

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2021**

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Financial Statements**  
**For the year ended 31 March 2021**

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# NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

## Directory

For the year ended 31 March 2021

**Manager:** Mercer (N.Z.) Limited

### Registered Office

Level 11, PwC Tower, 15 Customs Street West  
Auckland 1010

### Investor and Advisor Enquiries

Attn: NZDF Savings Scheme  
PO Box 1849  
Wellington 6140  
Email: nzdf@mercero.com

### Directors:

David Clifford Bryant (appointed 1 November 2020)  
Paula Elizabeth Jackson  
Kristen Jane Kohere-Soutar (Chairperson)  
Martin Paul Lewington  
David Lawrence McKeown (resigned 31 March 2021)  
Benjamin Jon Cossart Walsh (resigned 30 April 2020)  
Emily Jane O'Brien (appointed 18 June 2021)

**Supervisor:** Trustees Executors Limited  
Level 11, 51 Shortland Street  
PO Box 4197, Shortland Street  
Auckland 1140

**Custodians:** BNP Paribas Fund Services Australasia Pty Ltd  
Level 18, Aon Centre  
1 Willis Street  
Wellington 6011

Trustees Executors Limited  
Level 11, 51 Shortland Street  
PO Box 4197, Shortland Street  
Auckland 1140

**Auditor:** PricewaterhouseCoopers  
Level 4, 10 Waterloo Quay  
PO Box 243  
Wellington 6140

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Statements of Net Assets**  
**As at 31 March 2021**

	Note	TOTAL		Cash		Conservative		Moderate	
		2021	2020	2021	2020	2021	2020	2021	2020
		\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>									
Cash and cash equivalents		3,107,599	1,672,952	24,999	168,011	73,774	108,943	64,042	3,218
Financial assets at fair value through profit or loss	5	186,025,239	126,559,670	2,918,427	3,855,128	7,635,566	7,137,724	6,928,564	5,496,802
Investment management fee rebates receivable	6	5,364	-	221	-	149	-	163	-
Portfolio investment entity taxation receivable		-	778,415	142	-	-	-	-	2,412
<b>Total Assets</b>		<b>189,138,202</b>	<b>129,011,037</b>	<b>2,943,789</b>	<b>4,023,139</b>	<b>7,709,489</b>	<b>7,246,667</b>	<b>6,992,769</b>	<b>5,502,432</b>
<b>LIABILITIES</b>									
Unsettled trades		-	367,055	-	-	-	-	-	-
Unallocated contributions		157,154	11,843	805	866	1,037	922	262	211
Benefits payable		287,042	199,639	90,065	76,034	55,799	41,806	10,825	8,052
Portfolio investment entity taxation payable		2,458,358	-	-	2,421	53,963	10,906	55,875	-
Investment management fees payable	6	-	38	-	38	-	-	-	-
Supervisor fees payable	6	14,700	19,294	231	588	603	1,088	548	838
Administration fees payable	6	11,216	20,439	204	375	399	667	512	947
Manager fees (expense recoveries) payable	6	42,033	61,842	795	1,884	1,952	3,488	1,679	2,686
Other expenses payable		141,330	80,069	2,673	2,439	6,563	4,516	5,645	3,478
<b>Total Liabilities (excluding net assets attributable to members)</b>		<b>3,111,833</b>	<b>760,219</b>	<b>94,773</b>	<b>84,645</b>	<b>120,316</b>	<b>63,393</b>	<b>75,346</b>	<b>16,212</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>	4	<b>186,026,369</b>	<b>128,250,818</b>	<b>2,849,016</b>	<b>3,938,494</b>	<b>7,589,173</b>	<b>7,183,274</b>	<b>6,917,423</b>	<b>5,486,220</b>
<i>Represented by:</i>									
<b>Net assets available for benefits</b>	4	<b>186,026,369</b>	<b>128,250,818</b>	<b>2,849,016</b>	<b>3,938,494</b>	<b>7,589,173</b>	<b>7,183,274</b>	<b>6,917,423</b>	<b>5,486,220</b>

The accompanying notes form part of and should be read in conjunction with these statements.



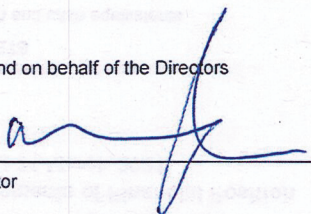
**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Statements of Net Assets**  
**As at 31 March 2021**

	Note	Balanced		Growth		High Growth		Shares	
		2021	2020	2021	2020	2021	2020	2021	2020
		\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>									
Cash and cash equivalents		1,037,927	805,520	814,345	238,532	761,270	316,528	331,242	32,200
Financial assets at fair value through profit or loss	5	77,400,746	55,130,162	34,941,140	22,627,027	37,346,299	22,140,419	18,854,497	10,172,408
Investment management fee rebates receivable	6	2,022	-	1,030	-	1,156	-	623	-
Portfolio investment entity taxation receivable		-	211,270	-	184,108	-	246,848	-	147,104
<b>Total Assets</b>		<b>78,440,695</b>	<b>56,146,952</b>	<b>35,756,515</b>	<b>23,049,667</b>	<b>38,108,725</b>	<b>22,703,795</b>	<b>19,186,362</b>	<b>10,351,712</b>
<b>LIABILITIES</b>									
Unsettled trades		-	367,055	-	-	-	-	-	-
Unallocated contributions		78,653	5,062	19,526	1,770	16,564	2,627	40,307	385
Benefits payable		72,060	58,369	36,217	13,304	22,076	1,380	-	694
Portfolio investment entity taxation payable		955,517	-	525,397	-	591,264	-	276,484	-
Investment management fees payable	6	-	-	-	-	-	-	-	-
Supervisor fees payable	6	6,116	8,405	2,761	3,449	2,951	3,375	1,490	1,551
Administration fees payable	6	5,202	9,629	1,718	3,232	1,990	3,652	1,191	1,937
Manager fees (expense recoveries) payable	6	17,803	26,938	7,851	11,056	8,067	10,819	3,886	4,971
Other expenses payable		59,860	34,878	26,397	14,315	27,124	14,007	13,068	6,436
<b>Total Liabilities (excluding net assets attributable to members)</b>		<b>1,195,211</b>	<b>510,336</b>	<b>619,867</b>	<b>47,126</b>	<b>670,036</b>	<b>35,860</b>	<b>336,426</b>	<b>15,974</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>	4	<b>77,245,484</b>	<b>55,636,616</b>	<b>35,136,648</b>	<b>23,002,541</b>	<b>37,438,689</b>	<b>22,667,935</b>	<b>18,849,936</b>	<b>10,335,738</b>
<i>Represented by:</i>									
<b>Net assets available for benefits</b>	4	<b>77,245,484</b>	<b>55,636,616</b>	<b>35,136,648</b>	<b>23,002,541</b>	<b>37,438,689</b>	<b>22,667,935</b>	<b>18,849,936</b>	<b>10,335,738</b>

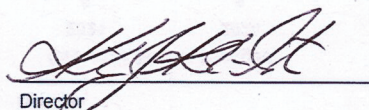
These Financial Statements were authorised for issue by Mercer (N.Z.) Limited, the Manager on 27 July 2021.

For and on behalf of the Directors

Director



Director



The accompanying notes form part of and should be read in conjunction with these statements.

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Statements of Changes in Net Assets**  
**For the year ended 31 March 2021**

	Note	TOTAL		Cash		Conservative		Moderate	
		2021	2020	2021	2020	2021	2020	2021	2020
		\$	\$	\$	\$	\$	\$	\$	\$
<b>INCOME</b>									
Interest income		5,660	21,230	89	647	232	1,197	211	922
Net gains/(losses) on financial assets at fair value through profit or loss	6	33,431,179	(7,340,222)	8,754	15,375	556,982	44,054	742,253	(70,009)
Investment management fee rebates	6	9,565	-	138	-	291	-	305	-
<b>Total income</b>		<b>33,446,404</b>	<b>(7,318,992)</b>	<b>8,981</b>	<b>16,022</b>	<b>557,505</b>	<b>45,251</b>	<b>742,769</b>	<b>(69,087)</b>
<b>EXPENSES</b>									
Investment management fees	6	-	207	-	207	-	-	-	-
Supervisor fees	6	48,553	45,294	918	1,380	2,255	2,554	1,939	1,967
Manager fees (expense recoveries)	6	33,029	33,267	625	1,013	1,534	1,876	1,319	1,445
Other expenses		176,153	222,842	3,331	6,790	8,176	12,568	7,038	9,679
<b>Total expenses</b>		<b>257,735</b>	<b>301,610</b>	<b>4,874</b>	<b>9,390</b>	<b>11,965</b>	<b>16,998</b>	<b>10,296</b>	<b>13,091</b>
<b>NET PROFIT/(LOSS) BEFORE MEMBERSHIP ACTIVITIES</b>		<b>33,188,669</b>	<b>(7,620,602)</b>	<b>4,107</b>	<b>6,632</b>	<b>545,540</b>	<b>28,253</b>	<b>732,473</b>	<b>(82,178)</b>
<b>MEMBERSHIP ACTIVITIES:</b>									
<b>Contributions/Transfers In</b>									
Member contributions		20,293,161	15,814,722	399,963	147,322	943,312	486,323	921,508	738,362
Employer contributions		11,221,437	8,580,881	225,210	82,499	381,887	253,823	504,606	379,765
Tax credits		2,276,769	2,037,891	49,473	18,761	79,963	64,993	108,265	93,525
Transfers in from other schemes	8	9,756,899	12,687,953	87,062	101,980	254,317	404,274	299,259	521,710
Transfers (from)/to funds		-	-	(393,422)	3,634,659	(266,411)	2,721,500	60,928	246,850
<b>Total Contributions/Transfers In</b>		<b>43,548,266</b>	<b>39,121,447</b>	<b>368,286</b>	<b>3,985,221</b>	<b>1,393,068</b>	<b>3,930,913</b>	<b>1,894,566</b>	<b>1,980,212</b>
<b>Benefits/Transfers Out/Fees/Tax</b>									
Benefits	7	(9,222,923)	(6,515,668)	(1,282,500)	(611,376)	(1,274,917)	(566,395)	(709,172)	(668,747)
Administration fees	6	(130,451)	(125,054)	(2,704)	(1,374)	(4,878)	(3,736)	(6,185)	(5,814)
Transfers out to other schemes		(7,085,740)	(4,662,406)	(175,806)	(221,666)	(196,328)	(256,952)	(422,223)	(271,719)
Portfolio investment entity taxation (expense)/rebate		(2,522,270)	772,270	(861)	(2,608)	(56,586)	(11,252)	(58,256)	2,145
<b>Total Benefits/Transfers Out/Fees/Tax</b>		<b>(18,961,384)</b>	<b>(10,530,858)</b>	<b>(1,461,871)</b>	<b>(837,024)</b>	<b>(1,532,709)</b>	<b>(838,335)</b>	<b>(1,195,836)</b>	<b>(944,135)</b>
<b>Total transactions with members in their capacity as members</b>		<b>24,586,882</b>	<b>28,590,589</b>	<b>(1,093,585)</b>	<b>3,148,197</b>	<b>(139,641)</b>	<b>3,092,578</b>	<b>698,730</b>	<b>1,036,077</b>
<b>NET INCREASE/(DECREASE) IN NET ASSETS DURING THE YEAR</b>		<b>57,775,551</b>	<b>20,969,987</b>	<b>(1,089,478)</b>	<b>3,154,829</b>	<b>405,899</b>	<b>3,120,831</b>	<b>1,431,203</b>	<b>953,899</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE YEAR</b>		<b>128,250,818</b>	<b>107,280,831</b>	<b>3,938,494</b>	<b>783,665</b>	<b>7,183,274</b>	<b>4,062,443</b>	<b>5,486,220</b>	<b>4,532,321</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR</b>		<b>186,026,369</b>	<b>128,250,818</b>	<b>2,849,016</b>	<b>3,938,494</b>	<b>7,589,173</b>	<b>7,183,274</b>	<b>6,917,423</b>	<b>5,486,220</b>

The accompanying notes form part of and should be read in conjunction with these statements.



**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Statements of Changes in Net Assets**  
**For the year ended 31 March 2021**

	Note	Balanced		Growth		High Growth		Shares	
		2021	2020	2021	2020	2021	2020	2021	2020
		\$	\$	\$	\$	\$	\$	\$	\$
<b>INCOME</b>									
Interest income		2,355	9,248	1,063	3,796	1,136	3,714	574	1,706
Net gains/(losses) on financial assets at fair value through profit or loss	6	11,983,319	(2,243,567)	7,014,688	(1,702,523)	8,489,926	(2,165,478)	4,635,257	(1,218,074)
Investment management fee rebates	6	3,742	-	1,890	-	2,088	-	1,111	-
<b>Total income</b>		<b>11,989,416</b>	<b>(2,234,319)</b>	<b>7,017,641</b>	<b>(1,698,727)</b>	<b>8,493,150</b>	<b>(2,161,764)</b>	<b>4,636,942</b>	<b>(1,216,368)</b>
<b>EXPENSES</b>									
Investment management fees	6	-	-	-	-	-	-	-	-
Supervisor fees	6	20,565	19,730	9,069	8,098	9,318	7,924	4,489	3,641
Manager fees (expense recoveries)	6	13,989	14,491	6,169	5,948	6,339	5,820	3,054	2,674
Other expenses		74,610	97,070	32,904	39,839	33,807	38,986	16,287	17,910
<b>Total expenses</b>		<b>109,164</b>	<b>131,291</b>	<b>48,142</b>	<b>53,885</b>	<b>49,464</b>	<b>52,730</b>	<b>23,830</b>	<b>24,225</b>
<b>NET PROFIT/(LOSS) BEFORE MEMBERSHIP ACTIVITIES</b>		<b>11,880,252</b>	<b>(2,365,610)</b>	<b>6,969,499</b>	<b>(1,752,612)</b>	<b>8,443,686</b>	<b>(2,214,494)</b>	<b>4,613,112</b>	<b>(1,240,593)</b>
<b>MEMBERSHIP ACTIVITIES:</b>									
<b>Contributions/Transfers In</b>									
Member contributions		8,911,393	7,260,363	3,346,970	2,667,642	3,675,895	3,058,115	2,094,120	1,456,595
Employer contributions		5,282,523	4,149,622	1,751,921	1,384,964	1,972,450	1,541,470	1,102,840	788,738
Tax credits		1,048,211	977,018	357,363	327,574	411,437	366,994	222,057	189,026
Transfers in from other schemes	8	5,500,388	6,976,046	1,155,622	2,096,736	1,564,627	1,985,620	895,624	601,587
Transfers (from)/to funds		(4,315,288)	(7,204,975)	1,126,210	(11,370)	2,312,319	47,764	1,475,664	565,572
<b>Total Contributions/Transfers In</b>		<b>16,427,227</b>	<b>12,158,074</b>	<b>7,738,086</b>	<b>6,465,546</b>	<b>9,936,728</b>	<b>6,999,963</b>	<b>5,790,305</b>	<b>3,601,518</b>
<b>Benefits/Transfers Out/Fees/Tax</b>									
Benefits	7	(3,053,300)	(2,360,136)	(676,175)	(851,768)	(1,606,841)	(1,081,821)	(620,018)	(375,425)
Administration fees	6	(60,983)	(59,935)	(20,067)	(19,952)	(22,787)	(22,636)	(12,847)	(11,607)
Transfers out to other schemes		(2,602,219)	(1,877,376)	(1,339,835)	(611,261)	(1,375,937)	(828,999)	(973,392)	(594,433)
Portfolio investment entity taxation (expense)/rebate		(982,109)	208,593	(537,401)	183,009	(604,095)	245,773	(282,962)	146,610
<b>Total Benefits/Transfers Out/Fees/Tax</b>		<b>(6,698,611)</b>	<b>(4,088,854)</b>	<b>(2,573,478)</b>	<b>(1,299,972)</b>	<b>(3,609,660)</b>	<b>(1,687,683)</b>	<b>(1,889,219)</b>	<b>(834,855)</b>
<b>Total transactions with members in their capacity as members</b>		<b>9,728,616</b>	<b>8,069,220</b>	<b>5,164,608</b>	<b>5,165,574</b>	<b>6,327,068</b>	<b>5,312,280</b>	<b>3,901,086</b>	<b>2,766,663</b>
<b>NET INCREASE/(DECREASE) IN NET ASSETS DURING THE YEAR</b>		<b>21,608,868</b>	<b>5,703,610</b>	<b>12,134,107</b>	<b>3,412,962</b>	<b>14,770,754</b>	<b>3,097,786</b>	<b>8,514,198</b>	<b>1,526,070</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE YEAR</b>		<b>55,636,616</b>	<b>49,933,006</b>	<b>23,002,541</b>	<b>19,589,579</b>	<b>22,667,935</b>	<b>19,570,149</b>	<b>10,335,738</b>	<b>8,809,668</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR</b>		<b>77,245,484</b>	<b>55,636,616</b>	<b>35,136,648</b>	<b>23,002,541</b>	<b>37,438,689</b>	<b>22,667,935</b>	<b>18,849,936</b>	<b>10,335,738</b>

The accompanying notes form part of and should be read in conjunction with these statements.

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Statements of Cash Flows**  
**For the year ended 31 March 2021**

	Note	TOTAL		Cash		Conservative		Moderate	
		2021	2020	2021	2020	2021	2020	2021	2020
		\$	\$	\$	\$	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Proceeds from sale of financial assets		3,006,238	2,408,941	3,181,786	888,744	1,875,212	1,089,823	921,479	1,119,394
Interest income		5,660	21,230	89	647	232	1,197	211	922
Other expenses paid		(220,877)	(276,224)	(6,086)	(5,260)	(11,939)	(13,073)	(9,426)	(11,877)
Payments for purchase of financial assets		(29,407,683)	(29,402,461)	(2,236,331)	(3,953,653)	(1,816,072)	(4,136,794)	(1,610,988)	(2,152,842)
Investment management fees		4,163	(182)	(121)	(182)	142	-	142	-
<b>Net cash (used in)/from operating activities</b>	9	<b>(26,612,499)</b>	<b>(27,248,696)</b>	<b>939,337</b>	<b>(3,069,704)</b>	<b>47,575</b>	<b>(3,058,847)</b>	<b>(698,582)</b>	<b>(1,044,403)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Member contributions		20,293,161	15,814,722	399,963	147,322	943,312	486,323	921,508	738,362
Employer contributions		11,221,437	8,580,881	225,210	82,499	381,887	253,823	504,606	379,765
Tax credits		2,276,769	2,037,891	49,473	18,761	79,963	64,993	108,265	93,525
Unallocated contributions		145,311	(60,887)	(61)	495	115	825	51	70
Transfers in from other schemes		9,756,899	12,687,953	87,062	101,980	254,317	404,274	299,259	521,710
Portfolio investment entity taxation received/(paid)		714,503	(519,418)	(3,424)	(2,739)	(13,529)	(25,849)	31	(25,131)
Administration fees paid		(139,674)	(114,877)	(2,875)	(1,102)	(5,146)	(3,382)	(6,620)	(5,337)
Benefits paid		(9,135,520)	(6,360,166)	(1,268,469)	(535,342)	(1,260,924)	(524,589)	(706,399)	(673,882)
Transfers out to other schemes		(7,085,740)	(4,662,406)	(175,806)	(221,666)	(196,328)	(256,952)	(422,223)	(271,719)
Transfers (from)/to funds		-	-	(393,422)	3,634,659	(266,411)	2,721,500	60,928	246,850
<b>Net cash from/(used in) financing activities</b>		<b>28,047,146</b>	<b>27,403,693</b>	<b>(1,082,349)</b>	<b>3,224,867</b>	<b>(82,744)</b>	<b>3,120,966</b>	<b>759,406</b>	<b>1,004,213</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,434,647</b>	<b>154,997</b>	<b>(143,012)</b>	<b>155,163</b>	<b>(35,169)</b>	<b>62,119</b>	<b>60,824</b>	<b>(40,190)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>1,672,952</b>	<b>1,517,955</b>	<b>168,011</b>	<b>12,848</b>	<b>108,943</b>	<b>46,824</b>	<b>3,218</b>	<b>43,408</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>3,107,599</b>	<b>1,672,952</b>	<b>24,999</b>	<b>168,011</b>	<b>73,774</b>	<b>108,943</b>	<b>64,042</b>	<b>3,218</b>

The accompanying notes form part of and should be read in conjunction with these statements.



**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Statements of Cash Flows**  
**For the year ended 31 March 2021**

	Note	Balanced		Growth		High Growth		Shares	
		2021	2020	2021	2020	2021	2020	2021	2020
		\$	\$	\$	\$	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Proceeds from sale of financial assets		-	1,374,439	-	788,984	-	1,651,573	585,386	1,466,618
Interest income		2,355	9,248	1,063	3,796	1,136	3,714	574	1,706
Other expenses paid		(95,606)	(124,378)	(39,953)	(49,903)	(39,523)	(49,346)	(18,344)	(22,387)
Payments for purchase of financial assets		(10,654,320)	(8,797,171)	(5,299,425)	(5,664,979)	(6,715,954)	(6,520,513)	(4,632,218)	(4,147,143)
Investment management fees		1,720	-	860	-	932	-	488	-
<b>Net cash (used in)/from operating activities</b>	9	<b>(10,745,851)</b>	<b>(7,537,862)</b>	<b>(5,337,455)</b>	<b>(4,922,102)</b>	<b>(6,753,409)</b>	<b>(4,914,572)</b>	<b>(4,064,114)</b>	<b>(2,701,206)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Member contributions		8,911,393	7,260,363	3,346,970	2,667,642	3,675,895	3,058,115	2,094,120	1,456,595
Employer contributions		5,282,523	4,149,622	1,751,921	1,384,964	1,972,450	1,541,470	1,102,840	788,738
Tax credits		1,048,211	977,018	357,363	327,574	411,437	366,994	222,057	189,026
Unallocated contributions		73,591	(38,323)	17,756	(11,960)	13,937	(6,441)	39,922	(5,553)
Transfers in from other schemes		5,500,388	6,976,046	1,155,622	2,096,736	1,564,627	1,985,620	895,624	601,587
Portfolio investment entity taxation received/(paid)		184,678	(288,765)	172,104	(91,151)	234,017	(70,338)	140,626	(15,445)
Administration fees paid		(65,410)	(55,414)	(21,581)	(18,309)	(24,449)	(20,759)	(13,593)	(10,574)
Benefits paid		(3,039,609)	(2,330,264)	(653,262)	(840,917)	(1,586,145)	(1,080,441)	(620,712)	(374,731)
Transfers out to other schemes		(2,602,219)	(1,877,376)	(1,339,835)	(611,261)	(1,375,937)	(828,999)	(973,392)	(594,433)
Transfers (from)/to funds		(4,315,288)	(7,204,975)	1,126,210	(11,370)	2,312,319	47,764	1,475,664	565,572
<b>Net cash from/(used in) financing activities</b>		<b>10,978,258</b>	<b>7,567,932</b>	<b>5,913,268</b>	<b>4,891,948</b>	<b>7,198,151</b>	<b>4,992,985</b>	<b>4,363,156</b>	<b>2,600,782</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>232,407</b>	<b>30,070</b>	<b>575,813</b>	<b>(30,154)</b>	<b>444,742</b>	<b>78,413</b>	<b>299,042</b>	<b>(100,424)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>805,520</b>	<b>775,450</b>	<b>238,532</b>	<b>268,686</b>	<b>316,528</b>	<b>238,115</b>	<b>32,200</b>	<b>132,624</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>1,037,927</b>	<b>805,520</b>	<b>814,345</b>	<b>238,532</b>	<b>761,270</b>	<b>316,528</b>	<b>331,242</b>	<b>32,200</b>

The accompanying notes form part of and should be read in conjunction with these statements.

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2021**

**1 SCHEME DESCRIPTION**

The New Zealand Defence Force KiwiSaver Scheme ("the Scheme") is a KiwiSaver Scheme registered under the KiwiSaver Act 2006. The Scheme was established by a Trust Deed on 16 September 2015. The Scheme is a defined contribution superannuation scheme and was established with the principal purpose of providing retirement benefits directly to natural persons within the New Zealand Defence Force community.

Trustees Executors Limited is the Supervisor of the Scheme and is licensed under the Financial Markets Supervisors Act 2011. Mercer (N.Z.) Limited ("Mercer" or "the Manager") is the Manager of the Scheme. Mercer is responsible for the management and administration of the Scheme, including responsibility for the preparation and issue of the Scheme's financial statements. The Manager's registered office is Level 11, PwC Tower, 15 Customs Street West, Auckland 1010. BNP Paribas Fund Services Australasia Pty Ltd ("BNP Paribas") is the Custodian of the Scheme's financial assets at fair value through profit or loss. Trustees Executors Limited is the Scheme's custodian of cash and cash equivalents.

These financial statements are for the Scheme which comprises the following funds: Cash, Conservative, Moderate, Balanced, Growth, High Growth and Shares (together "the Funds").

Details of membership during the year were:

	2021	2020
Opening Membership at 1 April	4,858	4,142
New Members	663	935
Exited Members	(262)	(219)
<b>Closing Membership at 31 March</b>	<b>5,259</b>	<b>4,858</b>

The Scheme and the Funds invest in the following investment portfolios within Mercer Investment Trusts New Zealand ("MITNZ"):

Mercer Investment Trusts New Zealand	Investment Portfolio
Mercer New Zealand Cash and Fixed Interest Trust ('MNZCFIT')	- Mercer Cash Portfolio
Mercer Diversified Trust ('MDT')	- Mercer Conservative Portfolio
	- Mercer Balanced Portfolio
	- Mercer Moderate Portfolio
	- Mercer Growth Portfolio
	- Mercer High Growth Portfolio
	- Mercer Shares Portfolio

**2 BASIS OF PREPARATION**

The financial statements are being presented on a segregated fund basis in accordance with the requirements of the Financial Markets Conduct Act 2013 ("FMCA") Section 461A. Segregated fund reporting has also been applied to 31 March 2020 comparatives.

The assets of each Fund are the exclusive property of that Fund, and all liabilities incurred in relation to a Fund are the exclusive liabilities of that Fund. The Manager must ensure that the assets of a Fund are accounted for separately from other Funds and that the assets of one Fund are not available to meet the liabilities of any other Fund as stated in section 8.7 of the Trust Deed. The results and position reported for the Scheme is an aggregation of the result, position and cash flows of the Funds that make up the Scheme.

**Statement of Compliance**

The Scheme is the reporting entity. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the Financial Markets Conduct Act 2013, the provisions of the Trust Deed and other relevant legislative requirements as appropriate for For-profit entities.

The Scheme is a Tier 1 entity and, as such, the financial statements comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"), other New Zealand accounting standards and authoritative notices as appropriate for For-profit entities. These financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Manager, Mercer, on 27 July 2021.

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2021**

**2 BASIS OF PREPARATION (Continued)**

**Measurement Base**

The measurement base adopted is that of historical cost modified by the revaluation of financial assets at fair value through profit or loss. The financial statements have been prepared on a going concern basis.

**Functional and Presentation Currency**

The financial statements are presented in New Zealand dollars ("the presentation currency") which is the currency of the primary economic environment in which the Scheme operates (the "functional currency"). The financial statements are rounded to the nearest New Zealand dollar.

**Assumptions, Estimates and Judgements**

The preparation of the financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the financial statements.

On 11 March 2020, the World Health Organisation ("WHO") declared a global pandemic as a result of the outbreak and spread of COVID-19. Subsequent to this, the New Zealand Government has imposed a series of measures aimed to reduce and eliminate the spread of the virus in New Zealand, including lockdowns of varying restriction levels, areas and timeframes. Management has continually monitored both local and international developments, and has implemented its Business Continuity framework to mitigate business disruption as required. Management has evaluated the impact of COVID-19 on the valuation of financial instruments at 31 March 2021 and 31 March 2020 and has concluded that an adjustment was not required on the basis that markets were functioning and the redemption price for the financial assets at fair value through profit or loss represented fair value. Management has monitored the liquidity requirements of the Scheme and concluded that there is sufficient liquidity to meet liabilities when due under current conditions. The adoption of the going concern assumption remains appropriate.

As at 31 March 2021, cash and cash equivalents included an amount of \$529,375 maintained at the total Scheme level for the settlement of transactions (2020: \$196,614). The Manager has estimated the allocation of this cash balance to the Funds. At 31 March 2021, the amounts allocated to Cash, Conservative, Moderate, Balanced, Growth, High Growth and Shares were \$52,249, \$29,912, \$18,284, \$95,564, \$94,185, \$141,546 and \$97,635, respectively (2020: \$127,275, \$64,267, (\$5,555), (\$44,088), \$45,741, \$75,460 and (\$66,486), respectively).

**Duration of the Scheme**

Clause 25 of the Trust Deed requires that the Scheme and each Member's Account will terminate at such time as:

- (i) the High Court, on the application of the Financial Markets Authority or the Supervisor, directs that the Scheme must be wound up; or
- (ii) the Manager, having obtained the Supervisor's and, where required by the Participation Agreement, the Participating Employer's written consent, determines; or
- (iii) where permitted by the Participation Agreement, the Participating Employer provides notice in writing to the Manager and to the Supervisor that the Scheme is to terminate.

**Funding Policy**

The Scheme is a defined contribution scheme as defined by the KiwiSaver Act 2006. Funding in the form of contributions is primarily received from three sources: members of the Scheme; employers of members of the Scheme; and the Government (in accordance with the provisions of the KiwiSaver Act 2006). A third party may contribute directly to the Scheme in respect of a Member such amounts as may be agreed from time to time between the Manager, the third party and the Member but only to the extent that the contribution: (a) is permitted under the KiwiSaver Act; and (b) is not covered by a preceding provision in Clause 6 of the Trust Deed. Members may contribute to the Scheme at varying designated additional contributions in excess of any salary or wage linked contributions. As of 31 March 2021, employer contribution rates are either 3% or greater of each relevant member's gross salary or wages (2020: Same).

**3 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies which have been adopted in the preparation of the financial statements are set out below. The accounting policies have been applied consistently to all periods, unless otherwise stated.

**(i) Income**

*Interest income*

Interest income as recognised in the Statements of Changes in Net Assets is derived from cash at bank and is recognised using the effective interest method.

*Changes in fair value of investments*

Net gains or losses on financial assets at fair value through profit or loss are calculated as the difference between fair value at sale, or at period end, and the fair value at the previous valuation point and/or weighted average cost for purchases during the year. This includes both realised and unrealised gains and losses, but does not include interest income and is net of any fees charged within underlying unit trust investments where these are incurred through a reduction in the value of the investment.

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2021**

**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(ii) Financial Instruments**

*Classification*

Financial assets at fair value through profit or loss comprise investment in unlisted unit trusts including ununitised investments.

Investments in unlisted unit trusts including ununitised investments are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's investment policy is for the Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information. The Scheme has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income.

Based on the Scheme's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets, the Manager has determined that all financial assets of the Scheme are classified as fair value through profit or loss with the exception of cash and cash equivalents and investment management fee rebates receivable, which are classified as financial assets at amortised cost.

Financial liabilities at amortised cost comprise investment management fees payable, supervisor fees payable, benefits payable, unallocated contributions, administration fees payable, manager fees (expense recoveries) payable, unsettled trades, other expenses payable and net assets attributable to members.

*Recognition and derecognition*

Purchases and sales of investments are recognised on the trade date - the date on which the Scheme commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investment have expired or the Scheme has transferred substantially all risks and rewards of ownership.

Ununitised investments comprise of investments in unlisted unit trusts purchased before year end, however, units are received after year end.

*Measurement*

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statements of Changes in Net Assets. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the Statements of Changes in Net Assets in the period in which they arise.

Financial assets and liabilities at amortised cost are initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition of the financial asset or liability and subsequently measured at amortised cost.

*Fair value estimation*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of units held by the Scheme in managed unlisted unit trusts is determined by reference to published bid prices at the close of business on the reporting date being the redemption price established by the underlying fund manager.

The manager may make adjustments to the reported redemption price of the Funds based on considerations such as the liquidity of the fund or its underlying investments, the value date of the net asset value provided, and any restrictions on redemptions.

**(iii) Expenses**

Expenses comprise investment management fees, Supervisor fees, custody fees, manager fees (expense recoveries) and other expenses. All expenses are accounted for on an accrual basis. Administration fees are charged monthly per member via unit deduction and are recognised in Membership Activities in the Statements of Changes in Net Assets.

**(iv) Taxation**

The Scheme qualifies as, and has elected to be treated as, a Portfolio Investment Entity ("PIE") for tax purposes.

Under the PIE regime, the Manager attributes the taxable income of the Scheme to members in accordance with their proportionate interest in the Scheme. The income attributed to each member is taxed at the member's prescribed investor rate ("PIR") which is currently capped at 28%. The Manager accounts for tax on behalf of natural persons and certain other members and adjusts the members' interests in the Scheme to reflect that tax is paid at varying rates on behalf of the members. There is a unit price for each Fund and for each tax rate.

As the legislation regarding the taxation of PIEs provides that the Scheme pays tax on behalf of its members, the PIE taxation expense/(rebate) disclosed in the Statements of Changes in Net Assets is the expense attributable to members and is measured based on tax rates applicable to those members.

The tax amounts in the Statements of Net Assets represent the remaining tax payable/(receivable) by the Scheme on behalf of the members under the PIE regime to 31 March each year.

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2021**

**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(v) Net Assets Attributable to Members**

The net assets attributable to members represents the liability for promised retirement benefits and are measured at amortised cost.

The Scheme issue units in the Fund that are redeemable at the Members' option and do not have identical features and are therefore classified as financial liabilities. The units can be put back to the Scheme at any time for the purpose of permitted withdrawals (such as reaching the retirement age of 65 or enduring significant hardship), transferred to another Fund within the Scheme or a separate KiwiSaver Scheme and which are equal to a proportionate share of the respective Fund's net asset value which is the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable at the period end date if Members exercise their right to put the units back to the Scheme.

As stipulated in the Trust Deed, each unit represents a right to an individual share in the respective Fund and does not extend to a right in the underlying assets of the respective Fund. Separate classes of units are created within the Funds to reflect the different Prescribed Investment Rates (PIR) of the Members. Each Member's account is invested in classes of units within the relevant Funds based on the member's PIR that has been most recently notified to the Manager. Each unit of a specified class has the same rights attaching to it as all other units of the same class within the relevant Fund.

Units are issued and redeemed at the holder's option at prices based on the Funds' net asset value per class of unit at the time of issue or redemption. The Funds' net asset value per class of unit is calculated by dividing the net assets attributable to all holders of units in the same class for each Fund by the total number of units on issue of the same class in each Fund.

**(vi) Accounting Policy for Investment Entities**

Whilst the Scheme has investments in a number of related party wholesale unlisted unit trusts, it has not prepared consolidated financial statements. The Scheme has determined that it is an investment entity under the definition in NZ IFRS 10 as it meets the following criteria:

- the Scheme has obtained funds from members for the purpose of providing them with investment management services;
- the Scheme's business purpose, which it communicated directly to members, is investing solely for returns from capital appreciation; and
- the performance of investments made by the Scheme are measured and evaluated on a fair value basis.

The Scheme also meets all of the typical characteristics of an investment entity.

As a consequence, in the event the interest in the wholesale unlisted unit trusts gives rise to control, the Scheme is not required to consolidate these investments, and continues to account for these investments at fair value through profit or loss.

**(vii) Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, cash at bank and deposits held at call with banks with an original maturity of three months or less.

**(viii) Statements of Cash Flows**

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the Scheme's main income generating activity.

The cash flows of the Scheme do not include those of the investment managers. The following are definitions of the terms used in the Statements of Cash Flows:

**Operating activities** - are those relating to the principal income-producing activities of the Scheme and other activities that are not financing activities. These include those cash flows relating to the acquisitions, holding and disposal of investments and investments in securities not falling within the definition of cash.

**Financing activities** - are those activities that result in changes in the size and composition of member's funds. This includes elements of members' funds not falling within the definition of cash.

**(ix) Contributions and Withdrawals**

Contributions and withdrawals are accounted for on an accruals basis. Contributions are initially recognised at fair value when the Manager has confirmed the validity of the application details and instructions. Claims for death, retirement or other benefits are recognised when the Member meets the condition required for withdrawal eligibility.

Unallocated contributions arise when monies have been received but not yet allocated to members' accounts in the administration system at balance date. Unallocated contributions are recorded at their value, being the amounts received, and units are purchased at the unit price applicable on the date of allocation to members' accounts.

**(x) 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 applicable.



**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2021**

**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(xi) Application of New Accounting Standards**

**(a) New and amended standards adopted by the Scheme:**

Effective from 30 September 2020, 'Amendments to FRS-44 New Zealand Additional Disclosures' has been adopted in preparation of the Scheme's financial statements this year. FRS-44 addresses the Going Concern disclosures and requires management to perform an assessment of an entity's ability to continue as a going concern. Based on Management's assessment, there are no material uncertainties related to events or conditions that may cast significant doubt upon the Scheme's ability to continue as a going concern. Therefore, the adoption of the standard did not have a material impact on the financial results, financial position or disclosures.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2020 that have a material effect on the financial statements of the Scheme.

**(b) New standards, amendments and interpretations not yet adopted:**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Scheme.

**(xii) Presentation of financial statements**

The assets and liabilities in the financial statements have been presented in order of their liquidity. All assets and liabilities either have a maturity of less than a year or have no fixed maturity and are therefore considered current assets/liabilities. (2020: same)

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2021**

**4 VESTED BENEFITS**

Vested benefits are the rights that, under the conditions of the Scheme's Trust Deed, are not conditional on continued membership.

	Total		Cash		Conservative		Moderate	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Member accounts	185,929,915	128,280,463	2,854,154	3,944,686	7,566,698	7,164,825	6,915,439	5,489,024
Adjustments arising from valuation differences	96,454	(29,645)	(5,138)	(6,192)	22,475	18,449	1,984	(2,804)
<b>Net Assets Attributable to Members</b>	<b>186,026,369</b>	<b>128,250,818</b>	<b>2,849,016</b>	<b>3,938,494</b>	<b>7,589,173</b>	<b>7,183,274</b>	<b>6,917,423</b>	<b>5,486,220</b>

	Balanced		Growth		High Growth		Shares	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Member accounts	77,231,467	55,666,712	35,119,634	23,010,857	37,413,564	22,674,495	18,828,959	10,329,864
Adjustments arising from valuation differences	14,017	(30,096)	17,015	(8,316)	25,125	(6,560)	20,976	5,874
<b>Net Assets Attributable to Members</b>	<b>77,245,484</b>	<b>55,636,616</b>	<b>35,136,649</b>	<b>23,002,541</b>	<b>37,438,689</b>	<b>22,667,935</b>	<b>18,849,935</b>	<b>10,335,738</b>

Valuation differences exist between the Net assets attributable to Members and vested benefits. Net assets attributable to Members are derived using accounting principles on an accruals basis resulting in timing differences in the settlement of certain accrued items and the impact thereof on unit pricing, whereas vested benefits are derived as the sum of individual member account balances, which are calculated using the 31 March unit prices.

No guarantees have been made in respect of any part of the Net Assets Attributable to Members.

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2021**

**5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The Scheme held units in the following MITNZ Investment Portfolios and ununitised investments:

	TOTAL		Cash		Conservative		Moderate	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Mercer Cash Portfolio	2,918,427	3,855,128	2,918,427	3,855,128	-	-	-	-
Mercer Conservative Portfolio	7,635,566	7,137,724	-	-	7,635,566	7,137,724	-	-
Mercer Moderate Portfolio	6,928,564	5,496,802	-	-	-	-	6,928,564	5,496,802
Mercer Balanced Portfolio	77,400,746	54,631,169	-	-	-	-	-	-
Mercer Growth Portfolio	34,941,140	22,627,027	-	-	-	-	-	-
Mercer High Growth Portfolio	37,346,299	22,140,419	-	-	-	-	-	-
Mercer Shares Portfolio	18,854,497	10,172,408	-	-	-	-	-	-
Ununitised Investments	-	498,993	-	-	-	-	-	-
<b>Total financial assets at Fair Value through profit or loss</b>	<b>186,025,239</b>	<b>126,559,670</b>	<b>2,918,427</b>	<b>3,855,128</b>	<b>7,635,566</b>	<b>7,137,724</b>	<b>6,928,564</b>	<b>5,496,802</b>

Percentage of financial assets held in the relevant class of security for the Scheme:

Percentage of financial assets held in the relevant class of security for the respective Fund:

2%	3%	4%	6%	4%	4%
100%	100%	100%	100%	100%	100%

	Balanced		Growth		High Growth		Shares	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Mercer Cash Portfolio	-	-	-	-	-	-	-	-
Mercer Conservative Portfolio	-	-	-	-	-	-	-	-
Mercer Moderate Portfolio	-	-	-	-	-	-	-	-
Mercer Balanced Portfolio	77,400,746	54,631,169	-	-	-	-	-	-
Mercer Growth Portfolio	-	-	34,941,140	22,627,027	-	-	-	-
Mercer High Growth Portfolio	-	-	-	-	37,346,299	22,140,419	-	-
Mercer Shares Portfolio	-	-	-	-	-	-	18,854,497	10,172,408
Ununitised investments	-	498,993	-	-	-	-	-	-
<b>Total financial assets at Fair Value through profit or loss</b>	<b>77,400,746</b>	<b>55,130,162</b>	<b>34,941,140</b>	<b>22,627,027</b>	<b>37,346,299</b>	<b>22,140,419</b>	<b>18,854,497</b>	<b>10,172,408</b>

Percentage of financial assets held in the relevant class of security for the Scheme:

Percentage of financial assets held in the relevant class of security for the respective Fund:

42%	44%	19%	18%	20%	17%	10%	8%
100%	99%	100%	100%	100%	100%	100%	100%

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**5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)**

**Fair Value Hierarchy**

The Scheme's financial instruments carried at fair value are grouped into Levels 1 to 3 based upon the degree to which the fair value is observable. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as published prices being the redemption price established by the underlying fund manager) or indirectly (i.e., derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at fair value through profit or loss are classified as Level 2 under the fair value hierarchy as the fair value of these financial assets at balance date is determined using the last available redemption unit price of those funds. During the year there were no transfers of investments between levels of the fair value hierarchy (2020: Same).

**6 RELATED PARTIES**

Related parties comprise the Manager, the Supervisor and their related parties.

The Manager and Supervisor are entitled to remuneration from the Scheme. This is represented by the Investment management, Administration and Supervisor fees in the Statements of Changes in Net Assets. These are recovered through the cancellation of units for member fixed fees and a unit price adjustment for net asset based fees.

The Supervisor fee was up to 0.04% of net assets per annum (2020: Same). The minimum fee per annum is \$15,000.

The investment management fee for the Cash Fund was reduced from 0.32% to 0.28%, effective 31 August 2020. The rates as at 31 March 2021 are disclosed below:

<b>Fund</b>	<b>Investment management fee</b>
	<b>% p.a.</b>
Cash	0.28%
Conservative	0.50%
Moderate	0.59%
Balanced	0.68%
Growth	0.77%
High Growth	0.82%
Shares	0.90%

Up to 1 October 2019, an administration fee of \$2.50 was charged per member, per month. From 1 October 2019, the fee was reduced to \$2.25. In addition, members with balances of less than \$1,000 and members aged 17 years or less are entitled to a waiver of this fee.

Investment management fees incurred by the Scheme are deducted through two components:

- The first component comprises investment management fees charged at Mercer Investment Trusts New Zealand ("MITNZ") level, a series of wholesale investment trusts managed by Mercer as disclosed in Note 5. These investment management fees are incurred through a reduction in the MITNZ unit price. This is reflected within net gains/(losses) on financial assets at fair value through profit or loss in the Statements of Changes in Net Assets.
- The second component is fees deducted from/rebated to the Scheme and invoiced by Mercer. These represent the balancing amounts of net asset based investment management fees once the deduction of fees in MITNZ are taken into account.

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
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**6 RELATED PARTIES (Continued)**

Amounts paid to Mercer for services as investment manager and administrator including investment management fees paid to and investment management fee rebates received from Mercer, other related and third parties via the MITNZ unit price and Supervisor fees for the year are disclosed below. As outlined in the Scheme's Trust Deed, the Manager is also entitled to be reimbursed for various fees and expenses incurred in acting as Manager. In the disclosure below these expenses are titled Manager fees (expense recoveries) and may include legal and other professional services, audit and tax fees and filing fees.

	Total		Cash		Conservative		Moderate	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Investment management fees / (rebates)</b>								
Investment management fees expense to Mercer, other related and third party investment managers via MITNZ unit price	1,177,707	915,617	9,220	3,099	37,721	23,549	38,287	28,937
Investment management (fee rebate)/fees to Mercer	(9,565)	207	(138)	207	(291)	-	(305)	-
<b>Total investment management fees</b>	<b>1,168,142</b>	<b>915,824</b>	<b>9,082</b>	<b>3,306</b>	<b>37,430</b>	<b>23,549</b>	<b>37,982</b>	<b>28,937</b>
<b>Administration fees</b>								
Administration fees expense to Mercer	130,451	125,054	2,704	1,374	4,878	3,736	6,185	5,814
<b>Supervisor fees</b>								
Supervisor fees expense to Trustees Executors Limited	48,553	45,294	918	1,380	2,255	2,554	1,939	1,967
<b>Manager fees (expense recoveries)</b>								
Manager fees (expense recoveries) to Mercer	33,029	33,267	625	1,013	1,534	1,876	1,319	1,445
<b>Total fees</b>	<b>1,380,175</b>	<b>1,119,439</b>	<b>13,329</b>	<b>7,073</b>	<b>46,097</b>	<b>31,715</b>	<b>47,425</b>	<b>38,163</b>

	Balanced		Growth		High Growth		Shares	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Investment management fees / (rebates)</b>								
Investment management fees expense to Mercer, other related and third party investment managers via MITNZ unit price	467,934	381,268	233,660	182,297	255,685	194,945	135,200	101,522
Investment management (fee rebate)/fees to Mercer	(3,742)	-	(1,890)	-	(2,088)	-	(1,111)	-
<b>Total investment management fees</b>	<b>464,192</b>	<b>381,268</b>	<b>231,770</b>	<b>182,297</b>	<b>253,597</b>	<b>194,945</b>	<b>134,089</b>	<b>101,522</b>
<b>Administration fees</b>								
Administration fees expense to Mercer	60,983	59,935	20,067	19,952	22,787	22,636	12,847	11,607
<b>Supervisor fees</b>								
Supervisor fees expense to Trustees Executors Limited	20,565	19,730	9,069	8,098	9,318	7,924	4,489	3,641
<b>Manager fees (expense recoveries)</b>								
Manager fees (expense recoveries) to Mercer	13,989	14,491	6,169	5,948	6,339	5,820	3,054	2,674
<b>Total fees</b>	<b>559,729</b>	<b>475,424</b>	<b>267,075</b>	<b>216,295</b>	<b>292,041</b>	<b>231,325</b>	<b>154,479</b>	<b>119,444</b>

Outstanding balances due to related parties are due within seven days and are not interest bearing.



**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
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**6 RELATED PARTIES (Continued)**

Amounts payable to the Manager and Supervisor as at 31 March are as follows:

Fund	Investment management fees		Administration fees		Manager fees (expense recoveries)		Supervisor fees	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Cash	-	38	204	375	795	1,884	231	588
Conservative	-	-	399	667	1,952	3,488	603	1,088
Moderate	-	-	512	947	1,679	2,686	548	838
Balanced	-	-	5,202	9,629	17,803	26,938	6,116	8,405
Growth	-	-	1,718	3,232	7,851	11,056	2,761	3,449
High Growth	-	-	1,990	3,652	8,067	10,819	2,951	3,375
Shares	-	-	1,191	1,937	3,886	4,971	1,490	1,551
<b>Total</b>	-	<b>38</b>	<b>11,216</b>	<b>20,439</b>	<b>42,033</b>	<b>61,842</b>	<b>14,700</b>	<b>19,294</b>

Amounts receivable from the Manager as at 31 March are as follows:

Fund	Investment management fee rebates	
	2021	2020
	\$	\$
Cash	221	-
Conservative	149	-
Moderate	163	-
Balanced	2,022	-
Growth	1,030	-
High Growth	1,156	-
Shares	623	-
<b>Total</b>	<b>5,364</b>	-

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**6 RELATED PARTIES (Continued)**

**Investment in related parties**

The Scheme invests in MITNZ. MINZL, a wholly owned subsidiary of Mercer, is the Trustee for the MITNZ. During the year no related party was a member of the Scheme.

The Scheme holds the following financial assets in MITNZ:

MITNZ Portfolio	Fund	Opening Balance		Purchases		Sales		Net Change in Fair Value		Closing Balance	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Mercer Cash Portfolio	Cash	3,855,128	774,844	2,236,332	3,953,653	(3,181,787)	(888,744)	8,754	15,375	2,918,427	3,855,128
Mercer Conservative Portfolio	Conservative	7,137,724	4,046,699	1,816,073	4,136,794	(1,875,213)	(1,089,823)	556,982	44,054	7,635,566	7,137,724
Mercer Moderate Portfolio	Moderate	5,496,802	4,533,363	1,610,987	2,152,842	(921,478)	(1,119,394)	742,253	(70,009)	6,928,564	5,496,802
Mercer Balanced Portfolio	Balanced	54,631,169	49,583,942	10,786,258	8,665,233	-	(1,374,439)	11,983,319	(2,243,567)	77,400,746	54,631,169
Mercer Growth Portfolio	Growth	22,627,027	19,453,555	5,299,425	5,664,979	-	(788,984)	7,014,688	(1,702,523)	34,941,140	22,627,027
Mercer High Growth Portfolio	High Growth	22,140,419	19,436,957	6,715,954	6,520,513	-	(1,651,573)	8,489,926	(2,165,478)	37,346,299	22,140,419
Mercer Shares Portfolio	Shares	10,172,408	8,636,968	4,632,219	4,220,132	(585,387)	(1,466,618)	4,635,257	(1,218,074)	18,854,497	10,172,408
<b>Total Scheme</b>		<b>126,060,677</b>	<b>106,466,328</b>	<b>33,097,248</b>	<b>35,314,146</b>	<b>(6,563,865)</b>	<b>(8,379,575)</b>	<b>33,431,179</b>	<b>(7,340,222)</b>	<b>186,025,239</b>	<b>126,060,677</b>

As at 31 March 2021, there were no ununitised investments (2020: As at 31 March 2020, ununitised investments in Mercer Balanced Portfolio amounted to \$498,993).

During the year there were non-cash transactions comprising purchases and sales between portfolios in the MITNZ at the Scheme level. These are disclosed below:

	Purchases		Sales	
	2021	2020	2021	2020
	\$	\$	\$	\$
Mercer Cash Portfolio	597,440	2,046,288	(1,387,017)	(380,466)
Mercer Conservative Portfolio	382,405	2,415,861	(1,236,516)	(666,331)
Mercer Moderate Portfolio	115,020	401,491	(461,532)	(623,447)
Mercer Balanced Portfolio	74,020	218,277	-	(1,082,170)
Mercer Growth Portfolio	812,558	238,115	-	(788,984)
Mercer High Growth Portfolio	601,717	161,344	-	(1,566,671)
Mercer Shares Portfolio	974,465	489,258	(472,560)	(862,565)
<b>Total</b>	<b>3,557,625</b>	<b>5,970,634</b>	<b>(3,557,625)</b>	<b>(5,970,634)</b>

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
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**7 BENEFITS**

	TOTAL		Cash		Conservative		Moderate	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Retirement	1,224,949	510,011	55,000	-	104,287	7,995	97,617	112,593
Death or disability	30,219	149,996	30,219	149,996	-	-	-	-
Significant financial hardship	68,521	53,185	20,433	-	7,161	-	3,316	-
First home assistance	7,849,710	5,742,390	1,176,848	461,380	1,163,469	558,400	607,642	559,492
Permanent emigration to Australia	12,880	-	-	-	-	-	597	-
Permanent emigration excluding Australia	6,644	59,165	-	-	-	-	-	(3,338)
Late opt-out	-	921	-	-	-	-	-	-
Other permitted withdrawals	30,000	-	-	-	-	-	-	-
<b>Total</b>	<b>9,222,923</b>	<b>6,515,668</b>	<b>1,282,500</b>	<b>611,376</b>	<b>1,274,917</b>	<b>566,395</b>	<b>709,172</b>	<b>668,747</b>

	Balanced		Growth		High Growth		Shares	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Retirement	455,416	366,442	30,342	20,906	482,287	1,381	-	694
Death or disability	-	-	-	-	-	-	-	-
Significant financial hardship	29,466	53,185	2,993	-	5,121	-	31	-
First home assistance	2,560,543	1,894,685	640,964	822,176	1,117,512	1,071,288	582,732	374,969
Permanent emigration to Australia	1,231	-	1,876	-	1,921	-	7,255	-
Permanent emigration excluding Australia	6,644	44,903	-	8,686	-	9,152	-	(238)
Late opt-out	-	921	-	-	-	-	-	-
Other permitted withdrawals	-	-	-	-	-	-	30,000	-
<b>Total</b>	<b>3,053,300</b>	<b>2,360,136</b>	<b>676,175</b>	<b>851,768</b>	<b>1,606,841</b>	<b>1,081,821</b>	<b>620,018</b>	<b>375,425</b>

**8 TRANSFERS IN FROM OTHER SCHEMES**

	TOTAL		Cash		Conservative		Moderate	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Transfers from other KiwiSaver Schemes	7,677,836	11,561,609	80,461	101,980	120,415	402,945	299,259	422,794
Transfers from superannuation schemes	1,865,557	977,833	-	-	117,222	1,329	-	77,714
Transfers from Trans-Tasman portability	213,506	148,511	6,601	-	16,680	-	-	21,202
<b>Total</b>	<b>9,756,899</b>	<b>12,687,953</b>	<b>87,062</b>	<b>101,980</b>	<b>254,317</b>	<b>404,274</b>	<b>299,259</b>	<b>521,710</b>

	Balanced		Growth		High Growth		Shares	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Transfers from other KiwiSaver Schemes	4,627,193	6,412,620	1,058,252	1,967,314	921,007	1,791,287	571,249	462,669
Transfers from superannuation schemes	766,325	499,879	66,166	81,793	610,370	184,361	305,474	132,757
Transfers from Trans-Tasman portability	106,870	63,547	31,204	47,629	33,250	9,972	18,901	6,161
<b>Total</b>	<b>5,500,388</b>	<b>6,976,046</b>	<b>1,155,622</b>	<b>2,096,736</b>	<b>1,564,627</b>	<b>1,985,620</b>	<b>895,624</b>	<b>601,587</b>

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**9 RECONCILIATION OF NET PROFIT / (LOSS) BEFORE MEMBERSHIP ACTIVITIES TO NET CASH FLOWS USED IN OPERATING ACTIVITIES**

	TOTAL		Cash		Conservative		Moderate	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Net profit/(loss) before membership activities	33,188,669	(7,620,602)	4,107	6,632	545,540	28,253	732,473	(82,178)
<i>Adjustments for:</i>								
Net (gains)/losses on financial assets at fair value through profit or loss	(33,431,179)	7,340,222	(8,754)	(15,375)	(556,982)	(44,054)	(742,253)	70,009
Proceeds from sale of financial assets	3,006,238	2,408,941	3,181,786	888,744	1,875,212	1,089,823	921,479	1,119,394
Payments for purchase of financial assets	(29,407,683)	(29,402,461)	(2,236,331)	(3,953,653)	(1,816,072)	(4,136,794)	(1,610,988)	(2,152,842)
<i>Changes in assets and liabilities:</i>								
(Increase)/decrease in assets (excluding cash and cash equivalents, financial assets at fair value through profit or loss and portfolio investment entity tax receivable)	(5,364)	-	(221)	-	(149)	-	(163)	-
Increase/(decrease) in liabilities (excluding unsettled trades, unallocated contributions, benefits payable, portfolio investment entity tax payable and administration fees payable)	36,820	25,204	(1,250)	3,948	26	3,925	870	1,214
Net Cash used in operating activities	<b>(26,612,499)</b>	<b>(27,248,696)</b>	<b>939,337</b>	<b>(3,069,704)</b>	<b>47,575</b>	<b>(3,058,847)</b>	<b>(698,582)</b>	<b>(1,044,403)</b>

	Balanced		Growth		High Growth		Shares	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Net profit/(loss) before membership activities	11,880,252	(2,365,610)	6,969,499	(1,752,612)	8,443,686	(2,214,494)	4,613,112	(1,240,593)
<i>Adjustments for:</i>								
Net (gains)/losses on financial assets at fair value through profit or loss	(11,983,319)	2,243,567	(7,014,688)	1,702,523	(8,489,926)	2,165,478	(4,635,257)	1,218,074
Proceeds from sale of financial assets	-	1,374,439	-	788,984	-	1,651,573	585,386	1,466,618
Payments for purchase of financial assets	(10,654,320)	(8,797,171)	(5,299,425)	(5,664,979)	(6,715,954)	(6,520,513)	(4,632,218)	(4,147,143)
<i>Changes in assets and liabilities:</i>								
(Increase)/decrease in assets (excluding cash and cash equivalents, financial assets at fair value through profit or loss and portfolio investment entity tax receivable)	(2,022)	-	(1,030)	-	(1,156)	-	(623)	-
Increase/(decrease) in liabilities (excluding unsettled trades, unallocated contributions, benefits payable, portfolio investment entity tax payable and administration fees payable)	13,558	6,913	8,189	3,982	9,941	3,384	5,486	1,838
Net Cash used in operating activities	<b>(10,745,851)</b>	<b>(7,537,862)</b>	<b>(5,337,455)</b>	<b>(4,922,102)</b>	<b>(6,753,409)</b>	<b>(4,914,572)</b>	<b>(4,064,114)</b>	<b>(2,701,206)</b>

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
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**10 AUDITORS' REMUNERATION**

During the reporting period, the following fees (inclusive of GST) were paid or payable by the Manager and Scheme to the auditor of the Scheme. The Manager may recover fees paid from the Scheme. The auditor of the Scheme is PricewaterhouseCoopers.

	TOTAL		Cash		Conservative		Moderate	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Audit fees for the audit of financial statements	61,090	58,190	936	1,773	2,492	3,282	2,272	2,527
Taxation fees for tax compliance services	6,268	3,267	96	100	256	183	233	140
Taxation fees for tax advisory services	-	2,103	-	65	-	118	-	90
<b>Total</b>	<b>67,358</b>	<b>63,560</b>	<b>1,032</b>	<b>1,938</b>	<b>2,748</b>	<b>3,583</b>	<b>2,505</b>	<b>2,757</b>

	Balanced		Growth		High Growth		Shares	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Audit fees for the audit of financial statements	25,367	25,347	11,539	10,404	12,295	10,180	6,190	4,677
Taxation fees for tax compliance services	2,603	1,418	1,184	586	1,261	577	635	263
Taxation fees for tax advisory services	-	911	-	377	-	372	-	170
<b>Total</b>	<b>27,969</b>	<b>27,676</b>	<b>12,722</b>	<b>11,367</b>	<b>13,556</b>	<b>11,129</b>	<b>6,825</b>	<b>5,110</b>

**11 FINANCIAL RISK MANAGEMENT**

The Scheme's financial assets are comprised of units in unlisted unit trusts which is exposed to equities, interest bearing securities, units in unlisted unit trusts and derivative financial instruments. The Manager has determined that these types of investments are appropriate for the Scheme and are in accordance with its investment objectives. The objectives of the Scheme are to achieve a return (over the medium to long term) which is competitive with comparable trusts that have similar risk characteristics; and to outperform the notional return of a benchmark portfolio of suitable market indices over periods of one year or greater.

The Scheme's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price 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.

The Manager has considered the above investment risks in constructing the asset portfolios of the Scheme and aims to manage those risks primarily through diversification, including using some or all of the following (as applicable):

- investing across different asset classes (to reduce market risk and liquidity risk);
- investing predominantly in unit trusts which, in turn, invest with a number of different portfolios managed by several investment managers;
- investing across different countries (to reduce market risk); and
- investing in a number of individual securities within each asset class.

Professional investment managers are appointed on a research-based process of selection to manage the assets of the MITNZ via a set of investment guidelines. Risk management activities are performed within the underlying investment portfolios, not at the Scheme level. The investment managers of underlying investment portfolios may use derivatives and other instruments, including share price and bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks and exposures from forecast transactions.

In light of COVID-19 and impacts of this on financial markets, Management have been actively monitoring Investment Managers and service providers with a view to ensuring each of these has the ability to provide continued investment services to Mercer (N.Z.) Limited. Questionnaires have been issued to respective Investment Managers with all respondents confirming that their performance to deliver investment services to Mercer (N.Z.) Limited has not been impaired by COVID-19. In addition, Management has focused on liquidity management, rebalancing and minimising trading costs. Some dynamic Asset Allocation changes have also been implemented. Management continues to engage regularly with investment managers both in New Zealand and globally during these unprecedented times.

The New Zealand Defence Force KiwiSaver Scheme invests in MDT that in turn invests in other MITNZ investment portfolios and MNZCFIT. The investment in the MITNZ investment portfolios are directly exposed to market risk, credit risk and liquidity risk.



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**11 FINANCIAL RISK MANAGEMENT (Continued)**

**a) Market Risk**

Market risk is the risk 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 price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk is minimised by the Manager through research and analysis of the investment mix within investment portfolios and ensuring that all investment activities are undertaken in accordance with established investment strategies. The Scheme's overall market positions are monitored by the Scheme's manager who uses research and analysis to form a view on these matters and then rebalances the investment mix of the investment portfolios to reduce the impact of market risk.

*Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Scheme does not hold financial instruments denominated in currencies other than the New Zealand dollar, the functional currency. It is therefore not directly exposed to currency risk. Currency risk disclosure has been considered on the basis of the Scheme's direct investments and not on a look through basis for financial assets held indirectly through unit trusts. Consequently the Scheme may be exposed indirectly to currency risk where the Scheme has significant financial assets in unit trusts which have exposure to foreign currencies.

Exposure to currency risk is managed through hedging using derivative investments, which may include forward exchange contracts, within the underlying MITNZ investment portfolios.

*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 majority of the Scheme's financial assets are non-interest bearing. As a result, the Scheme is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. Any sensitivity is immaterial.

Interest rate risk disclosures have been considered on the basis of the Scheme's direct investments and not on a look through basis for investments held indirectly through unit trusts. Consequently the Scheme is exposed indirectly to interest rate risk where the Scheme has significant investments in unit trusts which have interest bearing securities.

Exposure to interest rate risk is managed through the use of derivatives, diversification in holdings and the duration of fixed interest investments within the underlying investment portfolios.

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
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**11 FINANCIAL RISK MANAGEMENT (Continued)**

**a) Market Risk (Continued)**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price (other than those arising from interest rate risk or currency risk). The Scheme's financial assets are susceptible to market price risk arising from uncertainties about future values of the financial assets which will directly affect net investment income.

As the majority of the Scheme's financial instruments are carried at fair value, all changes in market conditions will directly affect investment returns that are recognised in the Statements of Changes in Net Assets. The Scheme's price risk is managed through diversification of the financial assets within the Fund and within the underlying investments in the MITNZ. In addition, price risk may be hedged using derivative financial instruments such as options or futures within the underlying MITNZ investment portfolios.

As at 31 March, the Scheme's exposure to market price risk through unlisted unit trusts was as follows:

Fund	TOTAL		TOTAL	
	2021	2021	2020	2020
	\$	%	\$	%
Cash	2,918,427	2%	3,855,128	3%
Conservative	7,635,566	4%	7,137,724	6%
Moderate	6,928,564	4%	5,496,802	4%
Balanced	77,400,746	41%	54,631,169	43%
Growth	34,941,140	19%	22,627,027	18%
High Growth	37,346,299	20%	22,140,419	18%
Shares	18,854,497	10%	10,172,408	8%
<b>Total Unlisted Unit Trusts</b>	<b>186,025,239</b>	<b>100%</b>	<b>126,060,677</b>	<b>100%</b>

The table below shows the sensitivity to market price of the financial assets at fair value through profit and loss, if all other variables were held constant and investment markets fluctuated by the percentages disclosed below.

Fund	2021				2020			
	Net profit before membership activities		Net Assets Attributable to Members		Net profit before membership activities		Net Assets Attributable to Members	
	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
	\$	\$	\$	\$	\$	\$	\$	\$
Cash	291,843	(291,843)	291,843	(291,843)	385,513	(385,513)	385,513	(385,513)
Conservative	763,557	(763,557)	763,557	(763,557)	713,772	(713,772)	713,772	(713,772)
Moderate	692,856	(692,856)	692,856	(692,856)	549,680	(549,680)	549,680	(549,680)
Balanced	7,740,074	(7,740,074)	7,740,074	(7,740,074)	5,463,117	(5,463,117)	5,463,117	(5,463,117)
Growth	3,494,114	(3,494,114)	3,494,114	(3,494,114)	2,262,703	(2,262,703)	2,262,703	(2,262,703)
High Growth	3,734,630	(3,734,630)	3,734,630	(3,734,630)	2,214,042	(2,214,042)	2,214,042	(2,214,042)
Shares	1,885,450	(1,885,450)	1,885,450	(1,885,450)	1,017,241	(1,017,241)	1,017,241	(1,017,241)
<b>Total</b>	<b>18,602,524</b>	<b>(18,602,524)</b>	<b>18,602,524</b>	<b>(18,602,524)</b>	<b>12,606,068</b>	<b>(12,606,068)</b>	<b>12,606,068</b>	<b>(12,606,068)</b>

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
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**11 FINANCIAL RISK MANAGEMENT (Continued)**

**b) Credit Risk**

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss. The Scheme is exposed to counterparty credit risk on cash and cash equivalents. None of these assets are impaired nor past due (but not impaired) (2020: Same).

With respect to credit risk arising from the cash and cash equivalents of the Scheme, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the carrying amount disclosed in the Statements of Net Assets. This represents the current maximum risk exposure at the reporting date.

The managers of the investment funds manage credit risk by establishing controls which are either specified in the guidelines set by the Manager or outlined in the product disclosure statement/information memorandum of underlying unit trust investments that it makes. Credit risk limitations include diversification of investments over a wide range of asset classes, companies, industries and maturities within the underlying investment portfolios. The Scheme's cash balances are held with Westpac New Zealand Limited (AA- rating, as measured by Standard & Poor's) (2020: Same).

The Scheme measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Scheme.

**c) 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 there will always be sufficient liquidity to meet liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme is exposed to daily cash redemptions of redeemable units.

The Scheme's liquidity risk is managed by investing in unlisted investment trusts which, in turn, invest in different asset classes and predominantly liquid assets.

Members are able to transfer their balances to another KiwiSaver Scheme at any time. As such, the liability for promised retirement benefits is deemed to be repayable on demand. All other financial liabilities of the Scheme are due within one month.

**d) Capital Risk Management**

The Scheme manages its net assets attributable to Members as capital, notwithstanding net assets attributable to Members is classified as a liability. The amounts of Members' funds can change significantly on a daily basis as the Funds can be transferred, withdrawn as set out in the conditions of the KiwiSaver Act 2006. The Scheme's objective when managing capital is to safeguard the Scheme's ability to continue as a going concern in order to provide returns for Members and to maintain a strong capital base to support the development of the investment activities of the Scheme. In order to maintain or adjust the capital structure, the Scheme's policy is to perform the following:

- a) monitor the level of daily contributions, transfers in, transfers out and benefits relative to the assets it is able to liquidate within seven days; and
- b) redeem and issue new units in accordance with the constitutional documents of the Scheme, which includes the ability to restrict redemptions in accordance with the KiwiSaver Act 2006. The Scheme does not have any externally imposed capital requirements.

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
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**12 CLIMATE RELATED RISK MANAGEMENT**

The Financial Stability Board's Task Force on Climate-related Financial Disclosures (the TCFD) released its recommended framework for climate-related financial disclosures. Generally speaking, this framework covers four key areas: governance, strategy, risk management, and metrics & targets.

The recommended framework is broadly consistent with Mercer's approach.

*Governance*

Mercer's governance oversight on climate-related risks and opportunities is integrated through all levels of operations. The annual environmental, social and corporate governance ("ESG") review (now including carbon foot printing) is part of Mercer (N.Z.) Board reporting. The Board is aware of the importance of ensuring climate change is addressed, including having explicit goals and targets related to risks and opportunities.

*Strategy*

The impacts of climate change are actively considered in the process of determining Mercer's business and strategy over time. Mercer has completed climate scenario modelling and stress testing of its multi-sector portfolios and is integrating its findings into asset allocations and portfolio construction decisions.

*Risk Management*

Mercer's climate scenario modelling process is the key framework used to assess the size and scope of climate-related risks from a return perspective and prioritise asset classes and industry sectors for risk management (and exposure to new opportunities).

*Metrics and targets*

For equities, Mercer has primarily relied on carbon foot printing analysis for all equity funds as a key portfolio metric for carbon emission intensity vs benchmark. This is a way of assessing historic carbon emissions volume or intensity, which is an indicator for the relative risk of carbon pricing increases as part of the transition to a low-carbon economy.

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
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**13 FINANCIAL INSTRUMENTS BY CATEGORY**

	TOTAL		Cash		Conservative		Moderate	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>								
<b>Financial assets at fair value through profit or loss</b>								
Financial assets at fair value through profit or loss	186,025,239	126,559,670	2,918,427	3,855,128	7,635,566	7,137,724	6,928,564	5,496,802
<b>Total financial assets at fair value through profit or loss</b>	<b>186,025,239</b>	<b>126,559,670</b>	<b>2,918,427</b>	<b>3,855,128</b>	<b>7,635,566</b>	<b>7,137,724</b>	<b>6,928,564</b>	<b>5,496,802</b>
<b>Financial assets at amortised cost</b>								
Cash and cash equivalents	3,107,599	1,672,952	24,999	168,011	73,774	108,943	64,042	3,218
Investment management fee rebates receivable	5,364	-	221	-	149	-	163	-
<b>Total financial assets at amortised cost</b>	<b>3,112,963</b>	<b>1,672,952</b>	<b>25,220</b>	<b>168,011</b>	<b>73,923</b>	<b>108,943</b>	<b>64,205</b>	<b>3,218</b>
<b>Total financial assets</b>	<b>189,138,202</b>	<b>128,232,622</b>	<b>2,943,647</b>	<b>4,023,139</b>	<b>7,709,489</b>	<b>7,246,667</b>	<b>6,992,769</b>	<b>5,500,020</b>
<b>LIABILITIES</b>								
<b>Financial liabilities at amortised cost</b>								
Unsettled trades	-	367,055	-	-	-	-	-	-
Unallocated contributions	157,154	11,843	805	866	1,037	922	262	211
Benefits payable	287,042	199,639	90,065	76,034	55,799	41,806	10,825	8,052
Investment management fees payable	-	38	-	38	-	-	-	-
Supervisor fees payable	14,700	19,294	231	588	603	1,088	548	838
Administration fees payable	11,216	20,439	204	375	399	667	512	947
Manager fees (expense recoveries) payable	42,033	61,842	795	1,884	1,952	3,488	1,679	2,686
Other expenses payable	141,330	80,069	2,673	2,439	6,563	4,516	5,645	3,478
Net assets attributable to members	186,026,369	128,250,818	2,849,016	3,938,494	7,589,173	7,183,274	6,917,423	5,486,220
<b>Total financial liabilities at amortised cost</b>	<b>186,679,844</b>	<b>129,011,037</b>	<b>2,943,789</b>	<b>4,020,718</b>	<b>7,655,526</b>	<b>7,235,761</b>	<b>6,936,894</b>	<b>5,502,432</b>

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
**Notes to the Financial Statements**  
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**13 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)**

	Balanced		Growth		High Growth		Shares	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>								
<b>Financial assets at fair value through profit or loss</b>								
Financial assets at fair value through profit or loss	77,400,746	55,130,162	34,941,140	22,627,027	37,346,299	22,140,419	18,854,497	10,172,408
<b>Total financial assets at fair value through profit or loss</b>	<b>77,400,746</b>	<b>55,130,162</b>	<b>34,941,140</b>	<b>22,627,027</b>	<b>37,346,299</b>	<b>22,140,419</b>	<b>18,854,497</b>	<b>10,172,408</b>
<b>Financial assets at amortised cost</b>								
Cash and cash equivalents	1,037,927	805,520	814,345	238,532	761,270	316,528	331,242	32,200
Investment management fee rebates receivable	2,022	-	1,030	-	1,156	-	623	-
<b>Total financial assets at amortised cost</b>	<b>1,039,949</b>	<b>805,520</b>	<b>815,375</b>	<b>238,532</b>	<b>762,426</b>	<b>316,528</b>	<b>331,865</b>	<b>32,200</b>
<b>Total financial assets</b>	<b>78,440,695</b>	<b>55,935,682</b>	<b>35,756,515</b>	<b>22,865,559</b>	<b>38,108,725</b>	<b>22,456,947</b>	<b>19,186,362</b>	<b>10,204,608</b>
<b>LIABILITIES</b>								
<b>Financial liabilities at amortised cost</b>								
Unsettled trades	-	367,055	-	-	-	-	-	-
Unallocated contributions	78,653	5,062	19,526	1,770	16,564	2,627	40,307	385
Benefits payable	72,060	58,369	36,217	13,304	22,076	1,380	-	694
Investment management fees payable	-	-	-	-	-	-	-	-
Supervisor fees payable	6,116	8,405	2,761	3,449	2,951	3,375	1,490	1,551
Administration fees payable	5,202	9,629	1,718	3,232	1,990	3,652	1,191	1,937
Manager fees (expense recoveries) payable	17,803	26,938	7,851	11,056	8,067	10,819	3,886	4,971
Other expenses payable	59,860	34,878	26,397	14,315	27,124	14,007	13,068	6,436
Net assets attributable to Members	77,245,484	55,636,616	35,136,648	23,002,541	37,438,689	22,667,935	18,849,936	10,335,738
<b>Total financial liabilities at amortised cost</b>	<b>77,485,178</b>	<b>56,146,952</b>	<b>35,231,118</b>	<b>23,049,667</b>	<b>37,517,461</b>	<b>22,703,795</b>	<b>18,909,878</b>	<b>10,351,712</b>

At 31 March 2021 the carrying amount of the financial assets and liabilities at amortised cost approximates their fair value (2020: Same).

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**  
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**14 UNITS ON ISSUE**

	<b>TOTAL</b>		<b>Cash</b>		<b>Conservative</b>		<b>Moderate</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Units on issue at the beginning of the year	109,362,470	87,398,445	3,728,324	747,452	6,325,312	3,610,473	4,798,462	3,935,791
Units issued during the year	72,129,713	57,135,703	4,412,052	4,556,300	5,043,240	5,387,409	4,101,253	3,361,266
Units redeemed during the year	(52,059,170)	(35,171,678)	(5,441,123)	(1,575,428)	(5,095,990)	(2,672,570)	(3,466,292)	(2,498,595)
<b>Units on issue at the end of the year</b>	<b>129,433,013</b>	<b>109,362,470</b>	<b>2,699,253</b>	<b>3,728,324</b>	<b>6,272,562</b>	<b>6,325,312</b>	<b>5,433,423</b>	<b>4,798,462</b>

	<b>Balanced</b>		<b>Growth</b>		<b>High Growth</b>		<b>Shares</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Units on issue at the beginning of the year	47,593,398	41,406,975	19,616,622	15,825,766	18,789,175	15,145,716	8,511,177	6,726,272
Units issued during the year	27,037,060	19,791,790	11,385,925	8,807,058	12,558,921	9,768,542	7,591,262	5,463,338
Units redeemed during the year	(18,702,499)	(13,605,367)	(7,037,212)	(5,016,202)	(7,594,365)	(6,125,083)	(4,721,689)	(3,678,433)
<b>Units on issue at the end of the year</b>	<b>55,927,959</b>	<b>47,593,398</b>	<b>23,965,335</b>	<b>19,616,622</b>	<b>23,753,731</b>	<b>18,789,175</b>	<b>11,380,750</b>	<b>8,511,177</b>

**15 CONTINGENT LIABILITY, ASSET AND COMMITMENTS**

There were no material contingent liabilities or commitments as at 31 March 2021 (2020: Same).

**16 EVENTS AFTER BALANCE DATE**

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



## Independent auditor's report

To the members of the New Zealand Defence Force KiwiSaver Scheme (the "Scheme") comprising the following Funds:

- Cash
- Conservative
- Moderate
- Balanced
- Growth
- High Growth
- Shares

(Collectively referred to as the "Funds")

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### Our opinion

In our opinion, the accompanying financial statements of the Funds and the Scheme present fairly, in all material respects, the financial position of the Funds and the Scheme as at 31 March 2021, their financial performance and their 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).

### What we have audited

The Funds' and the Scheme's financial statements comprise:

- the statements of net assets as at 31 March 2021;
- the statements of changes in net assets for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### 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.





## Independence

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

We have provided the following services to Mercer (N.Z.) Limited (the Manager): controls assurance reporting, collective registry compliance assurance reporting, tax compliance and advisory services and the audit of financial statements of other funds and schemes managed by the Manager. Subject to certain restrictions, employees of the firm may invest in the Funds and the Scheme on normal market terms. These services and relationships have not impaired our independence as auditor of the Funds and the Scheme. Other than in our capacity as auditor, we have no other relationships with, or interests in, the Funds and the Scheme.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. We have one key audit matter: Valuation and existence of financial assets at fair value through profit or loss. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Description of the key audit matter	How our audit addressed the key audit matter
<p><b>Valuation and existence of financial assets at fair value through profit or loss</b></p> <p>Refer to note 5 of the financial statements for disclosures of financial assets at fair value through profit or loss (financial assets at FVPL) for the Funds and the Scheme.</p> <p>This was an area of focus for our audit as it represents the majority of the net assets of the Funds and the Scheme.</p> <p>The Funds and Scheme invest solely into funds of Mercer Investment Trusts New Zealand (MITNZ). MITNZ are unlisted unit trusts which are also managed by the Manager. The fair value is based on the redemption price established by the investment fund administrator and categorised as level 2 in the fair value hierarchy.</p>	<p>We assessed the process employed by the Manager for recording and valuing the financial assets at FVPL, including the relevant controls over investment administration and custody services. Our assessment of the business processes and controls included:</p> <ul style="list-style-type: none"> <li>• understanding of business processes over classification, recognition and measurement of financial assets at FVPL; and</li> <li>• obtaining the controls reports over investment administration and custody services. We evaluated the evidence provided by the controls reports over the design and operating effectiveness of the relevant controls.</li> </ul> <p><b>Valuation</b></p> <p>For the valuation of unlisted unit trusts, we agreed the redemption price at year end to the confirmation obtained from the investment fund administrator of the unlisted unit trusts. We evaluated whether the redemption price represents the fair value by:</p>



Description of the key audit matter	How our audit addressed the key audit matter
<p>In assessing the fair value and existence of financial assets at FVPL, the Manager uses information provided by the MITNZ investment fund administrator, including the investment fund administrator and custodian controls reports and financial statements of the underlying funds.</p> <p>The Funds and Scheme have no investments where there are no observable inputs.</p> <p>All financial assets at FVPL are held by the Custodian on behalf of the Funds and Scheme.</p>	<ul style="list-style-type: none"> <li>• comparing the valuation of the investments in unlisted unit trusts to the Net Asset Value per unit calculated based on the audited financial statements of the MITNZ funds;</li> <li>• assessing whether the underlying assets and liabilities of the MITNZ funds are primarily determined through observable market data to support that the net assets approximate fair value; and</li> <li>• comparing the redemption price at 31 March 2021 to recent transaction prices to further support the fair value of financial assets at FVPL.</li> </ul> <p><b>Existence</b></p> <p>For existence, we agreed the financial assets at FVPL held by the Funds and Scheme at 31 March 2021 to confirmations obtained directly from the Custodian.</p>

## Our audit approach

### Overview

#### Materiality

We determined materiality for each Fund and the Scheme separately. Our materiality for each Fund and Scheme is calculated based on approximately 1% of net assets attributable to members for each Fund and the Scheme.

We chose net assets attributable to members as the benchmark because, in our view, the objective of the Funds and the Scheme is to provide members with a total return on the Funds' and the Scheme's net assets, taking into account both capital and income returns.

#### Key audit matters

As reported above, because of the significance of the financial assets at FVPL to the financial statements, we have determined that there is one key audit matter: valuation and existence of financial assets at fair value through profit or loss.



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

### **Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements of each Fund and the Scheme 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 financial statements of each Fund and the Scheme as a whole.

### **How we tailored our audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements of each Fund and the Scheme as a whole, taking into account the structure of each Fund and the Scheme, the Fund's investments and the accounting and registry processes and controls.

The Manager is responsible for the governance and control activities of the Funds and the Scheme. The Funds' and the Scheme's investments are held by a Custodian. The Manager performs the investment accounting and registry services.

In completing our audit, we performed relevant audit procedures over the control environment of the Manager and the Custodian to support our audit conclusions.

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### **Other information**

The Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of audit opinion or 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 to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Manager and use our professional judgement to determine the appropriate action to take.



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### **Responsibilities of the Manager for the financial statements**

The Manager 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 Manager 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 Manager is responsible for assessing each Fund's and the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate a Fund or the Scheme or to cease operations, or has no realistic alternative but to do so.

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### **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-1/>

This description forms part of our auditor's report.

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### **Who we report to**

This report is made solely to the members of the Scheme, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's members, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

Chartered Accountants  
28 July 2021

Wellington