

2020

UNISAVER NEW ZEALAND
FINANCIAL STATEMENTS
For the year ended 31 December 2020



Contents

Statement of net assets	2
Statement of changes in net assets	3
Statement of cash flows	5
Notes to the financial statements	6
Auditor's report	17

	Note	\$ 2020	\$ 2019
Assets			
Cash at bank		5,963,297	4,909,916
Investments	6	1,328,742,905	1,210,231,507
Accrued income		519,510	446,197
Prepayments		22,815	25,702
Sundry debtors		42,280	535
Total assets		1,335,290,807	1,215,613,857
Liabilities			
Sundry creditors		442,294	476,425
Unallocated contributions		295,930	2,122,579
Benefits payable		114,527	380,614
Current tax payable		9,545,852	10,284,983
Deferred tax liability	8	151,974	222,953
Total liabilities		10,550,577	13,487,554
Net assets available to pay benefits		1,324,740,230	1,202,126,303
Net assets available to pay benefits			
<i>Represented by:</i>	4 & 5		
Member standard account		790,910,195	719,705,755
Employer standard account		533,830,035	482,420,548
		1,324,740,230	1,202,126,303

For and on behalf of the trustee, UniSaver Limited, who authorised the issue of these financial statements.

Director  23 March 2021

Director  23 March 2021

This statement is to be read in conjunction with the notes on pages 6 to 16

	Note	\$ 2020	\$ 2019
Investment activities			
Investment income			
Gains on financial assets at fair value through profit and loss	7	10,523,040	152,718,838
Interest income		20,475	43,345
Distribution income	7	63,333,826	18,416,404
Use of money interest		-	590
		73,877,341	171,179,177
Investment expenses			
Investment manager fees		(2,675,127)	(2,796,909)
Investment manager fee rebates		2,727,386	3,019,614
Net investment income	4	73,929,600	171,401,882
Other income			
Sundry income		42,280	3,547
		42,280	3,547
Other expenses			
Administration and actuarial fees		729,229	745,805
Superannuation and investment consulting fees		112,206	135,850
Auditor's remuneration – audit of financial statements		26,904	24,185
Tax agent fees		41,228	45,757
Communication expenses		193,879	165,721
Legal fees		176,088	162,954
Directors' remuneration		120,842	119,108
Other trustee expenses		56,628	61,634
FMA subscriptions		100,922	93,926
Other expenses		392	1,616
Total other expenses		1,558,318	1,556,556
Change in net assets before taxation and membership activities		72,413,562	169,848,873
Income tax expense	8	15,095,993	15,539,223
Change in net assets after taxation and before membership activities (carried forward)		57,317,569	154,309,650

This statement is to be read in conjunction with the notes on pages 6 to 16

	Note	\$ 2020	\$ 2019
Change in net assets after taxation and before membership activities (brought forward)		57,317,569	154,309,650
Membership activities			
Contributions			
Member contributions		58,356,989	50,519,448
Employer contributions		40,858,938	35,887,235
Member tax credits		1,949,239	1,856,948
Transfers from other schemes		113,146	49,828
Total contributions		101,278,312	88,313,459
Benefits paid			
Retirement		9,113,661	10,326,265
Withdrawals		24,265,008	29,891,941
Redundancy		758,164	2,946,027
Death and permanent incapacity		1,325,174	1,277,943
Transfers to other schemes		519,947	205,101
Total benefits paid		35,981,954	44,647,277
Net membership activities		65,296,358	43,666,182
Net increase in net assets during year		122,613,927	197,975,832
Net assets available for benefits at beginning of year		1,202,126,303	1,004,150,471
Net assets available to pay benefits at end of year		1,324,740,230	1,202,126,303

This statement is to be read in conjunction with the notes on pages 6 to 16

	Note	\$ 2020	\$ 2019
Cash flows from operating activities			
<i>Cash provided from:</i>			
Member contributions		56,530,340	52,640,544
Employer contributions		40,858,938	35,886,297
Employee tax credits		1,949,239	1,856,948
Transfers from other funds		113,146	49,828
Interest income		20,016	42,641
Sundry income		42,280	3,547
		99,513,959	90,479,805
<i>Cash applied to:</i>			
Benefits paid		36,248,041	44,403,782
Other expenses		1,631,307	1,513,962
Income tax paid		15,906,103	7,627,785
		53,785,451	53,545,529
Net cash flows from operating activities	9	45,728,508	36,934,276
Cash flows from investing activities			
<i>Cash provided from:</i>			
Sale of investments		68,300,000	5,300,000
<i>Cash applied to:</i>			
Purchase of investments		110,300,000	40,850,000
Investment manager fees		2,675,127	2,403,589
Net cash flows from investing activities		(44,675,127)	(37,953,589)
Net increase/(decrease) in cash held		1,053,381	(1,019,313)
Cash at beginning of year		4,909,916	5,929,229
Cash at end of year		5,963,297	4,909,916

This statement is to be read in conjunction with the notes on pages 6 to 16

1. Scheme description

UniSaver New Zealand (the 'scheme') is a defined contribution superannuation scheme domiciled in New Zealand, covering employees of New Zealand universities. The scheme is registered as a workplace savings scheme under the Financial Markets Conduct Act 2013 ('FMC Act'). Under the scheme, contributions are made by scheme members and by their respective employers.

Registered office: Mercer (N.Z.) Limited, P O Box 1849, Wellington 6011

Funding arrangements

Each member shall contribute to the scheme a minimum amount equal to:

- category A member 3% of salary
- category B member 4% of salary
- category A/category B locked member 3% or 4% of salary
- all members joining on or after 1 July 2007 4% of salary
- category A member joining on or after 1 April 2009 4% of salary (but may, subject to legislation and other technical requirements being met, count their employer's compulsory contribution up to 1% of this amount)
- category B member joining on or after 1 April 2009 4% of salary (but may, subject to legislation and other technical requirements being met, count their employer's compulsory contribution up to 1% of this amount) or such greater amount as the member elects.

Each employer shall contribute in respect of each category A member who is under the normal retirement age 1.35 times the member's contributions up to a maximum of 6.75% of the member's salary (gross of withholding tax). The maximum member contribution rate attracting subsidy is 5%. The employer of a category B member is not required to pay any contributions to the scheme in respect of that member unless the member is also a locked member, in which case, the employer will contribute at the minimum level required under Subpart 3A of Part 3 of the KiwiSaver Act 2006. A member may from time to time, under certain circumstances and with consent of the trustee, make additional voluntary contributions. These funding arrangements are consistent with those of previous periods.

Investment policy and objectives

The trustee has approved a statement of investment policy and objectives, which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the trustee, and asset reallocations are undertaken as required.

Retirement benefits

The retirement benefits are determined by contributions to the scheme together with investment earnings on those 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

A new trust deed executed on 26 June 2020 was created to replace the previous version. Changes related to the introduction of the significant financial hardship withdrawal and the life-shortening congenital condition withdrawal. In addition, it was updated to reflect the legislative changes relating to the Trusts Act 2019, which came into force on 30 January 2021.

2. Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP') and the requirements of the FMC Act and other relevant legislative requirements as appropriate.

The scheme is a Tier 1 entity and, as such, the financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), other New Zealand accounting standards and authoritative notices as appropriate for for-profit entities. These financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

Measurement base

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

Presentation 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, and all values are rounded to the nearest dollar (\$), except when otherwise indicated.

Classification of assets and liabilities

UniSaver New Zealand operates as a superannuation scheme. As such, the assets and liabilities are disclosed in the statement of net assets in an order that reflects their relative liquidity.

3. Summary of significant accounting policies

The following are the significant accounting policies that have been adopted in the preparation of the financial statements.

Investment income

Dividends and distributions from unitised investments are taken to income on a due and receivable basis. Interest income is recognised using the effective interest rate method.

Net realised and unrealised gains and losses are recognised in the statement of changes in net assets in the period in which they occur.

Foreign currencies

Transactions in currencies other than the New Zealand dollar are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance date. Gains and losses arising on retranslation are included in gains/losses on financial assets at fair value through profit or loss.

Expenses

All expenses are accounted for on an accruals basis.

Taxation

The income tax expense represents the sum of the taxation currently payable and deferred taxation.

The income tax currently payable is based on taxable profit for the year. Taxable profit differs from change in net assets before taxation and member activities as reported in the statement of changes in net assets because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The scheme's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of changes in net assets. Deferred tax liabilities include those that arise from taxable income received on investments held in portfolio investment entity ('PIE') investment funds in the current financial year that will be payable by those PIE investment funds on behalf of the scheme as at 31 March 2021.

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. Financial assets are derecognised when the right to receive cash flows from the investments has expired or the scheme has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the statement of changes in net assets. Subsequent to initial recognition, all financial assets and financial liabilities 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 or financial liabilities at fair value through profit or loss category are presented in the statement of changes in net assets in the period in which they arise.

Fair value estimation

The fair value of units held by the scheme in pooled investment funds is determined by reference to published closing prices released by the investment manager at the close of business on the balance date, being the redemption price established by the underlying fund's responsible investment manager.

Sundry debtors

Other receivables do not carry any interest and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. These amounts are initially recognised at fair value and subsequently measured at amortised cost.

Impairment of assets

Financial assets other than those at fair value through profit or loss are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted. An expected credit loss model used to calculate the impairment of financial assets is prescribed by NZ IFRS 9.

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of changes in net assets to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Sundry creditors

Other payables are not interest bearing and are recognised initially at fair value and subsequently at amortised cost.

Goods and services tax (GST)

The scheme was deregistered for GST, and consequently all components of the financial statements are stated inclusive of GST, where appropriate.

Statement of cash flows

The cash flows of the scheme do not include those of the investment managers. The following are definitions of the terms used in the statement of cash flows:

- Cash comprises cash balances held with banks in New Zealand and overseas.
- Operating activities include all transactions and other events that are not investing activities.
- Investing activities comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

Promised retirement benefits

The net assets available to pay benefits (also known as 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.

Contributions and benefits

Contributions and benefits are accounted for on an accruals basis.

Application of accounting standards

Effective from 30 September 2020, 'Amendments to FRS-44 New Zealand additional disclosures' has been adopted in preparation of the scheme's financial statements. FRS-44 addresses going concern disclosures and requires management to perform an assessment of an entity's ability to continue as a going concern. Based on the scheme's assessment, the amendment to this standard did not have a material impact on the scheme's financial results and financial position at 31 December 2020. If management was aware in making its assessment, of material uncertainties related to events or conditions that cast doubt upon the entity's ability to continue as a going concern, further disclosure of those uncertainties was required.

On 11 March 2020, the World Health Organization (WHO) declared a global pandemic as a result of the outbreak and spread of COVID-19. The trustee continues to closely monitor the impacts of the COVID-19 pandemic on the scheme as the situation continues to unfold. The trustee has assessed the impact of COVID-19 on the valuation of financial instruments at 31 December 2020 and has ascertained that an adjustment was not required on the basis that markets were functioning and market prices for the financial assets at fair value through profit or loss represented fair value. The trustee has monitored the liquidity requirements of the scheme and concluded that there is sufficient liquidity to meet liabilities when due under current conditions. The adoption of the going concern assumption remains appropriate.

There are no other standards, amendments to standards or interpretations that have been issued but are not yet effective that are expected to materially impact on the scheme's financial statements.

4. Net assets available to pay benefits

Changes in accrued benefits as at 31 December 2020

	Member standard account \$	Employer standard account \$	Reserve account \$	Total 2020 \$
Opening balance	719,705,756	482,420,547	-	1,202,126,303
Contributions	60,442,259	40,858,938	(22,885)	101,278,312
Benefits paid	(23,446,093)	(12,558,744)	22,883	(35,981,954)
Forfeitures	-	-	-	-
Investment revenue	-	-	73,929,600	73,929,600
Other income	-	-	42,280	42,280
Expenses	-	-	(16,654,311)	(16,654,311)
Income allocated	34,331,448	23,111,721	(57,443,169)	-
Expenses allocated	(123,175)	(2,472)	125,602	-
Closing balance	790,910,195	533,830,035	-	1,324,740,230

The member standard account consists of member contributions, including interest and less any fees, as determined by the trustee.
 The employer standard account consists of employer contributions along with interest and fees, as determined by the trustee.

Changes in accrued benefits as at 31 December 2019

	Member standard account \$	Employer standard account \$	Reserve account \$	Total 2019 \$
Opening balance	604,590,119	399,560,349	3	1,004,150,471
Contributions	52,770,431	35,912,840	(369,812)	88,313,459
Benefits paid	(30,033,508)	(14,983,635)	369,866	(44,647,277)
Forfeitures	-	-	-	-
Investment revenue	-	-	171,401,882	171,401,882
Other income	-	-	3,547	3,547
Expenses	-	-	(17,095,779)	(17,095,779)
Income allocated	92,467,425	61,931,685	(154,399,110)	-
Expenses allocated	(88,711)	(692)	89,403	-
Closing balance	719,705,756	482,420,547	-	1,202,126,303

Guaranteed benefits

No guarantees have been made in respect of any part of the net assets available to pay benefits (2019: nil).

5. Vested benefits

Vested benefits are benefits payable to members or beneficiaries under the conditions of the trust deed on the basis of all members ceasing to be members of the scheme at balance date.

	\$ 2020	\$ 2019
Vested benefits	1,324,740,230	1,202,126,303

The value of the vested benefits was calculated as the sum required to provide all active members with the benefits to which they would be entitled if they voluntarily leave service.

The number of members in the scheme as at 31 December 2020 is 11,521 (2019: 10,950).

6. Investments

		\$ 2020	\$ 2019
Total investments – by investment type			
ANZ New Zealand Investments Limited	Short-term deposits	114,797,154	86,096,267
Russell Investment Management Limited	Equities offshore	497,063,320	443,841,896
	New Zealand equities	141,233,256	138,011,801
	Bonds offshore	376,542,823	444,947,233
	New Zealand bonds	104,076,389	–
	Property offshore	39,293,195	38,997,581
	Listed infrastructure	55,736,768	58,336,729
Total investments – by investment fund		1,328,742,905	1,210,231,507
ANZ New Zealand Investments Limited	ANZ Wholesale Cash Fund	114,797,154	86,096,267
Russell Investment Management Limited	Russell Global Opportunities Fund NZ Hedged – Class A (Australia)	252,864,959	443,841,896
	Russell Global Opportunities Fund NZ Hedged – Class D (Australia)	244,198,361	–
	Russell Global Bond Fund – Class B (Australia)	316,124,514	389,715,530
	RIC Global Listed Infrastructure Fund – \$NZ Hedged – Class B	55,736,768	58,336,729
	Russell Investments Global High Yield Fund NZDH-A	60,418,309	55,231,703
	Russell Investments NZ Shares Fund	141,233,256	138,011,801
	MSMM PLC The Global Real Estate Securities Fund Class NZDH Acc	39,293,195	38,997,581
	Russell Investments NZ Fixed Interest Fund	104,076,389	–
Total investments		1,328,742,905	1,210,231,507

7. Income

	\$ 2020	\$ 2019
Gains/(losses) on financial assets at fair value through profit and loss - by asset class		
Equities	30,516,755	115,694,613
Bonds	(9,926,376)	17,238,489
Global property	(4,655,725)	5,913,441
Short-term deposits	1,500,427	1,806,598
Listed infrastructure	(6,912,041)	12,065,697
	10,523,040	152,718,838
Gains on financial assets at fair value through profit and loss - by investment manager		
ANZ New Zealand Investments Limited	1,500,427	1,806,598
Russell Investment Management Limited	9,022,613	150,912,240
	10,523,040	152,718,838
Dividends - by asset class		
Russell Global Opportunities Fund NZ Hedged - Class A (Australia)	21,333,799	-
Russell Global Opportunities Fund NZ Hedged - Class D (Australia)	409,470	-
Russell Global Bond Fund - Class B (Australia)	31,312,929	11,389,997
Russell Investments NZ Fixed Interest Fund	796,140	-
RIC Global Listed Infrastructure Fund - \$NZ Hedged - Class B	1,906,767	312,942
Russell Investments Global High Yield Fund NZDH-A	2,988,115	2,147,249
Russell Investments NZ Shares Fund	3,750,415	3,900,869
The Global Real Estate Securities Fd Class NZDH Acc	881,191	665,347
	63,333,826	18,416,404
Dividends - by investment manager		
Russell Investment Management Limited	63,333,826	18,416,404
	63,333,826	18,416,404

8. Income tax

	\$ 2020	\$ 2019
Income tax expense	15,095,993	15,539,223
	15,095,993	15,539,223
Changes in net assets before taxation and membership activities	72,413,562	169,848,873
Income tax @ 28%	20,275,797	47,557,684
Adjusted for the tax effects of permanent differences		
Non-assessable investment gains and distributions	(20,679,922)	(47,917,868)
Foreign investment fund income	15,487,481	15,615,297
Tax payable on PIE investments	235,200	368,451
Non-assessable management fees and rebates	(75,289)	(84,327)
Prior period adjustment	(147,274)	(14)
Income tax expense	15,095,993	15,539,223
Represented by:		
Current tax	14,944,019	15,316,270
Deferred tax	151,974	222,953
Income tax expense	15,095,993	15,539,223
Deferred tax		
Balance brought forward	222,952	193,716
Current year charge	151,974	222,954
Transfer to current tax	(222,952)	(193,717)
Deferred tax liability	151,974	222,953

Deferred tax liabilities arising from PIE attributed income and tax credits at 31 December 2020 is \$151,974 (2019: \$222,953).

9. Reconciliation of net cash flows from operating activities to increase in net assets

	\$ 2020	\$ 2019
Net increase in net assets during year	122,613,927	197,975,832
Non-cash items		
Changes in net market value of investments	(10,523,040)	(152,718,838)
Distribution income	(63,333,826)	(18,416,404)
Interest on investment income	(459)	(704)
Investment manager fee rebates	(2,654,073)	(2,573,417)
Movements in other working capital items		
Decrease/(increase) in accrued income	(73,313)	(52,879)
Decrease/(increase) in prepayments	2,887	(1,299)
Decrease/(increase) in sundry debtors	(41,745)	(535)
(Decrease)/increase in sundry creditors	(34,131)	44,428
(Decrease)/increase in current tax payable	(739,131)	7,881,611
(Decrease)/increase in deferred tax liability	(70,979)	29,237
(Decrease)/increase in benefits payable	(266,087)	243,495
(Decrease) in contributions refundable	-	(2,421)
(Decrease)/increase in unallocated contributions	(1,826,649)	2,122,579
Items classified as investing activities		
Investment manager fees	2,675,127	2,403,591
Net cash flows from operating activities	45,728,508	36,934,276

10. Reserve account

Under the trust deed, the trustee shall establish a reserve account, which shall comprise the net assets of the scheme less the member standard account and the employer standard account. The reserve account may be applied at the trustee's discretion in crediting or debiting interest to the members' accounts, meeting all or part of the cost of insuring benefits payable, meeting all or part of the contributions of the employers, augmenting the retirement benefits of all members, providing benefits (other than retirement benefits) for all members, meeting the expenses of the scheme, increasing the members' accounts on an equitable basis and in such other manner as the trustee may from time to time consider appropriate.

11. Financial risk management objectives and policies

Risk management

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

Liquidity risk

All financial assets at fair value through profit and loss can be realised within 12 months. There are no significant financial liabilities, and all financial liabilities are due within 12 months. Therefore, the scheme does not have material exposure to liquidity risk.

Credit risk

Financial instruments that potentially expose the scheme to credit risk consist of cash and short-term deposits and receivables and, indirectly, investments in unithold products that invest in cash and fixed interest investments. The maximum exposure to credit risk is the carrying value of these financial instruments. The significant counterparties of the scheme at balance date are its investment managers, ANZ New Zealand Investments Limited and Russell Investment Management Limited, and their nominee companies, which the trustee considers to be financial institutions of high quality. The investment managers maintain diversified investment portfolios in accordance with the portfolio mix adopted by the trustee.

Currency risk

The scheme is indirectly exposed to currency risk in that future currency movements will affect the valuation of investments in unithold products that invest in foreign currency denominated investments. As at balance date, the scheme's exposure to indirect currency risk was as follows:

		\$NZD 2020	\$NZD 2019
Russell Investment Management Limited	Reporting currency		
Offshore equities and bonds	AUD	929,342,911	1,026,800,930
Offshore property	USD	39,293,195	38,997,581
		968,636,106	1,065,798,511

Market risk

Market risk represents the risk that the value of the scheme's investment portfolio will fluctuate as a result of changes in market prices.

This risk is managed by ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. The investment strategies are reviewed by the trustee on a regular basis and are managed in isolation from each other. As such, members can manage this risk through their choice of investments in which to participate.

Market price risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

The tables below show the sensitivity analysis in market price with all other variables held constant due to a reasonably possible change. The analysis is performed on the same basis as it was for 2019.

Effect on profit before tax

		\$ No change	\$ 10% increase	\$ 10% decrease
31 December 2020	Movement in market prices	-	132,874,291	(132,874,291)
	Profit/(loss) before tax	72,413,562	205,287,853	(60,460,728)
31 December 2019	Movement in market prices	-	121,023,151	(121,023,151)
	Profit/(loss) before tax	169,848,873	290,873,024	48,825,722

Effect on equity

		\$ No change	\$ 10% increase	\$ 10% decrease
31 December 2020	Movement in market prices	-	132,874,291	(132,874,291)
	Equity	1,324,740,230	1,457,614,521	1,191,865,940
31 December 2019	Movement in market prices	-	121,023,151	(121,023,151)
	Equity	1,202,126,303	1,323,149,454	1,081,103,152

Interest rate risk

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

	\$ 2020	\$ 2019
ANZ New Zealand Investments Limited		
Short-term deposits	114,797,154	86,096,267
Russell Investment Management Limited		
Bonds offshore	376,542,823	444,947,233

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

12. Financial instruments

Categories of financial instruments – 31 December 2020

	\$ Designated at fair value through profit or loss	\$ Financial assets at amortised cost	\$ Financial liabilities at amortised cost	\$ Fair value
Assets				
Investments	1,328,742,905	-	-	1,328,742,905
Cash at bank	-	5,963,297	-	5,963,297
Accrued income	-	519,510	-	519,510
Total assets	1,328,742,905	6,482,807	-	1,335,225,712
Liabilities				
Sundry creditors	-	-	442,294	442,294
Contributions refundable	-	-	295,930	295,930
Benefits payable	-	-	114,527	114,527
Total liabilities	-	-	852,751	852,751

Categories of financial instruments – 31 December 2019

	\$ Designated at fair value through profit or loss	\$ Financial assets at amortised cost	\$ Financial liabilities at amortised cost	\$ Fair value
Assets				
Investments	1,210,231,507	-	-	1,210,231,507
Cash at bank	-	4,909,916	-	4,909,916
Accrued income	-	446,197	-	446,197
Total assets	1,210,231,507	5,356,113	-	1,215,587,620
Liabilities				
Sundry creditors	-	-	476,425	476,425
Contributions refundable	-	-	2,122,579	2,122,579
Benefits payable	-	-	380,614	380,614
Total liabilities	-	-	2,979,618	2,979,618

Hierarchy of fair value measurements – 31 December 2020

The following table provides an analysis of financial instruments that are measured subsequent to initial value at fair value, grouped into Level 1–3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Description	2020			\$ Total
	\$ Level 1	\$ Level 2	\$ Level 3	
Investments	-	1,328,742,905	-	1,328,742,905
Total	-	1,328,742,905	-	1,328,742,905

There were no transfers between Level 1 and 2 in the period.

Description	2019			\$ Total
	\$ Level 1	\$ Level 2	\$ Level 3	
Investments	-	1,210,231,507	-	1,210,231,507
Total	-	1,210,231,507	-	1,210,231,507

There were no transfers between Level 1 and 2 in the period.

13. Commitments and contingent liabilities

There were no commitments or contingent liabilities outstanding as at 31 December 2020 (2019: nil).

14. Related parties

The scheme holds no direct investments in any of the employer universities or any of their related parties. During the period, payments were made to directors of the trustee totalling \$159,234 (2019: \$180,743) including reimbursement costs. The scheme had no other related-party transactions except for employer contributions of \$40,858,938 (2019: \$35,887,235).

15. Key sources of estimation uncertainty

The preparation of the financial statements requires the trustee to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. The trustee has applied judgement in selecting an accounting policy to designate financial assets at fair value through profit or loss upon initial recognition. This policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair values of all financial assets as market prices are readily available on request from the investment manager. Therefore, there are no material assumptions or major sources of estimation uncertainty that have a significant risk of material adjustment to the carrying amounts of assets at year end. However, as with all investments, their value is subject to variation due to market fluctuations. The trustee has also used judgement in the categorisation of its financial assets and liabilities at fair value through profit or loss in accordance with the fair value hierarchy under NZ IFRS13 'Fair value measurement'.

16. Operating segments

The scheme invests in investment managers that hold investments in both local and overseas markets. ANZ New Zealand Investments Limited and Russell Investment Management Limited are New Zealand-based funds. The scheme holds no direct overseas investments.

17. Non-adjusting event after the reporting period

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 UniSaver New Zealand

Opinion

We have audited the financial statements of UniSaver New Zealand ("the Scheme") on pages 2 to 16, which comprise the statement of net assets of the Scheme as at 31 December 2020, the statement of changes in net assets and statement of cash flows for the year then ended of the Scheme, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 2 to 16 present fairly, in all material respects, the financial position of the Scheme as at 31 December 2020 and its changes in net assets and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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 and the Scheme's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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 interest in, the Scheme.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Investments

Why significant

- As disclosed in Note 6 of the financial statements, the Scheme's portfolio of investments represents almost 100% of its total assets.
- As detailed in the Scheme's accounting policy, as described in Note 3 to the financial statements, these financial assets are recognised at fair value through profit or loss in accordance with NZ IFRS 9: *Financial Instruments*.
- Volatility and other market drivers can have a significant impact on the value of these financial assets and the financial statements, therefore the recognition and measurement of the investment portfolio is considered a key area of audit focus.
- Disclosures regarding the Scheme's investments are included in Note 6 to the financial statements.

How our audit addressed the key audit matter

Our audit procedures included:

- Gaining an understanding of the processes used to record investment transactions and the revaluation of the investment portfolio.
- Obtaining and considering the Independent Assurance Reports on Controls for the managers of the funds in which the Scheme invests. We have considered the controls tested, oversight controls used by the Scheme and the implications of any control deficiencies for our audit. We relied on these controls to gain assurance over the recognition and valuation of the investment balances.
- Receiving third party confirmations directly from the investment managers, for each underlying fund, of the number of units issued to the Scheme and their respective exit price at balance date and comparing these to the amounts recorded in the Scheme's financial records.
- Assessing whether the disclosures in the financial statements appropriately reflect the Scheme's exposure to financial instrument risk with reference to *NZ IAS 26 Accounting and Reporting by Retirement Benefit Plans*, *NZ IFRS 7 Financial Instruments: Disclosures* and *NZ IFRS 13 Fair Value Measurement*.

Information other than the financial statements and auditor's report

Those charged with governance are responsible for the Annual Report, which includes information other than the financial statements and 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Those charged with governance responsibilities for the financial statements

Those charged with governance are responsible, on behalf of the Scheme, for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

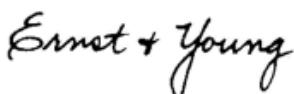
In preparing the financial statements, those charged with governance are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Scheme or 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 International Standards on Auditing (New Zealand) 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 at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurancepractitioners/auditors-responsibilities/audit-report-2/>. This description forms part of our auditor's report.

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



Chartered Accountants
Wellington
23 March 2021