

# **AON MASTER TRUST**

## **Financial Statements**

**For the Year Ended 31 March 2017**

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# Independent Auditor's Report

To the members of the Aon Master Trust

## Report on the financial statements

### Opinion

In our opinion, the accompanying financial statements of the Aon Master Trust (the "Scheme") on pages 3 to 17:

- i. present fairly in all material respects the Scheme's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards

We have audited the accompanying financial statements which comprise:

- the statement of net assets as at 31 March 2017;
- the statements of changes in net assets and cash flows for the year ended 31 March 2017; and
- notes, including a summary of significant accounting policies and other explanatory information.



### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other services to the Scheme in relation to Audit of the Registry as at 31 March 2017. Other than in our capacity as auditor we have no relationship with, or interests in, the Scheme.



### Other Information

The Manager of the Scheme ("the Manager"), on behalf of the Scheme, are responsible for the other information included in the Scheme's Annual Report. Other information may include the disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any 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 in the audit or otherwise appears materially misstated.



If, based on 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.



## Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent 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 members as a body for our audit work, this report, or any of the opinions we have formed.



## Responsibilities of the Manager for the financial statements

The Manager, on behalf of the Scheme, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



## Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- 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 Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these financial statements is located at the External Reporting Board (XRB) website at:

[https://www.xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Page6.aspx](https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page6.aspx)

This description forms part of our Independent Auditor's Report.

**Matthew Prichard**

For and on behalf of KPMG

28 July 2017

## AON MASTER TRUST

### Statement of Net Assets As at 31 March 2017

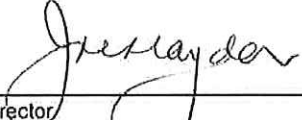
	Notes	2017 NZ\$'000	2016 NZ\$'000
<b>Assets</b>			
Cash at bank		708	649
Receivables	7	416	257
Investments at fair value through profit or loss	15	192,135	125,809
<b>Total Assets</b>		<b>193,259</b>	<b>126,715</b>
<b>Liabilities</b>			
Payables	8	(1,324)	(581)
PIE tax payable		(887)	(508)
<b>Total Liabilities</b>		<b>(2,211)</b>	<b>(1,089)</b>
<b>Net Assets Available for Benefits</b>		<b>191,048</b>	<b>125,626</b>
 <i>Represented By:</i>			
Member account	6	190,640	124,168
Reserve account	5 & 6	408	1,458
<b>Total Liability for Promised Benefits</b>		<b>191,048</b>	<b>125,626</b>

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

  
\_\_\_\_\_  
Director

Janice Sengupta

26 July 2017  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Director

26 July 2017

\_\_\_\_\_  
Date

This statement is to be read in conjunction with the accompanying notes on pages 6 to 17.

# AON MASTER TRUST

## Statement of Changes in Net Assets For the Year Ended 31 March 2017

	Notes	2017 NZ\$'000	2016 NZ\$'000
<b>Investment Revenue</b>			
Gains on investments at fair value	15	11,066	6,346
Distribution income		625	147
Interest income		1	9
<b>Investment Expenses</b>			
Investment management fees		(520)	(540)
<b>Net Investment Revenue</b>		11,172	5,962
<b>Other Income</b>	9	49	215
<b>Other Expenses</b>			
Auditor's remuneration - audit fees	13	(49)	(42)
Auditor's remuneration - consulting fees		(2)	(6)
Investment consulting fees		(187)	(143)
Trustee & administration management fees		(770)	(494)
Group life premiums		(169)	(156)
Other expenses		(208)	(84)
<b>Change in Net Assets before Membership Activities</b>		9,836	5,252
<b>Total members' funds at beginning of the year</b>		125,626	118,161
Change in net assets before membership activities		9,836	5,252
Member contributions		6,921	6,291
Employer contributions		6,512	5,813
Complying super fund crown contributions		30	34
Transfers in from other schemes - wholesale		7,523	4,212
Transfers out to other schemes - wholesale		(18,602)	(1,833)
Transfers in from other schemes		81,759	1,413
Transfers out to other schemes		(10,587)	(219)
Withdrawals	10	(16,817)	(12,892)
Administration fees		(106)	(117)
PIE tax expense		(1,050)	(489)
Prior period adjustments		3	-
<b>Increase in Net Assets During the Year</b>		65,422	7,465
<b>Total Members' Funds at the End of the Year</b>		191,048	125,626

This statement is to be read in conjunction with the accompanying notes on pages 6 to 17.

# AON MASTER TRUST

## Statement of Cash Flows For the Year Ended 31 March 2017

	Note	2017 NZ\$'000	2016 NZ\$'000
<b>Cash Flows from Operating Activities</b>			
<i><b>Cash provided from</b></i>			
Contributions received		13,218	12,160
Transfers in		76,669	5,625
Rebates received		14	12
Group life claims		20	98
Interest received		1	9
Other income		6	8
<i><b>Cash applied to</b></i>			
Withdrawals		(25,085)	(13,472)
Transfers out		(10,478)	(2,052)
Administration fees		(92)	(117)
Auditor's remuneration - audit fees		(36)	(42)
Auditors' remuneration - accounting advice		(7)	-
Trustee & administration management fees		(678)	(477)
Investment consulting fees		(199)	(130)
Investment management fees		(482)	(454)
General expenses		(175)	(88)
Group life premiums		(169)	(150)
PIE tax paid		(669)	(985)
<b>Net Cash Flows from/(used) in Operating Activities</b>	11	51,858	(55)

### Cash Flows from Investing Activities

<i><b>Cash provided from</b></i>			
Sale of investments		42,712	11,227
<i><b>Cash applied to</b></i>			
Purchase of investments		(94,511)	(11,454)
<b>Net Cash Flows used in Investing Activities</b>		(51,799)	(227)
<b>Net Increase/(Decrease) in Cash Held</b>		59	(282)
<b>Cash at Beginning of the Year</b>		649	931
<b>Cash at End of the Year</b>		708	649

This statement is to be read in conjunction with the accompanying notes on pages 6 to 17.



## AON MASTER TRUST

### Notes to the Financial Statements For the Year Ended 31 March 2017

#### 1. Scheme Description

Aon Master Trust (the "Scheme") is a defined contribution Workplace Savings Scheme established under a Trust Deed dated 27th September 2012 by Superannuation Management Nominees Limited (the "Trustee"). This Trust Deed replaced the previous Deed dated 8th June 2007 and 10th February 2004 as amended, which was a consolidation of earlier Deeds including the original Deed dated 1st March 1979. This Trust Deed was rescinded and replaced by a new Trust Deed on 30 November 2016. The Scheme is a profit oriented entity.

The Scheme is a Reporting Entity under the Financial Market Conduct Act 2013 (the "FMCA"). The Scheme is an Issuer for the purposes of the FMCA.

The administration manager of the Scheme is Aon New Zealand ("Aon").

The Trustee was incorporated in New Zealand on 19 December 1983 and is registered under the Companies Act 1993. Aon New Zealand Group is the ultimate holding company of the Trustee in New Zealand and was registered as a company in Auckland, New Zealand in 2008.

The business address of the Trustee is Level 16 AMP Centre, 29 Customs Street West, Auckland, New Zealand.

The Scheme comprises four sections as follows:

The Staff section is open to employees of companies that have elected to provide a retirement savings scheme through the Scheme. This section is not open to members of the public.

The Complying section is open to employees of companies that have elected to provide a Complying Superannuation Fund option in conjunction with their retirement savings scheme and wish to invest in investment products offered by the Scheme. This section is subject to the Complying Superannuation Fund rules as determined by legislation. This section is not open to members of the public.

The Personal section is closed to new members.

The Wholesale section was open to standalone schemes who wish to invest in investment products offered by the Scheme and is now closed.

The Scheme provides various investment choices. The financial statements have been prepared at the Scheme level as the liabilities of the individual investment choices are not limited to the assets of each investment choice. Therefore assets of one investment choice could be used to meet the liabilities of another.

#### Funding Arrangements

The Scheme is a profit oriented entity. Under the Trust Deed contributions are made by members of the Scheme, their employers and the Crown. Complying Superannuation fund members can choose to contribute either 3%, 4% or 8% of gross salary or wage. Members may from time to time make additional voluntary contributions to the Scheme. For these members, employers are required to contribute 3% of members' gross salary or wage to the Scheme. Employer contributions are reduced by Employer Superannuation Contribution Tax ("ESCT"). The Crown contributed a member tax credit contribution of 50% of Member contributions during the year up to a maximum of \$521.43.

#### Retirement Benefits

The retirement benefits are determined by contributions to the Scheme together with investment earnings on these contributions over the period of membership.

#### Termination Terms

The Trust Deed sets out the basis on which the Scheme can be terminated.

#### Changes in the Scheme

On 30th November 2016, members from six stand-alone schemes (listed below) were transferred into the Scheme. The Trust Deed was amended to reflect the transaction and the requirements of the FMCA, including the appointment of a Licensed Independent Trustee. The identifiable assets acquired and liabilities assumed at the date of transfer were measured at fair value. No goodwill or contingent liabilities have been recognized during the transaction.

Six stand-alone schemes were:

Gilbarco (NZ) Retirement Plan  
Ideal Electrical Suppliers Retirement Plan  
Juken Staff Superannuation Scheme  
NZ Maritime Officers Superannuation Fund  
Tait Communications Superannuation Scheme  
Winstone Pulp International Superannuation Plan

## AON MASTER TRUST

### Notes to the Financial Statements For the Year Ended 31 March 2017

#### 2. Basis of Preparation

##### Reclassification of comparatives

The opening balances of Member's account and Reserve account has been reclassified to correct the mis-allocation last year. Member's account was less reported and Reserve account was over reported. It had no impact to the total net assets reported.

##### Statement of Compliance

The financial statements of the Scheme have been prepared in accordance with the Trust Deed governing the Scheme, the FMCA, and New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). For the purposes of complying with NZGAAP the entity is a Tier 1 for profit entity. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ-IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

##### Classification of assets and liabilities

The assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

##### Measurement Base

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

##### Functional and Presentation Currency

The financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Scheme operates. All financial information presented has been rounded to the nearest thousand dollars.

#### 3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods in the financial statements.

##### Interest Income

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

##### Distribution Income

Distribution income from managed funds is recognised in the Statement of Changes in Net Assets when the income has been applied to the Scheme.

##### Income & Expenses

All income and expenses are accounted for on an accruals basis.

##### Taxation

The Scheme is a Portfolio Investment Entity ("PIE"). Under the PIE regime detailed in the Income Tax Act 2007, income is effectively taxed in the hands of the members and therefore income tax expense is not recognised by the Scheme. The tax liability arising on income is allocated to members and satisfied by the cancellation of units held in the Scheme. As a consequence, deferred tax is also not recognised.

Members of the Scheme have the option to choose Prescribed Investor Rates of 10.50%, 17.50% or 28%.

##### Financial Instruments

###### (i) Classification

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

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

###### (ii) Recognition and Derecognition

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



## AON MASTER TRUST

### Notes to the Financial Statements For the Year Ended 31 March 2017

#### 3. Summary of Significant Accounting Policies (Continued)

##### (iii) Measurement

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

Financial assets or financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue. Subsequently, these instruments are measured at amortised cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer a liability take place either:

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

##### Receivables

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

##### Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at balance date. These amounts are unsecured and are usually paid within 30 days at recognition. These financial liabilities are stated at amortised cost. Payables are not interest bearing.

##### Goods and Services Tax (GST)

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

##### Transfers In and Transfers Out

Transfers out is recognised on an accrual basis. Transfers in are recognised in the Statement of Changes in Net Assets when they are received. Transfers out are recognised in the Statement of Changes in Net Assets when they become payable or are paid.

##### Statement of Cash Flows

The following are definitions of the terms used in the Statement of Cash Flows.

Operating activities - include all transactions and other events that are not investing activities or financing activities.

Investing activities - comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

Cash at bank includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### Promised Retirement Benefits

The amount held for Promised Retirement Benefits is the Scheme's 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 recognised liabilities as at balance date.

##### Contributions and benefits

Contributions are recognised in the Statement of Changes in Net Assets when they are received. Benefits are recognised in the Statement of Changes in Net Assets when they are payable or are paid.

## AON MASTER TRUST

### Notes to the Financial Statements For the Year Ended 31 March 2017

#### 3. Summary of Significant Accounting Policies (Continued)

##### Capital Risk Management

The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and maximise the Scheme's members value.

The Scheme's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations of the Scheme, as defined by the liability for promised benefits. The Scheme achieves this through obtaining contributions from members and investing these into financial assets.

The capital consists of the Member Account balances at balance date while the Reserve Account includes contributions and expenses to be allocated and deducted respectively in the next accounting period. The Scheme is not subject to any externally imposed capital requirements.

##### Critical Judgement and Accounting Estimates

The Trustee has applied judgement in selecting the accounting policy to designate financial assets and financial liabilities through profit or loss at inception. 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 unit prices from investment managers are readily available. Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of making material adjustments to the carrying amounts of assets and liabilities at year end. However as with all investments their value is subject to variation due to market fluctuations. For the purposes of the fair value hierarchy of financial assets at fair value through profit or loss, the Trustee apply judgement as to what constitutes observable prices in an active market. For further details please refer to Note 15 (Investments at Fair Value).

##### New Standards and Interpretations not yet adopted

The following new standards, amendments to standards or interpretations have been issued but are not effective for the period ended 31 March 2017, and have not been applied in preparing these statements:

**NZ IFRS 9:** On 24 July 2014, the XRB issued the complete NZ IFRS 9 (NZ IFRS 9 (2014)). The mandatory effective date of NZ IFRS 9 is for annual periods beginning on or after 1 January 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

NZ IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under NZ IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

The Scheme intends to adopt NZ IFRS 9 (2014) in the financial statements for the annual period beginning on 1 April 2018. The Scheme does not expect the standard to have a material impact on the financial statements.

#### 4. Vested Benefits

2017	2016
NZ\$'000	NZ\$'000
188,137	122,604

Vested Benefits are benefits payable to Members or Beneficiaries, under the conditions of the Scheme, on the basis of all Members ceasing to be members of the Scheme at balance date.

#### 5. Reserve Account

Pursuant to the Trust Deed, the Trustee shall establish a Reserve Account which shall be credited with the following:

- any amount not paid to a member upon ceasing employment with the Employer;
- any unclaimed benefit;
- any unallocated funds transferred in from another superannuation scheme;
- the Reserve Account's share of the Scheme's earnings or loss;
- any profit share or other interest allocated by the Scheme's investment manager and not otherwise allocated to members' accounts.

## AON MASTER TRUST

### Notes to the Financial Statements For the Year Ended 31 March 2017

#### 5. Reserve Account (Continued)

The Reserve Account in respect of each Employer and the Members deriving membership through such Employer may be used at the direction of the Employer in any one or more of the following ways for the benefit of those Members:

- (a) in payment of all or part of the contributions of all members of the Scheme on an equitable basis;
- (b) in payment of all or part of the employers' contributions to the Scheme;
- (c) in payment of the expenses of the Scheme;
- (d) in increasing the employer accounts of all Members on an equitable basis;
- (e) in providing benefits other than retirement benefits for all members of the Scheme on an equitable basis;
- (f) in providing personal benefits for members or their dependants in cases of hardship;
- (g) in such other manner as is permitted from time to time.

#### 6. Liability for Promised Retirement Benefits

Changes in Promised Retirement Benefits:

	2017			2016		
	Member Account NZ\$'000	Reserve Account NZ\$'000	Total NZ\$'000	Member Account NZ\$'000	Reserve Account NZ\$'000	Total NZ\$'000
Balance 1 April	124,168	1,458	125,626	116,312	1,849	118,161
Opening reclassification	413	(413)	-	-	-	-
Prior period adjustments	-	3	3	-	-	-
Contributions received	23,760	(2,773)	20,987	12,138	-	12,138
Transfers in from external schemes	81,758	-	81,758	5,625	-	5,625
Withdrawals and transfers out	(48,464)	2,458	(46,006)	(14,944)	-	(14,944)
Expenses allocated	(1,051)	(20)	(1,071)	-	-	-
Net income received	10,056	(305)	9,751	5,037	(391)	4,646
Balance 31 March	190,640	408	191,048	124,168	1,458	125,626

Liability for Promised Retirement Benefits is maintained through member's account and Reserve Account (details in note 5).

Member's account means an account maintained in respect of each Member which shall be credited with the amounts of contributions and transfer of funds, transfers from the Reserve Account if any, credited interest and shall be debited with benefits payable, any payment made to the member and transfers to the Reserve Account if any.

#### 7. Receivables

	2017 NZ\$'000	2016 NZ\$'000
Contributions receivable	416	257
	416	257

#### 8. Payables

	2017 NZ\$'000	2016 NZ\$'000
Trustee & administration management fees payable	(202)	(81)
Audit fees payable	(50)	(39)
Investment consulting fees payable	(23)	(34)
General expenses payable	(46)	(18)
Taxation advice payable	(1)	(3)
Accounting consulting fees	-	(5)
Investment management fees payable	(58)	(121)
Legal fees	(7)	-
Benefits payable	(931)	(272)
Refundable contributions	(6)	(8)
	(1,324)	(581)



## AON MASTER TRUST

### Notes to the Financial Statements For the Year Ended 31 March 2017

#### 9. Other Income

Rebates received  
Sundry income  
Group life claims

2017 NZ\$'000	2016 NZ\$'000
12	104
17	13
20	98
49	215

#### 10. Withdrawals

Retirement  
Resignation  
Redundancy  
Death and permanent incapacity  
In service partial withdrawals

2017 NZ\$'000	2016 NZ\$'000
(3,293)	(2,045)
(6,743)	(4,701)
(4,641)	(2,696)
(225)	(156)
(1,915)	(3,294)
(16,817)	(12,892)

#### 11. Reconciliation of Net Cash Flows from Operating Activities to increase/(decrease) in Net Assets

Increase in Net Assets

##### Non-cash items

(Gains) on investments  
Distributions received as units  
Rebates & sundry income received  
Investment management fees  
Member transfers through asset transfers in - non cash  
Prior period adjustments

##### Movements in other working capital items

(Increase)/decrease in contributions receivable  
Increase/(decrease) in benefits/redemptions payable  
Increase in sundry creditors  
Increase/(decrease) in PIE tax payable  
Net Cash flows used in operating activities

2017 NZ\$'000	2016 NZ\$'000
65,422	7,465
(11,066)	(6,346)
(625)	(147)
(114)	(97)
182	79
(2,899)	-
(3)	-
(160)	22
656	(579)
87	44
378	(496)
51,858	(55)

#### 12. Financial risk management

The Scheme utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the note 3.

The Trustee has approved a Statement of Investment Policies and Objectives (SIPO) which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Trustee and asset reallocations undertaken as required.

## AON MASTER TRUST

### Notes to the Financial Statements For the Year Ended 31 March 2017

#### 12. Financial risk management (Continued)

Financial Instruments by Category	2017 NZ\$'000	2016 NZ\$'000
<b>Financial assets at fair value through profit</b>		
Investments at fair value through profit or loss	192,135	125,809
<b>Loans and receivables</b>		
Cash at bank	708	649
Receivables	416	257
<b>Total financial assets</b>	<b>193,259</b>	<b>126,715</b>
<b>Financial liabilities</b>		
Payables	1,324	581
<b>Total financial liabilities</b>	<b>1,324</b>	<b>581</b>

The Scheme's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's financial performance.

#### Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Schemes reputation.

The Scheme's Trust deed provides for the payment of benefits and it is therefore exposed to the liquidity risk of meeting members' withdrawals at any time.

The Scheme's investments are considered to be readily realisable. Financial liabilities of the Scheme consist of payables. Payables are typically settled within 30 days. Net assets available for benefits are payable on demand, providing certain Scheme withdrawal conditions are satisfied.

#### Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments which potentially expose the Scheme to credit risk consist of cash and short term deposits, receivables and investments in unitised products. The maximum exposure to credit risk is the carrying value of these financial instruments.

The Trustee manages and monitors credit risk by agreeing on target asset allocations for each Investment Fund and by diversifying the Scheme's investment portfolio over a range of investment products. The Trustee performs due diligence over all Fund Managers before appointment and uses the services of an investment consultant to alert them to any potential or actual risks associated with the Fund Managers.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Due to the unitised nature of the investments it is not practical to determine the sensitivity of the unit price to changes in foreign exchange rates or interest rates. The investments are managed by ANZ New Zealand Investments Limited, Milford Funds Limited, Russell Investment Management Limited and Nikko Asset Management New Zealand Limited. Risk management activities are undertaken by the Scheme's Fund Managers to operate within the guidelines provided by the Trustee.

The Trustee monitors the standard deviation of investment returns of each Investment Fund against a performance target maximum standard deviation set out in the SIPO. The Trustee also uses the services of an investment consultant to alert it to any actual or potential risks associated with the Fund Manager or their products.



## AON MASTER TRUST

### Notes to the Financial Statements For the Year Ended 31 March 2017

#### 12. Financial risk management (Continued)

##### Market risk (Continued)

a) *Currency risk*: Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Scheme is indirectly exposed to currency risk in that future currency movements will affect the valuation of investments in unitised products which invest in foreign currency denominated investments. Risk management activities are undertaken by the Scheme's Fund Managers to operate within the guidelines provided by the Trustee.

The Trustee in conjunction with the investment consultant monitors currency risk by receiving reports from all Fund Managers which are reviewed and assessed against relevant asset allocation profiles and performance targets.

b) *Interest rate risk*: Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Scheme is indirectly exposed to interest rate risk in that future interest rate movements will indirectly affect the valuation of investments in unitised products which invest in cash and fixed interest investments.

The Scheme's interest rate risk is monitored on a daily basis by the Fund Managers in accordance with the policies and procedures in place including monitoring of exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Trustee monitors interest rate risk on a regular basis by monitoring the asset allocation and performance against relevant asset allocation profiles and performance targets.

c) *Other price risk*: Other price risk is the risk that the value of the Scheme's investments will increase or decrease due to a change in the unit prices of its investments. The Scheme is exposed to other price risk through its investment in unitised products. The Scheme is indirectly exposed to underlying equities. The Investment Managers track these underlying equities on a daily basis through appropriate monitoring of the market conditions and analysis against benchmark returns.

The Trustee, in consultation with its investment consultant, monitors the performance of the funds against performance objectives set out in the SIPO.

##### Sensitivity analysis - other price risk

The following table shows the impact on the Scheme's Net Assets under two scenarios - a ten percent decrease in the unit prices of the Scheme's investment funds and a ten percent increase in the unit prices of the Scheme's investment funds.

	A ten percent decrease in the unit price of the Scheme's investment funds		A ten percent increase in the unit price of the Scheme's investment funds	
	2017 NZ\$'000	2016 NZ\$'000	2017 NZ\$'000	2016 NZ\$'000
Milford active growth fund	(1,050)	(845)	1,050	845
Nikko cash fund	(370)	(57)	370	57
Nikko conservative fund	(74)	(104)	74	104
Nikko balanced fund	(625)	(599)	625	599
Nikko growth fund	(160)	(138)	160	138
ANZ investments cash fund	(1,730)	(340)	1,730	340
ANZ investments capital stable fund	(235)	(455)	235	455
ANZ investments conservative fund	(1,837)	(1,423)	1,837	1,423
ANZ investments balanced fund	(9,585)	(5,577)	9,585	5,577
ANZ investments growth fund	(1,219)	(907)	1,219	907
ANZ investments NZ bond fund	(53)	(54)	53	54
ANZ investments overseas bond fund	(125)	(123)	125	123
ANZ investments australasian shares fund	(44)	(42)	44	42
ANZ investments international shares fund	(147)	(126)	147	126
ANZ investments australasian property fund	(3)	(4)	3	4
ANZ investments global property fund	(3)	(3)	3	3
Russell investments conservative fund	(204)	(184)	204	184
Russell investments moderate fund	(342)	(323)	342	323
Russell investments balanced fund	(586)	(514)	586	514
Russell investments growth fund	(296)	(252)	296	252
Russell investments 2015 fund	(102)	(116)	102	116
Russell investments 2025 fund	(132)	(119)	132	119
Russell investments 2035 fund	(172)	(160)	172	160
Russell investments 2045 fund	(122)	(117)	122	117
<b>Aon Master Trust</b>	<b>(19,216)</b>	<b>(12,582)</b>	<b>19,216</b>	<b>12,582</b>

## AON MASTER TRUST

### Notes to the Financial Statements For the Year Ended 31 March 2017

#### 12. Financial risk management (Continued)

##### Counterparty risk and risks relating to the performance of parties involved in the Scheme

Counterparty risk is the risk that a party to a contract with the Scheme defaults, fails to complete a transaction, or otherwise becomes unable to meet its financial obligations.

In addition, various parties are involved in the operation of the Scheme which are the Trustee and Fund Managers. Decisions made by either one of the parties are based upon a range of variables which by their nature are prospective. Therefore, there is a risk that such decisions will not always have good results for members.

The risk is managed by requiring the supervision of various parties. The Trustee monitors the investment performance of fund managers and reports in details on a quarterly basis. In addition, external parties such as the Scheme's auditor, monitor the activities of the Scheme during the annual audit of the Scheme's financial statements.

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

Audit of financial statements  
Other assurance services

2017 NZ\$'000	2016 NZ\$'000
49	36
2	6
51	42

KPMG provided accounting advice costing \$2,015 during the year (accounting services 2016: \$6,100).

#### 14. Related Parties

Related parties consist of the Administration Manager of the Scheme, Aon New Zealand ("Aon"), the Scheme Trustee, Superannuation Management Nominees Limited and all participating employers within the Scheme.

The Scheme pays administration, consulting and trustee & administration management fees to Aon. The administration, consulting and trustee & administration management fees charged to the Statement of Changes in Net Assets for the current year was \$1,063,000 (2016: \$870,000). Payables at year end were consulting fees of \$23,000 (2016: \$34,000) and trustee & administration management fees of \$196,000 (2016: \$81,000).

Outstanding balances at balance date are unsecured, interest free and settlement will occur in cash. No related party debts have been written off or forgiven during either the current or prior year.

The Scheme does not have any employees. Key management personnel include the Directors of the Trustee (including a Licensed Independent Trustee). \$8,625 was paid to the Licensed Independent Trustee during the year.

One Director of the Trustee, namely Janet Hayden, is also a member of the Scheme and has an interest in the Scheme insofar as she is entitled to all relevant benefits set out in the Trust Deed.

The Scheme does not hold direct investments in any of the employer companies or any of its related parties. The Scheme received contributions from the participating employers during the year of NZ\$6,512,000 (2016: \$5,813,000).

#### 15. Investments at Fair Value

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

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

## AON MASTER TRUST

### Notes to the Financial Statements For the Year Ended 31 March 2017

#### 15. Investments at Fair Value (Continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability. The determination of what constitutes "observable in an active market" requires significant judgement by the Trustee. The Trustee considers "observable in an active market" to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market, based on which the Trustee believe the Scheme's investments should be classified as level 2 investments.

The following table analyses within the fair value hierarchy the Scheme's investments measured at fair value:

2017	NZ\$'000 Level 1	NZ\$'000 Level 2	NZ\$'000 Level 3	NZ\$'000 Total
<b>Fair Value Measurements</b>				
<b>Unitised Investment Funds</b>				
Milford active growth fund	-	10,495	-	10,495
Nikko cash fund	-	3,703	-	3,703
Nikko conservative fund	-	738	-	738
Nikko balanced fund	-	6,247	-	6,247
Nikko growth fund	-	1,603	-	1,603
ANZ investments cash fund	-	17,296	-	17,296
ANZ investments capital stable fund	-	2,349	-	2,349
ANZ investments conservative fund	-	18,365	-	18,365
ANZ investments balanced fund	-	95,846	-	95,846
ANZ investments growth fund	-	12,190	-	12,190
ANZ investments NZ bond fund	-	529	-	529
ANZ investments overseas bond fund	-	1,249	-	1,249
ANZ investments australasian shares fund	-	438	-	438
ANZ investments international shares fund	-	1,468	-	1,468
ANZ investments australasian property fund	-	31	-	31
ANZ investments global property fund	-	25	-	25
Russell investments conservative fund	-	2,037	-	2,037
Russell investments moderate fund	-	3,421	-	3,421
Russell investments balanced fund	-	5,863	-	5,863
Russell investments growth fund	-	2,959	-	2,959
Russell investments 2015 fund	-	1,024	-	1,024
Russell investments 2025 fund	-	1,320	-	1,320
Russell investments 2035 fund	-	1,719	-	1,719
Russell investments 2045 fund	-	1,220	-	1,220
<b>Total</b>	-	<b>192,135</b>	-	<b>192,135</b>



## AON MASTER TRUST

### Notes to the Financial Statements For the Year Ended 31 March 2017

#### 15. Investments at Fair Value (Continued)

2016	NZ\$'000 Level 1	NZ\$'000 Level 2	NZ\$'000 Level 3	NZ\$'000 Total
<b>Fair Value Measurements</b>				
<u>Unitised Investment Funds</u>				
Milford active growth fund	-	8,454	-	8,454
Nikko cash fund	-	571	-	571
Nikko conservative fund	-	1,043	-	1,043
Nikko balanced fund	-	5,993	-	5,993
Nikko growth fund	-	1,376	-	1,376
ANZ investments cash fund	-	3,397	-	3,397
ANZ investments capital stable fund	-	4,547	-	4,547
ANZ investments conservative fund	-	14,231	-	14,231
ANZ investments balanced fund	-	55,765	-	55,765
ANZ investments growth fund	-	9,068	-	9,068
ANZ investments NZ bond fund	-	538	-	538
ANZ investments overseas bond fund	-	1,226	-	1,226
ANZ investments australasian shares fund	-	420	-	420
ANZ investments international shares fund	-	1,262	-	1,262
ANZ investments australasian property fund	-	41	-	41
ANZ investments global property fund	-	25	-	25
ANZ investments absolute returns fund	-	4	-	4
Russell investments conservative fund	-	1,842	-	1,842
Russell investments moderate fund	-	3,230	-	3,230
Russell investments balanced fund	-	5,135	-	5,135
Russell investments growth fund	-	2,520	-	2,520
Russell investments 2015 fund	-	1,159	-	1,159
Russell investments 2025 fund	-	1,192	-	1,192
Russell investments 2035 fund	-	1,596	-	1,596
Russell investments 2045 fund	-	1,174	-	1,174
<b>Total</b>	-	<b>125,809</b>	-	<b>125,809</b>

There were no transfers between Level 1 and Level 2 during the year.

The Scheme invests in managed funds, which are not directly quoted in active markets. The fair value is based upon unit prices calculated by the Manager of the fund.

The unit price is based upon a Net Asset Valuation using observable inputs of quoted security prices in active share markets and/or interest rates or yield curves which are observable at specific time intervals. The Net Asset Valuation of the Fund may also include securities or derivatives which have inputs such as foreign exchange spot and forward rates and interest rate curves derived from quoted bond prices. The Net Asset Valuation may also have adjustments to reflect fees associated with the Fund.

For unit prices, significant inputs into the calculation are market observable and are included within Level 2.

Due to the nature of unitised investments it is not possible to determine if a single underlying investment exceeds 5% of the Scheme's net assets of any class or type of security. Please refer to the tables above for details of investments held by the Scheme as at year-end.

## AON MASTER TRUST

### Notes to the Financial Statements For the Year Ended 31 March 2017

#### 15. Investments at Fair Value (Continued)

	2017	2016
	NZ\$'000	NZ\$'000
Gains and losses on investments at fair value		
Milford active growth fund	738	602
Nikko cash fund	(11)	(2)
Nikko conservative fund	(4)	34
Nikko balanced fund	423	567
Nikko growth fund	108	80
ANZ investments cash fund	216	103
ANZ investments capital stable fund	116	225
ANZ investments conservative fund	765	611
ANZ investments balanced fund	6,251	2,512
ANZ investments growth fund	992	383
ANZ investments NZ bond fund	9	36
ANZ investments overseas bond fund	63	49
ANZ investments australasian shares fund	26	51
ANZ investments international shares fund	216	83
ANZ investments australasian property fund	1	6
ANZ investments global property fund	-	-
ANZ investments absolute returns fund	1	1
IOOF global 55 fund	-	-
IOOF global 65 fund	-	76
IOOF global 75 fund	-	13
IOOF global 85 fund	-	23
IOOF global 95 fund	-	38
Russell investments conservative fund	57	93
Russell investments moderate fund	165	169
Russell investments balanced fund	380	219
Russell investments growth fund	235	109
Russell investments 2015 fund	35	55
Russell investments 2025 fund	63	57
Russell investments 2035 fund	119	89
Russell investments 2045 fund	105	64
<b>Total Gains on Investments</b>	<b>11,069</b>	<b>6,346</b>

#### 16. Commitments and Contingent Liabilities

There were no commitments or contingent liabilities outstanding as at 31 March 2017 (2016: Nil).

#### 17. Events after Balance Date

There have been no material events after balance date that require adjustment to or disclosure in the financial statements. (2016: Nil).