

MARITIME RETIREMENT SCHEME

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2020**

MARITIME RETIREMENT SCHEME

Table of Contents For the year ended 31 March 2020

INDEX

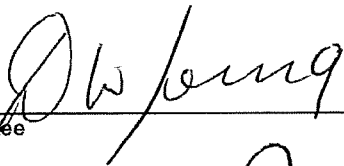
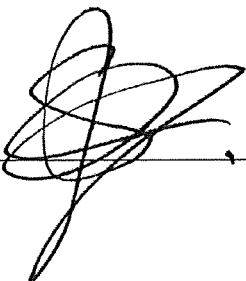
Statement of Net Assets	Page 1
Statement of Changes in Net Assets	Page 2
Statement of Cash Flows	Page 3
Notes to the Financial Statements	Pages 4 to 13
Independent Auditor's Report	Pages 14 to 15

**Maritime Retirement Scheme
Statement of Net Assets
As at 31 March 2020**

(All amounts are in NZD unless otherwise stated)

	Note	31 March 2020	31 March 2019
CURRENT ASSETS			
Cash and Cash Equivalents		37,164	73,444
Investments At Fair Value Through Profit or Loss	6	192,783,380	204,713,712
Accounts Receivable	8	11,571	11,571
Deferred Tax Asset	10	173,550	37,948
Income Tax Receivable	10	964,269	-
Total Current Assets		193,969,933	204,836,675
Total Assets		193,969,933	204,836,675
CURRENT LIABILITIES			
Trade and Other Payables	9	(106,900)	(87,561)
GST Payable		-	(7,254)
Benefits Payable		-	(528,485)
Current Tax Payable	10	-	(488,730)
Total Liabilities		(106,900)	(1,112,030)
NET ASSETS AVAILABLE FOR BENEFITS		193,863,033	203,724,645
<i>Represented by:</i>			
Member Accounts		108,714,673	111,332,230
Employer Accounts		64,935,325	71,181,799
Maritime KiwiSaver Scheme Account		12,821,140	13,228,087
Reserve Accounts		7,391,895	7,982,528
Total	5	193,863,033	203,724,645

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

 <hr style="border: 0; border-top: 1px solid black;"/>	<p>30 July 2020</p> <hr style="border: 0; border-top: 1px solid black;"/> <p>Date</p>
 <hr style="border: 0; border-top: 1px solid black;"/>	<p>30 July 2020</p> <hr style="border: 0; border-top: 1px solid black;"/> <p>Date</p>

The notes on pages 4 to 13 are an integral part of these financial statements.

Maritime Retirement Scheme
Statement of Changes in Net Assets
For the year ended 31 March 2020
(All amounts are in NZD unless otherwise stated)

	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
INVESTMENT ACTIVITIES			
Investment Revenue			
Interest Received		-	1,265
Distributions Received		3,195,195	3,029,170
Net gains on Investments At Fair Value Through Profit or Loss	7	(8,115,510)	8,913,427
Total Investment Revenue		(4,920,315)	11,943,862
Investment Expenses and Rebates			
Investment Management Fees		(1,115,093)	(1,073,556)
Investment Management Fee Rebates		298,033	324,836
Property Expenses	10	-	(27,872)
Total Investment Expenses And Rebates		(817,060)	(776,592)
Net Investment Revenue		(5,737,375)	11,167,270
OTHER REVENUES			
Other Income		13,000	876
Total Other Revenue		13,000	876
OTHER EXPENSES			
Administration Fees		(230,040)	(228,000)
Consulting Fees		(37,981)	(26,385)
Auditors' Remuneration - Audit of Financial Statement	14	(58,433)	(55,200)
Auditors' Remuneration - Register of Members	14	(4,715)	-
Auditors' Remuneration - Control Assurance Services	14	(11,728)	-
Tax Advisory Services	14	(24,997)	(59,333)
Trustee Fees		(71,238)	(120,007)
Trustee Liability Insurance		(31,108)	(40,480)
Legal Fees		(27,921)	(29,098)
FMA Fees/Levies		(38,148)	(33,157)
General Expenses		(15,329)	(27,845)
Use of Money Interest		-	(1,300)
Total Other Expenses		(551,637)	(620,805)
Gain before taxation and membership activities		(6,276,012)	10,547,341
MEMBERSHIP ACTIVITIES			
Contributions			
Members' Contributions		6,200,913	5,732,569
Employers' Contributions		4,308,625	4,143,562
Transfer In		-	41,310
Kiwisaver Contributions		1,582,903	1,387,526
PIE Tax	10	135,602	-
Total Contributions		12,228,043	11,304,967
Less:			
KiwiSaver Withdrawals		(1,444,753)	(1,620,416)
Unallocated Contributions Refunded		(208)	(17,207)
Disablement		(280,050)	(767,104)
Death		(764,098)	(1,173,456)
Additional Death		(498,373)	(99,362)
First home Withdrawal		(518,911)	(232,812)
Financial Hardship		(128,544)	(263,700)
Retirement		(3,948,956)	(7,676,695)
Resignation		(3,238,789)	(4,077,639)
Redundancy		-	(469,076)
Transfers Out		(28,771)	(1,668)
Terminal Illness		-	(22,452)
Partial Withdrawals		(4,829,457)	(4,627,883)
Pensions		(3,781)	(3,495)
Group Life Premiums		(8,956)	(14,433)
PIE Tax Expense	10	-	(1,413,033)
PIE Tax Paid on behalf of KiwiSaver Scheme		(120,000)	(186,522)
		(15,813,643)	(22,666,949)
Net Membership Activities		(3,585,600)	(11,361,983)
Net (Decrease)/Increase in Net Assets During The Year		(9,861,612)	(814,642)
Net Assets Available for Benefits at Beginning of Year		203,724,645	204,539,286
Net Assets Available for Benefits at End of Year		193,863,033	203,724,645

The notes on pages 4 to 13 are an integral part of these financial statements.

Maritime Retirement Scheme
Statement of Cash Flows
For the year ended 31 March 2020
(All amounts are in NZD unless otherwise stated)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash provided from</i>			
Contributions from Members and Employers		12,092,233	11,287,761
Rental Income		-	4,645
Interest and Other Income		13,001	2,098
		<u>12,105,234</u>	<u>11,294,504</u>
<i>Cash applied to</i>			
Benefits Paid		(16,212,965)	(20,507,271)
Property Expenses		-	(35,165)
Other Expenses		(541,254)	(660,291)
Provisional Tax Paid		(1,573,000)	(2,325,365)
GST Paid		(7,253)	(11,291)
Net Cash Flows from Operating Activities	11	<u>(6,229,238)</u>	<u>(12,244,879)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash provided from</i>			
Sale of Investments		7,308,052	33,117,954
<i>Cash was applied to</i>			
Purchase of Investments		(1,115,094)	(25,951,682)
Net Cash Flows from Investing Activities		<u>6,192,958</u>	<u>7,166,272</u>
Net (Decrease)/Increase in Cash and Cash Equivalents		(36,280)	(5,078,607)
Cash at Beginning of Year		73,444	5,152,052
Cash at End of Year		<u>37,164</u>	<u>73,444</u>

The notes on pages 4 to 13 are an integral part of these financial statements.

Maritime Retirement Scheme

Notes to the Financial Statements For the year ended 31 March 2020

1. Scheme Description

The Maritime Retirement Scheme (the "Scheme") is a new Scheme created under clause 28 (repealed 1 December 2016) of Schedule 4 of the Financial Markets Conduct Act 2013 that is the amalgamation of the Seafarers Retirement Fund ("SRF") and the Waterfront Industry Superannuation Fund ("WISF") that took effect on 31 March 2016.

Details of membership as at 31 March 2020 were:

	Pensioners	Defined Contribution	Total
01 April 2019	4	1,417	1,421
New member	0	116	116
Death	(1)	(8)	(9)
Withdrawal/Resignations	0	(64)	(64)
Retirements	0	(29)	(29)
Transfers Out	0	(4)	(4)
31 March 2020	3	1,428	1,431

The Fund is domiciled in New Zealand and the address of their registered office is c/o Melville Jessup Weaver, Level 7, 20 Ballance Street, Wellington 6011. The Administration Manager is Melville Jessup Weaver which is incorporated and domiciled in New Zealand. The Custodian of the Scheme is Maritime Retirement Scheme Nominees Limited.

The Trustees of the Fund are:

David Young
Simon Brodie
Joe Fleetwood
David Scott resigned Jun 2019. Replaced by Clive Glover Aug 2019
Ray Welson
Deepthi Swarnapuri
Ray Fife
Gary Horan resigned Dec 2019. Replaced by Jimmy King Feb 2020
Russel Mayn
Mark Thompson resigned Dec 2019. Replaced by Walter Rushbrooke Feb 2020

The Scheme is a Reporting Entity under the Financial Reporting Act 2013 and is registered under the Financial Markets Conduct Act 2013 ("FMCA").

Funding Arrangements

The Scheme is an employer subsidised, defined contribution scheme.

The Scheme receives contributions from members and their participating employers in accordance with the terms of the Trust Deed. Each Waterside Member contributes at least 4% of earnings and the relevant participating employer contributes an equivalent percentage (up to a maximum of 7% of Member earnings). Different contribution rates apply to Seafarer Members. Ordinary members contribute 4% of the Members Earnings, or such greater amount as agreed in writing between Member and Employer. The Employer contributes an amount equal to twice the amount the Member contributes; Reduced Rate Members must contribute at least 1% of earnings or such greater amount as agreed with the employer; Non-Subsidised Members must contribute at least 4% of earnings or such greater amount as agreed with the Trustees. Any member of the Maritime KiwiSaver Scheme may elect to reduce their contributions to the Scheme by the amount contributing to the Maritime KiwiSaver Scheme. The Maritime KiwiSaver Scheme is a member of, and invests solely into, the Maritime Retirement Scheme and is referred to the Maritime KiwiSaver Scheme on the financial statements.

The Waterside members who joined on or before 1 April 2016 can elect to apply all or part of the Members' benefit to the purchase of a life time pension of such amount as the Trustees shall determine on the advice of the actuary. There are currently four (2019: four) pensioners within the Scheme. The Trustees have established a pension reserve to which \$34,650 (2019: \$39,351) has been allocated to fund the expected pension payments. Due to the small number of pensioners and the nature of the pension benefits, actuarial information on the pension liability is not presented in these financial statements.

Retirement Benefits

The retirement benefits are determined by contributions to the Scheme together with investment earnings on these 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 and Comparatives

During the year there were no changes in the scheme. (2019: Nil).

Maritime Retirement Scheme

Notes to the Financial Statements (Cont'd) For the year ended 31 March 2020

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They 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 also comply with International Financial Reporting Standards (IFRS) as issued by The International Accounting Standards Board.

Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They 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 also comply with International Financial Reporting Standards (IFRS) as issued by The International Accounting Standards Board.

The Scheme is comprised of two investment choices, a Balanced Portfolio and a Conservative Portfolio. The financial statements have been prepared at the Scheme level as the liabilities of the individual investment choices are not limited to the assets of each investment choice. Therefore assets of one investment choice could be used to meet the liabilities of another.

Measurement Base

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

Presentational Currency

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

Investment Income

Interest, dividends and distributions from unitholdings are taken to income on a due and receivable basis.

Realised and Unrealised Gains and Losses

Net realised and unrealised gains and losses are recognised in the Statement of Changes in Net Assets in the period in which they are earned.

Expenses

All expenses are accounted for on an accruals basis.

Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance date. The Trustees periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Scheme qualifies as, and has elected to be, a portfolio investment entity (PIE) for tax purposes. Under the PIE regime income is effectively taxed in the hands of the members and is therefore shown as part of Net Membership Activities in the Statement of Changes in Net Assets. The Scheme itself has no tax expense.

Under the PIE regime, the Scheme attributes the taxable income of the Scheme to members in accordance with the proportion of their overall interest in the Scheme. The income attributed to each member is taxed at the member's "prescribed investor rate" which is capped at 28%. The Scheme accounts for tax on behalf of natural persons and undertakes any necessary adjustments to the members' interests in the assets of the Scheme to reflect that the Scheme pays tax at varying rates on behalf of members.

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 Statement of Net Assets liability method. 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.

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 intends to settle on a net basis.

(i) Classification

Investments at fair value through profit or loss are classified as financial assets at fair value through profit or loss and comprise investments in unlisted unit trusts.

These investments are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income.

Based on the Scheme's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets, the Trustee has determined that all financial assets of the Scheme are classified as fair value through profit or loss with the exception of cash and cash equivalents, prepaid pensions and trade and other receivables, which are classified as financial assets at amortised cost.

Financial liabilities at amortised cost comprise trade and other payables, and benefits payable. These amounts are unsecured and are usually paid within 30 days from recognition.

(ii) Recognition/derecognition

The Scheme recognises financial assets and financial liabilities on the date it becomes a party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets from this date. Financial assets are derecognised when the right to receive cash flows from the assets have expired or the Scheme has transferred substantially all risks and rewards of ownership. All gains and losses on investments at fair value through profit or loss are recognised in the Statement of Changes in Net Assets.

Maritime Retirement Scheme

Notes to the Financial Statements (Cont'd) For the year ended 31 March 2020

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

Financial Instruments (Cont'd)

(iii) Measurement

(1) Financial assets and liabilities at fair value through profit or loss

Investments held at fair value through profit or loss are measured initially at fair value excluding any transaction costs. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Changes in Net Assets.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of units held by the Scheme is determined by reference to published bid prices at the close of business on the reporting date being the redemption price established by the underlying fund manager.

(2) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition of the financial asset or liability and subsequently measured at amortised cost.

(iv) Impairment of Financial Assets

The Scheme recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Scheme expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the scheme applies a simplified approach in calculating ECLs. Therefore, the scheme does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Goods and Services Tax (GST)

The Scheme is registered for GST and consequently transactions related to the Rental Property are stated exclusive of GST.

Statement of Cash Flows

The following are definitions of the terms used in the Statement of Cash Flows:

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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 promised 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. Promised retirement benefits are shown in Note 3.

Unallocated Contributions

The balance of Unallocated Contributions relates to contributions received from current and prior years not allocated to members account. These contributions are from members with incomplete documentation required to allocate their contributions.

Contributions and Benefits

Contributions and benefits are accounted for on an accruals basis. Contributions are recognised in the Statement of Changes in Net Assets when they become receivable, resulting in a financial asset.

Critical Accounting Estimates and Judgements

It is possible to determine the fair values of all financial assets through prices provided by the investment managers. Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of making material adjustments to the carrying amounts of assets and liabilities at year end. However, as with all investments their value is subject to variation due to market fluctuations. For the purposes of the fair value hierarchy of financial assets at fair value through profit or loss, the Trustees have to apply their judgement as to what constitutes quoted price in an active market.

Changes in accounting policies

During the year there were no changes in accounting policies (2019: Accounting policies and disclosures were amended during the year to adopt the new standards under IFRS 9.)

Maritime Retirement Scheme

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2020

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

Standards and Interpretations issued and adopted during the year.
There were no new Standards and Interpretations issued and adopted during the year.

3. Liability for Promised Retirement Benefits

Liability for promised retirement benefits is maintained through member's account, unallocated contributions and reserve account.

Member account is an accumulation of members' contributions credited with interest and debited with members' fees and benefit payments. Interest may either increase or decrease the member account depending on the interim rates available during the time of exit and the declared rates at year end approved by the Trustees.

The balance of employer's account includes vested employer contributions in respect of the member and unvested employer contributions. The detailed vesting rules are set up in the Trust Deed.

Changes in promised retirement benefits as at 31 March 2020:

	Member Account \$	Employer Account \$	Reserve Account \$	Total 2020 \$
Balance 1 April 2019	120,403,342	75,338,775	7,982,528	203,724,645
Contributions	7,335,316	4,757,125	-	12,092,441
Benefits Paid	(9,669,105)	(5,513,222)	(498,373)	(15,680,700)
Forfeited Benefits	-	(71,509)	71,509	-
Pension Payments	-	-	(3,781)	(3,781)
Net Income Allocated	(570,186)	(5,539,399)	(159,987)	(6,269,572)
Balance 31 March 2020	117,499,367	68,971,770	7,391,896	193,863,033

Changes in promised retirement benefits as at 31 March 2019:

	Member Account \$	Employer Account \$	Reserve Account \$	Total 2019 \$
Balance 1 April 2018	118,930,777	77,812,877	7,795,633	204,539,286
Contributions	6,710,499	4,594,468	-	11,304,967
Benefits Paid	(13,782,294)	(7,154,099)	(99,362)	(21,035,755)
Forfeited Benefits	-	(194,864)	194,864	-
Pension Payments	-	-	(3,495)	(3,495)
Net Income Allocated	8,544,361	280,393	94,888	8,919,642
Balance 31 March 2019	120,403,342	75,338,775	7,982,528	203,724,645

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits. (2019: Nil).

4. 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.

	2020 \$	2019 \$
	188,395,943	197,748,322

Maritime Retirement Scheme

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2020

5. Reserve Account

(a) Changes in Reserve Accounts

	2020	2019
	\$	\$
Death Benefit 'A'		
Balance at beginning of year	5,621,282	5,522,714
Death Benefit	(353,317)	(71,864)
Net Income Allocated	(212,493)	170,432
Balance at end of year	<u>5,055,472</u>	<u>5,621,282</u>
Death Benefit 'B'		
Balance at beginning of year	2,311,872	2,113,202
Death Benefit	(145,056)	(27,498)
Forfeited Benefits	69,117	194,864
Net Income Allocated	(76,134)	31,304
Balance at end of year	<u>2,159,799</u>	<u>2,311,872</u>

The Death Benefit 'A' and 'B' accounts represent amounts available to pay WISF's additional death benefits. Each Additional Death Benefit is paid in proportional amounts from the two accounts. The 'A' account is funded by the participating employers. A formal actuarial valuation is undertaken every three years to determine the level of contribution required from the participating employers. The most recent valuation was completed as at 31 March 2019 and the actuary stated that the death benefit reserves are very likely to be adequate to cover the death benefit over the next 40 years. The actuary recommended that no additional contributions are required in respect of the death benefits until the next valuation as at 31 March 2022. The 'B' account is funded from the unvested portion of employer accumulations from members' leaving service benefits. Both accounts earn interest during the year.

	2020	2019
	\$	\$
Pension		
Balance at beginning of year	39,351	40,840
Benefits allocated during the year	(3,781)	(3,495)
Net Income allocated	(920)	2,006
Balance at end of year	<u>34,650</u>	<u>39,351</u>

The Pension Reserve Account represents amounts available to pay WISF's pensioners. A formal actuarial valuation is undertaken every three years to determine the level of reserves required to fund the pension payments. The most recent valuation was completed as at 31 March 2019 and the actuary stated that the current level of the pension reserve account was sufficient to meet the expected pension payments to the remaining pensioners.

	2020	2019
	\$	\$
Income Reserve		
Balance at beginning of year	10,022	118,875
Capital Movements during the year	132,474	-
Net Income Allocated	(523)	(108,853)
Balance at end of year	<u>141,974</u>	<u>10,022</u>

(b) Pursuant to the Trust Deed the Trustees shall establish a Income Reserve account for Maritime Retirement scheme which shall be credited with the following:

- (a) any earnings allocated as per section 11 of the Trust Deed;
- (b) any unclaimed benefit;
- (c) any amount where the Member ceases to have the right to receive;
- (d) any moneys arising which are not required to pay the Member's benefits;
- (e) any income or gains not included in earnings allocated as per Section 11 of the Trust Deed.

The Trustees may, at their discretion, apply any part or the whole of the Reserve account to:

- (a) augmenting the rate of earnings allocated under section 11 of the Trust Deed;
- (b) payment of expenses of the Fund;
- (c) increasing the retirement benefits of all Members on an equitable basis;
- (d) providing benefits other than retirement benefits for all Members on an equitable basis;
- (e) providing personal benefits for Members or their Dependants in the case of hardship;
- (f) payment of all or any part of a Participating Employers' contributions of the Fund if they have suspended or terminated their contributions;
- (g) payment of all or part of the contributions of all Members in any year on an equitable basis; and/or
- (h) payment of any benefit paid later than seven days after the date on which it becomes due.

Maritime Retirement Scheme

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2020

6. Financial Assets at Fair Value Through Profit or Loss

	2020	2019
	\$	\$
AMP Capital Investors (New Zealand) Limited Managed Funds		
NZ Cash Fund	10,507,010	12,480,499
NZ Fixed Interest Fund	24,463,967	23,572,867
Australian Equities	8,589,328	11,210,007
Global Equities	22,136,618	23,783,364
	<u>65,696,923</u>	<u>71,046,737</u>
Nikko Asset Management		
Multi Strategy Fund	8,995,780	8,656,492
ANZ Investments Limited		
ANZ Global Equity	48,771,755	53,199,791
Legg Mason		
Global Opportunistic Fixed Income Fund	17,472,406	18,499,598
Hunter Investment		
Global Fixed Interest Fund	40,962,713	40,986,502
Salt Investment		
NZ Dividend Appreciation Fund	10,883,802	12,324,593
Total	<u>192,783,379</u>	<u>204,713,712</u>

7. Gains/(Losses) on Investments

	2020	2019
	\$	\$
Total Net gains on investments held at fair value through profit or loss	<u>(8,115,510)</u>	<u>8,913,427</u>

Broken down as follows:

AMP Capital Investors (New Zealand) Limited Managed Funds	(3,308,111)	4,643,744
Devon Funds Management Limited	-	335,999
Nikko Investment Funds	415,752	65,401
ANZ Investments Limited	(3,442,019)	2,676,831
Salt Fund Management	(296,639)	1,012,187
Legg Mason	(1,045,947)	(100,658)
Hunter Investment Funds	(438,547)	279,922

8. Accounts Receivable

	2020	2019
	\$	\$
Other receivables	11,571	11,571
	<u>11,571</u>	<u>11,571</u>

9. Trade and Other Payables

	2020	2019
	\$	\$
Creative Marketing	73	129
Audit Fees	46,588	48,810
Tax Adviser fees	1,553	-
TIMG -Archive storage and cataloguing	305	328
MJW - Consulting Fees	6,442	4,354
MJW - Administration	19,380	19,100
Trustee Fees	11,686	10,125
Collective RoM audit	4,715	4,715
Custodian controls audit	11,728	-
Legal fees	4,431	-
	<u>106,900</u>	<u>87,561</u>

Maritime Retirement Scheme

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2020

10. Income Tax

The Maritime Scheme invests in a number of funds that are Portfolio Investment Entities. For these investments, the Maritime Scheme can elect to apply a Prescribed Investor Rate ("PIR") of either 0% or 28%. Taxable income calculated within the investments to which a 0% PIR is applied is taxable directly within the Scheme, with the resultant tax charge present on the face of the Statement of Changes in Net Assets as income tax expense/(credit). Taxable income calculated within the investments to which a 28% PIR is applied is taxable within those investments, with any tax deducted/credited reflected in the valuation of investments at year end, with investment returns shown gross of tax.

	2020	2019
	\$	\$
Current Tax	-	1,398,076
Deferred Tax	(135,602)	14,957
	<u>(135,602)</u>	<u>1,413,033</u>
The total charge for the year can be reconciled to the change in net assets as follows:		
Change in Net Assets before Membership Activities	(6,276,012)	10,547,341
Income Tax @ 28%	(1,757,283)	2,953,256
Tax effect of:		
Non Assessable Investment Gains and Losses	1,864,982	(1,031,405)
PIE tax adjustment	(104,890)	14,957
Prior period adjustment	-	3,307
Tax Credits	(122,794)	(307,549)
Members with PIRs less than the maximum rate	(28,839)	(129,016)
Tax at 0% PIR	13,222	(90,517)
Income Tax Expense	<u>(135,602)</u>	<u>1,413,033</u>
Current Tax Payable		
Balance Brought forward	488,731	1,231,505
Tax (paid)	(1,453,000)	(2,137,542)
Current year tax	-	1,398,076
Prior period adjustment	-	(3,307)
Tax (Receivable) / Payable	<u>(964,269)</u>	<u>488,731</u>
Deferred Tax Asset		
Opening balance	37,948	56,212
Prior Period Adjustment	-	(3,307)
Current Deferred Tax Expense	135,602	(14,957)
Deferred Tax Asset	<u>173,550</u>	<u>37,948</u>

As the Maritime Scheme is a PIE, tax payable is determined with reference to each individual member's PIR, rather than being payable by the Scheme at a flat rate of 28%.

Maritime Retirement Scheme

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2020

11. Reconciliation of Net Cash Flows from Operating Activities to Change in Net Assets

	2020	2019
	\$	\$
(Decrease)/Increase in Net Assets	(9,861,612)	(814,642)
Non-cash Items		
Unrealised Gains on Fair value Through Profit and Loss Assets	8,115,510	(8,913,427)
Distribution Income	(3,195,195)	(3,029,170)
Interest Income	-	(43)
Investment Management Fees	1,115,093	1,073,556
Investment Management Rebates	(298,033)	(324,836)
Sale of Property - Rent on behalf of Purchaser	-	15,172
Movements in Other Working Capital Items		
Decrease in Deferred Tax	(135,602)	18,264
(Decrease)/Increase in Benefits Payable	(528,484)	528,485
Increase/(Decrease) in Accounts Payable	19,338	(35,661)
Decrease in GST Payable	(7,254)	(19,802)
Decrease in Tax Payable	(1,452,999)	(742,775)
Net Cash Flows from Operating Activities	(6,229,238)	(12,244,879)

12. Financial Risk Management

The Scheme utilises 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 revenues 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 Policies and Objectives which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Trustees and asset reallocations undertaken as required.

Financial Instruments by Category

As at 31 March 2020

	Financial Asset At Amortised Cost	Financial Assets At Fair Value Through Profit or Loss
	\$	\$
Assets as per Statement of Net Assets		
Trade And Other Receivables	11,571	-
Financial Assets At Fair Value Through Profit or Loss	-	192,783,380
Cash and Cash Equivalents	37,164	-
Total	48,735	192,783,380
	Financial Liabilities At Fair Value Through Profit or Loss	Financial Liabilities At Amortised Cost
	\$	\$
Liabilities as per Statement of Net Assets		
Other Payables	-	106,900
Benefits Payable	-	-
Total	-	106,900

As at 31 March 2019

	Financial Asset at Amortised Cost	Financial Assets At Fair Value Through Profit or Loss
	\$	\$
Assets as per Statement of Net Assets		
Trade And Other Receivables	11,571	-
Contributions Receivable	-	-
Financial Assets At Fair Value Through Profit or Loss	-	204,713,712
Cash and Cash Equivalents	73,444	-
Total	85,015	204,713,712
	Financial Liabilities At Fair Value Through Profit or Loss	Financial Liabilities At Amortised Cost
	\$	\$
Liabilities as per Statement of Net Assets		
Other Payables	-	87,561
Benefits Payable	-	528,485
Total	-	616,046

Maritime Retirement Scheme

Notes to the Financial Statements (Cont'd) For the year ended 31 March 2020

Credit Risk

Credit Risk is the risk that a counterparty to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments which potentially expose the Scheme to credit risk consist of cash, receivables and investments in unitholdings. The maximum credit exposure to credit risk is the carrying value of these financial instruments.

The Trustees manage and monitor credit risk by setting benchmark asset allocations and appointing investment managers to manage each asset class, thereby diversifying the Scheme's assets. The Trustees, with advice of Melville Jessup Weaver, perform due diligence of all investment managers before appointment. The Trustees invite an investment manager to each Trustees meeting to discuss performance and risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: other price risk, currency risk and interest rate risk. The Scheme is exposed indirectly to foreign exchange risk and interest rate risk through its investments in unitholdings. The Scheme is exposed directly and indirectly to other price risks through its investments in unitholdings.

Due to the unitholdings nature of the investment it is not practical to determine the sensitivity of the unit price to changes in foreign exchange rates, interest rates or other market factors. Risk management activities are undertaken by the Scheme's investment managers to operate within the guidelines provided by the Trustees.

Risk management activities are undertaken by the Trustees to manage the market risks outlined below. The Trustees use the services of Melville Jessup Weaver to actively manage the Scheme's cash flow according to benchmark asset allocations. The Trustees review the overall asset allocation and decide on rebalancing at certain Trustees meetings. The Trustees invite investment managers to each Trustees meeting to discuss performance and risk. In addition, Melville Jessup Weaver's services are used to produce investment monitors that report on and assess investment manager performance against benchmarks set in the Statement of Investment Policy and Objectives (the "SIPO").

Other Price Risk

Other price risk is the risk that the value of the Scheme's investments will increase or decrease due to a change in the unit prices of the Scheme's investments.

A thirteen percent (2018: ten) decrease in the unit prices of the Scheme's investments would have an adverse impact on the value of the Scheme's assets of \$25,061,839 (2019: \$20,471,371). Conversely, a thirteen percent (2018: ten) increase in the unit prices of the Scheme's investments would have a positive impact on the value of the Scheme's assets of \$25,061,839 (2019: \$20,471,371). The maximum exposure to other price risk is the carrying value of these financial instruments.

Currency Risk

Some of the Scheme's assets are invested overseas. Returns on assets held overseas can be affected by changes in the value of the New Zealand dollar and overseas currencies. The Scheme's overseas investments have different amounts of currency hedging depending on the asset class and the hedging policy. Most asset classes have no hedging except for AMP's Global Equities Fund, Hunter's Global Fixed Interest Fund and Legg Mason's Global Opportunistic Fixed Income Fund which has full hedging against currency movements.

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

Interest Rate Risk

The Scheme is indirectly exposed to interest rate risk in that future interest rate movements will indirectly affect the valuation of investments in unitholdings which invest in cash and fixed interest investments. There is no maturity period for unitholdings investments.

Interest rate risk management activities are undertaken by the investment managers in accordance with the investment mandates set by the Trustees.

Liquidity Risk

Liquidity risk is the risk that the Scheme will encounter difficulty in raising funds to meet its obligations to pay Members. However, to control liquidity risk, the Scheme invests in financial instruments. The Scheme's investments, with the exception of the Multi Strategy Fund, are considered to be readily realisable. The Multi Strategy portfolio invests in non-traditional investments such as infrastructure and commodities and are therefore less liquid than traditional asset classes.

For the remaining investments, there are no restrictions on the redemption of units and they may be redeemed for cash at any time, subject to the approval of the Investment Managers. The investment managers do reserve the right to limit redemptions under extreme market conditions, but the Trustees spread this risk by investing across multiple asset classes and the investment managers further spread this risk by investing across multiple securities within those classes.

Capital Management

Net assets available to pay 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.

Maritime Retirement Scheme

Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2020

13. 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 policies.

The Scheme classifies fair value measurements of financial instruments at fair value through profit or loss using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Valuation techniques using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Valuation techniques using inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The unit price 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 Scheme 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.

The following tables analyses within the fair value hierarchy the Scheme's financial assets and non-financial assets measured at fair value:

31 March 2020				
Assets	Level 1	Level 2	Level 3	Total Balance
	\$	\$	\$	\$
Financial assets designated at fair value through profit or loss	-	192,783,380	-	192,783,380
Total Assets	-	192,783,380	-	192,783,380

31 March 2019				
Assets	Level 1	Level 2	Level 3	Total Balance
	\$	\$	\$	\$
Financial assets designated at fair value through profit or loss	-	204,713,712	-	204,713,712
Total Assets	-	204,713,712	-	204,713,712

14. Auditor's Remuneration - Audit Fees

	2020	2019
	\$	\$
Audit of financial statements - Deloitte Limited	(58,433)	(55,200)
Audit of the Register	(4,715)	-
Custodian Control	(11,728)	-
Tax advisory services - Deloitte Limited	(24,997)	(59,333)
Total	(99,873)	(114,533)

15. Commitments and Contingent Liabilities

No contingent liability for the year. (2019: Nil).

16. 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 the receipt of employer contributions of \$4,308,625 per annum (2019: \$4,143,562).

The Scheme pays secretarial fees to some of the Trustees, trustee liability insurance and reimburses the Trustees' costs for travelling, etc. During the year, the Trustee fees were \$71,238 (2019: \$120,007). Trustees that are members of the Scheme contribute on the same basis and have the same rights as other members of the Scheme.

During the year the Scheme paid \$31,108 (2019: \$40,480) in premiums for trustee liability insurance.

17. Events after Balance date

The outbreak of the novel coronavirus (COVID-19) in early 2020 has affected business and economic activity around the world, including New Zealand. Given the spread of the COVID-19, the range of potential outcomes for the global economy are difficult to predict at this point in time. Possible outcomes range from successful virus containment and minor short term impact, to a prolonged global contagion resulting in possible recession. At the same time, there are a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. When it comes to the Scheme, we are monitoring the COVID-19 outbreak closely, the directors follow guidance from the World Health Organization and abides by the requirements activated by local governments. The investments balance as at 30 June 2020 increased by \$14,163,669 compared to the balance as at 31 March 2020. The Trustees note that the investment value is dependent upon the price of the underlying assets and the markets are volatile due to COVID-19 as discussed above. (2019: Nil)

Independent Auditor's Report

To the Members of Maritime Retirement Scheme

Opinion	<p>We have audited the financial statements of Maritime Retirement Scheme (the 'Scheme'), which comprise the statement of net assets as at 31 March 2020, and the statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.</p> <p>In our opinion, the accompanying financial statements, on pages 1 to 13, present fairly, in all material respects, the financial position of the Scheme as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').</p>
Basis for opinion	<p>We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Statements</i> section of our report.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.</p> <p>We are independent of the Scheme in accordance with Professional and Ethical Standard 1 (Revised) <i>Code of Ethics for Assurance Practitioners</i> issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' <i>Code of Ethics for Professional Accountants</i>, and we have fulfilled our other ethical responsibilities in accordance with these requirements.</p> <p>Other than in our capacity as auditor, the provision of other assurance services, and the provision of taxation advice, we have no relationship with or interests in the Scheme. These services have not impaired our independence as auditor of the Scheme.</p>
Key audit matters	<p>Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.</p> <p>We have determined that there are no key audit matters to communicate in our report.</p>
Other information	<p>The Trustees are responsible on behalf of the Scheme for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report. The Annual Report is expected to be made available to us after the date of this auditor's report.</p> <p>Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.</p> <p>Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>When we read the other information in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Trustees and consider further appropriate actions</p>

The Trustees' responsibilities for the financial statements

The Trustees 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 Trustees 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 Trustees are 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 Trustees either intend 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-2>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Scheme's members, as a body. Our audit has been undertaken so that we might state to the Scheme's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Silvio Bruinsma, Partner
for Deloitte Limited
Wellington, New Zealand
30 July 2020

