

MISS Scheme

Financial Statements

For the Year Ended 31 March 2019

MISS Scheme

Financial Statements

For the Year Ended 31 March 2019

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Independent Auditor's Report

To the Members of the MISS Scheme

Opinion

We have audited the financial statements of the MISS Scheme (the 'Scheme'), which comprise the statement of net assets as at 31 March 2019, 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.

In our opinion, the accompanying financial statements, on pages 3 to 18, present fairly, in all material respects, the financial position of the Scheme as at 31 March 2019, 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').

Basis for opinion

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 *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 Scheme in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Scheme that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Key audit matters

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.

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

Other information

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.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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.

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.

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/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6>

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
17 June 2019

**MISS Scheme
Statement of Net Assets
As at 31 March 2019**

	Note	2019 \$	2018 \$
ASSETS			
Cash and Cash Equivalents		641,796	738,890
Financial Assets at Fair Value Through Profit or Loss	6	111,960,797	113,753,571
Contributions Receivable - Member		392,178	345,297
Contributions Receivable - Employer		233,783	227,781
Group Life Proceeds Receivable		60,000	-
Prepayments		19,148	19,148
Deferred Tax Receivable	8	-	401
Fee Rebates Receivable		1,384	1,392
Total Assets		<u>113,309,086</u>	<u>115,086,480</u>
Less LIABILITIES			
Benefits Payable		1,369,936	403,964
Sundry Creditors		117,693	128,073
Income Tax Payable		340,963	328,976
Total Liabilities		<u>1,828,592</u>	<u>861,013</u>
NET ASSETS AVAILABLE FOR BENEFITS		<u><u>111,480,494</u></u>	<u><u>114,225,467</u></u>
LIABILITY FOR Accrued Benefits	4		
<i>Represented By:</i>			
Member Accounts		60,353,918	62,240,790
Subsidy Accounts		35,381,705	36,613,618
Voluntary Accounts		7,250,124	7,611,952
Deferred Benefit Accounts		7,937,345	7,326,882
Reserve Account		557,402	432,225
		<u>111,480,494</u>	<u>114,225,467</u>

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

Trustee  _____

Date 17 June 2019

Trustee  _____

Date 17 June 2019

MISS Scheme
Statement of Changes in Net Assets
For the Year Ended 31 March 2019

	Note	2019 \$	2018 \$
INVESTMENT ACTIVITIES			
Investment Income			
Gains on Financial Assets at Fair Value Through Profit or Loss	7	7,162,234	8,100,130
Investment Management Fee Rebates		43,190	46,815
Interest		15,639	18,984
		<u>7,221,063</u>	<u>8,165,929</u>
Investment Expenses			
Investment Management Fees		<u>493,330</u>	<u>495,591</u>
Net Investment Income		6,727,733	7,670,338
OTHER INCOME			
Group Life Claims		300,016	216,362
Refund from Mercer		<u>1,040</u>	<u>1,933</u>
Total Other Income		301,056	218,295
OTHER EXPENSES			
Administration Fees		273,500	282,400
Auditor's Remuneration - fees for audit of financial statements		12,650	16,100
Auditor's Remuneration - other assurance services		-	2,300
Auditor's Remuneration - controls assurance services		-	13,800
Auditor's Remuneration - taxation services fees		17,540	21,933
Actuarial and Consulting Fees		161,594	196,350
Subscriptions		32,295	29,745
Group Life Insurance Premiums		385,315	466,580
Trustee Expenses		98,221	96,541
General Expenses		<u>60,465</u>	<u>90,560</u>
Total Other Expenses		1,041,580	1,216,309
Change in Net Assets before Taxation and Membership Activities		<u>5,987,209</u>	<u>6,672,324</u>
Income Tax Expense	8	<u>784,454</u>	<u>898,811</u>
Change in Net Assets after Taxation and before Membership Activities (Carried Forward)		5,202,755	5,773,513

MISS Scheme
Statement of Changes in Net Assets (Cont'd)
For the Year Ended 31 March 2019

	2019	2018
	\$	\$
Change in Net Assets after Taxation and before Membership Activities (Brought Forward)	5,202,755	5,773,513
MEMBERSHIP ACTIVITIES		
Contributions		
Member Contributions	3,655,640	3,692,298
Employer Contributions	2,673,362	2,752,660
Voluntary Contributions	514,378	469,910
Transfers from Other Funds	-	179
Total Contributions	<u>6,843,380</u>	<u>6,915,047</u>
Benefits Paid		
Retirement	7,560,703	9,203,688
Withdrawals	4,368,688	4,615,847
Redundancy	245,099	2,294,810
Death	1,001,492	396,285
Ill Health Benefits	46,735	290,416
Transfer Benefits	256,358	217,732
Deferred Benefits	909,408	813,866
Partial Withdrawal	402,625	187,342
Total Benefits Paid	<u>14,791,108</u>	<u>18,019,986</u>
Net Membership Activities	<u>(7,947,728)</u>	<u>(11,104,939)</u>
Net Decrease in Net Assets During Year	(2,744,973)	(5,331,426)
Net Assets Available for Benefits at Beginning of Year	<u>114,225,467</u>	<u>119,556,893</u>
Net Assets Available for Benefits at End of Year	<u><u>111,480,494</u></u>	<u><u>114,225,467</u></u>

MISS Scheme
Statement of Cash Flows
For the Year Ended 31 March 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash provided from</i>			
Contributions		6,790,498	6,992,404
Group Life Claims		240,016	216,362
Interest Received		15,063	18,984
Refund from Mercer		1,040	1,933
Income Tax Refund		11,054	156,053
		<u>7,057,671</u>	<u>7,385,736</u>
<i>Cash applied to</i>			
Benefits Paid		13,825,136	17,785,688
Group Life Insurance Premiums		385,315	706,903
Audit and Taxation Fees		31,338	49,853
Professional and Administration Fees		415,340	488,200
Investment Management Fees		182,296	226,534
Subscriptions		31,653	29,745
Trustee Expenses		96,728	96,188
General Expenses		88,570	90,860
Income Tax Paid		344,519	5,693
		<u>15,400,895</u>	<u>19,479,664</u>
Net Cash Flows from Operating Activities	9	<u>(8,343,224)</u>	<u>(12,093,928)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash provided from</i>			
Sale of Investments		27,946,130	15,100,000
<i>Cash applied to</i>			
Purchase of Investments		(19,700,000)	(3,000,000)
Net Cash Flows from Investing Activities		<u>8,246,130</u>	<u>12,100,000</u>
Net (Decrease)/Increase in Cash and Cash Equivalents		(97,094)	6,072
Cash and Cash Equivalents at Beginning of Year		738,890	732,818
Cash and Cash Equivalents at End of Year		<u><u>641,796</u></u>	<u><u>738,890</u></u>

MISS Scheme

Notes to the Financial Statements For the Year Ended 31 March 2019

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 2019 were:

	Contributing members	Non-contributing		Total Membership
		Members	Deferred members	
1 April 2018	2,013	61	166	2,240
Contributory status change	3	(3)	-	-
Plus				
New members	187	-	-	187
Transfer in	-	-	26	26
Less				
Retirement	(114)	-	-	(114)
Leaving service/resignation/withdrawals	(145)	-	(25)	(170)
Retrenchment/redundancy	(10)	-	-	(10)
Death and ill health	(9)	-	(2)	(11)
Transfers out to other schemes	(4)	-	-	(4)
Other reasons	(3)	-	-	(3)
31 March 2019	1,918	58	165	2,141

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

There have been no changes in the Scheme in the current year (2018: Nil).

MISS Scheme

Notes to the Financial Statements (Cont'd)

For the Year Ended 31 March 2019

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 through Profit or Loss are measured at fair value.

Gains or losses arising from changes in fair value of the Financial Assets 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 is determined with reference to the unit prices calculated by the investment managers in which the Scheme holds financial assets.

The Fair Value of financial assets is determined using the last sale price ("exit" price) as calculated by the fund manager at balance date.

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.

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.

Taxation

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

MISS Scheme

Notes to the Financial Statements (Cont'd)

For the Year Ended 31 March 2019

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

Taxation (Cont'd)

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 primarily to the financial risks of changes in foreign currency rates and interest rates. 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 Fund

NZ IFRS 9, 'Financial instruments', was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

MISS Scheme**Notes to the Financial Statements (Cont'd)**

For the Year Ended 31 March 2019

3. Summary of Significant Accounting Policies (Cont'd)**New and amended standards adopted by the Fund (Cont'd)**

For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change for financial liabilities is that, in cases where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. NZ IFRS 9 also introduces a new expected credit loss model for calculating the impairment of financial assets.

There are no recognition or measurement changes as a result of adopting NZ IFRS 9. The impact of adopting NZ IFRS 9 on the classification of the Scheme's financial assets is that the Scheme now classifies cash at bank and sundry receivables as financial assets at amortised cost (previously these were classified as loans and receivables).

This standard is effective for annual reporting periods beginning on or after 1 April 2018. The adoption of this standard has resulted in amended disclosures as detailed above but has not impacted the Scheme's reported result or financial position.

NZ IFRS 15 (amendment) 'Revenue from Contracts with Customers', was issued July 2014 effective for periods from 1 April 2018. This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction Contracts', IAS 18, 'Revenue' and related interpretations. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Scheme's main sources of revenue are interest income and gains on financial instruments measured at fair value through profit or loss. As these are outside the scope of the new standard the adoption of this standard does not have a significant impact on the Scheme's financial position and financial performance, or the presentation and disclosures in the Financial Statements.

There are no other standards, amendments or interpretations that have been issued but are not yet effective that are expected to materially impact the Scheme's financial statements.

4. Liability for Accrued Benefits**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

Changes in Accrued Benefits as at 31 March 2018

	Member Account	Voluntary Account	Subsidy Account	Deferred Benefit Account	Reserve Account	Total 31 March 2018
	\$	\$	\$	\$	\$	\$
Opening Balance	66,302,578	8,066,255	39,097,815	5,658,836	431,409	119,556,893
Contributions	3,692,298	469,910	2,752,660	179	-	6,915,047
Benefits Paid	(10,001,054)	(955,732)	(5,881,132)	(1,001,208)	(180,860)	(18,019,986)
Transfers	(1,225,741)	(385,786)	(707,831)	2,319,358	-	-
Expenses Deducted	(261)	-	(695,658)	(2,305)	698,224	-
Net Income	-	-	-	-	5,773,513	5,773,513
Interest Allocated	3,472,970	417,305	2,047,764	352,022	(6,290,061)	-
Closing Balance	62,240,790	7,611,952	36,613,618	7,326,882	432,225	114,225,467

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for Accrued Benefits (31 March 2018: Nil).

MISS Scheme

Notes to the Financial Statements (Cont'd)
For the Year Ended 31 March 2019

5. Vested Benefits	2019	2018
	\$	\$
	<u>110,322,682</u>	<u>113,111,268</u>

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.

6. Financial Assets at Fair Value Through Profit or Loss	2019	2018
	\$	\$
AMP Capital Investors (New Zealand) Limited		
- Overseas Fixed Interest	8,341,948	8,486,589
ANZ New Zealand Investments Limited		
- Short Term Deposits	22,451,408	22,904,732
- New Zealand Fixed Interest	15,766,599	16,190,899
- Australasian Shares	-	9,637,711
- Overseas Shares	24,365,548	24,020,894
- Forward Foreign Exchange	<u>(177,782)</u>	<u>(120,450)</u>
	62,405,773	72,633,786
Fisher Funds Institutional		
- Overseas Fixed Interest	20,711,465	21,050,543
Mercer Investment Trust New Zealand		
- Cash	77,442	54,439
- Unlisted Property	1,869,659	1,927,353
- Listed Property	2,821,083	3,021,914
- Unlisted Infrastructure	1,858,596	1,992,216
- Listed Infrastructure	2,810,020	2,862,074
- Natural Resources	<u>1,626,272</u>	<u>1,724,657</u>
	11,063,072	11,582,653
Nikko Asset Management NZ Limited New Zealand Limited		
- Australasian Shares	9,438,539	-
Financial Assets at Fair Value Through Profit or Loss	<u>111,960,797</u>	<u>113,753,571</u>

7. Gains on Financial Assets at Fair Value Through Profit or Loss	2019	2018
	\$	\$
Short Term Deposits and Cash	605,887	599,206
New Zealand Fixed Interest	1,025,700	760,517
Overseas Fixed Interest	1,222,199	1,023,568
Australasian Shares	994,372	1,280,174
Overseas Shares	2,518,983	3,304,440
Forward Foreign Exchange	(581,662)	204,223
Unlisted Property	234,312	155,149
Listed Property	353,547	243,259
Unlisted Infrastructure	232,925	160,370
Listed Infrastructure	352,161	230,392
Natural Resources	203,810	138,832
	<u>7,162,234</u>	<u>8,100,130</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 2019

8. Income Tax	2019 \$	2018 \$
Current tax	345,882	461,255
PIE tax paid/payable by fund manager	438,520	437,556
Prior period adjustment	<u>52</u>	<u>-</u>
	<u><u>784,454</u></u>	<u><u>898,811</u></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>5,987,209</u>	<u>6,672,324</u>
Income Tax @ 28%	1,676,419	1,868,251
Adjusted for permanent differences:		
Non assessable investment gains and losses	(2,168,291)	(2,210,854)
Non taxable insurance receipts and rebates	(84,004)	(60,581)
Non taxable insurance premiums	107,888	130,642
PIE tax on investments	438,520	437,556
Management fees deducted at PIE level	63,290	54,516
PIE income crystallised at 0% PIR	762,965	692,931
Non taxable management fee rebates	(12,093)	(13,108)
Other income	(292)	(542)
Prior period adjustment	<u>52</u>	<u>-</u>
Income Tax Expense	<u><u>784,454</u></u>	<u><u>898,811</u></u>
Deferred Tax Asset		
Opening balance	401	126,929
Current year movement	<u>(401)</u>	<u>(126,528)</u>
	<u><u>-</u></u>	<u><u>401</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% (2018: 0% or 28%). Gains and losses on 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)'. Gains and losses on investments with an elected PIR of 28% are taxable within the individual fund, with any tax deducted/credited reflected in the valuation of investments at period end, with investment returns shown gross of tax and the tax expenses reflected on the Statement of Changes in Net Assets as 'Income Tax Expense/(Credit)'.

At 31 March 2019 the Scheme's PIE investments with AMP Capital Investors (New Zealand) Limited, Fisher Funds Institutional, Nikko Asset Management NZ Limited 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.

The Scheme does not have any deferred tax asset or liability at 31 March 2019 (2018: \$401).

MISS Scheme

Notes to the Financial Statements (Cont'd)

For the Year Ended 31 March 2019

9. Reconciliation of Net Cash Flows from Operating Activities to Decrease in Net Assets

	2019	2018
	\$	\$
Decrease in Net Assets	(2,744,973)	(5,331,426)
Non-Cash Items		
Change in Net Market Value of Investments	(7,162,234)	(8,100,130)
Interest income	(494)	-
Investment Management Fee Rebates	(43,190)	(46,815)
Portfolio Investment Entity (PIE) Tax	438,520	437,612
Movements in Other Working Capital Items		
(Increase)/Decrease in Contributions Receivable	(52,883)	77,357
Decrease in Income Tax Receivable	401	282,580
Increase in Income Tax Payable	11,987	328,976
Increase in Benefits Payable	965,972	234,298
Increase in Group Life Proceeds Receivable	(60,000)	-
Decrease in Sundry Creditors	(10,381)	(20,356)
Decrease in Prepayments	-	(647)
(Decrease)/Increase in Group Life Payable	-	(240,323)
Items Classified as Investing Activities		
Investment Management Fees	314,051	284,946
Net Cash Flows from Operating Activities	<u>(8,343,224)</u>	<u>(12,093,928)</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 2019

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 Held at Fair Value through Profit or Loss.

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
Sundry Receivables	-	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

Categories of Financial Instruments - 31 March 2018

Assets	Fair value through Profit or Loss \$	Financial Assets at Amortised Cost \$	Financial Liabilities at Amortised Cost \$	Total \$
Cash and Cash Equivalents	-	738,890	-	738,890
Financial Assets at Fair Value Through Profit or Loss	113,753,571	-	-	113,753,571
Sundry Receivables	-	573,078	-	573,078
Prepayments	-	19,148	-	19,148
Fee Rebates Receivable	-	1,392	-	1,392
Total Assets	113,753,571	1,332,508	-	115,086,079
Liabilities				
Benefits Payable	-	-	403,964	403,964
Sundry Creditors	-	-	128,073	128,073
Total Liabilities	-	-	532,037	532,037

Hierarchy of Fair Value Measurements - 31 March 2019

The following table provides an analysis of financial instruments that are measured subsequent to initial value at fair value, 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).

MISS Scheme
Notes to the Financial Statements (Cont'd)
For the Year Ended 31 March 2019

11. Financial Instruments (Cont'd)

31 March 2019

Description	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial Assets at Fair Value Through Profit or Loss				
- Short Term Deposits and Cash	-	22,528,850	-	22,528,850
- New Zealand Fixed Interest	-	15,766,599	-	15,766,599
- Australasian Shares	-	9,438,539	-	9,438,539
- Overseas Shares	-	24,365,548	-	24,365,548
- Forward Foreign Currency Revaluation	-	(177,782)	-	(177,782)
- Overseas Fixed Interest	-	29,053,413	-	29,053,413
- Unlisted Property	-	1,869,659	-	1,869,659
- Listed Property	-	2,821,083	-	2,821,083
- Unlisted Infrastructure	-	1,858,596	-	1,858,596
- Listed Infrastructure	-	2,810,020	-	2,810,020
- Natural Resources	-	1,626,272	-	1,626,272
Total	-	111,960,797	-	111,960,797

The financial assets above have been classified as Level 2 as they are based on unit prices, with fair values derived from inputs other than quoted prices in active markets.

There were no transfers between levels in the period.

31 March 2018

Description	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial Assets at Fair Value Through Profit or Loss				
- Short Term Deposits	-	22,959,171	-	22,959,171
- New Zealand Fixed Interest	-	16,190,899	-	16,190,899
- Australasian Shares	-	9,637,711	-	9,637,711
- Overseas Shares	-	24,020,894	-	24,020,894
- Forward Foreign Currency Revaluation	-	(120,450)	-	(120,450)
- Overseas Fixed Interest	-	29,537,132	-	29,537,132
- Unlisted Property	-	1,927,353	-	1,927,353
- Listed Property	-	3,021,914	-	3,021,914
- Unlisted Infrastructure	-	1,992,216	-	1,992,216
- Listed Infrastructure	-	2,862,074	-	2,862,074
- Natural Resources	-	1,724,657	-	1,724,657
Total	-	113,753,571	-	113,753,571

MISS Scheme

Notes to the Financial Statements (Cont'd)

For the Year Ended 31 March 2019

11. Financial Instruments (Cont'd)

The financial assets above have been classified as Level 2 as they are based on unit prices, with fair values derived from inputs other than quoted prices in active markets.

All financial instruments disclosed in these Financial Statements are categorised as Level 2 for both 2019 and 2018 financial periods.

The Scheme invests in managed funds. The fair value is based upon unit prices calculated by the Manager of the fund.

The fair value of units is based upon a Net Asset Valuation using observable inputs of quoted security prices in active share markets and/or interest rates or yield curves which are observable at specific time intervals. The Net Asset Valuation of the fund may also include securities or derivatives which have inputs such as foreign exchange spot and forward rates and interest rate curves derived from quoted bond prices. The Net Asset Valuation may also have adjustments to reflect fees associated with the Scheme.

For unit prices, significant inputs into the calculation are market observable and are included within level 2.

There were no transfers between levels in the period.

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") and Fisher Funds Management ('Fisher') and Nikko Asset Management NZ Limited to invest the Scheme's assets.

Performance objectives

- Over the long term (rolling ten year periods) to achieve a benchmark real return after tax and investment fees that exceeds inflation by 2.5% pa.
- 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.
- 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
NZ Fixed Interest	14	9 - 19
Overseas Fixed Interest	26	21 - 31
Cash	20	15 - 25
Total Income Assets	60	55 - 65
Total	100	
Foreign Currency Exposure	10.75	

Liquidity Risk

The Administrator monitors the Scheme's liquidity position on a daily basis. Liquidity management is designed to ensure that the Scheme has the ability to generate sufficient cash in a timely manner to meet its financial commitments and normal levels of withdrawals. The Administrator regularly monitors market volatility and withdrawal levels to establish the Scheme's appropriate liquidity levels within allowable benchmark ranges.

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 Scheme which has 17% in Unlisted Infrastructure. These assets may take up to two 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 unlisted products 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) and Nikko Asset Management NZ Limited 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.

MISS Scheme

Notes to the Financial Statements (Cont'd) For the Year Ended 31 March 2019

11. Financial Instruments (Cont'd)

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 benchmark hedging positions on an after tax basis are:

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

Overseas fixed interest and real asset investments are 100% hedged on foreign currency exposure. ANZ maintains forward foreign exchange contracts and continues to hedge 50% of the overseas shares.

Risk Management

Risk management activities are undertaken by the Scheme's investment manager 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 2019	31 March 2018
	\$	\$
AMP Capital Investors (New Zealand) Limited		
- Overseas Fixed Interest	8,341,948	8,486,589
ANZ New Zealand Investment Limited		
- New Zealand Fixed Interest	15,766,599	16,190,899
Fisher Funds Institutional		
- Overseas Fixed Interest	20,711,465	21,050,543

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.

12. Sensitivity Analysis

As at 31 March 2019 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) and Nikko Asset Management NZ Limited would have a positive/adverse impact on the value of the Scheme's investments of \$3,358,824 (31 March 2018: \$3,412,607).

13. Commitments and Contingent Liabilities

There were no commitments or contingent liabilities outstanding as at 31 March 2019 (31 March 2018: Nil).

MISS Scheme

Notes to the Financial Statements (Cont'd)

For the Year Ended 31 March 2019

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 Trustees/Custodian have taken steps to recover the funds and the matter has been reported to the New Zealand Police. The Trustees/Custodian may also consider other options. (31 March 2018: Nil).

15. Key Sources of Estimation Uncertainty

The preparation of the financial statements requires the Trustees to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. The Trustees have also used judgement in the categorisation of its financial assets and liabilities at fair value through profit or loss in accordance with the fair value hierarchy under NZ IFRS 13.

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 \$2,673,362 (31 March 2018: \$2,752,660).

During the year the Licenced Independent Trustee and Chairman of the Scheme received remuneration for his services totalling \$58,150 (31 March 2018 : \$54,929). 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. Events After Balance Date

There have been no material events after balance date that require adjustment to or disclosure in the financial statements (2018: Nil).