

**MARITIME RETIREMENT SCHEME**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 MARCH 2018**

**MARITIME RETIREMENT SCHEME**

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For the year ended 31 March 2018**

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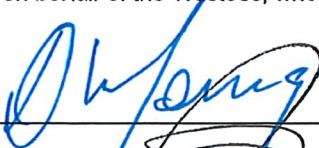
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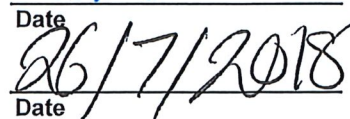
**Maritime Retirement Scheme  
Statement of Net Assets  
As at 31 March 2018**

(All amounts are in NZD unless otherwise stated)

	Note	2018	2017
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents		5,152,052	335,552
Investments designated as fair value through profit or loss	6	200,486,107	193,412,098
Accounts Receivable	8	226,699	-
Deferred Tax Asset		56,212	-
<b>Total Current Assets</b>		<b>205,921,071</b>	<b>193,747,650</b>
<b>NON-CURRENT ASSETS</b>			
Rental Property	10	-	4,700,000
		-	4,700,000
<b>Total Assets</b>		<b>205,921,071</b>	<b>198,447,650</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	9	(123,223)	(85,690)
GST Payable		(27,057)	(24,281)
Benefits Payable		-	(49,708)
Current Tax Payable	11	(1,231,505)	(198,251)
Deferred Tax Liability	11	-	(46,946)
<b>Total Liabilities</b>		<b>(1,381,785)</b>	<b>(404,876)</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		<b>204,539,286</b>	<b>198,042,774</b>
<i>Represented by:</i>			
Member Accounts		109,906,971	102,929,926
Employer Accounts		73,728,462	76,519,754
Maritime KiwiSaver Scheme Accounts		13,108,221	11,834,297
Reserve Accounts		7,795,632	6,758,797
<b>Total</b>	5	<b>204,539,286</b>	<b>198,042,774</b>

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

Trustee 

26/7/18  
Date  
  
Date

Trustee 

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 2018**  
(All amounts are in NZD unless otherwise stated)

	Note	2018	2017
<b>INVESTMENT ACTIVITIES</b>			
<b>Investment revenue</b>			
Interest received		801	103
Distributions received		1,583,844	459,479
Rental Income	10	307,646	296,037
Gain on Sale of Investment Property	10	850,000	-
Net gains on investments held at fair value through profit or loss	7	11,391,699	16,883,027
		<u>14,133,990</u>	<u>17,638,646</u>
<b>Investment Expenses and Rebates</b>			
Investment Management Fees		(798,494)	(668,564)
Investment Management Fee Rebates		201,614	60,789
Property Expenses		(92,767)	4,686
		<u>(689,647)</u>	<u>(603,089)</u>
<b>Net investment revenue</b>		<u>13,444,343</u>	<u>17,035,557</u>
<b>OTHER REVENUES</b>			
Other Income		11,571	-
Use of Money Interest		6,006	-
<b>Total Other Revenue</b>		<u>17,577</u>	<u>-</u>
<b>OTHER EXPENSES</b>			
Administration Fees		(224,336)	(259,092)
Consulting Fees		(53,377)	(40,857)
Actuarial fees		-	(9,248)
Auditors' Remuneration - Audit of Financial Statement	15	(63,250)	(39,273)
Auditors' Remuneration - Register of Members	15	(4,600)	-
Auditors' Remuneration - Control Assurance Services	15	(14,822)	-
Tax Advisory Services	15	(47,208)	(30,969)
Trustee Fees		(146,948)	(120,012)
Legal Fees		(26,956)	(74,121)
FMA Fees/Levies		(6,913)	(8,212)
General Expenses		(14,434)	18,148
Use of Money Interest		-	(112)
<b>Total Other Expenses</b>		<u>(602,844)</u>	<u>(563,748)</u>
<b>Gain before taxation and membership activities</b>		<b>12,859,076</b>	<b>16,471,809</b>
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>			
Members' Contributions		5,766,228	5,605,283
Employers' Contributions		4,036,348	4,411,440
Unallocated Contributions		14,702	38,889
Kiwisaver contributions		1,431,841	1,665,162
<b>Total Contributions</b>		<u>11,249,120</u>	<u>11,718,774</u>
<b>Less:</b>			
Withdrawals		(5,508,115)	(5,980,154)
Disablement		(461,690)	(567,468)
Death		(605,488)	(1,393,125)
Retirement		(3,961,466)	(6,563,684)
Redundancy		(223,088)	(226,037)
Terminal Illness		-	(250,652)
Partial withdrawals		(5,091,529)	(4,835,998)
Pensions		(5,217)	(6,527)
Group life premiums		(16,819)	(37,612)
PIE Tax expense	11	(1,621,308)	(1,986,989)
2017 PIE tax paid on behalf of KiwiSaver Scheme		(116,962)	-
		<u>(17,611,683)</u>	<u>(21,848,246)</u>
<b>Net Membership Activities</b>		<b>(6,362,564)</b>	<b>(10,129,473)</b>
<b>Net Increase/(Decrease) in Net Assets During The Year</b>		<b>6,496,512</b>	<b>6,342,336</b>
<b>Net Assets Available for Benefits at Beginning of Year</b>		<b>198,042,774</b>	<b>191,700,438</b>
<b>Net Assets Available for Benefits at End of Year</b>		<u><u>204,539,286</u></u>	<u><u>198,042,774</u></u>

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 ending 31 March 2018**  
(All amounts are in NZD unless otherwise stated)

	Note	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash provided from</i>			
Contributions from Members and Employers		10,971,100	11,720,680
Rental Income		353,793	340,442
Interest and Other Income		67	103
		<u>11,324,960</u>	<u>12,061,225</u>
<i>Cash applied to</i>			
Benefits Paid		(15,628,283)	(19,773,937)
Investment Management fees		(1,979)	(33,591)
Property Expenses		(81,194)	-
Other Expenses		(591,438)	(791,327)
Provisional Tax paid		(802,168)	(1,700,000)
GST paid		(45,637)	(28,568)
<b>Net Cash Flows from Operating Activities</b>	<b>12</b>	<u><b>(5,825,739)</b></u>	<u><b>(10,266,198)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash provided from</i>			
Sale of Investments		62,632,257	42,616,985
<i>Cash was applied to</i>			
Purchase of Investments		(51,990,018)	(32,823,676)
<b>Net Cash Flows from Investing Activities</b>		<u><b>10,642,239</b></u>	<u><b>9,793,309</b></u>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>		<b>4,816,500</b>	<b>(472,889)</b>
<b>Cash at Beginning of Year</b>		<b>335,552</b>	<b>141,970</b>
<b>Transfer of Cash and Cash Equivalents</b>		<b>-</b>	<b>666,471</b>
<b>Cash at End of Year</b>		<u><u><b>5,152,052</b></u></u>	<u><u><b>335,552</b></u></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 2018

#### 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 2018 were:

	Pensioners	Defined Contribution	Total
01 April 2017	5	1,729	1,734
New member	0	107	107
Death	(1)	(8)	(9)
Withdrawal/Resignations	0	(80)	(80)
Retirements	0	(44)	(44)
Transfers Out	0	(7)	(7)
31 March 2018	4	1,697	1,701

The Fund is domiciled in New Zealand and the address of their registered office is c/o Melville Jessup Weaver, Level 5, 40 Mercer Street, Wellington 6142. 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.

As at 31 March 2018, the Trustees of the Fund are:

David Young  
Simon Brodie  
Joe Fleetwood  
David Scott  
Ray Welton  
Diane Edwards  
Alan Windsor  
Mike Clark  
Russel Mayn  
Mark Thompson

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 Waterfront Fund 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 (2017: five) pensioners within the Waterfront Fund. The Trustees have established a pension reserve to which \$40,840 (2017: \$43,450) 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

The previous Seafarers and Waterfront Trust Deeds have been rescinded and the replacement, dated 31 March 2016, is a Trust Deed for the Maritime Retirement Scheme. The new Trust Deed facilitates the amalgamation of the Waterfront Industry Superannuation Fund and Seafarers Retirement Fund into the new Maritime Retirement Scheme and the transition to the new FMCA regulatory regime. The Waterfront Industry Superannuation Fund has been used as the comparative in the financial statements.

## Maritime Retirement Scheme

### Notes to the Financial Statements (Cont'd) For the year ended 31 March 2018

#### 2. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods

##### 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 utilised investments 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.

##### Rental Income

Rental income is recognised in the Statement of Changes in Net Assets on a straight-line basis over the lease term.

##### Expenses

All expenses are accounted for on an accruals basis.

##### Receivables

Receivables do not carry any interest, are short term in nature and are stated at amortised cost.

##### Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid at balance date. These amounts are unsecured and are usually paid within 30 days of recognition. These financial liabilities are stated at amortised cost.

##### 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 interests and intends to settle on a net basis.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

## Maritime Retirement Scheme

### Notes to the Financial Statements (Cont'd) For the year ended 31 March 2018

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

##### Classification of assets and liabilities

The Scheme classifies its investments as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are designated by the Scheme at fair value through profit or loss at inception.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Trustee to evaluate the information about these financial assets on a fair value basis together with other related financial information. The Trustees have determined that all financial assets of the Scheme are designated at fair value through profit and loss with the exception of cash at bank, receivables, prepayments and payables which are classified as loans and receivables.

##### Recognition and Derecognition

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

##### Measurement

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. 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 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 measurement is based on the presumption that the transaction to sell the asset or transfer a liability takes place either:

- In the principle market of the asset or liability.
- In the absence of a principle market, in the most advantageous market for the asset or liability.
- The principle or most advantageous market must be accessible by the

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming market participants act in their economic best interest.

##### Property

During the year the property held by the Scheme was sold. For the previous year the property was valued at fair value at balance date by an independent registered valuer.

##### 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.



Maritime Retirement Scheme

Notes to the Financial Statements (Cont'd)  
For the year ended 31 March 2018

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

Changes in accounting policies

Following changes were made to the Trust Deed for the year ended 31 March 2018. The accounting policies have been applied consistently to all periods presented in these financial statements.

On 3 May 2017 a Trust Deed amendment was executed by the trustees. As well as some minor amendments there were two significant changes:

1. Removed clause 5.10 so that, in future, there shall be no separation of assets for each of the Seafarers Fund, the Waterfront Fund and the Trustees' Member Fund (collectively the "Funds"); and
2. Amended clause 13.1, 13.2, 13.4 to remove requirements for the Trustees to keep separate accounting records prepare separate financial statements and annual report at each of these Funds as well as the Scheme.

As a consequence of the above changes in Trust Deed, the financial statements are presented under one column for the current year and for the comparison, figures for the previous year are also presented under one column.

Standards and Interpretations on Issue not yet adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations were on issue but not yet effective. The full impact of the Standards and Interpretations not yet adopted in the Scheme's financial statements is yet to be assessed.

NZ IFRS 9 Financial Instruments - Effective from 1 January 2018, with early adoption permitted. This standard introduces new requirements for the classification and measurement of financial assets. All recognised financial assets that are currently in the scope of NZ IAS 39 will be measured at either amortised cost or fair value. NZ IAS 26 already requires investments to be valued at fair value, so NZ IFRS 9 will not affect the measurement of the Scheme's financial assets.

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 2018:

	Member Account \$	Employer Account \$	Reserve Account \$	Total 2018 \$
Balance 1 April 2017	114,604,840	76,519,754	6,918,180	198,042,774
Contributions	6,767,187	4,467,230	14,702	11,249,120
Benefits paid	(10,661,840)	(4,870,572)	(97,076)	(15,629,489)
Forfeited Benefits	-	(221,889)	221,889	-
Pension payments	-	-	(5,217)	(5,217)
Net Income Allocated	8,220,590	1,918,354	743,154	10,882,098
Balance 31 March 2018	118,930,777	77,812,877	7,795,632	204,539,286

Changes in promised benefits as at 31 March 2017:

	Member Account \$	Employer Account \$	Reserve Account \$	Total 2017 \$
Balance 1 April 2016	80,349,497	38,832,331	6,623,719	125,805,547
Transfers In	26,212,056	39,303,043	379,792	65,894,891
Contributions	6,987,651	4,731,123	-	11,718,774
Benefits paid	(8,076,548)	(11,740,568)	-	(19,817,116)
Forfeited Benefits	-	(266,353)	266,353	-
Pension payments	-	-	(6,527)	(6,527)
Net Income Allocated	9,132,185	5,660,178	(345,156)	14,447,206
Balance 31 March 2017	114,604,840	76,519,754	6,918,180	198,042,774

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits. (2017: 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.

	2018 \$	2017 \$
	195,977,899	183,649,331

Maritime Retirement Scheme

Notes to the Financial Statements (Cont'd)  
For the year ended 31 March 2018

5. Reserve Account

(a) Changes in Reserve Accounts

	2018	2017
<b>Death Benefit 'A'</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of year	5,394,984	5,063,166
Death Benefit	(72,370)	(123,522)
Net Income Allocated	200,100	455,341
Balance at end of year	<u>5,522,714</u>	<u>5,394,984</u>
<b>Death Benefit 'B'</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of year	1,840,180	1,473,984
Death Benefit	(24,706)	(35,861)
Forfeited Benefits	221,889	266,353
Net Income Allocated	75,840	135,705
Balance at end of year	<u>2,113,202</u>	<u>1,840,180</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 2016 and the actuary recommended no further contributions were required until the next valuation as at 31 March 2019. The 'B' account is funded from the unvested portion of employer accumulations from members' leaving service benefits. Both accounts earn interest during the year.

	2018	2017
<b>Pension</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of year	43,450	45,811
Benefits allocated during the year	(5,217)	(8,527)
Net Income allocated	2,608	4,166
Balance at end of year	<u>40,840</u>	<u>43,450</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 2016 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.

	2018	2017
<b>Income Reserve</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of year	(360,434)	420,550
Capital movements during the year	363,000	(381,794)
Net Income Allocated	116,309	(399,189)
Balance at end of year	<u>118,875</u>	<u>(360,434)</u>

The Income Reserve balance above includes amount allocated to provide for contingent liability mentioned in Note 16 below and for following expenses expected to be incurred for services received in relation to the sale of property according to the estimates provided by Trustees:

	<b>\$</b>
(I) Legal and management fees - DLA Piper	4,000
(II) Property Inspection fees	20,000
<b>Total</b>	<u><u>24,000</u></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 2018

6. Financial Assets at Fair value through Profit or Loss

	2018	2017
	\$	\$
AMP Capital Investors (New Zealand) Limited Managed Funds		
NZ Cash Fund	18,667,461	17,646,619
NZ Fixed Interest Fund	22,127,894	22,739,984
Australian Equities	11,690,311	7,614,664
Global Equities	17,345,794	17,641,287
	<u>69,831,460</u>	<u>65,642,554</u>
Nikko Asset Management		
Multi Strategy Fund	12,380,364	5,561,007
	<u>12,380,364</u>	<u>5,561,007</u>
ANZ Investments Limited		
ANZ Fixed Interest International	-	31,212,066
ANZ Global Equity	48,594,064	44,493,837
	<u>48,594,064</u>	<u>75,705,903</u>
Devon		
Australian Equity	3,232,688	11,800,893
NZ Equity	13,628,654	17,085,927
	<u>16,861,342</u>	<u>28,886,820</u>
Legg Mason		
Global Opportunistic Fixed Income Fund	18,564,905	17,615,814
	<u>18,564,905</u>	<u>17,615,814</u>
Hunter Investment		
Global Fixed Interest Fund	34,253,972	-
Total	<u>200,486,107</u>	<u>193,412,098</u>

7. Gains/(losses) on Investments

	2018	2017
	\$	\$
Total Net gains on investments held at fair value through profit or loss	<u>11,391,699</u>	<u>16,883,027</u>

Broken down for the current year as follows:

AMP Capital Investors (New Zealand) Limited Managed Funds	3,771,004	4,944,587
Devon Funds Management Limited	183,422	670,113
Nikko Investment Funds	389,319	376,810
ANZ Investments Limited	6,599,386	8,860,588
Milford Asset Management	-	960,817
Standard Life Investments	-	60,056
Legg Mason	949,091	837,675
Hunter Investment Funds	(500,524)	-
Rental Property	-	172,400

8. Accounts Receivable

	2018	2017
	\$	\$
Investment Management Fees Rebates Receivable	-	-
Receivable from DLA Piper for sale of Property	215,128	-
Other receivables	11,571	-
	<u>226,699</u>	<u>-</u>

9. Trade and other payables

	2018	2017
	\$	\$
Creative Marketing	129	129
Audit Fees	45,527	47,323
Property Expenses	9,308	-
TIMG - Archive storage and cataloguing	-	329
Legal Fees	6,727	8,242
MJW - Administration	55,936	22,318
Trustee Fees	5,597	6,987
Workplace Savings	-	383
	<u>123,223</u>	<u>85,690</u>

Maritime Retirement Scheme

Notes to the Financial Statements (Cont'd)  
For the year ended 31 March 2018

10. Investment Property

The investment property was located at 26 Vesley Drive, Mt. Wellington, Auckland. The registered owner was Maritime Retirement Scheme Nominees Limited which was the nominee company that holds the property on behalf of the Scheme. The property was sold on 7th December 2017 to Brent John Robinson or Nominee for \$5,550,000. DLA Piper was appointed as legal advisor & Bayleys Real Estate Limited as broker. They carried out the sale proceedings on behalf of Maritime Retirement Scheme Nominees Limited. Total brokerage & commission paid for the services was \$63,825.

Before the sale of the property the scheme earned a net rental income of \$307,646 and incurred expenses amounting to \$17,369.

11. 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.

	2018	2017
	\$	\$
Current Tax	1,724,486	1,986,989
Deferred Tax	(103,158)	-
	<u>1,621,308</u>	<u>1,986,989</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	12,859,076	16,471,809
Income Tax @ 28%	3,600,542	4,612,107
Tax effect of:		
Non Assessable Investment Gains and Losses	(1,290,983)	(1,971,632)
PIE tax adjustment	(18,286)	46,408
Prior period adjustment	-	(3,179)
Tax Credits	(416,857)	(411,522)
Members with PIRs less than the maximum rate	(145,453)	(168,231)
Tax at 0% PIR	(107,675)	(116,962)
Income Tax Expense	<u>1,621,308</u>	<u>1,986,989</u>
Current Tax Payable		
Balance Brought forward	198,251	402,129
Tax (paid)	(808,174)	(1,700,000)
Current year tax	1,841,428	1,499,301
Prior period adjustment	-	(3,179)
Tax Payable	<u>1,231,505</u>	<u>198,251</u>
Deferred Tax Liability		
Opening balance	(46,946)	(21,074)
Prior period adjustment	-	-
Current deferred tax expense	103,158	(25,872)
Deferred Tax Asset/(Liability)	<u>56,212</u>	<u>(46,946)</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 2018

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

	2018	2017
	\$	\$
Increase/(Decrease) in Net Assets	6,496,512	72,237,227
<b>Non-cash Items</b>		
Unrealised Gains on Fair value Through Profit and Loss Assets	(11,391,699)	(16,883,027)
Gain on Sale of Property	(850,000)	-
Distribution Income	(1,583,844)	(459,479)
Interest Income	(733)	-
Other Income - Overpayment of Interest recoverable	(11,571)	-
Investment Management fees	798,515	635,082
Investment Management rebates	(201,614)	(60,789)
Transfers In - Seafarers Retirement Fund	-	(55,435,278)
Transfers In from KiwiSaver funds	-	(10,459,613)
<b>Movements in Other Working Capital Items</b>		
(Decrease)/Increase in Benefits Payable	(49,708)	49,708
Decrease in Accounts Payable	37,532	85,690
Increase in GST Payable	2,776	24,281
Increase in Tax Payable	930,096	-
<b>Net Cash Flows from Operating Activities</b>	<u>(5,825,739)</u>	<u>(10,266,198)</u>

13. 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 2018

	Loans and Receivables	Assets at Fair Value
	\$	\$
<b>Assets as per Statement of Net Assets</b>		
Trade and other receivables	226,699	-
Financial assets at fair value through profit or loss	-	200,486,107
Cash and cash equivalents	5,152,052	-
<b>Total</b>	<u>5,378,752</u>	<u>200,486,107</u>
	<b>Liabilities at fair value through Profit or Loss</b>	<b>Other financial liabilities</b>
	\$	\$
<b>Liabilities as per Statement of Net Assets</b>		
Other payables	-	123,223
<b>Total</b>	<u>-</u>	<u>123,223</u>

As at 31 March 2017

	Loans and Receivables	Assets at Fair Value
	\$	\$
<b>Assets as per Statement of Net Assets</b>		
Trade and other receivables	-	-
Contributions Receivable	-	-
Financial assets at fair value through profit or loss	-	193,412,098
Cash and cash equivalents	335,552	-
<b>Total</b>	<u>335,552</u>	<u>193,412,098</u>
	<b>Liabilities at fair value through Profit or Loss</b>	<b>Other financial liabilities</b>
	\$	\$
<b>Liabilities as per Statement of Net Assets</b>		
Other payables	-	85,690
Benefits Payable	-	49,708
<b>Total</b>	<u>-</u>	<u>135,398</u>

## Maritime Retirement Scheme

### Notes to the Financial Statements (Cont'd) For the year ended 31 March 2018

#### 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 unlisted products. 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 unlisted products. The Scheme is exposed directly and indirectly to other price risks through its investments in unlisted products.

Due to the unlisted 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 an investment manager 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 ten percent decrease in the unit prices of the Scheme's investments would have an adverse impact on the value of the Scheme's assets of \$20,048,611 (2017: \$19,341,210). Conversely, a ten percent increase in the unit prices of the Scheme's investments would have a positive impact on the value of the Scheme's assets of \$20,048,611 (2017: \$19,341,210). 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 unlisted products which invest in cash and fixed interest investments. There is no maturity period for unlisted 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 2018

14. 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 2018				
Assets	Level 1	Level 2	Level 3	Total Balance
Financial assets designated at fair value through profit or loss	-	200,486,107	-	200,486,107
Rental property	-	-	-	-
<b>Total Assets</b>	<b>-</b>	<b>200,486,107</b>	<b>-</b>	<b>200,486,107</b>

31 March 2017				
Assets	Level 1	Level 2	Level 3	Total Balance
Financial assets designated at fair value through profit or loss	-	193,412,098	-	193,412,098
Rental property	-	4,700,000	-	4,700,000
<b>Total Assets</b>	<b>-</b>	<b>198,112,098</b>	<b>-</b>	<b>198,112,098</b>

15. Auditor's Remuneration - Audit Fees

	2018	2017
	\$	\$
Audit of financial statements - Deloitte Limited	(63,250)	(34,673)
Audit of the Register - Deloitte Limited	(4,600)	(4,600)
Custodian Control - Deloitte Limited	(14,822)	-
Tax advisory services - Deloitte Limited	(47,208)	(57,098)
<b>Total</b>	<b>(129,880)</b>	<b>(96,371)</b>

16. Commitments and Contingent Liabilities

Under the clause 22 of sale / purchase agreement entered in relation to sale of property located at 26 Vestey Drive, Mt. Wellington, Auckland, Maritime Retirement Scheme Nominees Limited ("the Scheme"), being the vendor, is required to obtain Code of Compliance Certificate in relation to the property under agreement. Initially the Scheme had to fulfilled this condition by 23 June 2018, however as per latest understanding with the purchaser this deadline has been extended to further 90 days from 23 June 2018 i.e. by 22 September 2018. In the event this condition is not satisfied by the Scheme, purchaser shall be entitled to receive \$200,000 for non-compliance. This amount is deposited under a Trust account by DLA Piper for this contingent event.

Operating Lease Commitments Receivable

Since the property was sold on 07 December 2017, the scheme has no Operating Lease Commitment Receivable after date of sale. During the year the scheme earned \$307,646 as rental income.

17. 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 \$4,036,348 per annum (2017: \$4,411,440).

The Scheme pays secretarial fees to the Trustees, trustee liability insurance and reimburses the Trustees' costs for travelling, etc. During the year, the Trustee fees were \$146,948 (2017: \$120,012). Trustees that are members of the Scheme contribute on the same basis and have the same rights as other members of the Scheme.

18. Events after Balance date

There have been no material events after balance date that require adjustment to, or disclosure in, the financial statements.

## Independent Auditor's Report

### To the Shareholders of Maritime Retirement Scheme

**Opinion** We have audited the financial statements of Maritime Retirement Scheme (the 'Scheme'), which comprise the Statement of Net Assets as at 31 March 2018, 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 1 to 13, present fairly, in all material respects, the financial position of the Scheme as at 31 March 2018, 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 compliance assistance and other assurance services, we have no relationship with or interests in the Scheme. These services have not impaired our independence as auditor of the Scheme.

**Other information** 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.

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 identified above when it becomes available and consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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.

**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-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*

**Silvio Bruinsma, Partner  
for Deloitte Limited**  
Wellington, New Zealand  
26 July 2018

