

# **Financial Statements**

i-Select Superannuation Scheme  
For the year ended 31 March 2019

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# Directory

## **i-Select Superannuation Scheme For the year ended 31 March 2019**

### **Nature of Business**

Superannuation Fund

### **Licensed Manager**

i-Select Limited

### **Accountant**

Deloitte Limited  
(as Trustee for the Deloitte Trading Trust)

### **Supervisor**

Public Trust

### **Auditor**

BDO Christchurch

### **Solicitor**

DLA Piper

### **Date of Registration**

2 July 2012

# Statement of Changes in Net Assets Available for Benefits

## i-Select Superannuation Scheme For the year ended 31 March 2019

	NOTES	THIS YEAR \$	LAST YEAR \$
<b>Investment Activities</b>			
Dividends		6,127,762	4,056,430
Overseas Dividends		4,922,683	4,910,540
Currency Gain		1,472,661	1,178,972
Overseas Income		83,636	58,187
Investment Revaluation		4,389,702	16,048,479
Finance Income		1,024,544	810,735
<b>Total Investment Activities</b>		<b>18,020,988</b>	<b>27,063,343</b>
<b>Less Expenses</b>			
Bank Fees		8,758	13,041
Managers Fees	12	1,298,596	1,231,407
Exit Fees		147,791	235,654
Advisor Fees		4,797,878	4,742,677
Pie Taxes Not Claimable		1,114,672	1,053,285
Overseas Taxes Not Claimable		87,639	-
Audit Fees	6	42,550	43,117
<b>Total Less Expenses</b>		<b>7,497,884</b>	<b>7,319,182</b>
<b>Profit (Loss) before Taxation</b>		<b>10,523,104</b>	<b>19,744,161</b>
<b>Income Tax Expense/(Benefit)</b>			
Tax Expense	10	1,112,740	670,623
<b>Profit (Loss) After Taxation Attributable to Members</b>		<b>9,410,365</b>	<b>19,073,538</b>
<b>Membership Activities</b>			
<b>Contributions</b>			
Transfers from Other Superannuation Schemes		45,486,408	65,340,371
Member Contributions		141,258	42,604
<b>Total Contributions</b>		<b>45,627,666</b>	<b>65,382,975</b>
<b>Less Outgoings</b>			
Transfers to Other Superannuation Schemes		(3,001,560)	(34,652,052)
Payments of Benefits		(28,972,077)	(32,264,999)
<b>Total Outgoings</b>		<b>(31,973,637)</b>	<b>(66,917,051)</b>
<b>Net Contributions</b>		<b>13,654,029</b>	<b>(1,534,076)</b>
<b>Net Change in Assets Available For Benefits</b>		<b>23,064,393</b>	<b>17,539,462</b>

These Accounts must be read in conjunction with the Notes to the Financial Statements and the Independent Auditors Report.

# Statement of Net Assets Available for Benefits

## i-Select Superannuation Scheme

As at 31 March 2019

	NOTES	THIS YEAR \$	LAST YEAR \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	14	31,428,561	45,039,035
<b>Total Current Assets</b>		<b>31,428,561</b>	<b>45,039,035</b>
<b>Non-Current Assets</b>			
Deferred Tax	10	2,305,611	2,404,539
Financial Assets Held at Fair Value Through Profit & Loss	13	322,802,897	285,462,398
<b>Total Non-Current Assets</b>		<b>325,108,508</b>	<b>287,866,937</b>
<b>Total Assets</b>		<b>356,537,069</b>	<b>332,905,972</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Tax Payable	10	1,645,041	1,084,124
Managers Fees Payable	12	116,822	111,035
<b>Total Current Liabilities</b>		<b>1,761,862</b>	<b>1,195,159</b>
<b>Total Liabilities</b>		<b>1,761,862</b>	<b>1,195,159</b>
<b>Amounts Available For Benefits</b>		<b>354,775,207</b>	<b>331,710,813</b>
<b>Represented By</b>			
Opening Balance	11	331,710,813	314,171,351
Allocated to Member Accounts	11	23,064,394	17,539,462
<b>Funds &amp; Benefits Attributable to Members</b>		<b>354,775,207</b>	<b>331,710,813</b>

SIGNED FOR & ON BEHALF OF THE BOARD MEMBERS OF i-SELECT LTD AS LICENSED MANAGER

 .....DIRECTOR      25/7/19 .....DATE

 .....DIRECTOR      25/7/19 .....DATE

These Accounts must be read in conjunction with the Notes to the Financial Statements and the Independent Auditors Report.

# Statement of Cash Flows

## i-Select Superannuation Scheme For the year ended 31 March 2019

	NOTES	THIS YEAR \$	LAST YEAR \$
<b>Statement of Cash Flows</b>			
<b>Cash Flows from Operating Activities</b>			
<b>Cash was provided from:</b>			
Interest		1,044,434	744,439
Dividends		6,127,762	4,056,430
Overseas Dividends		4,922,683	4,910,540
Overseas Interest		83,636	58,187
<b>Total Cash was provided from:</b>		<b>12,178,515</b>	<b>9,769,596</b>
<b>Cash was applied to:</b>			
Taxation Paid		(1,655,206)	(1,233,251)
Bank Fees		(8,758)	(13,041)
Managers Fees		(1,335,359)	(1,264,451)
Exit Fees		(147,791)	(235,654)
Advisor Fees		(4,797,878)	(4,742,677)
<b>Total cash was applied to:</b>		<b>(7,944,992)</b>	<b>(7,489,074)</b>
<b>Net Cash Flow from Operating Activities</b>	<b>15</b>	<b>4,233,523</b>	<b>2,280,522</b>
<b>Cash Flows From Investing Activities</b>			
<b>Cash was applied to:</b>			
Purchase of Investments		(32,950,798)	(24,897,462)
<b>Total Cash Flows (Used In) / From Investing Activities</b>		<b>(32,950,798)</b>	<b>(24,897,462)</b>
<b>Cash Flows from Financing Activities</b>			
<b>Cash was provided from:</b>			
Transfers from other Superannuation Schemes		45,486,408	65,340,371
Member Contributions		141,258	42,604
<b>Total Cash was provided from:</b>		<b>45,627,666</b>	<b>65,382,975</b>
<b>Cash was applied to:</b>			
Transfers to other Superannuation Schemes		(3,001,560)	(34,652,052)
Payments of Benefits		(28,972,077)	(32,264,999)
<b>Total Cash was applied to:</b>		<b>(31,973,637)</b>	<b>(66,917,051)</b>
<b>Total Cash Flows from Financing Activities</b>		<b>13,654,029</b>	<b>(1,534,076)</b>
<b>Net Cash Flows</b>		<b>(15,063,246)</b>	<b>(24,151,016)</b>
<b>Cash Balances</b>			
Net Movement in Cash & Cash Equivalents		(15,063,246)	(24,151,016)
Plus Opening Cash & Cash Equivalents	14	44,843,678	67,815,722
Plus/(Less) effect of exchange rate change on foreign currency balance		1,472,661	1,178,972
<b>Cash and Cash Equivalents at End of Period</b>	<b>14</b>	<b>31,253,093</b>	<b>44,843,678</b>

These Accounts must be read in conjunction with the Notes to the Financial Statements and the Independent Auditors Report.

# Notes to the Financial Statements

## i-Select Superannuation Scheme For the year ended 31 March 2019

### 1. Reporting Entity

The Financial statements presented here are for the i-Select Superannuation Scheme which is a defined contribution Superannuation Scheme, domiciled and established in New Zealand.

The Scheme is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

The Scheme is a reporting entity under the Financial Reporting Act 1993, and is registered under the Superannuation Schemes Act 1989.

The financial statements are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") which comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis have been used, with the exception of certain items for which specific accounting policies have been identified. Plan assets are carried at fair value.

The Scheme has issued a Product Disclosure Statement (PDS), the last version dated 21 December 2018.

These financial statements were authorised for issue by the Board of Directors of i-Select Ltd, the Licensed Manager, on 25 July 2019.

### 2. Description of Entity

The scheme is a defined contribution superannuation scheme. Contributions are invested in a separate investment portfolio within the single Trust Fund for each member's "Personal Plan".

The purpose of the Scheme is to provide retirement benefits to members.

Individual members agree an investment plan (a Personal Plan), and this is maintained as a distinct portfolio of investments within the Scheme. In accordance with the governing Trust Deed, it is possible for members to contribute funds or investments to their Personal Plan with the Licensed Managers consent. Certain types of investments are prohibited.

There have been no changes to the membership terms and conditions from the prior year that have financial effects on the Scheme, other than the introduction of an exit charge that applies to the part of the fund that was not previously accessible to members for benefit purposes.

The i-Select Superannuation Scheme is governed by a Trust Deed dated 2 July 2012, and amended on 30 November 2016 and 25 May 2017. The Scheme will terminate on 1 July 2092 or at an earlier date pursuant to the provisions of the Trust Deed.

The principal place of business of the Scheme is New Zealand.

#### Retirement Benefits

The retirement benefits payable represent the value of individual member investment portfolios or their share of cash balances. Upon termination of the Scheme the realised investments shall be allocated to members on a pro-rata basis.

#### Benefits Paid

Benefit payments for those members under the QROPS rules are unlimited from the age of 55. For those members not under the Qualifying Recognised Overseas Pension Scheme (QROPS) rules retirement benefits are generally available from age 55 under New Zealand superannuation rules.

During the year 269 members received benefits from their portfolios out of 1,312 members (2018: 224 members out of 1,252 members).

### 3. Significant Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and position have been applied:

#### **(a) Significant Judgements, Estimates & Assumption**

In the application of NZ IFRS the Manager is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and various other factors that the Licensed Manager believes to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision reflects only that period, or in the period of the revision and future periods if the revision reflects both current and future periods. In particular, the estimates and judgements used in preparing these financial statements relate to the valuation of investment assets (see Note 14).

##### (i) Classification of Financial Instruments

The Manager of the Scheme has assessed the contractual cash flow characteristics and assessed which business model to apply to its financial instruments to determine classification and measurement as outlined in Note 3. The Manager believes that the current classifications best reflect the operational characteristics of the financial assets held.

##### (ii) Compilation of Sensitivity Analysis

The assumptions used in the modelling exercise have been based on what the Licensed Manager considers as "reasonably possible" (see Note 14(f)).

##### (iii) Fair Value of Investments

In stating the fair value of investments at the reporting date, the Manager has relied on the market valuations, based on quoted market prices, as supplied by Authorised Financial Advisors for each members individual portfolio (see note 13).

##### (iv) Deferred Tax Asset

The deferred tax asset is what the Licensed Manager believes to be the tax benefit due to the Scheme (see note 10).

#### **(b) Income Recognition**

**Interest Income** - For all financial instruments interest income is measured at amortised cost using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

**Dividend income on equity investments** - is accounted for in Profit or Loss when the right to receive the payment is established. Dividend income is recognised on a gross basis including imputation credits and withholding tax, if any.

**Overseas income on equity investments** - is accounted for in Profit or Loss when the right to receive the payment is established. Interest and dividend income is recognised on a gross basis including withholding tax, if any.

#### **(c) Financial Liabilities**

The Scheme recognises financial liabilities on the trade date, which is the date that the Scheme becomes a party to the contractual provisions of the instrument. The Scheme derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The Scheme classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.



#### **(d) Financial Assets**

The Scheme recognises financial assets on the trade date, which is date it becomes party to the contractual agreement. The Scheme derecognises a financial asset when the rights to receive cashflows from investments have expired, or the Scheme has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following specific categories:

- Financial assets "at fair value through profit or loss"
- Amortised Cost

##### **(i) Financial Assets at Fair Value Through Profit or Loss**

The Scheme classifies its investments in equity securities, and related derivatives as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the profit or loss in the period in which they arise. The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the reporting date. Investments in pooled funds are valued at the unit exit price as determined and advised by that fund's Trustee at the close of business at the reporting date.

Financial assets 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 Scheme's documented investment strategy. The Scheme'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.

##### **(ii) Amortised Cost**

Cash and cash equivalents, term deposits and trade and other receivables that meet the following conditions are measured subsequently at amortised cost:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised costs are measured at amortised cost using the effective interest method less any impairment.

##### **(iii) Impairment of financial assets**

NZ IFRS 9's new impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss' (ECL) model. This replaces NZ IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under NZ IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Scheme first identifying a credit loss event. Instead the Scheme considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

Measurement of expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**(e) Cash & Cash Equivalents**

Cash and Cash Equivalents include cash on hand, demand deposits and other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

**(f) Foreign Currencies**

Transactions denominated in foreign currencies are converted at the exchange rate at the transaction date. Foreign currency receivables and payables are converted at exchange rates current at the reporting date. Foreign exchange gains or losses are included as income or expenses respectively in the Statement of Changes in Net Assets Available for Benefits.

**(g) Goods & Services Tax**

The Scheme is not registered for, and is not required to register for GST, and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**(h) Taxation**

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted at that date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current & Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the Statement of Changes in Net Assets Available for Benefits, except when it relates to items credited or debited directly to equity, in which case the deferred tax or current tax is also recognised directly in equity.

**(i) Functional & Presentational Currency**

These financial statements are presented in New Zealand dollars (\$) rounded to the nearest whole dollar which is the functional currency of the scheme.

**4. Changes in Accounting Policies**

The Scheme has elected not to early adopt any accounting standards in preparing the financial statements for the year ending 31 March 2019. The following new standards and amendments are only those that affect the Scheme.

### **New standards, interpretations and amendments effective from 1 January 2018**

New standards impacting the Scheme that have been adopted in the annual financial statements for the year ended 31 March 2019, and which have given rise to changes in the Scheme's accounting policies are:

- NZ IFRS 9 Financial Instruments (NZ IFRS 9); and
- NZ IFRS 15 Revenue from Contracts with Customers (NZ IFRS 15)

### **Application of NZ IFRS 15 Revenue from Contracts with Customers**

The Scheme adopted NZ IFRS 15 with a transition date of 1 April 2017. As a result of the adoption of NZ IFRS 15 and the changes in the revenue accounting policy, no adjustments were required to the current or comparative financial year. As such, no restatement was required

### **Application of NZ IFRS 9 Financial Instruments**

In the current year, the Scheme has adopted NZ IFRS 9 Financial Instruments with a transition date of 1 April 2018. As permitted by the transitional provisions of NZ IFRS 9, the Scheme elected not to restate comparative figures. Additionally, the Scheme adopted consequential amendments to NZ IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for the year ended 31 March 2019.

NZ IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and rules for hedge accounting. The Scheme does not use hedge accounting. Details of these new requirements as well as their impact on the financial statements are described below.

#### **(i) Classification and measurement of financial assets**

Under NZ IFRS 9, all the financial assets have been reclassified from loans and receivables to assets at amortised cost. All the financial assets are measured at amortised cost or fair value through profit or loss on the basis of the Scheme's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

As the Scheme elected not to restate the comparatives, loans and receivables for the year ended 31 March 2018 are recognised under IAS 39 as follows. For the 2018 year the Scheme classified its cash and cash equivalents and accounts receivable as loans and receivables. Loans and receivables were initially recognised at fair value plus any directly attributable transaction costs, and then subsequently measured at amortised cost using the effective interest method. Loans and receivables were reported net of allowance for impairment to reflect the estimated recoverable amounts.

The Scheme continues to measure cash and cash equivalents, term deposits and other receivables at amortised cost as they meet the conditions under NZ IFRS 9. Other financial assets are measured at fair value through profit or loss, resulting in no classification changes from prior years.

#### **(ii) Impairment of financial assets**

The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL'). It applies to financial assets classified at amortised costs.

Based on the assessment undertaken, the introduction of the new impairment model has resulted in no adjustment on transition.

## **5. Guaranteed Benefits**

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

## **6. Audit Fees**

The audit fees of the Scheme are payable by the Manager out of the Managers Fees charged during the year, and are not charged to the Scheme directly under the terms of the Scheme.

The Auditor of the Scheme is BDO Christchurch.

The following fees were paid or payable for services provided by the auditor of the Fund:

	2019	2018
<b>Audit Fees</b>		
Audit fees for statutory Financial Statements - actual 2018	42,550	43,117
Audit fees for statutory Financial Statements - accrued 2019	38,000	42,550

## 7. Contingent Liabilities

At the reporting date there are no known contingent liabilities (2018: \$Nil)

## 8. Capital Commitments

At the reporting date there are no capital commitments (2018: \$Nil)

## 9. Subsequent Events

There have been no events subsequent to balance date that would affect the financial statements (2018: Nil)

	2019	2018
<b>10. Taxation</b>		
<b>Taxable Income/(Loss)</b>		
Profit/(Loss) as per Financial Statements	10,523,104	19,744,161
<b>Permanent Differences</b>		
FIF & PIE Dividends not Taxable	(7,411,362)	(8,847,117)
Realised & Unrealised Gain on Investments	(4,389,702)	(16,048,479)
FDR Income	7,149,055	6,493,229
Forced CV Income	562,819	-
PIE Taxes Not Claimable	1,114,672	1,053,285
Overseas Taxes Not Claimable	87,639	-
<b>Total Permanent Differences</b>	<b>(2,886,878)</b>	<b>(17,349,082)</b>
<b>Timing Differences</b>		
Taxation Losses Brought Forward	(1,011,277)	(3,406,356)
<b>Total Timing Differences</b>	<b>(1,011,277)</b>	<b>(3,406,356)</b>
<b>Total Taxable Income/(Loss)</b>	<b>6,624,949</b>	<b>(1,011,277)</b>
Current Taxation @28%	1,112,740	670,623
<b>Net Tax Credit/(Debit) per Statement of Net Assets Available for Benefits</b>		
Opening Balance	1,084,125	454,088
Provision for Income Tax for the current year	1,073,635	805,061
Resident Withholding Tax Refund	265,031	287,293
<b>Less</b>		
Guardian Trust Tax Deposit	400,000	100,000
Resident Withholding Tax	223,485	254,823
Imputation Credits	70,053	31,986
Dividend Withholding Tax	57,012	10,207
Overseas Taxes	27,200	65,301
<b>Total Less</b>	<b>777,750</b>	<b>462,317</b>
<b>Total Net Tax Credit/(Debit) per Statement of Net Assets Available for Benefits</b>	<b>1,645,041</b>	<b>1,084,125</b>

	2019	2018
<b>Income Tax Expense/(Benefit)</b>		
Current Tax	1,073,635	805,061
Deferred Tax	39,105	(134,438)
<b>Total Income Tax Expense/(Benefit)</b>	<b>1,112,740</b>	<b>670,623</b>
<b>Deferred Taxation per Statement of Net Assets Available for Benefits</b>		
Opening Balance	2,404,539	2,265,162
Deferred tax transferred to scheme on member withdrawals	(59,823)	4,938
Deferred tax on current year tax losses	489,902	540,644
Utilisation of members tax losses	(529,007)	(406,205)
<b>Total Deferred Taxation per Statement of Net Assets Available for Benefits</b>	<b>2,305,611</b>	<b>2,404,539</b>

Current tax asset in the Statement of Net Assets Available for Benefits represents the Schemes position with the Inland Revenue, prior to Inland Revenue returns being filed. In the cashflow, the disclosed net tax deposited to/deducted from members represents the members allocation of tax payable or where members tax losses brought forward are able to be utilised or applied to the member level (in relation to year end or on exit).

### 11. Movement in Members Funds (Accrued Benefits)

The funds available to pay accrued benefits to members and beneficiaries has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the sundry liabilities and taxation liabilities as at the reporting date.

	2019	2018
<b>Members Funds (Accrued Benefits)</b>		
Opening Balance	331,710,813	314,171,352
Contributions from members	45,627,666	65,382,975
Funds transferred/benefits paid to members	(31,973,637)	(66,917,051)
Net Profit/(Loss) After Tax	9,410,365	19,073,537
<b>Closing Members Funds</b>	<b>354,775,207</b>	<b>331,710,813</b>

### 12. Related Party Transactions

A party is related to the Scheme if:

- (i) Directly or indirectly through one or more of its intermediaries, it controls, is controlled by, or is under common control with, the Scheme or
- (ii) It is a parent, subsidiary or fellow subsidiary of a party defined in (i) above or
- (iii) It has an interest in or relationship with the Scheme that gives it significant influence over the Scheme, or
- (iv) The Scheme has an interest in or a relationship with the party that gives it significant influence over the part.

In accordance with the Trust Deed, the Licensed Manager i-Select Ltd controls the Scheme and is entitled to receive a fee for administering the Scheme.

Each member bears a proportion of the expenses incurred in the administration of the Fund, and each member bears any expenses directly related to their personal portfolio.

	2019	2018
<b>Fees paid or payable to related parties</b>		
i-Select Ltd - Total	1,341,146	1,274,524
i-Select Ltd - Owing at Reporting date	116,822	111,035

### 13. Investments

2019	Cost	Fair Value
Investments - New Zealand Securities (Listed)	\$1,683,490	\$5,947,251
Investments - New Zealand Securities (Unlisted)	\$5,567,264	\$14,040,298
Investments - Overseas Securities (Listed)	\$79,266,480	\$104,311,983
Investments - Overseas Securities (Unlisted)	\$109,223,786	\$111,987,673
Investments - Overseas Deposits	\$10,490,735	\$19,059,042
Investments - New Zealand Cash PIEs	\$26,818,851	\$25,451,970
Fixed Interest Securities (terms of 1-5 years, 3.23% - 7.2% p.a.)	\$45,041,670	\$42,004,679
<b>Total</b>	<b>\$278,092,274</b>	<b>\$322,802,897</b>

2018	Cost	Fair Value
Investments - New Zealand Securities (Listed)	\$3,295,793	\$4,297,437
Investments - New Zealand Securities (Unlisted)	\$49,637,313	\$55,000,929
Investments - Overseas Securities (Listed)	\$20,614,338	\$24,353,393
Investments - Overseas Securities (Unlisted)	\$85,454,301	\$96,470,838
Investments - Overseas Deposits	\$27,600,281	\$26,776,870
Investments - New Zealand Cash PIEs	\$6,102,226	\$6,132,552
Fixed Interest Securities (terms of 1-5 years, 3.23% - 7.2% p.a.)	\$70,290,578	\$72,430,378
<b>Total</b>	<b>\$262,994,830</b>	<b>\$285,462,397</b>

No single investment exceeds either 5% of net assets, or 5% of any class or type of security.

The Scheme classifies the fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The following table presents the Scheme's financial assets measured and recognised at fair value at the reporting date:

Financial Assets	2019	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit or Loss	\$322,802,897	\$147,018,772	\$175,475,835	\$308,290
<b>Total Financial Assets</b>	<b>\$322,802,297</b>	<b>\$147,018,772</b>	<b>\$175,475,835</b>	<b>\$308,290</b>

Financial Assets	2018	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit or Loss	\$285,462,397	\$179,638,755	\$105,339,800	\$483,842
<b>Total Financial Assets</b>	<b>\$285,462,397</b>	<b>\$179,638,755</b>	<b>\$105,339,800</b>	<b>\$483,842</b>

The fair value of financial instruments traded in active markets is based on quoted market prices at the close of trading on reporting dates. A market is regarded as active if quoted prices are readily available from an exchange, dealer, broker or pricing service and those prices represent actual and regularly occurring market transactions on an arms length basis. These instruments comprise traded equities, and also unlisted securities.

The fair value of financial instruments that are not traded in an active market are determined using various valuation techniques by the fund managers. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific inputs. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The instruments included in Level 2 comprise fixed Interest securities and investments in managed funds.

The fair value of unlisted Level 2 financial assets have been determined directly with reference to valuations published by the managers of managed funds the scheme invests with, and through the compilation of yield to maturity calculations for all fixed interest securities. All market information has been obtained directly from independent third parties.

The fair value of Level 3 financial assets have been determined by the fund managers based on unobservable inputs to the extent relevant observable inputs are not available.

The Manager of the Scheme has relied on the values as provided by the various fund managers.

#### 14. Financial Instruments

The Scheme is exposed to market risk, credit risk (including foreign exchange, interest rate and other market price risk), and liquidity risk arising from the financial instruments it holds.

The Licensed Manager may only invest the Scheme assets in authorised investments and, in relation to the Scheme's assets attributable to a Personal Plan, in accordance with the most recent investment election of the member concerned. The only investments that are not authorised relate to funds that derive from UK pension funds that are subject to the QROPS rules, and include residential property, loans to members or their associates and collectable investments.

##### **(a) Market Risk**

Market risk is the risk that the value of the Scheme's profit or loss will fluctuate as a result of changes in market conditions and prices. Market risk comprises three types of risk: currency risk (see note (c)), interest rate risk (see note (d)), and 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 assets in the underlying individual members portfolios. There are no objectives, policies or processes for managing these risks given that members have prepared their own personal investment plans.

##### **(b) Credit Risk**

Credit risk is the risk that a counter-party will default on its obligation resulting in financial loss to the Scheme. Financial instruments which potentially subject the Scheme to credit risk principally consist of Fixed Interest Investments, Call Deposits and Bank Balances.

Maximum exposure to credit risk as at reporting date is reflected by the carrying value of the investments and accrued interest. Concentration of credit risk is reflected in Note 14 (h).

There are no related credit derivatives or similar instruments mitigating this maximum risk, and there are no objectives, policies or processes for managing these risks given that members have prepared their own personal investment plans. The Manager is not aware of any credit loss to the Scheme arising from these credit risks.

##### **(c) Currency Risk**

Currency risk is the risk of loss to the Scheme arising from adverse changes in foreign currency exchange rates.

The carrying amount of the Schemes' principal foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	2019	2018
<b>Financial Assets</b>		
Cash GBP	13,399,699	30,447,820
Cash AUD	3,472,830	2,107,207
Cash USD	898,908	1,086,425
Cash Euro	83,270	4,251

There are no objectives, policies or processes for managing these risks given that members have prepared their own personal investment plans.

#### **(d) Interest Rate Risk**

The Scheme's exposure to interest rate risk results from changes in prevailing market interest rates, which can cause a change in the present value of fixed rate instruments, as well as change the interest payments of floating rate instruments.

The rate of interest applicable to the Schemes' investments at the reporting date were between 0 % and 5.8%. There are no objectives, policies or processes for managing these risks given that members have prepared their own personal investment plans.

#### **(e) Liquidity Risk**

Liquidity risk is the risk that the Scheme may encounter difficulty in raising funds at short notice to meet its commitments and arises from the mismatch of the maturity of monetary assets and liabilities.

All funds invested within the Scheme are invested upon the advice of the Members. As all funds within the Scheme are subject to self-determined investment, the risk that Members may withdraw their funds quicker than the Scheme is able to liquidate its investments without incurring unnecessary losses is minimal. For this reason the Manager believes that the Scheme is not exposed to any liquidity risk.

#### **(f) Sensitivity Analysis**

##### Foreign Currency Sensitivity Analysis

The Scheme is mainly exposed to the Great British pound (GBP). The sensitivity analysis has been determined based on the exposure to unhedged foreign currency assets. Refer to the Currency Risk heading for the currencies and value of unhedged foreign currency assets.

A 15% increase or decrease in the New Zealand dollar (NZD) against these foreign currencies represents the Scheme Managers assessment of the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period for a 15% change in foreign currency rates. The 15% change has been worked out with reference to prior and projected currency fluctuations.

If foreign currency rates had been 15% higher/lower and all other variables were held constant, the Schemes profit and investment balance would increase/decrease by NZD \$2,678,206 (2018: \$5,045,355). The effect on the Schemes Net Assets Available for Distribution would be equal to this.

##### Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates for floating rate investments. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates. The 50 basis point margin is calculated with reference to prior interest rate fluctuations, as well as managements assessment of anticipated future interest rate fluctuations.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Scheme's profit would increase/decrease by \$108,296 (2018: \$193,794). This is attributable to the Schemes exposure to interest rates on its cash deposits.



**Price Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to equity price risks at the reporting date.

If prices of equity instruments had been 15% higher/lower, profit and investments would increase/decrease by \$35,443,081 (2018: \$27,018,390), as a result of the changes in fair value of investments classified as fair value through profit or loss. The effect on the Schemes Net Assets Available for Distribution would be equal to this.

**(g) Financial Instruments by Category**

2019	Assets at Amortised Cost	Assets at Fair Value Through Profit & Loss	Liabilities at Amortised Cost
Cash & Cash Equivalents	\$31,253,093		
Financial Assets at Fair Value through Profit & Loss		\$322,802,897	
Managers Fees Payable			\$116,822

2018	Loans & Receivables	Assets at Fair Value Through Profit & Loss	Liabilities at Amortised Cost
Cash & Cash Equivalents	\$44,843,678		
Financial Assets at Fair Value through Profit & Loss		\$285,462,397	
Managers Fees Payable			\$111,035

**(h) Credit Risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme. The Manager monitors credit risk by looking at the credit ratings of the relevant institutions. The Standard & Pooors rating for each institution are as follows:

BNZ	AA-
Aegis (ANZ)	AA-
FNZ (ASB)	AA-
Rabobank	A

Cash and Cash Equivalents, which represent the Schemes credit risk, include cash on hand, demand deposits and other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

The scheme has the following financial instruments which are exposed to credit risk:

	2019	2018
<b>Cash and Cash Equivalents</b>		
GBP Cash	13,399,699	30,447,821
NZD Cash	13,398,386	11,197,974
AUD Cash	3,472,830	2,107,207
USD Cash	898,908	1,086,425
Euro Cash	83,270	4,251
<b>Total Cash and Cash Equivalents</b>	<b>31,253,093</b>	<b>44,843,678</b>

**(i) Maturity Profile and Exposure to Interest Rate Risk**

2019	Weighted Average Effective Interest Rate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Non Interest Bearing	Total	Carrying Amount
<b>Loans &amp; Receivables</b>										
Cash & Cash Equivalents	0.73%	31,253,093	-	-	-	-	-	-	31,253,093	31,253,093
Accrued Interest	-	-	-	-	-	-	-	175,468	175,468	175,468
<b>Fair Value Through Profit or Loss (FVTPL)</b>										
Other Investments	5.13%	1,278,264	1,443,486	1,701,277	620,983	413,905	317,344,982	-	322,802,897	322,802,897
<b>Financial Liabilities</b>										
Managers Fees Payable	-	116,822	-	-	-	-	-	-	116,822	116,822
<b>Total</b>		<b>32,414,535</b>	<b>1,443,486</b>	<b>1,701,277</b>	<b>620,983</b>	<b>413,905</b>	<b>317,344,982</b>	<b>175,468</b>	<b>354,114,636</b>	<b>354,114,636</b>

  

2018	Weighted Average Effective Interest Rate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Non Interest Bearing	Total	Carrying Amount
<b>Loans &amp; Receivables</b>										
Cash & Cash Equivalents	0.73%	44,843,678	-	-	-	-	-	-	44,843,678	44,843,678
Accrued Interest	-	-	-	-	-	-	-	195,359	195,359	195,359
<b>Fair Value Through Profit or Loss (FVTPL)</b>										
Other Investments	4.95%	6,042,500	1,278,264	1,443,486	1,701,277	620,983	274,375,886	-	285,462,396	285,462,396
<b>Financial Liabilities</b>										
Managers Fees Payable	-	111,035	-	-	-	-	-	-	111,035	111,035
<b>Total</b>		<b>50,775,143</b>	<b>1,278,264</b>	<b>1,443,486</b>	<b>1,701,277</b>	<b>620,983</b>	<b>274,375,886</b>	<b>195,359</b>	<b>330,390,398</b>	<b>330,390,398</b>

**(j) Fair Value of Financial Instruments**

The Scheme considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements are their fair values.

2019	Carrying Amount	Fair Value
<b>Financial Assets</b>		
Cash & Cash Equivalents	\$31,253,093	\$31,253,093
Investments - New Zealand Securities	\$45,443,470	\$45,439,520
Investments - Overseas Securities	\$216,076,509	\$216,299,656
Investments - Overseas Deposits	\$19,059,042	\$19,059,042
Investments - New Zealand Cash	\$42,000,729	\$42,004,679
<b>Financial Liabilities</b>		
Manager's Fees Payable	\$116,822	\$116,822

2018	Carrying Amount	Fair Value
<b>Financial Assets</b>		
Cash & Cash Equivalents	\$44,843,677	\$44,843,677
Investments - New Zealand Securities	\$59,298,365	\$59,298,365
Investments - Overseas Securities	\$120,824,231	\$120,824,231
Investments - Overseas Deposits	\$26,776,870	\$26,776,870
Investments - New Zealand Cash	\$78,562,930	\$78,562,930
<b>Financial Liabilities</b>		
Manager's Fees Payable	\$111,035	\$111,035

## 15. Cashflows

Reconciliation of Net Profit to Net Cash Inflow from Operating Activities:

	2019	2018
<b>Net Cash Outflow From Operating Activities</b>		
Profit for the Year	9,410,364	19,073,538
<b>Adjustments for Non-Cash Items included in Profit / (Loss) for the year:</b>		
Revaluation Gain on Investments	(4,389,702)	(16,048,479)
Effect of exchange rate change on foreign currency balance	(1,472,661)	(1,178,972)
<b>Total Adjustments for Non-Cash Items included in Profit / (Loss) for the year:</b>	<b>(5,862,363)</b>	<b>(17,227,451)</b>
<b>Movements in Working Capital</b>		
Increase in Managers Fees Payable	5,787	10,073
(Increase) / Decrease in Accrued Interest	19,890	(66,296)
Increase / (Decrease) in Tax Provision	659,849	490,663
<b>Total Movements in Working Capital</b>	<b>685,526</b>	<b>434,440</b>
<b>Total Net Cash Outflow From Operating Activities</b>	<b>4,233,527</b>	<b>2,280,527</b>

## 16. Capital Management

The Scheme's capital is represented by individual member portfolio balances, less fees owing, and is reflected in the Statement of Net Assets Available for Benefits. In accordance with the accounting policies and risk management policies in note 14, the members are individually responsible to invest their contributions made in appropriate investments, and also to maintain sufficient liquidity to meet any withdrawal requests. The terms and conditions attached to membership in the Scheme can be found in note 2.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF I-SELECT SUPERANNUATION SCHEME**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of I-Select Superannuation Scheme ("the Scheme"), which comprise the statement of net assets available for benefits as at 31 March 2019, and the statement of changes in net assets available for benefits 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 present fairly, in all material respects, the financial position of the Scheme as at 31 March 2019 and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

**Basis for Opinion**

We conducted our audit in accordance with 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 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

**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.

*Valuation of Investments*

Refer to Note 13 Financial Assets at Fair Value through Profit or Loss

The Scheme recognises their investments as financial assets at fair value through profit or loss. The Scheme has employed external investment management firms to assess the value of the investments, and has adopted the value determined by the investment management firms. Investments held by the Scheme total \$322.8M. Due to the significance of the balance, this was considered to be a key audit matter.

Our procedures included, but were not limited to, the following:

- Reviewing prices of units to externally reported prices;
- Considering whether there were any indicators of impairment;
- Obtaining Type 2 Reports from the Custodian and Supervisor, and Investment Management Firms;
- Assessing the adequacy of the disclosures made in respect of the investments in the financial statements.

Our audit procedures did not identify any material issues in relation to the valuation of investments.

### **Directors' Responsibilities for the Financial Statements**

The directors are responsible on behalf of the Scheme for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors 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 directors 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 (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 decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Who we Report to

This report is made solely to the Scheme's members, as a body. Our audit work has been undertaken so that we might state those matters which 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 and the Scheme's members, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Michael Rondel.

*BDO Christchurch*

BDO Christchurch  
Christchurch  
New Zealand  
25 July 2019