

MISS Scheme

Financial Statements

For the Year Ended 31 March 2020

MISS Scheme
Financial Statements
For the Year Ended 31 March 2020

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Independent Auditor's Report

To the Members of MISS Scheme

Opinion	<p>We have audited the financial statements of MISS Scheme (the 'Scheme'), which comprise the statement of net assets as at 31 March 2020, and the statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.</p> <p>In our opinion, the accompanying financial statements, on pages 3 to 17, present fairly, in all material respects, the financial position of the Scheme as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').</p>
Basis for opinion	<p>We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Statements</i> section of our report.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.</p> <p>We are independent of the Scheme in accordance with Professional and Ethical Standard 1 (Revised) <i>Code of Ethics for Assurance Practitioners</i> issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' <i>Code of Ethics for Professional Accountants</i>, and we have fulfilled our other ethical responsibilities in accordance with these requirements.</p> <p>Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Scheme. These services have not impaired our independence as auditor of the Scheme.</p>
Key audit matters	<p>Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.</p> <p>We have determined that there are no key audit matters to communicate in our report.</p>
Other information	<p>The Directors of the Trustee are responsible on behalf of the Scheme for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report. The Annual Report is expected to be made available to us after the date of this auditor's report.</p> <p>Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.</p> <p>Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>When we read the other information in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Trustee and consider further appropriate actions.</p>

Directors of the Trustee's responsibilities for the financial statements

The Directors of the Trustee are responsible on behalf of the Scheme for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors of the Trustee determine 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 Directors of the Trustee is responsible on behalf of the Scheme for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Trustee either intends to liquidate 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 and ISAs (NZ) 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 on the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Scheme's members, as a body. Our audit has been undertaken so that we might state to the Scheme's members those matters 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.

Deloitte Limited

**James Shepherd, Partner
for Deloitte Limited**
Wellington, New Zealand
13 August 2020

MISS Scheme
Statement of Net Assets
As at 31 March 2020

	Note	2020 \$	2019 \$
ASSETS			
Cash and Cash Equivalents		920,063	641,796
Financial Assets at Fair Value Through Profit or Loss	6	102,819,249	111,960,797
Contributions Receivable - Member		352,863	392,178
Contributions Receivable - Employer		221,936	233,783
Group Life Proceeds Receivable		-	60,000
Prepayments		-	19,148
Income Tax Receivable		242,253	-
Fee Rebates Receivable		1,288	1,384
Total Assets		<u>104,557,652</u>	<u>113,309,086</u>
Less LIABILITIES			
Benefits Payable		249,306	1,369,936
Sundry Creditors		135,303	117,693
Income Tax Payable		-	340,963
Total Liabilities		<u>384,609</u>	<u>1,828,592</u>
NET ASSETS AVAILABLE FOR BENEFITS		<u><u>104,173,043</u></u>	<u><u>111,480,494</u></u>
LIABILITY FOR ACCRUED BENEFITS			
	4		
<i>Represented By:</i>			
Member Accounts		56,033,318	60,353,918
Subsidy Accounts		32,736,411	35,381,705
Voluntary Accounts		6,512,084	7,250,124
Deferred Benefit Accounts		8,370,370	7,937,345
Reserve Account		520,860	557,402
		<u>104,173,043</u>	<u>111,480,494</u>

For and on behalf of the Trustees, who authorised the issue of these financial statements.

Trustee  _____

Date 13 August 2020 _____

Trustee  _____

Date 13 August 2020 _____

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

	Note	2020 \$	2019 \$
INVESTMENT ACTIVITIES			
Investment Income			
Gains on Financial Assets at Fair Value Through Profit or Loss	7	269,747	7,162,234
Investment Management Fee Rebates		49,594	43,190
Interest		11,957	15,639
		<u>331,298</u>	<u>7,221,063</u>
Investment Expenses			
Investment Management Fees		<u>510,268</u>	<u>493,330</u>
Net Investment Income		(178,970)	6,727,733
OTHER INCOME			
Group Life Claims		120,000	300,016
Refund from Mercer		44	1,040
		<u>120,044</u>	<u>301,056</u>
Total Other Income		120,044	301,056
OTHER EXPENSES			
Administration Fees		251,584	273,500
Auditor's Remuneration - fees for audit of financial statements		16,963	12,650
Auditor's Remuneration - taxation services fees		24,323	17,540
Actuarial and Consulting Fees		145,581	161,594
Subscriptions		32,521	32,295
Group Life Insurance Premiums		366,737	385,315
Trustee Expenses		107,366	98,221
General Expenses		86,670	60,465
		<u>1,031,745</u>	<u>1,041,580</u>
Total Other Expenses		1,031,745	1,041,580
Change in Net Assets before Taxation and Membership Activities		<u>(1,090,671)</u>	<u>5,987,209</u>
Income Tax Expense	8	11,828	784,454
Change in Net Assets after Taxation and before Membership Activities (Carried Forward)		(1,102,499)	5,202,755

MISS Scheme
Statement of Changes in Net Assets (Cont'd)
For the Year Ended 31 March 2020

	2020	2019
	\$	\$
Change in Net Assets after Taxation and before Membership Activities (Brought Forward)	(1,102,499)	5,202,755
MEMBERSHIP ACTIVITIES		
Contributions		
Member Contributions	3,585,104	3,655,640
Employer Contributions	2,602,309	2,673,362
Voluntary Contributions	<u>564,744</u>	<u>514,378</u>
Total Contributions	6,752,157	6,843,380
Benefits Paid		
Retirement	7,044,334	7,560,703
Withdrawals	3,728,822	4,368,688
Redundancy	335,106	245,099
Death	199,815	1,001,492
Ill Health Benefits	105,492	46,735
Transfer Benefits	90,296	256,358
Deferred Benefits	1,014,644	909,408
Partial Withdrawal	<u>438,600</u>	<u>402,625</u>
Total Benefits Paid	<u>12,957,109</u>	<u>14,791,108</u>
Net Membership Activities	<u>(6,204,952)</u>	<u>(7,947,728)</u>
Net Decrease in Net Assets During Year	(7,307,451)	(2,744,973)
Net Assets Available for Benefits at Beginning of Year	<u>111,480,494</u>	<u>114,225,467</u>
Net Assets Available for Benefits at End of Year	<u>104,173,043</u>	<u>111,480,494</u>

MISS Scheme
Statement of Cash Flows
For the Year Ended 31 March 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash provided from</i>			
Contributions		6,803,319	6,790,498
Group Life Claims		180,000	240,016
Interest Received		11,918	15,063
Refund from Mercer		44	1,040
Income Tax Refund		39	11,054
		<u>6,995,320</u>	<u>7,057,671</u>
<i>Cash applied to</i>			
Benefits Paid		14,077,739	13,825,136
Group Life Insurance Premiums		366,737	385,315
Audit and Taxation Fees		39,445	31,338
Professional and Administration Fees		419,426	415,340
Investment Management Fees		163,545	182,296
Subscriptions		3,085	31,653
Trustee Expenses		88,949	96,728
General Expenses		74,912	88,570
Income Tax Paid		583,215	344,519
		<u>15,817,053</u>	<u>15,400,895</u>
Net Cash Flows from Operating Activities	9	<u>(8,821,733)</u>	<u>(8,343,224)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash provided from</i>			
Sale of Investments		20,100,000	27,946,130
<i>Cash applied to</i>			
Purchase of Investments		(11,000,000)	(19,700,000)
Net Cash Flows from Investing Activities		<u>9,100,000</u>	<u>8,246,130</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		278,267	(97,094)
Cash and Cash Equivalents at Beginning of Year		641,796	738,890
Cash and Cash Equivalents at End of Year		<u>920,063</u>	<u>641,796</u>

MISS Scheme
Notes to the Financial Statements
For the Year Ended 31 March 2020

1. Scheme Description

The MISS Scheme (the "Scheme") is a restricted workplace savings scheme registered under the Financial Markets Conduct Act 2013 to provide employees working in the Meat Industry with benefits on their retirement or otherwise leaving the industry's service.

Registered Office: C/- Mercer (N.Z.) Limited, P O Box 2897, Wellington 6041.

There are two classes of membership, active and deferred members. There were no members receiving benefits other than those paid on exit, with the exception of members who received partial withdrawals.

Details of membership as at 31 March 2020 were:

	Contributing members	Non-contributing		Total non-contributing members	Total Membership
		Members	Deferred members		
1 April 2019	1,918	58	165	223	2,141
Contributory status change	2	(2)	-	(2)	-
Plus					
New members	175	-	-	-	175
Transfer in	-	-	19	19	19
Total new members	175	-	19	19	194
Less					
Retirement	97	-	21	21	118
Leaving service/resignation/withdrawals	134	-	-	-	134
Retrenchment/redundancy	9	-	-	-	9
Death and ill health	7	-	1	1	8
Transfers out to other schemes	4	-	-	-	4
Other reasons	3	-	-	-	3
Total withdrawals	254	-	22	22	276
31 March 2020	1,841	56	162	218	2,059

Funding Arrangements

The Scheme is a defined contribution scheme. Under the Trust Deed contributions are made by Scheme Members and by the Employers. During the year the Employers and Members contributed at the following rates:

Member: 5% of Remuneration where remuneration is defined as the rate agreed upon between the Employers and the Unions as being the rate for superannuation purposes.

Employer: 5% of Remuneration (less withholding tax).

Voluntary: Member may make additional contributions over and above the minimum 5% as the Member may elect.

These funding arrangements are consistent with those of the previous period.

Retirement Benefits

The retirement benefits are determined by contributions to the Scheme together with investment earnings on those contributions over the period of membership.

Termination Terms

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

Changes in the Scheme

The Statement of Investment Policy and Objectives (SIPO) was updated on 6 June 2019 and 24 September 2019 to reflect:

- the transition of half (50%) of the Cash allocation from ANZ Investment to Harbour Asset Management NZ Short Duration Fund; and
- incorporate the revised responsible investment policy and the Scheme's after tax, inflation and investment expenses return objective to at least 2.0% per annum over the long term (10 years).

During the Scheme year, Tony Matterson resigned as Trustee with effect from 9 March 2020.

MISS Scheme

Notes to the Financial Statements (Cont'd)

For the Year Ended 31 March 2020

2. Statement of Compliance

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the requirements of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013 ('FMC Act 2013').

The Scheme is a Tier 1 entity and, as such, the financial statements comply with New Zealand equivalent 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") as issued by the International Accounting Standards Board.

Measurement Base

The measurement base adopted is that of historical cost modified by the revaluation of assets which are measured at fair values at balance date.

Presentation Currency

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

Classification of Assets and Liabilities

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

3. Summary of Significant Accounting Policies

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

Financial Assets at Fair Value Through Profit or Loss

The Scheme classifies its investments at Fair Value through Profit or Loss. The financial assets are recognised and derecognised on the trade date where a purchase or sale is under contract whose terms require delivery within the time frame established by the market concerned, initially measured at fair value. Subsequent to initial recognition all Financial Assets at Fair Value through Profit or Loss are measured at fair value.

Gains or losses arising from changes in fair value of the Financial Assets at Fair Value through Profit or Loss category are presented in the Statement of Changes in Net Assets when they arise. Interest and dividends related to Financial Assets at Fair Value through Profit or Loss are recognised as part of the gains and losses presented in the Statement of Changes in Net Assets.

The fair value of financial assets can be reliably determined within a reasonable range of estimates. Financial assets are required to be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. For more information, refer to Note 11.

Revenue Recognition

(i) Interest income is recognised as interest accrues using the effective interest rate method. Interest income is earned on cash and cash equivalents.

(ii) Gains or losses of Financial Assets at Fair Value through Profit or Loss are recognised in the Statement of Changes in Net Assets as disclosed above.

(iii) Other income/investment management fee income are recognised when the right to receive is confirmed.

Foreign Currencies

Transactions in currencies other than NZ dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance date. Gains and losses arising on retranslation are included in changes in net assets for the period.

Expenses

All expenses are accounted for on an accruals basis.

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

3. Summary of Significant Accounting Policies (Cont'd)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the Statement of Changes in Net Assets because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Scheme's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Changes in Net Assets.

Financial Instruments

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

Derivative Financial Instruments

The Scheme's activities expose it to financial risk of changes in foreign currency, interest rates and commodity prices. The Scheme may use foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Scheme does not use derivative financial instruments for speculative purposes. Derivative financial instruments are at fair value through profit or loss and are classified as held for trading.

The use of financial derivatives is governed by the Scheme's policies approved by the Trustees, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments are recognised in the Statement of Changes in Net Assets as they arise.

Sundry creditors

Sundry creditors are not interest-bearing and are stated at their amortised cost.

Goods and Services Tax (GST)

The Scheme is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Statement of Cash Flows

The cash flows of the Scheme do not include those of the investment managers. The following are definitions of the terms used in the Statement of Cash Flows:

Cash and Cash Equivalents - comprises cash balances held with banks in New Zealand and overseas.

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

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

Accrued Benefits

The Liability for Accrued Benefits is the Scheme's present obligation to pay benefits to members and beneficiaries. It has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities as at balance date. Accrued benefits include amounts allocated to members' accounts and reserves.

Contributions and Benefits

Contributions and benefits are accounted for on an accruals basis.

New and amended standards adopted by the Scheme

There are no new 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.

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

4. Liability for Accrued Benefits

Changes in Accrued Benefits as at 31 March 2020:

	Member Account	Voluntary Account	Subsidy Account	Deferred Benefit Account	Reserve Account	Total 31 March 2020
	\$	\$	\$	\$	\$	\$
Opening Balance	60,353,918	7,250,124	35,381,705	7,937,345	557,402	111,480,494
Contributions	3,584,932	564,744	2,602,189	292	-	6,752,157
Benefits Paid	(6,760,524)	(758,888)	(3,943,654)	(1,454,228)	(39,815)	(12,957,109)
Transfers	(895,657)	(519,544)	(513,241)	1,928,442	-	-
Expenses Deducted	(143)	-	(649,838)	(2,451)	652,432	-
Net Income	-	-	-	-	(1,102,499)	(1,102,499)
Interest Allocated	(249,208)	(24,352)	(140,750)	(39,030)	453,340	-
Closing Balance	56,033,318	6,512,084	32,736,411	8,370,370	520,860	104,173,043

Changes in Accrued Benefits as at 31 March 2019

	Member Account	Voluntary Account	Subsidy Account	Deferred Benefit Account	Reserve Account	Total 31 March 2019
	\$	\$	\$	\$	\$	\$
Opening Balance	62,240,790	7,611,952	36,613,618	7,326,882	432,225	114,225,467
Contributions	3,683,502	468,273	2,691,605	-	-	6,843,380
Benefits Paid	(7,576,577)	(1,052,379)	(4,451,751)	(1,512,212)	(198,189)	(14,791,108)
Transfers	(1,015,459)	(142,060)	(589,390)	1,746,909	-	-
Expenses Deducted	(34)	-	(657,636)	(2,918)	660,588	-
Net Income	-	-	-	-	5,202,755	5,202,755
Interest Allocated	3,021,696	364,338	1,775,259	378,684	(5,539,977)	-
Closing Balance	60,353,918	7,250,124	35,381,705	7,937,345	557,402	111,480,494

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for Accrued Benefits (31 March 2019: Nil).

5. Vested Benefits

	2020	2019
	\$	\$
	103,083,183	110,322,682

Vested benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Scheme at balance date.

MISS Scheme

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

6. Financial Assets at Fair Value Through Profit or Loss	2020	2019
	\$	\$
AMP Capital Investors (New Zealand) Limited		
- Overseas Fixed Interest	8,415,582	8,341,948
ANZ New Zealand Investments Limited		
- Short Term Deposits	11,188,083	22,451,408
- New Zealand Fixed Interest	15,354,287	15,766,599
- Overseas Shares	19,667,905	24,365,548
- Forward Foreign Exchange	(168,030)	(177,782)
	<u>46,042,245</u>	<u>62,405,773</u>
Fisher Funds Institutional		
- Overseas Fixed Interest	20,090,733	20,711,465
Harbour Asset Management		
- NZ Short Duration Fund	11,100,740	-
Mercer Investment Trust New Zealand		
- Cash	27,844	77,442
- Unlisted Property	1,596,312	1,869,659
- Listed Property	2,283,098	2,821,083
- Unlisted Infrastructure	1,577,751	1,858,596
- Listed Infrastructure	2,422,311	2,810,020
- Natural Resources	1,373,571	1,626,272
	<u>9,280,887</u>	<u>11,063,072</u>
Nikko Asset Management New Zealand Limited		
- Australasian Shares	7,889,062	9,438,539
Financial Assets at Fair Value Through Profit or Loss	<u>102,819,249</u>	<u>111,960,797</u>
7. Gains on Financial Assets at Fair Value Through Profit or Loss	2020	2019
	\$	\$
Short Term Deposits and Cash	435,359	605,887
New Zealand Fixed Interest	837,688	1,025,700
Overseas Fixed Interest	968,005	1,222,199
Australasian Shares	18,092	994,372
Overseas Shares	1,157,638	2,518,983
FX Hedging	(2,245,529)	(581,662)
Unlisted Property	(155,526)	234,312
Listed Property	(222,438)	353,547
Unlisted Infrastructure	(153,717)	232,925
Listed Infrastructure	(236,001)	352,161
Natural Resources	(133,824)	203,810
	<u>269,747</u>	<u>7,162,234</u>

The gains/(losses) on items at fair value through profit or loss include interest or dividend income and are presented in the Statement of Changes in Net Assets.

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

8. Income Tax	2020 \$	2019 \$
Current tax	-	345,882
PIE tax paid/payable by fund manager	11,828	438,520
Prior period adjustment	-	52
	<u>11,828</u>	<u>784,454</u>
The total charge for the year can be reconciled to the Change in Net Assets as follows:		
Change in Net Assets before Tax and Membership Activities	<u>(1,090,671)</u>	<u>5,987,209</u>
Income Tax @ 28%	(305,388)	1,676,419
Adjusted for permanent differences:		
Non assessable investment gains and losses	(704,645)	(2,168,291)
Non taxable insurance receipts and rebates	(33,600)	(84,004)
Non taxable insurance premiums	102,686	107,888
PIE tax on investments	11,828	438,520
Management fees deducted at PIE level	73,431	63,290
PIE income crystallised at 0% PIR	913,467	762,965
Non taxable management fee rebates	(11,956)	(12,093)
Foreign Tax Credits attributed at 0% PIR	(33,982)	-
Other income	(13)	(292)
Prior period adjustment	-	52
Income Tax Expense	<u>11,828</u>	<u>784,454</u>
Deferred Tax Asset		
Opening balance	-	401
Current year movement	-	(401)
	<u>-</u>	<u>-</u>

The Scheme invests in a number of funds which are Portfolio Investment Entities ('PIEs'). For these investments, the Scheme can elect to apply a Prescribed Investor Rate ('PIR') of either 0% or 28% (2019: 0% or 28%). Taxable amounts related to investments with a PIR of 0% are taxable directly within the Scheme, with the resultant tax charge presented on the face of the Statement of Changes in Net Assets as 'Income Tax Expense/(Credit)'. Taxable amounts related investments with an elected PIR of 28% are taxable within the relevant PIE, with any tax deducted/credited reflected in the valuation of investments at period end, with investment returns shown gross of tax and the tax expense reflected on the Statement of Changes in Net Assets as 'Income Tax Expense/(Credit)'.

At 31 March 2020 the Scheme's PIE investments with AMP Capital Investors (New Zealand) Limited, Nikko Asset Management NZ Limited, Harbour Asset Management and Mercer Investment Trust New Zealand PIE investment all had PIRs of 28%, however a 0% PIR was applied to the Scheme's PIE investment with ANZ New Zealand Investment Limited and Fisher Funds.

The Scheme does not have any deferred tax asset or liability at 31 March 2020 (2019: Nil).

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

9. Reconciliation of Net Cash Flows from Operating Activities

	2020	2019
	\$	\$
Decrease in Net Assets	(7,307,451)	(2,744,973)
Non-Cash Items		
Change in Net Market Value of Investments	(269,747)	(7,162,234)
Interest income	-	(494)
Investment Management Fee Rebates	(49,691)	(43,190)
Portfolio Investment Entity (PIE) Tax	11,828	438,520
Movements in Other Working Capital Items		
Decrease/(Increase) in Contributions Receivable	51,162	(52,883)
(Increase)/Decrease in Income Tax Receivable	(242,253)	401
(Decrease)/Increase in Income Tax Payable	(340,963)	11,987
(Decrease)/Increase in Benefits Payable	(1,120,630)	965,972
Decrease/(Increase) in Group Life Proceeds Receivable	60,000	(60,000)
Decrease in Sundry Creditors	17,611	(10,381)
Decrease in Prepayments	19,148	-
Increase in Fee Rebates Receivable	96	-
Items Classified as Investing Activities		
Investment Management Fees	349,157	314,051
Net Cash Flows from Operating Activities	<u><u>(8,821,733)</u></u>	<u><u>(8,343,224)</u></u>

10. Reserve Account

Under the Trust Deed the Trustees have established a Reserve Account. This account is from time to time debited or credited with:

- (a) Moneys or other benefits (other than deferred benefits) unclaimed by or on behalf of a Member for six years from the date of death or cessation of employment of that Member;
- (b) The amounts of subsidy and interest thereon which by virtue of the Scheme's Trust Deed are not payable to any Member upon the cessation of employment of that Member;
- (c) Any moneys required by any provision of this Deed to be paid to the Reserve Account and any other moneys in the Scheme not otherwise required to meet the obligations under the Scheme's Trust Deed; and
- (d) Any donations, gifts and legacies to the Scheme not specifically made for any other purpose.

The amount standing to the credit of the Reserve Account may be used for the Benefit of the Members and their dependents in the following way as the Trustees shall from time to time decide namely:

- (a) To meet all or part of the contributions of all Members on an equitable basis;
- (b) To meet all or part of the Employer's Subsidies on an equitable basis;
- (c) To increase the retirement benefits of all Members on an equitable basis;
- (d) To provide benefits other than retirement benefits for all Members on an equitable basis;
- (e) In the payment of expenses (including any taxation payable) of the Scheme and of the Trustees in connection with the Scheme; and
- (f) In any other manner which the Trustees consider to be equitable to all the Members of the Scheme.

11. Financial Instruments

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

The Trustees have approved a Statement of Investment Policy and Objectives (SIPO) which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Trustees and asset reallocations are undertaken as required.

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

11. Financial Instruments (Cont'd)

Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values determined in accordance with the Scheme's accounting policy in relation to Financial Assets at Fair Value through Profit or Loss.

Categories of Financial Instruments - 31 March 2020

Assets	Fair Value through Profit or Loss \$	Financial Assets at Amortised Cost \$	Financial Liabilities at Amortised Cost \$	Total \$
Cash and Cash Equivalents	-	920,063	-	920,063
Financial Assets at Fair Value Through Profit or Loss	102,819,249	-	-	102,819,249
Contributions Receivable	-	574,799	-	574,799
Fee Rebates Receivable	-	1,288	-	1,288
Total Assets	102,819,249	1,496,150	-	104,315,399
Liabilities				
Benefits Payable	-	-	249,306	249,306
Sundry Creditors	-	-	135,303	135,303
Total Liabilities	-	-	384,609	384,609

Categories of Financial Instruments - 31 March 2019

Assets	Fair Value through Profit or Loss \$	Financial Assets at Amortised Cost \$	Financial Liabilities at Amortised Cost \$	Total \$
Cash and Cash Equivalents	-	641,796	-	641,796
Financial Assets at Fair Value Through Profit or Loss	111,960,797	-	-	111,960,797
Contributions Receivable	-	625,961	-	625,961
Group Life Proceeds Receivable	-	60,000	-	60,000
Prepayments	-	19,148	-	19,148
Fee Rebates Receivable	-	1,384	-	1,384
Total Assets	111,960,797	1,348,289	-	113,309,086
Liabilities				
Benefits Payable	-	-	1,369,936	1,369,936
Sundry Creditors	-	-	117,693	117,693
Total Liabilities	-	-	1,487,629	1,487,629

Hierarchy of Fair Value Measurements - 31 March 2020

Financial instruments that are measured subsequent to initial value at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets and financial liabilities at fair value through profit or loss are classified as Level 2 fair value instruments, except for financial assets in the Mercer Real Assets portfolio which are classified as Level 3, amounting to \$9,280,887 (2019: \$11,063,072).

The financial assets that trade in markets that are not considered to be active but are valued based on quoted market prices or alternative pricing sources supported by observable inputs are classified within Level 2. These include investments in other unitised funds and over the counter derivatives.

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

11. Financial Instruments (Cont'd)

Key Judgements and Estimates on the fair value of the investment in the Mercer Real Assets Portfolio ("the investment")

The Trustees evaluate the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets at balance date. The Scheme uses the unit price as provided by the investment manager as the only input to the valuation.

The majority of the investment's underlying assets valuation uses observable market data as inputs. However, for certain inputs, the Investment Manager may use data that is not readily observable in current markets. If the Investment Manager uses unobservable market data, then they need to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation.

When establishing the fair value of a financial asset using a valuation technique, the Investment Manager considers valuation adjustments in determining the fair value. The Investment Manager may apply adjustments to the techniques used to reflect the assessment of factors that market participants would consider in setting the fair value. As such, in light of Covid-19, during this period of heightened volatility, the Investment Manager implemented a valuation adjustment which was reflected in the 31 March 2020 unit pricing of the investment. The valuation adjustment reflects estimations of current valuations by the Investment Managers, and included the following:

- (i). The Investment Manager have made a valuation adjustment to the Mercer Unlisted Property and Mercer Unlisted Infrastructure Portfolios (discounting each by 10%), which are both significant inputs to the fair value of the investment.
- (ii). The Investment Manager discounted the unit price of the Timber component within the Mercer Natural Resources Fund by 5%, which is also a significant input to the investment.

The abovementioned financial instruments are part of the Mercer Real Assets portfolio. The table below provides a summary of the significant movements of this asset class categorised within Level 3 during the reporting period.

Asset Class	Opening Balance 1 April 2019	Purchases/ Sales	Total Gains/ (Losses)	Closing Balance 31 March 2020	Sensitivity Analysis	
					10% increase in valuation	10% decrease in valuation
Real Assets	11,063,072	(850,000)	(932,185)	9,280,886	928,089	(928,089)

Investment Policies

The Trustees are empowered to delegate the investment of the Scheme's assets to professional investment managers. The Trustees believe that it is in the members' best interests that multiple investment managers be appointed. To this end, the Trustees have appointed AMP Capital Investors ('AMP'), ANZ Investments ('ANZ'), Mercer Investment Trust New Zealand ("MITNZ"), Fisher Funds Management ('Fisher'), Nikko Asset Management NZ Limited and Harbour Asset Management to invest the Scheme's assets.

Performance objectives

- (a) Over the long term (rolling ten year periods) to achieve a benchmark real return after tax and investment fees that exceeds inflation by 2.0% pa.
- (b) Over a rolling three year period, to achieve a Scheme return (gross of tax and fees) that exceeds the composite benchmark return by 1.25% pa.
- (c) Over a rolling three year period, to achieve a return (gross of tax and investment management fees) in each asset sector that exceeds the relevant benchmark index return.

The current strategy is:

	Benchmark %	Strategic Ranges %
Trans-Tasman Shares	8.5	4.5 - 12.5
Overseas Shares	21.5	16.5 - 25.5
Real Assets	10	5 - 15
Total Growth Assets	40	35 - 45
New Zealand Fixed Interest	14	9 - 19
New Zealand Short Duration	10	5 - 15
Global Fixed Interest	26	21 - 31
Cash	10	5 - 15
Total Income Assets	60	55 - 65
Foreign Currency Exposure	10.75	

In light of COVID-19 and impacts of this on financial markets, the Trustees have been actively monitoring Investment Managers and liquidity management with a view to ensuring each of these has the ability to provide continued investment services to the Scheme.

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

11. Financial Instruments (Cont'd)

Liquidity Risk

The Scheme's primary source of liquidity is its Cash investments. Cash investments play a role in the Scheme's investment strategy, providing a stable return with low volatility. The Scheme's investment strategy supports its liquidity requirements by predominantly investing in listed securities via pooled products with daily unit pricing.

The Scheme holds financial assets and liabilities that are highly liquid and can be realised within 12 months with the exception of Mercer Real Assets portfolio which has 17% in Unlisted Infrastructure, 17% in Unlisted Property and 15% in Natural Resources. These assets may take up to five years to redeem.

Credit Risk

Financial instruments which potentially expose the Scheme to credit risk consist of cash and short term deposits, fixed interest securities and receivables and, indirectly, investments in unitholdings which invest in cash and fixed interest investments and unlisted infrastructure. The maximum exposure to credit risk is the carrying value of these financial instruments. The significant counterparties of the Scheme are its investment managers, AMP Capital Investors (New Zealand) Limited, ANZ New Zealand Investment Limited, Fisher Funds Institutional Limited, Mercer Investment Trust New Zealand (MITNZ), Nikko Asset Management NZ Limited and Harbour Asset Management and their nominee companies, which the Trustees consider to be financial institutions of high quality. The investments are held in trust by the investment managers for the benefit of the Scheme. The managers maintain diversified investment portfolios in accordance with the investment mandate set by the Trustees.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund manager manages currency risk through strategic hedging within the global products.

The Scheme's currency hedging positions on an after tax basis are:

Overseas Fixed Interest	100%
Global Property	100%
Overseas Shares	50%

The benchmark hedging target for overseas fixed interest and real asset investments is 100% (after tax) and overseas shares is 50% (after tax). ANZ maintains forward foreign exchange contracts.

Risk Management

Risk management activities are undertaken by the Scheme's investment managers to operate within the guidelines provided by the Trustees.

Net assets available for benefits are considered to be the Scheme's capital for the purposes of capital management. The Scheme does not have to comply with externally imposed capital requirements. The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and to maximise the Scheme's members value as well as ensuring its net assets available for benefits are sufficient to meet all present and future obligations.

In order to meet its objectives for capital management the Scheme's management review the Scheme's performance on a regular basis.

Interest Rate Risk

The Scheme is exposed to interest rate risk in that future interest rate movements will affect cash flows and indirectly, the valuation of investments in unitholdings which invest in cash and fixed interest investments. The intention of the Trustees is not necessarily to hold these assets to maturity, but to realise and purchase similar assets as part of the ongoing management of the investments of the Scheme.

As at balance date exposure to other NZ fixed interest securities is undertaken through holdings in AMP Global Short Duration Fund, ANZ's Wholesale High Grade Bond Fund and Wholesale Sovereign Bond Fund, while exposure to international fixed interest securities is undertaken through holdings in Fisher's International Bond Trust and International Core Fund.

	31 March 2020	31 March 2019
	\$	\$
AMP Capital Investors (New Zealand) Limited		
- Overseas Fixed Interest	8,415,582	8,341,948
ANZ New Zealand Investment Limited		
- New Zealand Fixed Interest	15,354,287	15,766,599
Fisher Funds Institutional		
- Overseas Fixed Interest	20,090,733	20,711,465

Interest rate risk management activities are undertaken by the investment manager in accordance with the investment mandate set by the Trustees. The intention of the Trustee is not necessarily to hold these assets to maturity, but to realise and purchase similar assets as part of the ongoing management of the investments of the Scheme. There is no maturity period for unitholdings.

An appropriate level of portfolio risk for the Scheme will be determined and agreed by the Trustees in consultation with professional advisors. Investment risk must be minimised for the expected level of return and an appropriate level of diversification across securities, sectors, asset classes and countries must be maintained.

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

12. Sensitivity Analysis

As at 31 March 2020 a 3% increase/decrease in the unit prices of the Scheme's investments in AMP Capital Investors (New Zealand) Limited, ANZ NZ Investments Ltd, Fisher Funds Institutional, Mercer Investment Trust New Zealand (MITNZ), Nikko Asset Management NZ Limited and Harbour Asset Management would have a positive/adverse impact on the value of the Scheme's investments of \$3,084,577 (31 March 2019: \$3,358,824).

13. Commitments and Contingent Liabilities

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

14. Benefit Entitlement

In May 2018 a payment of \$34,050 was credited to an incorrect bank account. The benefit entitlement to the member of the Scheme was subsequently paid. The payment was made in error due to incorrect information provided by a Participating Employer. The matter was reported to the New Zealand Police and the Trustees/Custodian referred the matter to court. The defendant was convicted in December 2019 and due to be sentenced in 2020.

15. Key Sources of Estimation Uncertainty

The preparation of the financial statements requires the Trustee to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes.

16. Related Parties

The Scheme holds no investments in any of the Employer companies or any of their related parties and during the period had no related party transactions except for employer contributions of \$2,602,309 (31 March 2019: \$2,673,362).

During the year the Licenced Independent Trustee and Chairman of the Scheme received remuneration for his services totalling \$62,196 (31 March 2019: \$58,150). Trustees who are also members of the Scheme contribute on the same basis and have the same entitlements as other members of the Scheme.

17. Group Life Insurance Payment

Group Life proceeds for a member were paid incorrectly by the insurer, Sovereign to the member's bank account instead of the Scheme's bank account. The broker and insurer were reminded of the correct process which is the Chairman signs the relevant paperwork to release the proceeds into the Scheme's bank account and the scheme administrator, Mercer, have updated their process notes to mitigate further errors.

18. Events After Balance Date

Subsequent to the end of the financial reporting period, the COVID-19 pandemic outbreak continued its widespread economic and financial impact.

The financial statements have been prepared based upon conditions existing at 31 March 2020 and considering those events occurring subsequent to that date.

As at the date of the approval of these financial statements, it is expected that the volatility in local and global markets affecting the investments will continue in the foreseeable future and will continue to have an impact on the value of the investments. These are considered to be non-adjusting subsequent events and therefore there is no change in value reflected in these financial statements. The Trustee is monitoring the impact of the movements in the market on an ongoing basis.