

**MARITIME RETIREMENT SCHEME**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 MARCH 2019**

# MARITIME RETIREMENT SCHEME

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**Maritime Retirement Scheme  
Statement of Net Assets  
As at 31 March 2019**

(All amounts are in NZD unless otherwise stated)

	Note	2019	2018
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents		73,444	5,152,052
Investments At Fair Value Through Profit or Loss	6	204,713,712	200,486,107
Accounts Receivable	8	11,571	226,699
Deferred Tax Asset		37,948	56,212
<b>Total Current Assets</b>		<b>204,836,675</b>	<b>205,921,071</b>
<b>Total Assets</b>		<b>204,836,675</b>	<b>205,921,071</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	9	(87,561)	(123,223)
GST Payable		(7,254)	(27,057)
Benefits Payable		(528,485)	-
Current Tax Payable	11	(488,730)	(1,231,505)
<b>Total Liabilities</b>		<b>(1,112,030)</b>	<b>(1,381,785)</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		<b>203,724,645</b>	<b>204,539,286</b>
<i>Represented by:</i>			
Member Accounts		111,332,230	109,906,971
Employer Accounts		71,181,799	73,728,462
Maritime KiwiSaver Scheme Account		13,228,087	13,108,221
Reserve Accounts		7,982,528	7,795,632
<b>Total</b>	5	<b>203,724,645</b>	<b>204,539,286</b>

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

  
 \_\_\_\_\_  
 Trustee

  
 \_\_\_\_\_  
 Trustee

17/7/19  
 \_\_\_\_\_  
 Date

17-07-2019.  
 \_\_\_\_\_  
 Date

**Maritime Retirement Scheme**  
**Statement of Changes in Net Assets For the year ended 31 March 2019**  
(All amounts are in NZD unless otherwise stated)

	Note	2019	2018
<b>INVESTMENT ACTIVITIES</b>			
<b>Investment Revenue</b>			
Interest Received		1,265	801
Distributions Received		3,029,170	1,583,844
Rental Income	10	-	307,646
Gain on Sale of Investment Property	10	-	850,000
Net gains on Investments At Fair Value Through Profit or Loss	7	8,913,427	11,391,699
<b>Total Investment Revenue</b>		<b>11,943,862</b>	<b>14,133,990</b>
<b>Investment Expenses and Rebates</b>			
Investment Management Fees		(1,073,556)	(798,494)
Investment Management Fee Rebates		324,836	201,614
Property Expenses	10	(27,872)	(92,767)
<b>Total Investment Expenses And Rebates</b>		<b>(776,592)</b>	<b>(689,647)</b>
<b>Net Investment Revenue</b>		<b>11,167,270</b>	<b>13,444,343</b>
<b>OTHER REVENUES</b>			
Other Income		876	11,571
Use of Money Interest		-	6,006
<b>Total Other Revenue</b>		<b>876</b>	<b>17,577</b>
<b>OTHER EXPENSES</b>			
Administration Fees		(228,000)	(224,336)
Consulting Fees		(26,385)	(53,377)
Auditors' Remuneration - Audit of Financial Statement	15	(55,200)	(63,250)
Auditors' Remuneration - Register of Members	15	-	(4,600)
Auditors' Remuneration - Control Assurance Services	15	-	(14,822)
Tax Advisory Services	15	(59,333)	(47,208)
Trustee Fees		(120,007)	(146,948)
Trustee Liability Insurance		(40,480)	-
Legal Fees		(29,098)	(26,956)
FMA Fees/Levies		(33,157)	(6,913)
General Expenses		(27,845)	(14,434)
Use of Money Interest		(1,300)	-
<b>Total Other Expenses</b>		<b>(620,805)</b>	<b>(602,844)</b>
<b>Gain before taxation and membership activities</b>		<b>10,547,341</b>	<b>12,859,076</b>
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>			
Members' Contributions		5,732,569	5,766,228
Employers' Contributions		4,143,562	4,036,348
Unallocated Contributions		-	14,702
Transfer In		41,310	-
KiwiSaver Contributions		1,387,526	1,431,841
<b>Total Contributions</b>		<b>11,304,967</b>	<b>11,249,120</b>
<b>Less:</b>			
KiwiSaver Withdrawals		(1,620,416)	(5,508,115)
Unallocated Contributions Refunded		(17,207)	-
Disablement		(767,104)	(461,690)
Death		(1,272,818)	(605,488)
First home Withdrawal		(232,812)	-
Financial Hardship		(263,700)	-
Retirement		(7,676,695)	(3,961,466)
Resignation		(4,077,639)	-
Redundancy		(469,076)	(223,088)
Transfers Out		(1,668)	-
Terminal Illness		(22,452)	-
Partial Withdrawals		(4,627,883)	(5,091,529)
Pensions		(3,495)	(5,217)
Group Life Premiums		(14,433)	(16,819)
PIE Tax Expense	11	(1,413,033)	(1,621,308)
PIE Tax Paid on behalf of KiwiSaver Scheme		(186,522)	(116,962)
		<b>(22,666,949)</b>	<b>(17,611,683)</b>
<b>Net Membership Activities</b>		<b>(11,361,983)</b>	<b>(6,362,564)</b>
<b>Net (Decrease)/Increase in Net Assets During The Year</b>		<b>(814,642)</b>	<b>6,496,512</b>
<b>Net Assets Available for Benefits at Beginning of Year</b>		<b>204,539,286</b>	<b>198,042,774</b>
<b>Net Assets Available for Benefits at End of Year</b>		<b>203,724,645</b>	<b>204,539,286</b>

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 2019**  
(All amounts are in NZD unless otherwise stated)

	Note	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash provided from</i>			
Contributions from Members and Employers		11,287,761	10,971,100
Rental Income		4,645	353,793
Interest and Other Income		2,098	67
		<u>11,294,504</u>	<u>11,324,960</u>
<i>Cash applied to</i>			
Benefits Paid		(20,507,271)	(15,628,283)
Investment Management Fees		-	(1,979)
Property Expenses		(35,165)	(81,194)
Other Expenses		(660,291)	(591,438)
Provisional Tax Paid		(2,325,365)	(802,168)
GST Paid		(11,291)	(45,637)
<b>Net Cash Flows from Operating Activities</b>	<b>12</b>	<u><b>(12,244,879)</b></u>	<u><b>(5,825,739)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash provided from</i>			
Sale of Investments		33,117,954	62,632,257
<i>Cash was applied to</i>			
Purchase of Investments		(25,951,682)	(51,990,018)
<b>Net Cash Flows from Investing Activities</b>		<u><b>7,166,272</b></u>	<u><b>10,642,239</b></u>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>		<b>(5,078,607)</b>	<b>4,816,500</b>
<b>Cash at Beginning of Year</b>		<b>5,152,052</b>	<b>335,552</b>
<b>Cash at End of Year</b>		<u><u><b>73,444</b></u></u>	<u><u><b>5,152,052</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 ending 31 March 2019

#### 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 2019 were:

	Pensioners	Defined Contribution	Total
01 April 2018	4	1,411	1,415
New member	0	133	133
Death	0	(4)	(4)
Withdrawal/Resignations	0	(86)	(86)
Retirements	0	(36)	(36)
Transfers Out	0	(1)	(1)
31 March 2019	4	1,417	1,421

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.

The Trustees of the Fund are:

David Young  
Simon Brodie  
Joe Fleetwood  
David Scott  
Ray Welson  
Diane Edwards resigned 06.11.2018. Replaced by Deepthi Swarnapuri Feb 2019  
Alan Windsor resigned 06.11.2018. Replaced by Ray Fife Feb 2019  
Mike Clark resigned 06.11.2018. Replaced by Gary Horan Feb 2019  
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 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 (2018: four) pensioners within the Scheme. The Trustees have established a pension reserve to which \$39,351 (2018: \$40,840) 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. ( 2018: 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 2019

#### 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 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.

##### 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 interests 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 ending 31 March 2019

#### 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 change to the Trust Deed. Accounting policies and disclosures were amended during the year to adopt the new standards under IFRS 9. (2018: Following changes were made to the Trust Deed for the year ended 31 March 2018.

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.)



## Maritime Retirement Scheme

### Notes to the Financial Statements (Cont'd) For the year ending 31 March 2019

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

##### Standards and Interpretations issued and adopted during the year.

The following standards/ interpretations and new amendments which are considered relevant to the Scheme are effective for the year ended 31 March 2019 have been applied in preparing these financial statements.

NZ IFRS 9 - Financial instruments became effective for annual periods beginning on or after 1 January 2018. NZ IFRS 9, was issued in September 2014 as a complete version of the standard. It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. It replaces the multiple classification and measurement models in NZ IAS 39 – Financial Instruments: Recognition and Measurement. Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. NZ IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

The adoption of NZ IFRS 9 did not result in a change to the measurement of financial instruments of the Retirement Scheme. However, the classification of the financial instruments have changed as follows:

Financial Assets / Liabilities	Classification & measurement under NZ IAS 39	Classification & measurement under NZ IFRS 9
Cash and Cash Equivalents, Trade and other receivables	Loans and Receivables At Amortised Cost	Financial Assets At Amortised Cost
Investments At Fair Value Through Profit or Loss	Financial Assets Designated At Fair Value Through Profit or Loss	Financial Assets At Fair Value Through Profit or Loss
Trade and other payables, Benefits payable and Net assets available for benefits	Other Financial Liabilities At Amortised Cost	Financial Liabilities At Amortised Cost

#### 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 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

##### Changes in promised 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	7,795,633	204,539,286

##### Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits. (2018: 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.

2019 \$	2018 \$
197,748,322	195,977,899

# Maritime Retirement Scheme

## Notes to the Financial Statements (Cont'd) For the year ending 31 March 2019

### 5. Reserve Account

#### (a) Changes in Reserve Accounts

	2019	2018
	\$	\$
<b>Death Benefit 'A'</b>		
Balance at beginning of year	5,522,714	5,394,984
Death Benefit	(71,864)	(72,370)
Net Income Allocated	170,432	200,100
Balance at end of year	5,621,282	5,522,714
<b>Death Benefit 'B'</b>		
Balance at beginning of year	2,113,202	1,840,180
Death Benefit	(27,498)	(24,706)
Forfeited Benefits	194,864	221,889
Net Income Allocated	31,304	75,840
Balance at end of year	2,311,872	2,113,202

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.

	2019	2018
	\$	\$
<b>Pension</b>		
Balance at beginning of year	40,840	43,450
Benefits allocated during the year	(3,495)	(5,217)
Net Income allocated	2,006	2,608
Balance at end of year	39,351	40,840

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.

	2019	2018
	\$	\$
<b>Income Reserve</b>		
Balance at beginning of year	118,875	(360,434)
Capital Movements during the year	-	363,000
Net Income Allocated	(108,853)	116,309
Balance at end of year	10,022	118,875

#### (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:

- any earnings allocated as per section 11 of the Trust Deed;
- any unclaimed benefit;
- any amount where the Member ceases to have the right to receive;
- any moneys arising which are not required to pay the Member's benefits;
- 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:

- augmenting the rate of earnings allocated under section 11 of the Trust Deed;
- payment of expenses of the Fund;
- increasing the retirement benefits of all Members on an equitable basis;
- providing benefits other than retirement benefits for all Members on an equitable basis;
- providing personal benefits for Members or their Dependants in the case of hardship;
- payment of all or any part of a Participating Employers' contributions of the Fund if they have suspended or terminated their contributions;
- payment of all or part of the contributions of all Members in any year on an equitable basis; and/or
- 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 ending 31 March 2019

6. Financial Assets at Fair Value Through Profit or Loss

	2019 \$	2018 \$
AMP Capital Investors (New Zealand) Limited Managed Funds		
NZ Cash Fund	12,480,499	18,667,461
NZ Fixed Interest Fund	23,572,867	22,127,894
Australian Equities	11,210,007	11,690,311
Global Equities	23,783,364	17,345,794
	<u>71,046,737</u>	<u>69,831,460</u>
Nikko Asset Management		
Multi Strategy Fund	8,656,492	12,380,364
	<u>8,656,492</u>	<u>12,380,364</u>
ANZ Investments Limited		
ANZ Global Equity	53,199,791	48,594,064
	<u>53,199,791</u>	<u>48,594,064</u>
Devon		
Australian Equity	-	3,232,688
NZ Equity	-	13,628,654
	<u>-</u>	<u>16,861,342</u>
Legg Mason		
Global Opportunistic Fixed Income Fund	18,499,598	18,564,905
	<u>18,499,598</u>	<u>18,564,905</u>
Hunter Investment		
Global Fixed Interest Fund	40,986,502	34,253,972
	<u>40,986,502</u>	<u>34,253,972</u>
Salt Investment		
NZ Dividend Appreciation Fund	12,324,593	-
Total	<u>204,713,712</u>	<u>200,486,107</u>

7. Gains/(Losses) on Investments

	2019 \$	2018 \$
Total Net gains on investments held at fair value through profit or loss	<u>8,913,427</u>	<u>11,391,699</u>

Broken down as follows:

AMP Capital Investors (New Zealand) Limited Managed Funds	4,643,744	3,771,004
Devon Funds Management Limited	335,999	183,422
Nikko Investment Funds	65,401	389,319
ANZ Investments Limited	2,676,831	6,599,386
Salt Fund Management	1,012,187	-
Legg Mason	(100,658)	949,091
Hunter Investment Funds	279,922	(500,524)

8. Accounts Receivable

	2019 \$	2018 \$
Receivable from DLA Piper for sale of Property	-	215,128
Other receivables	11,571	11,571
	<u>11,571</u>	<u>226,699</u>

9. Trade and Other Payables

	2019 \$	2018 \$
Creative Marketing	129	129
Audit Fees	48,810	45,527
Property Expenses	-	9,308
TIMG -Archive storage and cataloguing	328	-
MJW - Consulting Fees	4,354	6,727
MJW - Administration	19,100	55,936
Trustee Fees	10,125	5,597
Collective RoM audit	4,715	-
	<u>87,561</u>	<u>123,223</u>

**Maritime Retirement Scheme**

**Notes to the Financial Statements (Cont'd)**  
**For the year ending 31 March 2019**

**10. Property Expenses**

Before the sale of the property the scheme incurred expenses to obtain Code of Compliance Certificate amounting to \$27,872.

**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.

	2019 \$	2018 \$
Current Tax	1,398,076	1,724,466
Deferred Tax	14,957	(103,158)
	<u>1,413,033</u>	<u>1,621,308</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	10,547,341	12,859,076
Income Tax @ 28%	2,953,256	3,600,542
Tax effect of:		
Non Assessable Investment Gains and Losses	(1,031,405)	(1,290,963)
PIE tax adjustment	14,957	(18,286)
Prior period adjustment	3,307	-
Tax Credits	(307,549)	(416,857)
Members with PIRs less than the maximum rate	(129,016)	(145,453)
Tax at 0% PIR	(90,517)	(107,675)
<b>Income Tax Expense</b>	<u>1,413,033</u>	<u>1,621,308</u>
<b>Current Tax Payable</b>		
Balance Brought forward	1,231,505	198,251
Tax (paid)	(2,137,542)	(808,174)
Current year tax	1,398,076	1,841,428
Prior period adjustment	(3,307)	-
<b>Tax Payable</b>	<u>488,731</u>	<u>1,231,505</u>
<b>Deferred Tax liability</b>		
Opening balance	56,212	(46,946)
Prior Period Adjustment	(3,307)	-
Current Deferred Tax Expense	(14,957)	103,158
<b>Deferred Tax Asset/(Liability)</b>	<u>37,948</u>	<u>56,212</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 ending 31 March 2019

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

	2019	2018
	\$	\$
(Decrease)/Increase in Net Assets	(814,642)	6,496,512
<b>Non-cash Items</b>		
Unrealised Gains on Fair value Through Profit and Loss Assets	(8,913,427)	(11,391,699)
Gain on Sale of Property	-	(850,000)
Distribution Income	(3,029,170)	(1,583,844)
Interest Income	(43)	(733)
Other Income - Overpayment of Interest recoverable	-	(11,571)
Investment Management Fees	1,073,556	796,515
Investment Management Rebates	(324,836)	(201,614)
Sale of Property - Rent on behalf of Purchaser	15,172	-
<b>Movements in Other Working Capital Items</b>		
Decrease in Deferred Tax	18,264	-
Increase/(Decrease) in Benefits Payable	528,485	(49,708)
(Decrease)/Increase in Accounts Payable	(35,661)	37,532
(Decrease)/Increase in GST Payable	(19,802)	2,776
(Decrease)/Increase in Tax Payable	(742,775)	930,096
<b>Net Cash Flows from Operating Activities</b>	<b>(12,244,879)</b>	<b>(5,825,739)</b>

### 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 2019

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

As at 31 March 2018

	Financial Asset at Amortised Cost	Financial Assets At Fair Value Through Profit or Loss
<b>Assets as per Statement of Net Assets</b>	<b>\$</b>	<b>\$</b>
Trade And Other Receivables	226,699	-
Contributions Receivable	-	-
Financial Assets At Fair Value Through Profit or Loss	-	200,486,107
Cash and Cash Equivalents	5,152,052	-
<b>Total</b>	<b>5,378,752</b>	<b>200,486,107</b>
	<b>Financial Liabilities At Fair Value Through Profit or Loss</b>	<b>Financial Liabilities At Amortised Cost</b>
<b>Liabilities as per Statement of Net Assets</b>	<b>\$</b>	<b>\$</b>
Other Payables	-	123,223
Benefits Payable	-	-
<b>Total</b>	<b>-</b>	<b>123,223</b>

## Maritime Retirement Scheme

### Notes to the Financial Statements (Cont'd) For the year ending 31 March 2019

#### 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 investment managers to each Trustee 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 "SIP").

#### 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 \$26,612,783 (2018: \$20,048,611). 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 \$26,612,783 (2018: \$20,048,611). 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 ending 31 March 2019

#### 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 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
<b>Total Assets</b>	-	<b>204,713,712</b>	-	<b>204,713,712</b>

#### 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
<b>Total Assets</b>	-	<b>200,486,107</b>	-	<b>200,486,107</b>

#### 15. Auditor's Remuneration - Audit Fees

	2019	2018
	\$	\$
Audit of financial statements - Deloitte Limited	(55,200)	(63,250)
Audit of the Register	-	(4,600)
Custodian Control	-	(14,822)
Tax advisory services - Deloitte Limited	(59,333)	(47,208)
<b>Total</b>	<b>(114,533)</b>	<b>(129,880)</b>

#### 16. Commitments and Contingent Liabilities

No contingent liability for the year. (2018: 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 entitle 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

No operating lease or related receivable during the year. (2018: 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 \$4,143,562 per annum (2018: \$4,036,348).

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 \$120,007 (2018: \$146,948). 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 Members 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 2019, and the statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 1 to 13, present fairly, in all material respects, the financial position of the Scheme as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Other than in our capacity as auditor, 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.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

#### Other information

The 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 and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the other information in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Trustees and consider further appropriate actions

#### 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  
17 July 2019