

Financial statements

Financial statements for the year ended 30 June 2019



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Independent Auditor's Report

To the Members of the mysuper Superannuation Scheme

Opinion

We have audited the financial statements of the mysuper Superannuation Scheme (the 'Scheme'), which comprise the statement of net assets as at 30 June 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 5 to 26, present fairly, in all material respects, the financial position of the Scheme as at 30 June 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.

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
Deloitte Limited
Wellington, New Zealand
23 September 2019

Statement of Net Assets

Statement of Net Assets

As at 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
Cash and Cash Equivalents		862,691	2,307,789
Financial Assets	6	217,436,823	199,594,197
Income Tax Refundable	8	8,506	6,486
Deferred Tax Asset	8	89,291	96,899
Total Assets		218,397,311	202,005,371
Less LIABILITIES			
Benefits Payable		1,327,834	537,725
Sundry Creditors		254,918	168,734
Total Liabilities		1,582,752	706,459
NET ASSETS AVAILABLE FOR BENEFITS		216,814,559	201,298,912
LIABILITY FOR PROMISED RETIREMENT BENEFITS			
<i>Represented By:</i>			
Member Account	4	76,521,343	74,323,768
Employer Account		97,507,467	90,661,009
Member Locked Account		22,581,763	19,174,519
Employer Locked Account		15,728,186	13,301,557
Transfer Locked Account		2,668,710	2,811,016
Reserve Account	10	1,807,090	1,027,043
		216,814,559	201,298,912

This statement is to be read in conjunction with the notes on pages 6 to 26.

Authorised for issue in accordance with a resolution of the Directors of Shamrock Superannuation Limited, Trustee of the my**super** Superannuation Scheme.



Bruce John Kerr
Chair
23 September 2019



Maree Kathleen Bennett
Director
23 September 2019

Statement of Changes in Net Assets

Statement of Changes in Net Assets

For the Year Ended 30 June 2019

INVESTMENT ACTIVITIES	Note	2019 \$	2018 \$
Investment Income			
Gains on Financial Assets at Fair Value Through Profit or Loss	7	13,104,145	15,530,183
Dividends		2,012,343	1,954,651
Interest		30,360	23,118
		15,146,848	17,507,952
Investment Expenses			
Investment Management Fees		(995,872)	(942,910)
Investment Management Fee Rebates		408,185	352,019
Net Investment Income		14,559,161	16,917,061
OTHER EXPENSES			
Administration Fees		518,714	482,517
Audit Fees	15	17,848	30,475
Bank Fees		58	41
Communication, Design and Printing Expenses		56,314	57,439
Directors Fees		35,075	35,075
Financial Markets Conduct Act 2013 Expenses and Fees		87,417	102,004
Group Life Insurance Premiums (paid directly by Members)		770,392	769,444
Investment Adviser Fees		75,308	88,736
Legal Fees		100,311	89,032
Non-Investment Adviser Fees		18,228	16,865
Other Trustee Expenses		8,467	10,347
Taxation Fees	15	12,754	16,098
Information Technology Expenses		80,792	55,879
Workplace Saving NZ Membership Subscription		663	1,976
Total Other Expenses		1,782,341	1,755,928

Statement of Changes in Net Assets

Statement of Changes in Net Assets

For the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
INVESTMENT ACTIVITIES			
Change in Net Assets before Taxation and Membership Activities		12,776,820	15,161,133
Income Tax Expense	8	1,893,936	158,541
Change in Net Assets after Taxation and before Membership Activities		10,882,884	15,002,592
MEMBERSHIP ACTIVITIES			
Contributions			
Member Contributions		10,044,228	10,078,872
Government Contributions (Member Tax Credits)		322,250	299,461
Employer Contributions		14,929,899	15,374,597
Transfers from Other Schemes		265,312	235,867
Total Contributions		25,561,689	25,988,797
Benefits Paid			
Retirement Withdrawals		2,444,361	3,146,846
Resignation Withdrawals		11,059,443	10,259,148
Redundancy Withdrawals		1,665,797	2,799,489
Death Withdrawals		89,037	115,465
Significant Financial Hardship Withdrawals		25,000	40,000
Partial Withdrawals		4,222,722	4,211,976
Serious Illness Withdrawals		-	5,662
Relationship Property Withdrawals		71,714	-
First Home Withdrawals		1,350,852	1,191,620
Total Benefits Paid		20,928,926	21,770,206
Net Membership Activities		4,632,763	4,218,591
Net Increase in Net Assets During the Year		15,515,647	19,221,183
Net Assets Available for Benefits at Beginning of the Year		201,298,912	182,077,729
Net Assets Available for Benefits at End of the Year		216,814,559	201,298,912

This statement is to be read in conjunction with the notes on pages 6 to 26.

Statement of Cash Flows

Statement of Cash Flows

For the Year Ended 30 June 2019

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2019 \$	2018 \$
Cash provided from			
Member Contributions		10,044,228	10,078,871
Government Contributions (Member Tax Credits)		322,250	299,461
Employer Contributions		14,929,899	15,376,038
Transfers from Other Schemes		265,312	235,867
Interest		30,144	22,654
Income Tax Refunded		6,486	11,816
		25,598,319	26,024,707
Cash applied to			
Benefits Paid		20,138,817	21,232,481
Other Expenses		993,270	982,432
Group Life Premiums		702,890	772,729
Income Tax Paid		8,440	6,343
		21,843,417	22,993,985
Net Cash Flows from Operating Activities	9	3,754,902	3,030,722
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash provided from			
Sale of Investments		-	3,900,000
Cash applied to			
Purchase of Investments		5,200,000	6,100,000
Net Cash Flows from Investing Activities		(5,200,000)	(2,200,000)
Net (Decrease)/Increase in Cash Held		(1,445,098)	830,722
Cash at Beginning of the Year		2,307,789	1,477,067
Cash at End of the Year		862,691	2,307,789

This statement is to be read in conjunction with the notes on pages 6 to 26.

Notes to the Financial Statements

Notes to the Financial Statements

For the Year Ended 30 June 2019

1. Scheme Description

mysuper Superannuation Scheme (**Scheme**) (**SCH10885**) is a registered employer-related workplace saving scheme under the Financial Markets Conduct Act 2013 (**FMCA**).

The Scheme was established on 27 August 1991 and is designed to help members save for their retirement and provides a benefit on the terms set out in the Trust Deed. The amount of the benefit will depend on the members' contributions, their employer contributions, government contributions (if any) and investment returns earned on those contributions (which can be positive or negative) less tax and expenses. Furthermore, members can choose how to structure their account (between unlocked and locked), how their money is invested, and if they would like the optional life and income protection insured benefit added.

Further information relating to the Scheme, including financial statements, annual reports, annual fund updates, the Trust Deed, and the Statement of Investment Policy and Objectives (**SIPO**) is available on the scheme register at disclose-register.companiesoffice.govt.nz (search for 'mysuper Superannuation Scheme').

Details of membership as at 30 June 2019 were:

Members as at 1 July 2018	3,372
New Members	484
Withdrawals	
Retirements	(20)
Death	(3)
Other reasons	(359)
Members at 30 June 2019	3,474

Notes to the Financial Statements

1. Scheme Description (Cont'd)

Funding Arrangements

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

Employer Contribution:

- 1.5 times the member's contribution rate up to a maximum of 9% of the member's salary. All employer contributions are subject to Employer Superannuation Contribution Tax (ESCT). The following ESCT deduction rates are based on the member's salary plus gross employer contributions:

Income range	Tax Rate
\$0 - \$16,800	10.5%
\$16,801 - \$57,600	17.5%
\$57,601 - \$84,000	30%
\$84,001 and over	33%

- Employers are not required to make contributions in respect of members' voluntary contributions.

Member's Contribution:

- Minimum of 2% of basic salary; and
- Optional, increase by multiples of 1%.

Retirement Benefits

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

Transfers to Other Schemes

All transfers of locked in benefits are recorded as the reason the member left the Scheme (i.e. Resignation, Redundancy, etc).

Termination Terms

The Trust Deed sets out the basis on which the Scheme can be wound up. The Trust Deed is available on the Scheme Register at disclose-register.companiesoffice.govt.nz (search for 'mysuper Superannuation Scheme').

Changes in the Scheme

There were no changes to the Trust Deed in the 12-months to 30 June 2019.

Notes to the Financial Statements (Cont'd)

2. Statement of Compliance

Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (**NZ GAAP**) and the requirements of the FMCA and other relevant legislative requirements as appropriate for for-profit entities.

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (**IFRS**).

Measurement Base

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

Presentation Currency

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

Classification of Assets and Liabilities

The Scheme operates as a restricted workplace savings 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

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 as designated 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.

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

Notes to the Financial Statements (Cont'd)

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

Income 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. Dividends and Distributions from unithised investments are recognised on a due and receivable basis.
- iii. 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.

Foreign Currencies

Transactions in currencies other than New Zealand 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 the Statement of Changes in Net Assets for the period.

Expenses

All expenses are accounted for on an accrual basis.

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 year. 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 by 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 in the Scheme's Statement of Net Assets when the Scheme becomes a party to the contractual provisions of the instrument. The Scheme offsets 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.

Notes to the Financial Statements (Cont'd)

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

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 does not directly hold foreign exchange forward contracts and interest rate swap contracts. The Scheme does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Scheme's policies approved by the Trustee, 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 - 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.

Promised Retirement Benefits

The liability for accrued retirement 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 retirement benefits include amounts allocated to members' accounts and reserves.

Contributions and Benefits

Contributions and benefits are accounted for on an accrual basis.

Notes to the Financial Statements (Cont'd)

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

New and amended standards adopted by the Scheme

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.

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 July 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.

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.

Notes to the Financial Statements (Cont'd)

4. Liability for Promised Retirement Benefits

Changes in promised retirement benefits as at 30 June 2019:

	Member Account \$	Employer Account \$	Member Locked Account \$	Locked Account \$	Transfer Locked Account \$	Reserve Account \$	Total 2019 \$
Balance 1 July 2018	74,323,768	90,661,009	19,174,519	13,301,557	2,811,016	1,027,043	201,298,912
Contributions and Transfers	7,132,818	12,224,181	3,482,489	2,706,152	169,307	(153,258)	25,561,689
Benefits Paid	(8,057,049)	(10,148,713)	(1,241,014)	(1,173,557)	(464,546)	155,953	(20,928,926)
Forfeited Benefits	-	-	-	-	-	-	-
Net Surplus After Tax	-	-	-	-	-	10,882,884	10,882,884
Group Life Premiums and Fees	(1,297,596)	(839,367)	(110,287)	(151)	(5,581)	2,252,982	-
Interest Allocated	4,419,402	5,610,357	1,276,056	894,185	158,514	(12,358,514)	-
Balance 30 June 2019	76,521,343	97,507,467	22,581,763	15,728,186	2,668,710	1,807,090	216,814,559

Changes in promised retirement benefits as at 30 June 2018:

	Member Account \$	Employer Account \$	Member Locked Account \$	Locked Account \$	Transfer Locked Account \$	Reserve Account \$	Total 2018 \$
Balance 1 July 2017	70,261,943	81,925,172	15,637,239	10,814,538	2,447,836	991,001	182,077,729
Contributions and Transfers	7,434,579	13,086,578	3,149,925	2,289,460	907,839	(879,584)	25,988,797
Benefits Paid	(8,542,770)	(11,315,279)	(1,120,879)	(895,742)	(773,626)	878,090	(21,770,206)
Forfeited Benefits	-	-	-	-	-	-	-
Net Surplus After Tax	-	-	-	-	-	15,002,592	15,002,592
Group Life Premiums and Fees	(1,234,164)	(818,174)	(80,450)	(1,574)	(6,454)	2,140,816	-
Interest Allocated	6,404,180	7,782,712	1,588,684	1,094,875	235,421	(17,105,872)	-
Balance 30 June 2018	74,323,768	90,661,009	19,174,519	13,301,557	2,811,016	1,027,043	201,298,912

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for accrued retirement benefits (2018: Nil).

Notes to the Financial Statements (Cont'd)

5. Vested Benefits

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

	2019 \$	2018 \$
	215,664,901	200,129,324

6. Financial Assets

	2019 \$	2018 \$
AMP Capital Investors (New Zealand) Limited		
Short Term Deposits	18,308,622	17,455,243
Fixed Interest - New Zealand	26,179,809	24,060,827
Equities - International Unhedged	47,289,614	43,568,521
Equities - International Hedged	45,585,788	41,799,552
	137,363,833	126,884,143
Fisher Funds Management Limited		
Fixed Interest - International Hedged	44,755,930	41,801,426
Salt Funds Management Limited		
Equities - Australasian	35,317,060	30,908,628
Total Financial Assets	217,436,823	199,594,197

7. Gains on Financial Assets at Fair Value Through Profit or Loss

	2019 \$	2018 \$
Fixed Interest	4,116,777	1,534,522
Equities	8,871,583	13,896,034
Short Term Deposits	115,785	99,627
	13,104,145	15,530,183

The net gains on items at fair value through profit or loss do not include interest or dividend income. These are disclosed separately in the Statement of Changes in Net Assets.

Notes to the Financial Statements (Cont'd)

8. Income Tax

	2019 \$	2018 \$
Current Tax Paid at PIE level	1,901,544	134,878
Deferred Tax	(7,608)	23,663
	1,893,936	158,541

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	12,776,820	15,161,133
Non-deductible Expenses	1,605,723	1,563,774
Non-assessable Investment Gains	(15,352,308)	(17,677,231)
Allocated PIE income	9,370,814	3,607,609
	8,401,049	2,655,285
Income Tax @ 28%	2,352,294	743,480
Adjusted for:		
Imputation Credits/RWT allocated by PIEs	(356,172)	(384,608)
Foreign Tax Credits allocated from PIEs	(102,186)	(200,331)
Income Tax Expense	1,893,936	158,541
Income Tax Payable		
Opening Balance	(6,486)	(11,816)
Withholding Tax Paid	(8,506)	(6,486)
Net Provisional Tax Refunded	6,486	11,816
Closing Balance	(8,506)	(6,486)
Deferred Tax (Asset)/Liability		
Opening Balance	(96,899)	(73,236)
Current Year Movement	7,608	(23,663)
Closing Balance	(89,291)	(96,899)

The Scheme is not a Portfolio Investment Entity (**PIE**) but the Scheme invests in a number of underlying investment funds which are PIEs. For these investments, the Scheme can elect to apply a Prescribed Investor Rate (**PIR**) of 0%, 10.5%, 17.5% or 28%.

Gains and losses on investments with a PIR of 0% are taxable directly within the Scheme to the extent they are subject to tax, with the resultant tax charge presented on the face of the Statement of Changes in Net Assets as Income Tax Expense (Credit).

Notes to the Financial Statements (Cont'd)

8. Income Tax (Cont'd)

Gains and losses on investments with an elected PIR of 28% are taxable within the individual PIE fund to the extent these are subject to tax, with any tax deducted/credited reflected in the valuation of investments at year end. To improve transparency in the financial statements, investment returns are shown gross of tax with all tax expense/credits presented as Income Tax Expense/(Credit).

At year end all of the Scheme's PIE investments have PIRs of 28%. The investment returns shown as 'Gains/Losses on Financial Assets at fair value through profit or loss' on the Statement of Changes in Net Assets are presented gross of tax in the current year.

Allocated PIE income included the reversal of an allocated loss of \$890,680 for the period 1 April to 30 June 2018, and allocated income of \$6,588,337 and \$1,891,798 for the year ended 31 March 2019 and the period 1 April to 30 June 2019 respectively.

As at 30 June 2019, Scheme had expenses to carry forward to transfer to its PIE investments of \$264,152 (2018: \$263,291), which are recognised in the deferred tax balance.

Further details are available on the Offer Register at disclose-register.companiesoffice.govt.nz (search for 'mysuper Superannuation Scheme').

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

	2019 \$	2018 \$
Increase in Net Assets	15,515,647	19,221,183
Non-Cash Items		
Gains on Financial Assets at Fair Value Through Profit or Loss	(13,104,145)	(15,530,183)
Interest	(216)	(464)
Dividends	(2,012,343)	(1,954,651)
Investment Management Fees	995,872	942,910
Investment Management Fee Rebates	(408,185)	(352,019)
PIE Income Tax and Foreign Tax Credits	1,883,759	182,346
Deferred Tax Asset (Benefit)	7,608	(23,663)
Movements in Other Working Capital Items		
Decrease in Contributions Receivable	-	1,440
(Increase)/Decrease in Income Tax Refundable	(2,020)	5,330
Increase in Benefits Payable	790,109	537,725
Increase in Sundry Creditors	86,183	768
Net Cash Flows from Operating Activities	3,752,269	3,030,722

Notes to the Financial Statements (Cont'd)

10. Reserve Account

As provided by clause 7(b) of the Trust Deed, a Reserve Account has been established which shall be credited with the following:

- a. Any amount not paid to a member upon ceasing employment with the employer;
- b. Any unclaimed benefit;
- c. Any unallocated funds transferred in from another superannuation scheme;
- d. The Reserve Account's share of the Scheme's earnings or loss; and
- e. Any profit share or other interest allocated by the Scheme's investment manager and not otherwise allocated to members' accounts.

The Trustee may apply any part or the whole of the Reserve Account to:

- a. Increase on an equitable basis the total credits of all members;
- b. Provide benefits other than retirement benefits for all members on an equitable basis;
- c. Pay all or part of the contributions to the Scheme of the employer for all members on an equitable basis;
- d. Payment of expenses of the administration of the Scheme;
- e. Pay all or part of the insurance premiums payable under the Scheme;
- f. In such other manner as is permitted from time to time under the Trust Deed.

The Trustee has resolved to adopt a policy that any balance in excess of \$1 million will be equitably distributed to members on an annual basis.

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 (Note 3).

The Trustee has approved a SIPO for the Scheme. This SIPO sets out the investment governance and management framework, philosophy, strategies and objectives of the Scheme and its four Investment Funds.

The SIPO is available on the scheme register at disclose-register.companiesoffice.govt.nz (search 'mysuper Superannuation Scheme').

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 and Financial Liabilities Held at Fair Value through Profit or Loss.

Notes to the Financial Statements (Cont'd)

11. Financial Instruments (Cont'd)

Categories of Financial Instruments - 30 June 2019

	Fair Value through Profit or Loss \$	Financial Assets at Amortised Cost \$	Financial Liabilities at Amortised Cost \$	Total \$
Assets				
Cash and Cash Equivalents	-	862,691	-	862,691
Financial Assets	217,436,823	-	-	217,436,823
Total Assets	217,436,823	862,691	-	218,299,514
Liabilities				
Benefits Payable	-	-	1,327,834	1,327,834
Sundry Creditors	-	-	254,918	254,918
Total Liabilities	-	-	1,582,752	1,582,752

Categories of Financial Instruments - 30 June 2018

	Fair Value through Profit or Loss \$	Financial Assets at Amortised Cost \$	Financial Liabilities at Amortised Cost \$	Total \$
Assets				
Cash and Cash Equivalents	-	2,307,789	-	2,307,789
Financial Assets	199,594,197	-	-	199,594,197
Total Assets	199,594,197	2,307,789	-	201,901,986
Liabilities				
Benefits Payable	-	-	537,725	537,725
Sundry Creditors	-	-	168,734	168,734
Total Liabilities	-	-	706,459	706,459

Notes to the Financial Statements (Cont'd)

11. Financial Instruments (Cont'd)

Hierarchy of Fair Value Measurements - 30 June 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).

30 June 2019	Level 1	Level 2	Level 3	Total
Description	\$	\$	\$	\$
Financial Assets	-	217,436,823	-	217,436,823
Total	-	217,436,823	-	217,436,823

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.

30 June 2018	Level 1	Level 2	Level 3	Total
Description	\$	\$	\$	\$
Financial Assets	-	199,594,197	-	199,594,197
Total	-	199,594,197	-	199,594,197

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.

Notes to the Financial Statements (Cont'd)

11. Financial Instruments (Cont'd)

Investment Policies

The Scheme adheres to the investment policies provided on pages 7 to 10 of the Scheme's SIPO available on the Scheme Register at disclose-register.companiesoffice.govt.nz (search for 'mysuper Superannuation Scheme').

The performance objectives for each of the Scheme's four investment funds are:

- i. **mysuper** Cash Fund
 - To provide a gross return (before tax, fees, and other expenses) above the return of the Bloomberg NZBond Bank Bill Index on a rolling 12-month basis.
- ii. **mysuper** Conservative Fund
 - To deliver positive stable returns that exceed after tax cash returns by at least 1.00% pa, over rolling three year periods
 - To deliver a real return (after inflation, tax and investment expenses) of at least 0.75% pa over rolling three year periods
 - To produce a result in the top half of comparable KiwiSaver schemes in the Investment Adviser Investment Survey over rolling three year periods
- iii. **mysuper** Balanced Fund
 - To deliver a real return (after inflation, tax and investment expenses) of at least 2.50% pa over rolling five year periods
 - To produce a result in the top half of comparable KiwiSaver funds in the Investment Adviser Investment Survey over rolling three year periods
- iv. **mysuper** Growth Fund
 - To deliver a real return (after inflation, tax and investment expenses) of at least 3.50% pa over rolling eight year periods
 - To produce a result in the top half of comparable KiwiSaver schemes in the Investment Adviser Investment Survey over rolling three year periods

The Investment Parameters are as follows:

- i. All investments are to be readily marketable
- ii. Reliable market quotations for prices for investments are to be available at all times
- iii. All investment portfolios are to be fully invested. Any cash positions should be temporary and should reflect general repositioning of the portfolio or covering a futures position
- iv. Currency exposure for global bonds is to be 100% hedged to the New Zealand dollar on an after tax basis
- v. Overall currency exposure for all offshore equities (excluding Australian equities) is to be 50% hedged to the New Zealand dollar on an after tax basis
- vi. Futures contracts and options are to be restricted to hedging techniques and not to leverage the portfolio
- vii. Securities are not to be lent to any other third party without the consent of the Trustee
- viii. No more than 7.5% shall be invested in any one company

Notes to the Financial Statements (Cont'd)

11. Financial Instruments (Cont'd)

Investment performance for the Scheme is monitored and reviewed quarterly by the Trustee and limit breaks are monitored monthly. Performance of the four investment funds is monitored over various periods (gross of tax and fees). Performance is measured on an absolute return basis as well as relative to each investment fund's benchmark indices and its performance objective.

In monitoring investment performance, the Trustee considers the reports submitted to it by the investment managers and analysis performed by Melville Jessup Weaver, the Scheme's Investment Advisor. The Investment Adviser also provides attribution analysis.

The date of the next SIPO review is March 2020 or earlier if market conditions warrant it, or if there is a material change to any of the investment funds.

Liquidity Risk

Mercer (N.Z.) Limited (**Mercer**), the Scheme's Administration Manager, 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. Mercer 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 all can be realised within 12 months.

Credit Risk

Financial instruments which potentially expose the Scheme to credit risk consist of cash and short term deposits, fixed interest securities, receivables and, indirectly, investments in unitised products which invest in cash and fixed interest investments. 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, Fisher Funds Management Limited and Salt Funds Management, which the Trustee considers 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 portfolio mix adopted by the Trustee.

Currency Risk

The Scheme is indirectly exposed to currency risk in that future currency movements will affect the valuation of investments in unitised products which invest in foreign currency denominated investments. The following hedging is undertaken within the unitised investments:

AMP Capital Investors (New Zealand) Limited

Equities - International Hedged - fully hedged and managed against the MSCI World Accumulation Index.

Fisher Funds Management Limited

Fixed Interest - International Hedged - fully hedged and managed against the Barclays Capital Global Index.

Notes to the Financial Statements (Cont'd)

11. Financial Instruments (Cont'd)

Currency Risk (Cont'd)

	2019 \$	2018 \$
Hedged Funds		
AMP Capital Investors (New Zealand) Limited - Equities International	45,585,788	41,799,552
Fisher Funds Management Limited - Fixed Interest International	44,755,930	41,801,426
	90,341,718	83,600,978
Unhedged Funds		
AMP Capital Investors (New Zealand) Limited - Short Term Deposits	18,308,622	17,455,243
AMP Capital Investors (New Zealand) Limited - Fixed Interest	26,179,809	24,060,827
AMP Capital Investors (New Zealand) Limited - International Equities	47,289,614	43,568,521
Salt Funds Management Limited - Equities Australasian	35,317,060	30,908,628
	127,095,105	115,993,219

Equity Risk

The Scheme offers pooled investments. These range from Funds that invest in a greater proportion of lower-risk investments, such as cash and cash equivalents and fixed interest, to Funds that invest in a greater proportion of higher-risk investments, such as equities. The assets of the Funds are invested in underlying investment funds of investment managers who make investment decisions for those underlying funds. The Scheme has selected funds of three investment managers having decided to adopt an asset specialist approach.

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

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

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

Notes to the Financial Statements (Cont'd)

11. Financial Instruments (Cont'd)

Risk Management

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

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.

An appropriate level of portfolio risk for the Scheme will be determined and agreed by the Trustee 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.

Interest Rate Risk

The Scheme is exposed to interest rate risk in that future interest rate movements will affect cash flows and net market values of fixed interest asset and, indirectly, the valuation of investments in unitised products which invest in cash and fixed interest investments. As at balance date the Scheme's exposure to interest rate risk was as follows:

	2019 \$	2018 \$
AMP Capital Investors (New Zealand) Limited		
Short Term Deposits	18,308,622	17,455,243
Fixed Interest - International	26,179,809	24,060,827
Fisher Funds Management Limited		
Fixed Interest - International Hedged	44,755,930	41,801,426

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

Notes to the Financial Statements (Cont'd)

12. Sensitivity Analysis

A ten percent increase/decrease in the Scheme's investments would have an impact on the value of the Scheme's assets of +/- \$21,743,682 (2018: +/- \$19,959,418).

13. Commitments and Contingent Liabilities

There were no commitments or contingent liabilities outstanding as at 30 June 2019 (2018: Nil).

14. Related Parties

The Scheme holds no investments in any of the employer companies or any of its related parties and during the period had no related party transactions except for employer contributions to the Scheme (2018: Nil).

During the year the Licenced Independent Trustee of the Scheme received remuneration for their services totalling \$35,075 (2018: \$35,075). As a wholly owned Crown entity subsidiary director fees for Shamrock Superannuation Limited are set in accordance with the Cabinet Office 'Fee Framework' [CO (12) 6], by the Accident Compensation Corporation Board.

15. Auditor's Remuneration and Taxation fees

Fees paid to Deloitte for services rendered:

	2019 \$	2018 \$
Auditors Remuneration - fees for audit of financial statements	16,848	14,375
Auditors Remuneration - fees for custodian controls	-	13,800
Auditors Remuneration - fees for audit of register of members	-	2,300
Auditors Remuneration - fees for taxation services	12,754	16,098
	29,602	46,573

16. Events After Balance Date

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

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