealand Sovereign Bond Portfolio	163,994	153,601	163,994	153,601	-	-	-	-
Mercer Hedged Overseas Shares Portfolio	13,781	18,968	13,781	18,968	-	-	-	-
Mercer Overseas Low Volatility Shares Portfolio	23,456	19,340	23,456	19,340	-	-	-	-
Mercer Overseas Sovereign Bond Portfolio	170,425	170,171	170,425	170,171	-	-	-	-
Mercer Shares Portfolio	24,255	23,157	-	-	-	-	-	-
Mercer Trans-Tasman Shares Portfolio	39,702	40,359	39,702	40,359	-	-	-	-
Mercer Overseas Shares Portfolio	10,218	14,666	10,218	14,666	-	-	-	-
Mercer Overseas Shares Plus Portfolio	28,021	45,165	28,021	45,165	-	-	-	-
Mercer Unlisted Infrastructure Portfolio*	13,011	14,960	13,011	14,960	-	-	-	-
Mercer Unlisted Property Portfolio*	11,619	13,123	11,619	13,123	-	-	-	-
Ununitised investments	384	-	-	-	-	-	-	-
<b>Total Financial Assets at Fair Value through Profit or Loss</b>	<b>1,946,731</b>	<b>1,906,348</b>	<b>1,077,502</b>	<b>1,095,165</b>	<b>391,938</b>	<b>383,258</b>	<b>171,334</b>	<b>173,262</b>

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

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2020**

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

The Scheme held investments in the following MITNZ investment portfolios:

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>Financial assets at fair value through profit or loss</b>								
Mercer Growth Portfolio	-	-	-	-	106,432	94,543	-	-
Mercer Cash Portfolio	34,167	18,178	-	-	-	-	-	-
Mercer Moderate Portfolio	-	-	140,719	118,785	-	-	-	-
Mercer Shares Portfolio	-	-	-	-	-	-	24,255	23,157
Ununitised investments	-	-	-	-	-	-	384	-
<b>Total Financial Assets at Fair Value through Profit or Loss</b>	<b>34,167</b>	<b>18,178</b>	<b>140,719</b>	<b>118,785</b>	<b>106,432</b>	<b>94,543</b>	<b>24,639</b>	<b>23,157</b>

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

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>Financial assets at fair value through profit or loss</b>								
Mercer Balanced Portfolio	391,938	383,258	-	-	391,938	383,258	-	-
Mercer Global Absolute Return Bond Portfolio	-	-	53,935	-	-	-	-	-
Mercer Global Credit Portfolio	146,636	138,378	146,636	138,378	-	-	-	-
Mercer Growth Portfolio	106,432	-	-	-	-	-	-	-
Mercer Cash Portfolio	375,153	399,756	340,986	381,578	-	-	-	-
Mercer High Growth Portfolio	171,334	173,262	-	-	-	-	171,334	173,262
Mercer Moderate Portfolio	140,719	118,785	-	-	-	-	-	-
Mercer New Zealand Sovereign Bond Portfolio	163,994	153,601	163,994	153,601	-	-	-	-
Mercer Hedged Overseas Shares Plus Portfolio	-	54,823	-	54,823	-	-	-	-
Mercer Overseas Sovereign Bond Portfolio	170,425	170,171	170,425	170,171	-	-	-	-
<b>Total Financial Assets at Fair Value through Profit or Loss</b>	<b>1,666,631</b>	<b>1,592,034</b>	<b>875,976</b>	<b>898,551</b>	<b>391,938</b>	<b>383,258</b>	<b>171,334</b>	<b>173,262</b>

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>Financial assets at fair value through profit or loss</b>								
Mercer Growth Portfolio	-	-	-	-	106,432	94,543	-	-
Mercer Cash Portfolio	34,167	18,178	-	-	-	-	-	-
Mercer Moderate Portfolio	-	-	140,719	118,785	-	-	-	-
Mercer Shares Portfolio	-	-	-	-	-	-	24,255	23,157
<b>Total Financial Assets at Fair Value through Profit or Loss</b>	<b>34,167</b>	<b>18,178</b>	<b>140,719</b>	<b>118,785</b>	<b>106,432</b>	<b>94,543</b>	<b>24,255</b>	<b>23,157</b>

**MERCER 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); or

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

Financial assets at fair value through profit or loss are classified as Level 2 under the fair value hierarchy as the fair value of these investments at balance date is determined using the last available redemption unit price of those funds (2019: Same). During the year there were no transfers between levels in the fair value hierarchy (2019: Same).

**6 RELATED PARTIES**

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

The Manager and Supervisor are entitled to remuneration from the Scheme. This is represented by the Investment management fees, Supervisor fees and Administration fees in the Statements of Changes in Net Assets. These are recovered through the cancellation of units for Member fixed fees and through the unit price for net asset based fees. In 2020 and 2019, Fund charges consisted of In Fund costs, expense reimbursement to the Manager for Scheme expenses paid by the Manager, investment management fees and supervisor fees. For the 2020 and 2019 years, the supervisor fee had a maximum potential rate of 0.03% of net assets per annum. The custodian fee was 0.005%. The investment management fee rates are disclosed below.

<b>Fund</b>	<b>Investment management fee % p.a.</b>
Mercer Conservative	0.50%
Mercer Balanced	0.68%
Mercer High Growth	0.82%
Mercer Cash	0.32%
Mercer Moderate	0.59%
Mercer Growth	0.77%
Mercer 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 waived of this fee. Members who are Mercer and Marsh employees and their families and friends are also 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 MITNZ level, a series of wholesale unlisted unit trusts managed by Mercer which the Scheme holds as disclosed in Note 5. These investment management fees are incurred through a reduction in the unit price of MITNZ holdings of the Scheme. This is reflected within (losses)/net 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 asset based investment management fees once the deduction of fees from MITNZ are taken into account.

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2020**

**6 RELATED PARTIES (Continued)**

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

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>Investment management fees</b>								
Investment management fees to Mercer, other related and third party investment managers via MITNZ unit price	9,928	8,553	3,651	3,351	2,787	2,437	1,563	1,312
Investment management fees to Mercer	2,096	2,125	1,976	2,061	48	26	34	16
<b>Total investment management fees</b>	<b>12,024</b>	<b>10,678</b>	<b>5,627</b>	<b>5,412</b>	<b>2,835</b>	<b>2,463</b>	<b>1,597</b>	<b>1,328</b>
<b>Administration fees</b>								
Administration fees to Mercer	2,484	2,753	1,911	2,188	256	268	116	118
<b>Supervisor fees</b>								
Supervisor fees to Trustees Executors Limited	302	309	167	183	62	61	29	27
<b>Total</b>	<b>14,810</b>	<b>13,740</b>	<b>7,705</b>	<b>7,783</b>	<b>3,153</b>	<b>2,792</b>	<b>1,742</b>	<b>1,473</b>
	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>Investment management fees</b>								
Investment management fees to Mercer, other related and third party investment managers via MITNZ unit price	58	53	787	588	843	626	239	186
Investment management fees to Mercer	2	4	15	8	16	8	5	2
<b>Total investment management fees</b>	<b>60</b>	<b>57</b>	<b>802</b>	<b>596</b>	<b>859</b>	<b>634</b>	<b>244</b>	<b>188</b>
<b>Administration fees</b>								
Administration fee expenses to Mercer	17	18	100	86	67	60	17	15
<b>Supervisor fees</b>								
Supervisor fee expenses to Trustees Executors Limited	3	3	20	17	17	14	4	4
<b>Total</b>	<b>80</b>	<b>78</b>	<b>922</b>	<b>699</b>	<b>943</b>	<b>708</b>	<b>265</b>	<b>207</b>

Outstanding balances due to related parties are not interest bearing.



**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2020**

**6 RELATED PARTIES (Continued)**

Amounts payable/(receivable) to Mercer and the Supervisor as at 31 March are as follows:

Fund	Investment management fees		Supervisor fees		Administration fees	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Mercer Conservative	122	188	14	15	288	181
Mercer Balanced	11	2	5	5	39	22
Mercer High Growth	10	1	2	2	17	10
Mercer Cash	(2)	1	-	-	3	2
Mercer Moderate	2	1	2	1	15	7
Mercer Growth	4	1	1	1	10	5
Mercer Shares	2	-	-	-	3	1
<b>Total</b>	<b>149</b>	<b>194</b>	<b>24</b>	<b>24</b>	<b>375</b>	<b>228</b>

**Investment in related parties**

The Scheme invests in MITNZ. Mercer Investments (New Zealand) Limited ("MINZL"), a wholly owned subsidiary of Mercer, is the Trustee for the MITNZ. Mercer is the Manager of MITNZ.

One director of Mercer is a current member of the Scheme (2019: Two directors of Mercer are current members of the Scheme). Contributions and Partial Withdrawals made by directors during the year were as follows:

Fund	Contributions		Partial Withdrawals		Closing Balance	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Mercer Conservative	2,595	6,701	6,152	14,449	-	79,926
Mercer High Growth	3,893	10,052	2,175	3,797	-	27,892
Mercer Growth	41,554	51,212	6,057	13,644	669,341	745,598
Mercer Shares	2,595	6,701	5,616	13,110	-	72,440
<b>Total</b>	<b>50,637</b>	<b>74,666</b>	<b>20,000</b>	<b>45,000</b>	<b>669,341</b>	<b>925,856</b>

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2020**

**6 RELATED PARTIES (Continued)**

**Investment in related parties (Continued)**

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

Scheme Total	Opening Balance		Purchases		Sales		Net Change in Fair Value		Closing Balance	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Mercer Balanced Portfolio	383,258	340,291	33,267	27,093	(10,295)	(4,793)	(14,292)	20,667	391,938	383,258
Mercer Global Absolute Return Bond Portfolio	16,048	15,850	41,000	-	(2,000)	-	(1,113)	198	53,935	16,048
Mercer Global Credit Portfolio	138,378	132,254	18,847	2,247	(12,710)	(2,072)	2,121	5,949	146,636	138,378
Mercer Growth Portfolio	94,543	68,933	21,344	21,195	(1,846)	(500)	(7,609)	4,915	106,432	94,543
Mercer Hedged Overseas Shares Plus Portfolio	54,823	50,389	15,100	9,268	(20,734)	(7,417)	(7,263)	2,583	41,926	54,823
Mercer Cash Portfolio	399,756	392,967	37,016	12,353	(67,678)	(13,862)	6,059	8,298	375,153	399,756
Mercer Listed Infrastructure Portfolio	4,461	4,328	5,622	-	(1,500)	(500)	(878)	633	7,705	4,461
Mercer Listed Property Portfolio	6,178	4,118	5,000	1,300	(2,000)	(6)	(1,510)	766	7,668	6,178
Mercer High Growth Portfolio	173,262	147,300	18,474	16,674	(5,758)	(1,323)	(14,644)	10,611	171,334	173,262
Mercer Moderate Portfolio	118,785	90,051	28,390	24,160	(4,512)	(621)	(1,944)	5,195	140,719	118,785
Mercer Natural Resources Portfolio	3,346	4,459	2,296	1,204	(800)	(2,500)	(423)	183	4,419	3,346
Mercer New Zealand Sovereign Bond Portfolio	153,601	149,938	10,364	-	(7,663)	(6,310)	7,692	9,973	163,994	153,601
Mercer Hedged Overseas Shares Portfolio	18,968	19,620	500	-	(3,047)	(1,569)	(2,640)	917	13,781	18,968
Mercer Overseas Low Volatility Shares Portfolio	19,340	19,109	5,213	-	(1,520)	(1,076)	423	1,307	23,456	19,340
Mercer Overseas Sovereign Bond Portfolio	170,171	166,232	-	1,593	(10,894)	(5,446)	11,148	7,792	170,425	170,171
Mercer Shares Portfolio	23,157	17,741	6,850	5,811	(3,354)	(1,669)	(2,398)	1,274	24,255	23,157
Mercer Trans-Tasman Shares Portfolio	40,359	36,806	4,612	-	(6,407)	(2,148)	1,138	5,701	39,702	40,359
Mercer Overseas Shares Portfolio	14,666	13,986	2	-	(5,330)	(622)	880	1,302	10,218	14,666
Mercer Overseas Shares Plus Portfolio	45,165	37,399	2,013	6,150	(20,963)	(2,145)	1,806	3,761	28,021	45,165
Mercer Unlisted Infrastructure Portfolio	14,960	15,214	1,557	-	(3,500)	(1,614)	(6)	1,360	13,011	14,960
Mercer Unlisted Property Portfolio	13,123	14,285	55	400	(1,500)	(2,900)	(59)	1,338	11,619	13,123
<b>Total</b>	<b>1,906,348</b>	<b>1,741,270</b>	<b>257,522</b>	<b>129,448</b>	<b>(194,011)</b>	<b>(59,093)</b>	<b>(23,512)</b>	<b>94,723</b>	<b>1,946,347</b>	<b>1,906,348</b>

Mercer Conservative	Opening Balance		Purchases		Sales		Net Change in Fair Value		Closing Balance	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Mercer Global Absolute Return Bond Portfolio	16,048	15,850	41,000	-	(2,000)	-	(1,113)	198	53,935	16,048
Mercer Global Credit Portfolio	138,378	132,254	18,847	2,247	(12,710)	(2,072)	2,121	5,949	146,636	138,378
Mercer Hedged Overseas Shares Plus Portfolio	54,823	50,389	15,100	9,268	(20,734)	(7,417)	(7,263)	2,583	41,926	54,823
Mercer Cash Portfolio	381,578	376,166	39,443	15,846	(85,807)	(18,365)	5,772	7,931	340,986	381,578
Mercer Listed Infrastructure Portfolio	4,461	4,328	5,622	-	(1,500)	(500)	(878)	633	7,705	4,461
Mercer Listed Property Portfolio	6,178	4,118	5,000	1,300	(2,000)	(6)	(1,510)	766	7,668	6,178
Mercer Natural Resources Portfolio	3,346	4,459	2,296	1,204	(800)	(2,500)	(423)	183	4,419	3,346
Mercer New Zealand Sovereign Bond Portfolio	153,601	149,938	10,364	-	(7,663)	(6,310)	7,692	9,973	163,994	153,601
Mercer Hedged Overseas Shares Portfolio	18,968	19,620	500	-	(3,047)	(1,569)	(2,640)	917	13,781	18,968
Mercer Overseas Low Volatility Shares Portfolio	19,340	19,109	5,213	-	(1,520)	(1,076)	423	1,307	23,456	19,340
Mercer Overseas Sovereign Bond Portfolio	170,171	166,232	-	1,593	(10,894)	(5,446)	11,148	7,792	170,425	170,171
Mercer Trans-Tasman Shares Portfolio	40,359	36,806	4,612	-	(6,407)	(2,148)	1,138	5,701	39,702	40,359
Mercer Overseas Shares Portfolio	14,666	13,986	2	-	(5,330)	(622)	880	1,302	10,218	14,666
Mercer Overseas Shares Plus Portfolio	45,165	37,399	2,013	6,150	(20,963)	(2,145)	1,806	3,761	28,021	45,165
Mercer Unlisted Infrastructure Portfolio	14,960	15,214	1,557	-	(3,500)	(1,614)	(6)	1,360	13,011	14,960
Mercer Unlisted Property Portfolio	13,123	14,285	55	400	(1,500)	(2,900)	(59)	1,338	11,619	13,123
<b>Total</b>	<b>1,095,165</b>	<b>1,060,153</b>	<b>151,624</b>	<b>38,008</b>	<b>(186,375)</b>	<b>(54,690)</b>	<b>17,088</b>	<b>51,694</b>	<b>1,077,502</b>	<b>1,095,165</b>

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
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**6 RELATED PARTIES (Continued)**

**Investment in related parties (Continued)**

	Opening Balance		Purchases		Sales		Net Change in Fair Value		Closing Balance	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>Mercer Balanced</b>										
Mercer Balanced Portfolio	383,258	340,291	33,267	27,093	(10,295)	(4,793)	(14,292)	20,667	391,938	383,258
<b>Mercer High Growth</b>										
Mercer High Growth Portfolio	173,262	147,300	18,474	16,674	(5,758)	(1,323)	(14,644)	10,611	171,334	173,262
<b>Mercer Cash</b>										
Mercer Cash Portfolio	18,178	16,801	20,468	4,743	(4,766)	(3,733)	287	367	34,167	18,178
<b>Mercer Moderate</b>										
Mercer Moderate Portfolio	118,785	90,051	28,390	24,160	(4,512)	(621)	(1,944)	5,195	140,719	118,785
<b>Mercer Growth</b>										
Mercer Growth Portfolio	94,543	68,933	21,344	21,195	(1,846)	(500)	(7,609)	4,915	106,432	94,543
<b>Mercer Shares</b>										
Mercer Shares Portfolio	23,157	17,741	6,850	5,811	(3,354)	(1,669)	(2,398)	1,274	24,255	23,157

As at 31 March 2020, there was an a ununitised investment relating to the Mercer Shares Fund of \$383,621 (2019: Nil).

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

	Purchases		Sales	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Mercer Cash Portfolio	22,895	8,236	(22,895)	(8,236)
<b>Total</b>	<b>22,895</b>	<b>8,236</b>	<b>(22,895)</b>	<b>(8,236)</b>

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
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**6 RELATED PARTIES (Continued)**

The non-cash transactions comprising purchases and sales between MITNZ portfolios within Mercer Conservative and at the Scheme level were:

	Purchases		Sales	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>Mercer Conservative</b>				
Mercer Global Absolute Return Bond Portfolio	38,156	-	-	-
Mercer Hedged Overseas Shares Plus Portfolio	8,100	-	(10,426)	(3,900)
Mercer Listed Infrastructure Portfolio	900	-	(25)	-
Mercer Listed Property Portfolio	2,000	-	(984)	-
Mercer Global Credit Portfolio	15,046	-	(3,200)	-
Mercer New Zealand Sovereign Bond Portfolio	5,178	-	(3,202)	-
Mercer Trans-Tasman Shares Portfolio	2,300	-	(5,006)	-
Mercer Overseas Shares Portfolio	2	-	(1,330)	-
Mercer Unlisted Infrastructure Portfolio	1,557	-	(1,500)	-
Mercer Overseas Low Volatility Shares Portfolio	4,213	-	-	-
Mercer Overseas Shares Plus Portfolio	2,013	3,500	(11,591)	-
Mercer Unlisted Property Portfolio	55	400	(1,000)	(1,500)
Mercer Hedged Overseas Shares Portfolio	500	-	(2,544)	-
Mercer Cash Portfolio	14,573	4,000	(50,320)	-
Mercer Natural Resources Portfolio	-	-	-	(2,500)
Mercer Overseas Sovereign Bond Portfolio	-	-	(3,465)	-
<b>Total</b>	<b>94,593</b>	<b>7,900</b>	<b>(94,593)</b>	<b>(7,900)</b>

	Purchases		Sales	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>Scheme level</b>				
Mercer Balanced Portfolio	6,010	4,640	(7,262)	(116)
Mercer Global Absolute Return Bond Portfolio	24	-	(500)	-
Mercer Global Credit Portfolio	2,745	-	(2,619)	-
Mercer Growth Portfolio	2,969	1,603	(501)	-
Mercer Hedged Overseas Shares Plus Portfolio	1,307	-	(4,005)	(581)
Mercer Cash Portfolio	4,110	-	(5,030)	(6,311)
Mercer Listed Infrastructure Portfolio	906	-	(349)	-
Mercer Listed Property Portfolio	-	-	(16)	-
Mercer High Growth Portfolio	1,601	1,099	(3,668)	(240)
Mercer Moderate Portfolio	8,537	7,861	(1,870)	(91)
Mercer New Zealand Sovereign Bond Portfolio	2,848	-	(1,002)	(4,818)
Mercer Hedged Overseas Shares Portfolio	-	-	(3)	-
Mercer Overseas Low Volatility Shares Portfolio	1,000	-	(1,000)	-
Mercer Overseas Sovereign Bond Portfolio	-	-	(2,484)	(1,112)
Mercer Shares Portfolio	1,651	1,032	(1,380)	(866)
Mercer Trans-Tasman Shares Portfolio	438	-	(318)	(1,400)
Mercer Overseas Shares Portfolio	-	-	(500)	-
Mercer Overseas Shares Plus Portfolio	-	-	(1,639)	-
Mercer Unlisted Infrastructure Portfolio	-	-	-	(700)
<b>Total</b>	<b>34,146</b>	<b>16,235</b>	<b>(34,146)</b>	<b>(16,235)</b>

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
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**7 PAYMENT OF BENEFITS**

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Retirement	34,597	32,303	22,259	21,084	5,756	6,535	1,205	816
Serious ill health	2,292	1,615	1,053	1,231	801	187	76	26
Death or disability	2,746	1,785	97	-	-	-	-	-
Significant financial hardship	2,105	2,031	1,497	1,594	397	254	60	98
First home assistance	21,697	21,572	13,135	13,598	4,073	3,746	1,627	1,706
Permanent emigration to Australia	563	399	284	274	129	4	37	121
Permanent emigration excluding Australia	1,534	2,522	906	1,738	267	427	99	178
Other	786	664	391	537	187	58	60	28
<b>Total</b>	<b>66,320</b>	<b>62,891</b>	<b>39,622</b>	<b>40,056</b>	<b>11,610</b>	<b>11,211</b>	<b>3,164</b>	<b>2,973</b>

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Retirement	1,455	1,657	3,099	1,926	624	216	199	69
Serious ill health	42	7	172	76	148	30	-	58
Death or disability	2,649	1,785	-	-	-	-	-	-
Significant financial hardship	18	24	52	38	81	22	-	1
First home assistance	685	583	1,215	1,066	763	654	199	219
Permanent emigration to Australia	32	-	71	-	-	-	10	-
Permanent emigration excluding Australia	54	-	34	68	158	93	16	18
Other	8	14	32	-	73	27	35	-
<b>Total</b>	<b>4,943</b>	<b>4,070</b>	<b>4,675</b>	<b>3,174</b>	<b>1,847</b>	<b>1,042</b>	<b>459</b>	<b>365</b>

**8 TRANSFERS IN FROM OTHER SCHEMES**

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Transfers from other KiwiSaver Schemes	3,913	5,248	1,934	2,317	631	462	478	874
Transfers from other superannuation schemes	1,861	1,605	1,290	434	106	171	80	237
Transfers from Trans-Tasman portability	3,461	3,323	1,650	2,167	604	236	304	259
<b>Total</b>	<b>9,235</b>	<b>10,176</b>	<b>4,874</b>	<b>4,918</b>	<b>1,341</b>	<b>869</b>	<b>862</b>	<b>1,370</b>

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Transfers from other KiwiSaver Schemes	332	58	97	366	284	529	157	642
Transfers from other superannuation schemes	-	20	131	252	242	410	12	81
Transfers from Trans-Tasman portability	77	21	108	216	665	396	53	28
<b>Total</b>	<b>409</b>	<b>99</b>	<b>336</b>	<b>834</b>	<b>1,191</b>	<b>1,335</b>	<b>222</b>	<b>751</b>

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
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**9 RECONCILIATION OF NET (LOSS)/PROFIT BEFORE MEMBERSHIP ACTIVITIES TO NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES**

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Net (loss)/profit before membership activities	(25,779)	92,480	15,019	49,559	(14,375)	20,618	(14,695)	10,586
<i>Adjustments for:</i>								
Net losses/(gains) on financial assets at fair value through profit or loss	23,512	(94,723)	(17,088)	(51,694)	14,292	(20,667)	14,644	(10,611)
Proceeds from sale of financial assets	64,933	34,957	91,782	46,790	10,295	4,793	5,758	1,323
Payments for purchase of financial assets	(129,169)	(104,859)	(57,031)	(30,108)	(33,267)	(27,093)	(18,474)	(16,674)
<i>Changes in assets and liabilities:</i>								
(Increase)/Decrease in assets (excluding cash and cash equivalents, financial assets at fair value through profit or loss, portfolio investment entity tax receivable and other receivables)	(2)	-	-	-	-	-	-	-
(Decrease)/increase in liabilities (excluding portfolio investment entity tax payable, benefits payable, unallocated contributions and administration fees payable)	(43)	5	(67)	8	9	(1)	9	(1)
<b>Net Cash flows (used in)/from Operating Activities</b>	<b>(66,548)</b>	<b>(72,140)</b>	<b>32,615</b>	<b>14,555</b>	<b>(23,046)</b>	<b>(22,350)</b>	<b>(12,758)</b>	<b>(15,377)</b>

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Net (loss)/profit before membership activities	284	362	(1,972)	5,182	(7,635)	4,903	(2,405)	1,270
<i>Adjustments for:</i>								
Net losses/(gains) on financial assets at fair value through profit or loss	(287)	(367)	1,944	(5,195)	7,609	(4,915)	2,398	(1,274)
Proceeds from sale of financial assets	4,766	3,733	4,171	621	1,846	500	3,354	1,669
Payments for purchase of financial assets	(20,468)	(4,743)	(28,390)	(23,707)	(21,344)	(21,195)	(7,234)	(5,811)
<i>Changes in assets and liabilities:</i>								
(Increase)/Decrease in assets (excluding cash and cash equivalents, financial assets at fair value through profit or loss, portfolio investment entity tax receivable and other receivables)	(2)	-	-	-	-	-	-	-
(Decrease)/increase in liabilities (excluding portfolio investment entity tax payable, benefits payable, unallocated contributions and administration fees payable)	(1)	-	2	-	3	-	2	(1)
<b>Net Cash flows (used in)/from Operating Activities</b>	<b>(15,708)</b>	<b>(1,015)</b>	<b>(24,245)</b>	<b>(23,099)</b>	<b>(19,521)</b>	<b>(20,707)</b>	<b>(3,885)</b>	<b>(4,147)</b>

**MERCER KIWISAVER SCHEME**  
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**10 AUDITOR'S 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 auditor of the Scheme is PricewaterhouseCoopers.

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Audit fees for the audit of financial statements	93	102	51	59	19	21	8	9
Taxation fees for tax compliance services	3	6	2	4	1	1	-	1
Taxation fees for tax advisory services	2	-	2	-	-	-	-	-
<b>Total</b>	<b>98</b>	<b>108</b>	<b>55</b>	<b>63</b>	<b>20</b>	<b>22</b>	<b>8</b>	<b>10</b>

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Audit fees for the audit of financial statements	2	1	7	6	5	5	1	1
Taxation fees for tax compliance services	-	-	-	-	-	-	-	-
Taxation fees for tax advisory services	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2</b>	<b>1</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>1</b>

**11 FINANCIAL RISK MANAGEMENT**

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

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

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

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

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

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 NZ and globally during these unprecedented times.

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

**MERCER KIWISAVER SCHEME**  
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**11 FINANCIAL RISK MANAGEMENT (Continued)**

**a) Market Risk**

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

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

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

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

*Currency risk*

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

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

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

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

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

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



**MERCER KIWISAVER SCHEME**  
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**11 FINANCIAL RISK MANAGEMENT (Continued)**

**a) Market Risk (Continued)**

*Price risk*

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

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

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

Fund	TOTAL		TOTAL	
	2020 \$000s	2020 %	2019 \$000s	2019 %
Mercer Conservative	1,077,502	56%	1,095,165	58%
Mercer Balanced	391,938	20%	383,258	20%
Mercer High Growth	171,334	9%	173,262	9%
Mercer Cash	34,167	2%	18,178	1%
Mercer Moderate	140,719	7%	118,785	6%
Mercer Growth	106,432	5%	94,543	5%
Mercer Shares	24,255	1%	23,157	1%
<b>Total Unlisted Unit Trusts</b>	<b>1,946,347</b>	<b>100%</b>	<b>1,906,348</b>	<b>100%</b>

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

Fund	2020				2019			
	Net profit before membership activities		Net Assets Attributable to Members		Net profit before membership activities		Net Assets Attributable to Members	
	10% increase \$000s	10% decrease \$000s	10% increase \$000s	10% decrease \$000s	10% increase \$000s	10% decrease \$000s	10% increase \$000s	10% decrease \$000s
Mercer Conservative	107,750	(107,750)	107,750	(107,750)	109,517	(109,517)	109,517	(109,517)
Mercer Balanced	39,194	(39,194)	39,194	(39,194)	38,326	(38,326)	38,326	(38,326)
Mercer High Growth	17,133	(17,133)	17,133	(17,133)	17,326	(17,326)	17,326	(17,326)
Mercer Cash	3,417	(3,417)	3,417	(3,417)	1,818	(1,818)	1,818	(1,818)
Mercer Moderate	14,072	(14,072)	14,072	(14,072)	11,879	(11,879)	11,879	(11,879)
Mercer Growth	10,643	(10,643)	10,643	(10,643)	9,454	(9,454)	9,454	(9,454)
Mercer Shares	2,426	(2,426)	2,426	(2,426)	2,316	(2,316)	2,316	(2,316)
<b>Total Unlisted Unit Trusts</b>	<b>194,635</b>	<b>(194,635)</b>	<b>194,635</b>	<b>(194,635)</b>	<b>190,636</b>	<b>(190,636)</b>	<b>190,636</b>	<b>(190,636)</b>

**MERCER KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
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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 or past due (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 are subject to daily applications and redemptions in accordance with the conditions of the KiwiSaver Act 2006. The Scheme's objective when managing capital is to safeguard the Scheme's ability to continue as a going concern in order to provide returns for Members and to maintain a strong capital base to support the development of the investment activities of the Scheme. In order to maintain or adjust the capital structure, the Scheme's policy is to perform the following:

- a) monitor the level of daily 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 include the ability to restrict redemptions and require certain minimum holdings and contributions in accordance with the KiwiSaver Act 2006. The Scheme does not have any externally imposed capital requirements.

**MERCER KIWISAVER SCHEME**  
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**12 FINANCIAL INSTRUMENTS BY CATEGORY**

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>ASSETS</b>								
<b>Financial assets at fair value through profit or loss</b>								
Financial assets at fair value through profit or loss	1,946,731	1,906,348	1,077,502	1,095,165	391,938	383,258	171,334	173,262
<b>Total financial assets at fair value through profit or loss</b>	<b>1,946,731</b>	<b>1,906,348</b>	<b>1,077,502</b>	<b>1,095,165</b>	<b>391,938</b>	<b>383,258</b>	<b>171,334</b>	<b>173,262</b>
<b>Financial assets at amortised cost</b>								
Cash and cash equivalents	13,008	9,482	7,247	2,913	1,280	2,982	1,217	1,137
Investment management fees receivable	-	-	-	-	-	-	-	-
Other receivables	341	-	-	-	-	-	-	-
<b>Total financial assets at amortised cost</b>	<b>13,349</b>	<b>9,482</b>	<b>7,247</b>	<b>2,913</b>	<b>1,280</b>	<b>2,982</b>	<b>1,217</b>	<b>1,137</b>
<b>Total assets</b>	<b>1,960,080</b>	<b>1,915,830</b>	<b>1,084,749</b>	<b>1,098,078</b>	<b>393,218</b>	<b>386,240</b>	<b>172,551</b>	<b>174,399</b>
<b>LIABILITIES</b>								
<b>Financial liabilities at amortised cost</b>								
Investment management fees payable	149	194	122	188	11	2	10	1
Supervisor fees payable	24	24	14	15	5	5	2	2
Benefits payable	2,735	2,051	1,474	1,296	582	426	36	118
Unallocated contributions	991	972	649	447	124	157	80	80
Administration fees payable	375	228	288	181	39	22	17	10
Net assets attributable to members	1,957,235	1,900,183	1,079,632	1,088,403	393,630	383,169	174,197	173,476
<b>Total financial liabilities at amortised cost</b>	<b>1,961,509</b>	<b>1,903,652</b>	<b>1,082,179</b>	<b>1,090,530</b>	<b>394,391</b>	<b>383,781</b>	<b>174,342</b>	<b>173,687</b>

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
<b>ASSETS</b>								
<b>Financial assets at fair value through profit or loss</b>								
Financial assets at fair value through profit or loss	34,167	18,178	140,719	118,785	106,432	94,543	24,639	23,157
<b>Total financial assets at fair value through profit or loss</b>	<b>34,167</b>	<b>18,178</b>	<b>140,719</b>	<b>118,785</b>	<b>106,432</b>	<b>94,543</b>	<b>24,639</b>	<b>23,157</b>
<b>Financial assets at amortised cost</b>								
Cash and cash equivalents	2,039	194	309	970	685	1,088	231	198
Investment management fees receivable	2	-	-	-	-	-	-	-
Other receivables	-	-	341	-	-	-	-	-
<b>Total financial assets at amortised cost</b>	<b>2,041</b>	<b>194</b>	<b>650</b>	<b>970</b>	<b>685</b>	<b>1,088</b>	<b>231</b>	<b>198</b>
<b>Total assets</b>	<b>36,208</b>	<b>18,372</b>	<b>141,369</b>	<b>119,755</b>	<b>107,117</b>	<b>95,631</b>	<b>24,870</b>	<b>23,355</b>
<b>LIABILITIES</b>								
<b>Financial liabilities at amortised cost</b>								
Investment management fees payable	-	1	2	1	4	1	2	-
Supervisor fees payable	-	-	2	1	1	1	-	-
Benefits payable	357	69	248	63	37	47	1	32
Unallocated contributions	11	5	58	230	59	45	10	8
Administration fees payable	3	2	15	7	10	5	3	1
Net assets attributable to members	35,777	18,218	141,001	118,648	107,805	95,014	25,193	23,255
<b>Total financial liabilities at amortised cost</b>	<b>36,148</b>	<b>18,295</b>	<b>141,326</b>	<b>118,950</b>	<b>107,916</b>	<b>95,113</b>	<b>25,209</b>	<b>23,296</b>

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

**MERCER KIWISAVER SCHEME**  
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**13 UNITS ON ISSUE**

	TOTAL		Mercer Conservative		Mercer Balanced		Mercer High Growth	
	2020 000s	2019 000s	2020 000s	2019 000s	2020 000s	2019 000s	2020 000s	2019 000s
Units on issue at the beginning of the year	1,242,813	1,180,458	684,817	691,168	245,538	229,100	108,960	98,279
Units issued during the year	378,297	264,737	151,967	116,897	73,171	50,483	34,889	23,115
Units redeemed during the year	(319,753)	(202,382)	(164,857)	(123,248)	(59,053)	(34,045)	(27,008)	(12,434)
<b>Units on Issue at the end of the year</b>	<b>1,301,357</b>	<b>1,242,813</b>	<b>671,927</b>	<b>684,817</b>	<b>259,656</b>	<b>245,538</b>	<b>116,841</b>	<b>108,960</b>

	Mercer Cash		Mercer Moderate		Mercer Growth		Mercer Shares	
	2020 000s	2019 000s	2020 000s	2019 000s	2020 000s	2019 000s	2020 000s	2019 000s
Units on issue at the beginning of the year	13,593	12,797	99,602	79,161	73,502	56,240	16,801	13,713
Units issued during the year	21,894	7,068	52,636	34,750	34,327	25,717	9,413	6,707
Units redeemed during the year	(9,126)	(6,272)	(33,067)	(14,309)	(20,014)	(8,455)	(6,628)	(3,619)
<b>Units on Issue at the end of the year</b>	<b>26,361</b>	<b>13,593</b>	<b>119,171</b>	<b>99,602</b>	<b>87,815</b>	<b>73,502</b>	<b>19,586</b>	<b>16,801</b>

**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 Mercer KiwiSaver Scheme (“the Scheme”) comprising the following Funds:

- Mercer Conservative
- Mercer Balanced
- Mercer High Growth
- Mercer Cash
- Mercer Moderate
- Mercer Growth
- Mercer Shares

(collectively referred to as the “Funds”)

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

- the statements of net assets as at 31 March 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).

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### *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>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"><li>• Understanding of the business processes over classification, recognition and measurement of financial assets at FVPL; and</li><li>• 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.</li></ul>



Key audit matter	How our audit addressed the key audit matter
<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 custodian controls reports and the financial statements of the underlying funds.</p> <p>The Funds and Scheme have no investments where there are no observable inputs.</p> <p>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.</p> <p>All financial assets at FVPL are held by the Custodian on behalf of the Funds and Scheme.</p>	<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> <ul style="list-style-type: none"><li>• 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;</li><li>• 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</li><li>• comparing the redemption price at 31 March 2020 to recent transaction prices to further support the fair value of financial assets at FVPL.</li></ul> <p>We have considered the impact of COVID-19 on the valuation of financial assets at FVPL, including the disclosures in the financial statements.</p> <p><i>Existence</i></p> <p>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.</p> <p>From the procedures performed, we have no matters to report.</p>

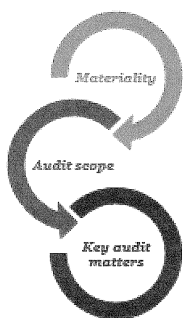


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## Our audit approach

### Overview

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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.

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### 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.

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#### *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.

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#### *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 dark ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
28 July 2020

Wellington