

NEW ZEALAND POST SUPERANNUATION PLAN
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 \$	2019 \$
INVESTMENT ACTIVITIES			
Interest income	3	2,515,183	3,052,299
Dividends - New Zealand		425,877	364,767
Dividends - Foreign		853,555	922,089
Net (losses)/gains on financial instruments	4	(2,693,473)	3,316,607
Investment income		1,101,142	7,655,762
Investment management fees	22	(250,307)	(327,936)
Investment expenses		(250,307)	(327,936)
Net investment revenue		850,835	7,327,826
OTHER EXPENSES			
Auditor's Remuneration - fees for audit of financial statements		47,360	37,852
Auditor's Remuneration - fees for member register compliance services		6,339	6,038
Auditor's Remuneration - fees custody controls report		35,650	34,500
Communications expenses		107,317	111,532
Consultancy fees		66,015	61,365
FMA expenses		21,089	25,145
Legal expenses		5,165	29,465
Office expenses		20,479	305
Personnel expenses		238,409	241,174
Trustee fees		58,065	55,833
Total other expenses		605,888	603,209
Net surplus before membership activities		244,947	6,724,617
MEMBERSHIP ACTIVITIES			
Members' contributions		3,271,346	3,678,994
Employers' contributions		3,873,663	4,371,031
Voluntary members' contributions		326,359	357,585
		7,471,368	8,407,610
Benefits paid or payable	10	(18,232,604)	(23,908,526)
Net benefits paid or payable		(10,761,236)	(15,500,916)
Insurance policy premiums		(202,104)	(225,337)
Insurance policy proceeds		80,000	110,008
PIE tax expense allocated to members	16	(255,036)	(829,506)
Net membership activities		(11,138,376)	(16,445,751)
Decrease in promised retirement benefits		(10,893,429)	(9,721,134)
Liability for promised retirement benefits - opening balance		137,633,499	147,354,633
Liability for promised retirement benefits - closing balance		126,740,070	137,633,499
Decrease in promised retirement benefits			
Represented by:			
Members' accounts		(11,520,093)	(9,355,090)
Employers' accounts		42,523	(43,906)
Reserve account		584,141	(322,138)
		(10,893,429)	(9,721,134)

NEW ZEALAND POST SUPERANNUATION PLAN
STATEMENT OF NET ASSETS
AS AT 31 MARCH 2020

	Notes	2020 \$	2019 \$
LIABILITY FOR PROMISED RETIREMENT BENEFITS			
Represented by:			
Members' accounts	5	125,776,987	137,297,080
Employers' accounts	5	57,275	14,752
Reserve account	5	905,808	321,667
		<u>126,740,070</u>	<u>137,633,499</u>
ASSETS			
<i>Cash and cash equivalents</i>			
Bank accounts - New Zealand	7	6,802,086	5,880,205
- Offshore	7	118,275	2,468,436
Short term deposits	7	2,014,777	2,320,524
<i>Trade and other receivables</i>			
Accrued investment income	7	578,320	781,977
Investment receivables	7	646,283	-
Contributions receivable	9	196,660	213,665
Sundry receivables	7	20,055	13,562
<i>Financial assets held at fair value through profit or loss</i>			
Fixed interest securities - New Zealand government stock	7	6,878,412	6,969,831
- New Zealand bonds	7	4,245,970	5,874,007
Equities and Funds - New Zealand	7	12,794,972	14,242,312
- Offshore	7	39,732,319	43,091,034
Term deposits	7	53,544,183	56,276,815
Tax refund due	16	1,033,500	460,835
TOTAL ASSETS		<u>128,605,812</u>	<u>138,593,203</u>
LESS LIABILITIES			
<i>Financial liabilities held at fair value through profit or loss</i>			
FX contracts	7 / 14	12,570	17,332
<i>Trade and other payables</i>			
Benefits payable		614,624	682,600
Sundry payables	7	110,729	125,472
Related party payable	7 / 17	124,428	134,300
Investment payables	7	1,003,391	-
TOTAL LIABILITIES		<u>1,865,742</u>	<u>959,704</u>
NET ASSETS AVAILABLE TO PAY BENEFITS		<u>126,740,070</u>	<u>137,633,499</u>

For and on behalf of the Trustee, New Zealand Post Trustees Limited, who authorised the issue of these financial statements.



Date 29/07/20



Date 29/7/2020

**NEW ZEALAND POST SUPERANNUATION PLAN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Members' contributions		3,278,847	3,693,915
Employers' contributions		3,882,500	4,389,213
Voluntary contributions		327,026	359,620
Insurance policy proceeds		80,000	110,008
Interest		2,685,151	3,318,921
Dividends		1,325,085	1,229,985
		<u>11,578,609</u>	<u>13,101,662</u>
Cash was applied to:			
Benefits paid		18,300,580	24,582,667
Insurance policy premiums		208,597	221,099
Income tax paid		827,701	1,187,804
Expenses paid		631,509	588,982
Investment receivable		646,283	-
		<u>20,614,670</u>	<u>26,580,552</u>
Net cash flows (to) / from operating activities	19	<u>(9,036,061)</u>	<u>(13,478,890)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Maturities and sale of investments		<u>75,091,495</u>	<u>94,402,377</u>
		75,091,495	94,402,377
Cash was applied to:			
Purchase of investments		68,227,832	78,702,597
Direct investment expenses		249,304	335,951
		<u>68,477,136</u>	<u>79,038,548</u>
Net cash flows from investing activities		<u>6,614,359</u>	<u>15,363,829</u>
Net increase / (decrease) in cash held		<u>(2,421,702)</u>	<u>1,884,939</u>
Cash and cash equivalents at beginning of year		10,669,165	8,785,546
Exchange gains / (losses) on offshore bank accounts		687,675	(1,320)
Cash and cash equivalents at end of year		<u>8,935,138</u>	<u>10,669,165</u>
Comprises:			
Bank accounts			
New Zealand		6,802,086	5,880,205
Offshore		118,275	2,468,436
Short term deposits		2,014,777	2,320,524
Cash and cash equivalents as per Statement of Net Assets		<u>8,935,138</u>	<u>10,669,165</u>

**NEW ZEALAND POST SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

1 REPORTING ENTITY

The New Zealand Post Superannuation Plan (the "Plan") is a defined contribution superannuation scheme, domiciled in New Zealand, and is registered as a workplace savings scheme under the Financial Markets Conduct Act 2013. The purpose of the Plan is to provide employees of New Zealand Post Limited (the "Company") and its participating employers with benefits on their retirement or otherwise ceasing service with the Company. The retirement benefits due to members are their contributions and investment earnings thereon.

The investment options of the Plan include a Short Term Fund, a Medium Term Fund and a Long Term Fund. The liabilities of the Plan are not ring-fenced by investment option and therefore, reporting in these financial statements is not segmented by investment option.

New Zealand Post Trustees Limited is the Trustee for the Plan.

These financial statements were authorised for issue by the Trustee on 29 July 2020.

On 31 December 2010 the Plan was closed to new members.

The registered office of the New Zealand Post Superannuation Plan is:
7-27 Waterloo Quay
Wellington 6011

Employers (hereafter referred to as the "Employers") of the Plan are:

Datacom Systems Limited
Datam Limited
Kiwibank Limited
New Zealand Transport Agency
New Zealand Post Limited
Reach Media NZ Limited
Kiwi Financial Services Retail Limited

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the requirements of the Financial Markets Conduct Act 2013 ("FMCA") and other relevant legislative requirements as appropriate.

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial assets and financial liabilities at fair values through profit or loss.

The impact of COVID-19 has been considered as part of the preparation of the financial statements, including that it is still deemed appropriate to prepare the financial statements on a going concern basis.

Statement of compliance

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

**NEW ZEALAND POST SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

(b) Foreign currency translation

(i) Functional and presentation currency

The Plan members are mainly located within New Zealand, with the contributions and withdrawals to and from members denominated in New Zealand Dollars ("NZD"). The performance of the Plan is measured and reported to investors in NZD. The Plan considers the NZD as the currency that most faithfully represents the economic effects of the underlying events and conditions. The financial statements are presented in NZD, which is the Plan's functional and presentation currency.

(ii) Transactions and balances

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date. Monetary items receivable or payable in a foreign currency are translated at balance date at the closing rate. Exchange differences on foreign currency balances are recognised in the Statement of Changes in Net Assets.

(c) Financial instruments

(i) Classification

Financial assets and liabilities at fair value through profit or loss

The Plan investments are categorised as financial assets and liabilities held at fair value through profit or loss. They comprise:

Financial instruments held for trading

The Plan uses foreign exchange forward contracts to hedge its exposure to changes in foreign currency exchange rates. Derivative financial instruments are classified as held for trading as the Plan does not designate any derivatives as hedges in a hedging relationship.

Financial instruments designated at fair value through profit or loss

These include investments in exchange traded debt and equity instruments, and fixed interest securities.

Financial assets and financial liabilities designated at fair value through profit or loss are those that are managed and their performance evaluated on a fair value basis in accordance with the Plan's documented investment strategy.

Financial assets at fair value through profit or loss can be converted to cash as required where the market is active. The amount received on disposal of these assets may be different to the amount disclosed due to changes in market conditions and transaction costs incurred at the time of sale.

Financial assets at amortised cost

These include non-derivative assets with fixed and determinable payments that are not quoted in an active market. These cover cash and cash equivalents, trade and other receivables and term deposits.

(ii) Recognition/derecognition

The Plan recognises financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Plan has transferred substantially all risks and rewards of ownership.

(iii) Measurement

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

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed in the Statement of Changes in Net Assets immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Changes in Net Assets. The fair value is determined by taking into account interest and dividends earned on the financial instruments.

**NEW ZEALAND POST SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

Fair value in an active or quoted market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at balance date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices. The fair value of forward exchange contracts is determined using forward exchange market rates at balance date.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

(2) Financial assets at amortised cost

Financial assets at amortised cost are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less allowances for expected credit losses if any. The amount of the expected credit loss, if any, is updated at each reporting date to reflect changes in credit risk since initial recognition.

Where applicable, the Plan recognises lifetime expected credit losses for trade and other receivables. The expected credit losses on these financial assets are estimated based on historical credit loss experience adjusted for factors that are specific to the debtors and general economic conditions.

Expected credit losses are recognised in the Statement of Changes in Net Assets as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

(3) Derivatives

In the normal course of business the Plan enters into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions may include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Plan's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- economic hedging to protect an asset or liability of the Plan against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

**NEW ZEALAND POST SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

While derivatives may be used for trading purposes from time to time, they are not used to gear (leverage) a portfolio. Gearing a portfolio may occur if the level of exposure to the markets exceeds the underlying value of the Plan. The use of derivatives is governed by the current Statement of Investment Policy and Objectives ("SIPO"). The most current version of the SIPO is available on the schemes register at www.business.govt.nz/disclose.

The Plan holds the following derivative instruments:

Forward currency contracts

Forward currency contracts are primarily used by the Plan to economically hedge against foreign currency exchange rate risks on its non New Zealand dollar denominated trading securities. The Plan agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the reporting date. The Plan recognises a gain or loss equal to the change in fair value at the reporting date.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with banks in New Zealand and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash, and which are subject to insignificant risks of changes in value, and bank overdrafts.

Statement of Cash Flows

Investing activities: Comprise acquisition and disposal of investments and returns on investments including dividends and interest. Investments include securities not falling within the definition of cash.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from investing activities, as movements in the fair value of these securities represent the Plan's main investing activity. Expenses directly incurred in undertaking investing activities such as investment management expenses are included in investing activities.

Operating activities: All activities which are not investing activities.

The Plan does not have any financing activities.

(e) Investment income

Interest income is recognised in the Statement of Changes in Net Assets for all debt instruments using the effective interest method.

Accrued interest income is included in interest income.

Dividend income is recognised on the ex dividend date.

(f) Expenses and membership activities

All expenses and membership activities are recognised in the Statement of Changes in Net Assets on an accruals basis.

**NEW ZEALAND POST SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

(g) Income tax

The Plan elected to be taxed as a Portfolio Investment Entity ("PIE") from 1 October 2007. As a PIE, the Plan allocates income on a monthly basis to each member and deducts tax from that allocated income at the prescribed investor rate for each member. The tax that is deducted and paid to the Inland Revenue is not shown as income tax in the Statement of Changes in Net Assets, rather it is shown as part of the increase / decrease in the liability for promised retirement benefits.

(h) Receivables

Receivables may include amounts for dividends, interest, distributions and contributions. Dividends and distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment.

(i) Payables

Payables include liabilities and accrued expenses owing by the Plan which are unpaid as at balance date. Trades are recorded on trade date, and normally settled within three business days. Purchases of securities and investments that are unsettled at reporting date are included in payables, and sales in receivables.

(j) Goods and Services Tax (GST)

The Plan is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

(k) Critical accounting estimates and judgements

Management make estimates and assumptions regarding the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no management estimates or assumptions that would have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year. As the Plan is a defined contribution scheme, no actuarial services were used during the year.

(l) Changes in accounting policies and disclosures

(i) Standards, amendments and interpretations to existing standards which are considered relevant to the Plan are effective for the year ended 31 March 2020 and have been applied in preparing these financial statements

NZ IFRS 16 - 'Leases' - Effective for periods beginning on or after 1 January 2019.

NZ IFRS 16 replaces the previous standard NZ IAS 17: Leases to implement a comprehensive basis of accounting for leases for lessees. In effect the new standard requires that all leases that transfer the substantive right to use an asset for longer than one year and above an entity de minimus, be recognised as an asset a Right of Use Asset and compensating financial liability. This standard was effective for reporting periods beginning on or after 1 January 2019. There is no impact on the Plan as there are no lease arrangements.

NEW ZEALAND POST SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

	2020 \$	2019 \$
3 INTEREST INCOME		
Cash and cash equivalents and term deposits	1,899,850	2,273,928
Financial assets at fair value through profit or loss	615,333	778,371
	<u>2,515,183</u>	<u>3,052,299</u>
4 NET (LOSSES)/GAINS ON FINANCIAL INSTRUMENTS		
(Losses)/gains on financial assets designated at fair value through profit or loss		
Fixed interest - New Zealand government stock	(136,133)	(80,957)
- Other New Zealand bonds	(107,692)	(98,418)
Equities and Funds - New Zealand	109,111	1,742,173
- Offshore	(745,861)	2,292,921
Foreign exchange contracts	(2,500,571)	(537,791)
	<u>(3,381,146)</u>	<u>3,317,928</u>
Other assets held at balance date		
Foreign exchange gains / (losses) on offshore bank accounts	687,673	(1,321)
Net (losses) / gains on financial instruments	<u>(2,693,473)</u>	<u>3,316,607</u>
5 NET ASSETS AVAILABLE TO PAY BENEFITS		
(a) Changes in promised retirement benefits allocated to members' accounts:		
<i>Members' accounts</i>		
Opening balance	52,775,219	57,754,905
Contributions	3,271,346	3,678,994
Benefits paid to members	(6,187,016)	(8,602,775)
Transfer to voluntary account	(566,032)	(2,590,850)
Interest allocated net of PIE tax expense	(263,415)	2,424,861
Transfer to reserve	-	76
Insurance policy proceeds	80,000	110,008
Closing balance	<u>49,110,102</u>	<u>52,775,219</u>
<i>Vested portion of employers' account</i>		
Opening balance	67,362,653	74,225,190
Transfer from non vested benefits	2,931,608	3,771,785
Benefits paid to members	(7,680,566)	(10,634,322)
Closing balance	<u>62,613,695</u>	<u>67,362,653</u>

NEW ZEALAND POST SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

5 NET ASSETS AVAILABLE TO PAY BENEFITS (cont'd)

	2020	2019
	\$	\$
<i>Voluntary accounts</i>		
Opening balance	17,159,208	14,672,075
Contributions	326,359	357,585
Benefits paid to members	(4,365,023)	(4,671,433)
Transfer from members	566,032	2,590,850
Transfer from employers	448,988	3,606,974
Interest allocated net of PIE tax expense	(82,374)	603,157
Closing balance	<u>14,053,190</u>	<u>17,159,208</u>
Closing balance of Members' accounts:	<u>125,776,987</u>	<u>137,297,080</u>

The deferred accounts have been reclassified to form part of voluntary as they are essentially the same in substance and in accordance with the Trust Deed.

(b) Changes in promised retirement benefits allocated to employers' accounts:

Non vested portion of employers' account

Opening balance	14,752	58,658
Contributions	3,873,663	4,371,031
Insurance policy premiums - Pre 92 members and voluntary	(99,901)	(106,053)
Transfer to voluntary account	(448,988)	(3,606,974)
Interest allocated net of PIE tax expense	(346,988)	3,118,994
Transfer (to) / from reserve	(3,655)	(49,119)
Transfer to vested benefits	(2,931,608)	(3,771,785)
Closing balance	<u>57,275</u>	<u>14,752</u>

(c) Changes in promised retirement benefits allocated to the reserve account

Balance at beginning of year	321,667	643,805
Transfers from / (to) employers' accounts	3,655	49,119
Insurance policy premiums - Group life	(102,204)	(119,283)
Transfer from members' account	-	(76)
Adjustment to interest allocated	682,690	(251,898)
Closing balance	<u>905,808</u>	<u>321,667</u>

**NEW ZEALAND POST SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

6 RESERVE ACCOUNT POLICY

The reserves held in the 'Reserve account' which have not been allocated to members' or employers' accounts may be distributed, at the discretion of the Trustee, in accordance with the Trust Deed principally for:

- Meeting all or part of members' or employers' contributions on an equitable basis;
- Increasing members' accounts on an equitable basis;
- Providing benefits, other than retirement benefits to all members on an equitable basis;
- Providing hardship benefits to members or their dependants; or
- Paying Plan expenses where considered reasonable.

Where there is a deficit in the reserve account, an adjustment to member interest allocations will be made subsequent to balance date.

7 FINANCIAL ASSETS AND LIABILITIES

Held at fair value through profit or loss	2020	2019
	\$	\$
Fixed interest securities - New Zealand government stock	6,878,412	6,969,831
- New Zealand bonds	4,245,970	5,874,007
Equities and Funds - New Zealand	12,794,972	14,242,312
- Offshore	39,732,319	43,091,034
FX contracts (Note 14)	(12,570)	(17,332)
Total financial assets held at fair value through profit or loss	63,639,103	70,159,852
Financial assets at amortised cost		
Cash and cash equivalents - New Zealand bank accounts	6,802,086	5,880,205
- Offshore bank accounts	118,275	2,468,436
- Short term deposits	2,014,777	2,320,524
Trade and other receivables - Accrued investment income	578,320	781,977
- Investment receivables	646,283	-
- Sundry receivables	20,055	13,562
Term deposits	53,544,183	56,276,815
	63,723,979	67,741,519
Financial liabilities at amortised cost		
Trade and other payables - Sundry payables	110,729	125,472
- Related party payable	124,428	134,300
- Investment payables	1,003,391	-
	1,238,548	259,772

There is no collateral held over these financial assets at 31 March 2020 (2019: Nil).

There are no past due but not impaired or impaired assets at 31 March 2020 (2019: Nil). Past due assets are assets that have matured but for which cash has not yet been received. Impaired assets are assets for which it is likely that less than the fair value will be received upon maturity.

NEW ZEALAND POST SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

7 FINANCIAL ASSETS AND LIABILITIES (cont'd)

Cash accounts with a balance exceeding 5% of any class or type of cash held are as follows:
Any balances that exceed 5% in one year but not the other have been left blank in the year that they do not exceed 5%.

	2020 \$	2019 \$
Bank accounts - New Zealand:		
BNZ	2,536,235	1,260,796
Kiwibank - Growth	463,451	
Kiwibank (Balanced -06)	625,646	2,314,324
Kiwibank (Cash -06)	1,585,249	407,217
Morgan Stanley (NZD)		1,085,395
Westpac - Cash	723,180	
Bank accounts - Offshore:		
Morgan Stanley (USD)	113,359	2,364,784
Short term deposits:		
ANZ - Cash		800,000
ANZ - Balanced	500,000	520,524
BNZ - Balanced	314,777	
Kiwibank - Cash	500,000	
Kiwibank 32 Day Saver		1,000,000
	7,361,897	9,753,040

Investments with a balance exceeding either 5% of net assets or 5% of any class or type of security are as follows:

Any balances that exceed 5% in one year but not the other have been left blank in the year that they do not exceed 5%.

	2020 \$	2019 \$
Fixed Interest Securities:		
New Zealand Government Stock		
New Zealand Government Stock 15/04/2023	4,704,976	4,734,218
New Zealand Government Stock 15/05/2021	2,173,436	2,235,613
New Zealand Bonds		
Fonterra Co-Op 20/10/2021	924,390	
Kiwibank Limited 6/12/2019		2,013,113
Kiwibank Limited FRN 22/11/2021	985,240	1,004,692
Contact Energy Limited 15/11/2021	1,038,880	1,048,794
NZ Local Government 15/04/2023	289,744	
Contact Energy Limited 15/05/2019		1,516,964
Westpac Banking 01/09/2026	1,007,717	
Equities and Funds:		
Offshore		
iShares MSCI ACWI Index Fund	10,734,063	21,187,102
Vanguard Total World Stock Index	28,348,870	20,768,308
New Zealand		
The a2 Milk Company Limited	1,769,814	1,793,844
Auckland International Airport Limited	664,359	1,247,357
Contact Energy Limited	678,597	817,615
Fisher & Paykel Healthcare Corporation Limited	2,445,742	1,468,029
Meridian Energy Limited	714,838	858,929
Ryman Healthcare Limited		824,499
Spark New Zealand Limited	1,055,229	1,140,068

NEW ZEALAND POST SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

8 CONTRIBUTIONS

Members contribute at 1%, 2%, 3%, 4% or 5%, plus Complying Super Fund contributions, if any, of their annual salary. After commencement of their sixth year of membership the contributions are required to be 5%, unless New Zealand Post Limited agrees that voluntary contributions only are required. For Members who joined the Plan before 1 November 2002, the Employers contribute twice the Member contribution up to a maximum of 10%. For Members who joined the Plan on or after 1 November 2002, the Employers contribute at the same rate as the member, with the exception of members who contribute 5% where the Employer will contribute 7.5%.

	2020	2019
	\$	\$
9 CONTRIBUTIONS RECEIVABLE		
Receivable from members	87,664	95,165
Receivable from employers (Note 17)	102,097	110,934
Receivable from voluntary contributions	6,899	7,566
	<u>196,660</u>	<u>213,665</u>

	2020	2019
	\$	\$
10 BENEFITS PAID		
Benefits paid to members leaving the Plan are as follows:		
Death	393,679	273,497
Deferred exit	4,216,167	4,401,170
Deferred Benefits - Partial	114,764	-
Retirements	5,133,294	6,114,771
Retrenchments	4,204,335	6,205,648
Resignations	2,790,581	5,204,071
First home benefits	845,782	814,592
Subsequent home benefits	246,205	504,571
Voluntary withdrawals	209,199	197,933
Significant hardship benefits	78,598	147,144
Transfer to Inland Revenue or KiwiSaver	-	15,842
Ill health benefits	-	29,287
	<u>18,232,604</u>	<u>23,908,526</u>

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

11 MEMBERSHIP RECONCILIATION

The below reconciliation represents the movement in the Plan's active members, (contributing and non-contributing):

	2020	2019
	Number	Number
Opening Membership	1,407	1,742
<i>Terminations / transferred to deferred:</i>		
Leaving service	(52)	(141)
Death/terminal illness	(2)	(2)
Redundancy	(55)	(107)
Retirement	(49)	(83)
Change in benefit class	(40)	
Transfer	(7)	(2)
Closing membership	<u>1,202</u>	<u>1,407</u>

In addition to the above active members, there are 209 deferred members (2019: 204).

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12 COMPLYING SUPERANNUATION FUND

The market value of assets subject to complying fund rules at 31 March 2020 is \$3,369,750 and there are 87 members to which these assets relate (2019: \$3,269,806 and 94 members).

The value of withdrawals subject to complying fund rules is \$80,721 (2019: \$469,960).

There has been no increase in fees during the year.

13 VESTED BENEFITS

If every member had left the Plan due to resignation, the vested benefits under the conditions of the Trust Deed at balance date would have been as follows:

	2020	2019
	\$	\$
Vested benefits	<u>125,776,987</u>	<u>137,297,080</u>

Vested benefits are calculated based on information provided by the Plan, Plan start date and any changes to the members' service (parental leave, leave without pay etc.).

14 DERIVATIVE FINANCIAL INSTRUMENTS

Forward currency contracts

Forward currency contracts are primarily used by the Plan to hedge against foreign currency exchange rate risks on its non New Zealand dollar denominated trading securities. The Plan agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the spot rate at reporting date. The Plan recognises a gain or loss equal to the change in fair value at the reporting date.

	Contract/ Notional	2020 Assets	Liability
	\$	\$	\$
Foreign currency forward contracts	20,136,000	-	12,570
	<u>20,136,000</u>	<u>-</u>	<u>12,570</u>

	Contract/ Notional	2019 Assets	Liability
	\$	\$	\$
Foreign currency forward contracts	20,136,000	-	17,332
	<u>20,136,000</u>	<u>-</u>	<u>17,332</u>

15 FINANCIAL RISK MANAGEMENT

The Plan is exposed to credit risk, market price risk, foreign exchange risk, interest rate risk and liquidity risk arising from the financial instruments it holds. The Plan's objective is to provide its members with sound investment performance with controlled risk through investing in a diversified portfolio of fixed interest securities, debt and equity instruments in New Zealand and offshore. Investment decisions are made in accordance with the limits set by the Statement of Investment Policy and Objectives ("SIPO"). The risk management policies employed by the Plan to manage these risks are discussed below and include sensitivity analysis in the case of interest rate, foreign exchange and other price risks. The impact of such analysis on the pre tax profit or loss of the Plan is detailed in the notes below. The impact on the liability for promised retirement benefits is equal to the impact on profit or loss as the Plan takes all gains / (losses) of financial assets held at fair value through profit or loss through the Statement of Changes in Net Assets.

**NEW ZEALAND POST SUPERANNUATION PLAN
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15 FINANCIAL RISK MANAGEMENT (cont'd)

a) Credit Risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract. Concentrations of credit risk are minimised primarily by:

- ensuring all custodians are approved by the Trustee,
- ensuring that transactions are undertaken with a number of counterparties,
- ensuring that third parties handle the security of assets, and
- ensuring that the plan has policies in place to manage exchanges when buying or selling securities.

Financial instruments that potentially subject the Plan to credit risk consist principally of cash, short term deposits, receivables, term deposits, fixed interest securities and equities of which overseas are exchange traded funds. While the Plan may be subject to credit losses of up to the carrying values of such instruments in the event of non-performance by counterparties, the Trustee does not expect such losses to occur. The investments do not expose the Plan to significant concentrations of credit risk and the Trustee does not require any collateral or other security to support such investments.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance date. This relates also to financial assets carried at amortised cost, as they have a short-term to maturity. The maximum exposure at 31 March 2020 is \$75,881,861 (2019: \$81,046,192). This includes fixed interest securities, short term deposits, accrued investment receivables and cash and cash equivalents.

	2020	2019
Financial Instruments by Rating		
AA+	10%	9%
AA	0%	0%
AA-	69%	67%
A+	9%	6%
A	10%	15%
A-	1%	0%
BBB	1%	3%
	100%	100%

There are no amounts that would otherwise be past due or impaired where terms have been renegotiated. Past due consists of financial assets that matured but the cash has not yet been received. Impairment is where the full face value of the asset is not expected to be recovered. There is no impairment at 31 March 2020 (2019: Nil).

b) Market Risk

Market risk is the risk that the value of the Plan's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits.

The Plan's equity, currency and fixed interest securities including those held in exchange traded funds and trading derivatives are susceptible to market price risk arising from uncertainties about future prices of the instruments. The overall market risk exposure is \$63,639,103 (2019: \$70,159,852).

To manage risk arising from investing in equity and fixed interest securities, the Plan diversifies its portfolio. Diversification is performed in accordance with the limits set by the SIPO.

**NEW ZEALAND POST SUPERANNUATION PLAN
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15 FINANCIAL RISK MANAGEMENT (cont'd)

As at 31 March 2020 the Plan's concentration of risk, categorised by Geographical regions and Industries, are:

	2020	2019
Investments by Geographical region		
Australia	0.5%	0.8%
New Zealand	68.3%	68.7%
United States	17.1%	17.0%
Other	14.1%	13.5%
	<u>100.0%</u>	<u>100.0%</u>
Investments by Industry		
Financial Institutions	55.6%	56.8%
Government	5.7%	5.3%
Other	38.7%	37.9%
	<u>100.0%</u>	<u>100.0%</u>

The Plan's market risk is affected by three main components: changes in actual market prices, interest rate and foreign currency movements.

b) i) Change in actual market prices

All of the Plan's equity investments are publicly traded. The Investment Manager assesses their performance and that of the Plan by reference to benchmark indices. These indices and their weighting of the Plan's investments reflect the risk profile of the Plan. Foreign exchange movements on overseas equities are a component of price risk. The fixed interest investments are principally affected by changes in market expectations and interest rates.

The market(s) have recovered from a decline in March 2020 to January - mid-February 2020 levels, thus equity markets have recovered a significant portion of their losses as at June 2020.

The table below summarises the impact of a 10% increase/decrease on the year end market price on the Plan's pre tax surplus for the year. The analysis is based on the assumption that the equity and fixed interest prices have all increased/decreased by 10% with all other variables held constant.

The sensitivity disclosed is considered appropriate given the movement of markets during the year and the impact of COVID-19.

	Impact on pre tax surplus for the year ended 31 March 2020		Impact on pre tax surplus for the year ended 31 March 2019	
	+10% change in market price	-10% change in market price	+10% change in market price	-10% change in market price
	\$	\$	\$	\$
Sensitivity	6,365,167	(6,365,167)	7,017,718	(7,017,718)

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15 FINANCIAL RISK MANAGEMENT (cont'd)

b) ii) Foreign exchange risk

The Plan is exposed to foreign exchange risk as a result of investments in financial instruments denominated in foreign currencies. The Plan enters into foreign currency contracts as governed by the current SIPO. Offshore equities held through exchange traded funds denominated in US dollars have an exposure to Euro and Japanese Yen, therefore FX contracts are also held for these currencies.

31 March 2020	Australian Dollars NZD\$	US Dollars NZD\$	Euro NZD\$	Japanese Yen NZD\$	Total NZD\$
Assets					
Cash and cash equivalents	4,911	113,363	-	-	118,274
Assets held at fair value through profit or loss	649,385	39,082,934	-	-	39,732,319
Total assets	654,296	39,196,297	-	-	39,850,593
Nominal Value of FX contracts	-	12,336,000	6,100,000	1,700,000	20,136,000

31 March 2019	Australian Dollars NZD\$	US Dollars NZD\$	Euro NZD\$	Japanese Yen NZD\$	Total NZD\$
Assets					
Cash and cash equivalents	103,648	2,364,788	-	-	2,468,436
Assets held at fair value through profit or loss	1,135,625	41,955,409	-	-	43,091,034
Total assets	1,239,273	44,320,197	-	-	45,559,470
Nominal Value of FX contracts	-	12,336,000	6,100,000	1,700,000	20,136,000

The table below shows the change in the fair value of financial assets / (liabilities) and surplus before taxation for significant currencies from a movement in exchange rates. The sensitivity disclosed is considered appropriate given the movement of FX rates during the year and the impact of COVID-19.

	Year ended 31 March 2020		
	Carrying Amount	+10% change in exchange rate	-10% change in exchange rate
	\$	\$	\$
Australian Dollars	654,296	(59,481)	72,700
US Dollars	39,183,598	(3,562,145)	4,353,733
Other	130	(12)	14
	39,838,024	(3,621,638)	4,426,447

	Year ended 31 March 2019		
	Carrying Amount	+10% change in exchange rate	-10% change in exchange rate
	\$	\$	\$
Australian Dollars	1,239,273	(112,661)	137,697
US Dollars	44,307,769	(4,027,979)	4,923,085
Other	(4,904)	446	(545)
	45,542,138	(4,140,194)	5,060,237

**NEW ZEALAND POST SUPERANNUATION PLAN
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15 FINANCIAL RISK MANAGEMENT (cont'd)

b) iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Cash, short term deposits, term deposits and fixed interest securities expose the Plan to interest rate risk. Future interest rate movements will affect cash flows and the net market values of fixed interest securities. Interest rate risk management activities are undertaken by the Investment Managers in accordance with the investment strategy.

The table below shows the effect on interest income and net assets on financial assets from a movement in interest rates. The sensitivity disclosed is considered appropriate given the movement of interest rates during the year and the impact of COVID-19.

	Year ended 31 March 2020		
	Carrying Amount	+2% change in interest rate	-2% change in interest rate
	\$	\$	\$
Financial Assets			
Cash and cash equivalents	8,935,138	2,757	(2,757)
Trade and other receivables	1,244,658	-	-
Term deposits	53,544,183	29,106	(29,106)
Fixed interest securities	11,124,382	9,817	(9,817)
	<u>74,848,361</u>	<u>41,680</u>	<u>(41,680)</u>

	Year ended 31 March 2019		
	Carrying Amount	+5% change in interest rate	-5% change in interest rate
	\$	\$	\$
Financial Assets			
Cash and cash equivalents	10,669,165	8,489	(8,489)
Trade and other receivables	795,539	-	-
Term deposits	56,276,815	96,859	(96,859)
Fixed interest securities	12,843,838	31,524	(31,524)
	<u>80,585,357</u>	<u>136,872</u>	<u>(136,872)</u>

The table below summarises the Plan's exposure to interest rate risk. It includes the Plan's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates. All liabilities are current.

31 March 2020	Within 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Bank accounts	6,920,361	-	-	-	6,920,361
Short term deposits	2,014,777	-	-	-	2,014,777
New Zealand government stock	-	-	6,878,412	-	6,878,412
New Zealand bonds	-	-	3,238,253	1,007,717	4,245,970
Term deposits	13,914,854	39,224,634	404,695	-	53,544,183

31 March 2019	Within 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Bank accounts	8,348,641	-	-	-	8,348,641
Short term deposits	2,320,524	-	-	-	2,320,524
New Zealand government stock	-	-	6,969,831	-	6,969,831
New Zealand bonds	3,530,078	1,004,691	1,339,238	-	5,874,007
Term deposits	8,245,069	48,031,746	-	-	56,276,815

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15 FINANCIAL RISK MANAGEMENT (cont'd)

c) Liquidity and cash flow risk

Liquidity risk is the risk that the Plan will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate. The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through:

- Applying limits to ensure there is no concentration of liquidity risk to a particular asset or entity; and
- Ensuring that there is no significant exposure to illiquid or thinly traded securities.

The Plan is exposed to daily cash redemptions by members partially or fully withdrawing their funds. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

The Plan manages day-to-day cash flow by maintaining a cash balance sufficient to cover weekly cash outflows. This is assessed daily in periods of unusually high redemptions by the Investment Manager, reconciled weekly and forecasted for the next week.

The Plan only has financial liabilities due within one month.

The extent of the Plan's concentration of liquidity and cash flow risk will in general terms be determined by reference to a number of factors including the extent to which, relative to its overall investment, the Plan has invested in a particular asset class or entity. The Plan's liquidity and cash flow risk will also be subject to general economic and market events impacting on the asset classes and entities invested in as well as applicable asset class and entity specific risks which may affect the liquidity of the Plan's investments and the maturity profile of these investments.

Concentration of liquidity and cash flow risk is determined by investment in common asset classes, entities or markets or underlying exposure to particular economic and/or market events. Other shared characteristics that may determine the Plan's concentration of liquidity and cash flow risk across asset classes and entities are common exposure to a particular form of financial instrument and the maturity profile of particular investments.

The Plan actively monitors and controls the extent of the concentration of liquidity and cash flow risk in order to ensure that the level of this risk is minimised and is maintained within any limits specified by the SIPO. The Plan holds a diversified portfolio in accordance with the SIPO and this further mitigates against exposure to an inappropriate level of liquidity and cash flow risk.

d) Fair value measurements recognised in the Statement of Net Assets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 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). For example foreign exchange contracts are valued using independent forward foreign exchange rates and New Zealand bonds are valued using market yields; and
- Level 3 fair value measurements are not held by the Plan.

	Fair value measurement at end of the reporting period using:		
	31 March 2020 \$	Level 1 \$	Level 2 \$
Financial assets / (liabilities) at fair value through profit or loss			
Fixed Interest			
- New Zealand government stock	6,878,412	6,878,412	-
- Other New Zealand bonds	4,245,970	-	4,245,970
Equities and Funds			
- New Zealand	12,794,972	12,794,972	-
- Offshore	39,732,319	39,732,319	-
Foreign exchange contracts	(12,570)	-	(12,570)
Total	63,639,103	59,405,703	4,233,400

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15 FINANCIAL RISK MANAGEMENT (cont'd)

	Fair value measurement at end of the reporting period using:		
31 March 2019	Level 1	Level 2	
\$	\$	\$	
Financial assets / (liabilities) at fair value through profit or loss			
Fixed Interest			
- New Zealand government stock	6,969,831	6,969,831	-
- Other New Zealand bonds	5,874,007	-	5,874,007
Equities and Funds			
- New Zealand	14,242,312	14,242,312	-
- Offshore	43,091,034	43,091,034	-
Foreign exchange contracts	(17,332)	-	(17,332)
Total	70,159,852	64,303,177	5,856,675

Capital risk management

The Plan's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations of the Plan, as defined by the liability for promised benefits.

The Plan achieves this through obtaining contributions from members and employers and investing in financial assets.

COVID-19

The COVID-19 pandemic impacted all risks identified in Note 15, however New Zealand Post Superannuation Plan management utilised their risk planning and could maintain access to markets and therefore manage all the risks noted above. See Note 23 for details on the impact of COVID-19.

16 TAXATION

	2020	2019
	\$	\$
i Taxation expense		
Net surplus before membership activities	244,947	6,724,617
	244,947	6,724,617
Tax expense thereon at 28% default rate (2019: 28%)	(68,585)	(1,882,893)
Adjusted for the tax effects of permanent differences:		
Tax effect of non-taxable income	146,798	1,362,813
Tax effect of lower PIRs elected by some members	87,158	215,273
Tax effect of FDR income	(503,542)	(601,783)
Tax effect of Imputation Credits	83,135	77,084
PIE tax expense allocated to members	(255,036)	(829,506)

As the Plan is a PIE, tax payable is determined with reference to an individual member's prescribed investor rate (PIR) and payable by the Plan on behalf of investors. For this reason, the 2020 tax expense for the Plan is nil (2019: Nil). The PIE tax payable for the year to 31 March 2020 of \$255,036 (2019: \$829,506) has been recorded against the member funds rather than as tax expense.

	2020	2019
	\$	\$
ii Tax (payable) / refundable		
Opening balance	460,835	102,537
Net tax paid	827,701	1,187,804
Less: PIE tax payable on behalf of members	(255,036)	(829,506)
	1,033,500	460,835

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17 RELATED PARTY TRANSACTIONS

The Plan holds short term deposits, fixed interest securities and New Zealand dollar and foreign currency call accounts with Kiwibank Limited (a jointly controlled entity of New Zealand Post Limited) of \$6,278,083 as at 31 March 2020 (2019: \$9,018,699). The accrued interest on these investments as at 31 March 2020 is \$7,782 (2019: \$14,351).

The Plan received interest revenue from Kiwibank Ltd of \$126,816 for 2020 (2019: \$293,441).

The Plan holds no investments in New Zealand Post Limited (2019: Nil).

The Plan receives employer's contributions from New Zealand Post Limited and participating employers. The value of the contributions received are presented on the face of the financial statements. The value of contributions outstanding at balance date is presented in note 9.

During the year ended 31 March 2020 the Plan paid \$520,142 to New Zealand Post Limited in cost reimbursements (2019: \$540,372). This includes payments for investment and administration fees for the cost of employees involved in administering the Plan along with other administrative and property related outgoings. At 31 March 2020 the Plan owed New Zealand Post Limited \$124,428 relating to expenses incurred on its behalf (2019: \$134,300).

18 EMPLOYEE REMUNERATION

The Plan does not have any employees. The Plan is administered by employees of New Zealand Post Limited. The investment and administration charge paid to New Zealand Post Limited reimburses the Company for these employee services. The cost of employee services paid to the Company is included as personnel expenses in the Statement of Changes in Net Assets.

19 RECONCILIATION OF INCREASE IN PROMISED RETIREMENT BENEFITS TO OPERATING CASH FLOWS

	2020 \$	2019 \$
Decrease in promised retirement benefits	(10,893,429)	(9,721,134)
Non cash items:		
Gains on financial assets / liabilities held at fair value through profit or loss	2,693,473	(3,316,605)
	<u>2,693,473</u>	<u>(3,316,605)</u>
Movements in other working capital items:		
Accrued investment income	203,657	210,690
Investment receivables	(646,283)	-
Contributions receivable	17,005	35,138
Sundry receivables	(6,493)	4,238
Accrued interest on bonds	11,963	(940)
Benefits payable	(67,976)	(674,141)
Sundry payables	(14,743)	8,973
Related party payables	(9,871)	(2,758)
Taxation refundable	(572,665)	(358,298)
	<u>(1,085,406)</u>	<u>(777,098)</u>
Items classified as investing activities:		
Investment expenses	249,301	335,947
	<u>249,301</u>	<u>335,947</u>
Net cash flows from operating activities	<u>(9,036,061)</u>	<u>(13,478,890)</u>

**NEW ZEALAND POST SUPERANNUATION PLAN
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20 EVENTS OCCURRING AFTER THE BALANCE DATE

Since the market reaction to the COVID-19 pandemic, which resulted in falling equity, bond pricing and interest rates, the plan has recovered from the loss in equity and bond investment in the Financial Year 2020 and as of 1 June 2020, for investment pools that have exposure to equity markets, all investment pools have a positive return for the fund. See Note 23 for details on the impact of COVID-19.

21 CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

There are no outstanding contingent assets and liabilities or commitments as at 31 March 2020 (2019: Nil).

22 BREAKDOWN OF INVESTMENT MANAGEMENT FEES

A breakdown of the investment management fees is as follows:

	2020	2019
	\$	\$
Bank fees	583	620
Financial services	31,265	51,505
Investment advisory services	120,000	120,000
Custodian brokerage and other fees	71,179	137,512
Other financial consultancy services	27,280	18,299
	<u>250,307</u>	<u>327,936</u>

23 COVID-19 IMPACT

On 11 March 2020, the World Health Organisation declared a global pandemic because of the outbreak and spread of COVID-19. Following this, a global market correction adversely affected equity returns in the Medium and Long-Term pools. The subsequent response from the Reserve Bank of New Zealand to lower the Overnight Cash Rate to 0.25% will affect future expected returns from term deposits held with New Zealand banks, as well as future bond yields/returns.

On Wednesday 25 March 2020, the New Zealand Government raised its Alert Level to 4 (full lockdown of non-essential services) for an initial 4-week period. The New Zealand Post Superannuation Plan was granted an exemption by the FMA to continue to operate during the lockdown as an essential financial service.

Equity markets continued to trade and there was an active equity market at 31 March 2020.



Independent auditor's report

To the members of the New Zealand Post Superannuation Plan (the "Plan")

We have audited the Plan's financial statements which comprise:

- the statement of net assets as at 31 March 2020;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the Plan's financial statements present fairly, in all material respects, the financial position of the Plan as at 31 March 2020, 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) and International Financial Reporting Standards (IFRS).

Basis for opinion

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

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

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

We have provided the following services to the Plan's Trustee: custody controls assurance and member registry compliance services. These services and relationships have not impaired our independence as auditor of the Plan.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Plan's financial statements of the current year. Given the nature of the Plan, we have one key audit matter: valuation and existence of financial assets at fair value through profit or loss and term deposits at amortised cost. The matter was addressed in the context of our audit of the Plan's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation and existence of financial assets at fair value through profit or loss and term deposits at amortised cost</i></p> <p>Financial assets at fair value through profit or loss (FVTPL) for the Plan as at 31 March 2020 were \$63.7m. Term deposits at amortised cost were \$55.6m.</p> <p>The Custodian holds the financial assets at FVTPL on behalf of the Plan. Term deposits are placed with financial institutions directly by the Plan.</p> <p>Further disclosures on the financial assets are included in note 7 of the financial statements.</p> <p>This was an area of focus as it represents the substantial majority of the net assets of the Plan.</p> <p>As at 31 March 2020, the financial assets at FVTPL held by the Plan comprise investments in equities, bonds, and listed funds. These financial instruments are classified at levels 1 and 2 of the fair value hierarchy.</p> <p>The fair value of the Plan's level 1 financial assets have been determined using the quoted market prices in active markets. Market prices quoted in foreign currencies are translated to New Zealand dollars using the exchange rate at the 31 March 2020.</p> <p>Financial assets with inputs to the valuation that are observable either directly or indirectly are categorised as level 2 in the fair value hierarchy. The fair value of the Plan's level 2 financial assets have been determined using valuation techniques with inputs from observable market data.</p> <p>Management assessed the impact of COVID-19 on the Plan's financial statements including investments at fair value through profit or loss and term deposits and included additional disclosures in Note 15, 20 and 23 to the financial statements.</p>	<p>Our audit procedures included updating our understanding of the Plan's business processes to account for and value their investment portfolio.</p> <p>We obtained and assessed the Administrator's and Custodian's controls reports over custody, investment accounting and registry services.</p> <p>We also obtained the Trustee's SAE (NZ) 3150 controls report for controls in operation at the Plan covering custodian services provided. We evaluated the evidence provided by the controls reports over the design and operating effectiveness of the key controls operated by the service organisations and the Plan.</p> <p>Our audit procedures over the valuation of financial assets at FVTPL included agreeing the price for level 1 instruments to quoted market prices, and the exchange rates at which they have been converted from foreign currencies to New Zealand dollars, to independent third party pricing sources.</p> <p>We used an internal expert to test the fair value of level 2 bonds.</p> <p>We obtained a confirmation from the Custodian and financial institutions of all financial assets at FVTPL and term deposits held by the Plan as at 31 March 2020.</p> <p>We have considered the impact of COVID-19 on the valuation of investments. This included assessing whether the valuation methodologies and the disclosures in the financial statements were appropriate.</p> <p>From the procedures performed, there were no matters to report.</p>

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Our materiality for the Plan is \$1.267m and is calculated based on 1% of the net assets of the Plan.

We chose net assets as the benchmark because, in our view, this is the benchmark against which the performance of the Plan is most commonly measured by users, and is a generally accepted benchmark.

Because of the significance of the investments to the financial statements, we have determined there is one key audit matter: valuation and existence of financial assets at fair value through profit or loss and term deposits at amortised cost.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the Plan's financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the Plan's financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Plan's financial statements as a whole, taking into account the structure of the Plan, the types of investments held by the Plan, the accounting processes and controls, the use of third party service providers and the industry in which the Plan operate.

The Directors of New Zealand Post Trustees Limited (the "Trustee") are responsible for the governance and control activities of the Plan. The Trustee has appointed Morgan Stanley (the Custodian) to act as Custodian of the Plan's investments. The Trustee has outsourced registry services to Mercer (the Administrator).

In establishing our overall audit approach, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the control environment in place at the Trustee, the Administrator and the Custodian.

Information other than the financial statements and auditor's report

The Trustee is responsible for the annual report.

Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on other information.

In connection with our audit of the financial statements, if other information is included in the annual report, 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 in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, 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.

Responsibilities of the Trustee for the financial statements

The Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Trustee determines 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 Trustee is responsible for assessing the Plan'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 Trustee either intends to liquidate the Plan 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) and ISAs 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's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Plan'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 Plan'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 Christopher Ussher.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
31 July 2020

Wellington

