

**Generate KiwiSaver Scheme  
Financial Statements  
For the year ended 31 March 2021**

## Manager's Statement

In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of the Generate KiwiSaver Scheme as at 31 March 2021 and their financial performance and cash flows for each of its investment funds for the year ended on that date in accordance with the requirements of the Generate KiwiSaver Scheme Trust Deed dated 31 August 2016 and a Deed of Amendment and Restatement dated 17 December 2020.

The directors of the Manager are of the opinion that the Generate KiwiSaver Scheme will be able to pay its debts as and when they fall due.

Director 

Date Friday, 23 July 2021

Director 

Date Friday, 23 July 2021

Generate Investment Management Limited

## Additional Member Information

Under clause 17 of the Trust Deed governing the Generate KiwiSaver Scheme and the Financial Markets Conduct Act 2013 (FMC Act), the Manager, Generate Investment Management Limited, is required to advise unitholders in summary form of any amendments to the Trust Deed.

The Trust Deed was amended and restated on 17 December 2020.

## Statements of Changes in Net Assets

\$	Note	Conservative		Growth		Focused Growth		Scheme Total	
		2021	2020	2021	2020	2021	2020	2021	2020
<b>For the year ended 31 March</b>									
<b>Income</b>									
Interest income on financial assets at amortised cost		29,113	215,713	101,226	433,397	95,880	862,179	226,219	1,511,289
Interest income on financial assets at fair value through profit or loss		10,015,149	6,780,456	4,030,776	4,508,724	492,096	415,335	14,538,021	11,704,515
Dividend and distribution income		3,243,005	2,361,153	20,139,469	13,899,850	30,161,902	20,495,216	53,544,376	36,756,219
Foreign exchange gains/(losses)		(2,591,526)	99,411	(3,559,569)	364,927	(4,212,407)	1,453,635	(10,363,502)	1,917,973
Net gain/(loss) on financial instruments at fair value through profit or loss		44,125,608	(8,304,714)	165,644,292	(37,583,448)	236,402,976	(37,992,079)	446,172,876	(83,880,241)
Other income		16	148,861	593,600	597,012	1,162,648	1,033,532	1,756,264	1,779,405
<b>Total income/(loss)</b>		<b>54,821,365</b>	<b>1,300,880</b>	<b>186,949,794</b>	<b>(17,779,538)</b>	<b>264,103,095</b>	<b>(13,732,182)</b>	<b>505,874,254</b>	<b>(30,210,840)</b>
<b>Expenses</b>									
Management fees	12	4,370,131	2,639,050	7,941,750	5,784,191	10,366,565	7,532,016	22,678,446	15,955,257
Supervisor fees	12	174,811	118,952	315,724	260,605	411,789	339,562	902,324	719,119
Transaction costs		41,191	226,446	671,979	714,602	950,518	846,040	1,663,688	1,787,088
Other expenses	12	757,524	475,665	1,351,800	985,793	1,633,387	1,130,992	3,742,711	2,592,450
<b>Total operating expenses</b>		<b>5,343,657</b>	<b>3,460,113</b>	<b>10,281,253</b>	<b>7,745,191</b>	<b>13,362,259</b>	<b>9,848,610</b>	<b>28,987,169</b>	<b>21,053,914</b>
<b>Net profit/(loss) before membership activities</b>		<b>49,477,708</b>	<b>(2,159,233)</b>	<b>176,668,541</b>	<b>(25,524,729)</b>	<b>250,740,836</b>	<b>(23,580,792)</b>	<b>476,887,085</b>	<b>(51,264,754)</b>
<b>Contributions</b>									
Member contributions		50,906,709	28,807,424	76,337,912	56,368,245	93,872,227	70,028,624	221,116,848	155,204,293
Employer contributions		18,215,800	10,370,707	32,773,408	23,919,616	44,909,371	32,354,594	95,898,579	66,644,917
Crown contributions		6,037,907	3,735,615	10,789,509	8,628,808	14,168,277	11,939,886	30,995,693	24,304,309
Transfers from other Funds in the Scheme		47,989,652	160,770,758	48,989,555	30,739,815	89,876,855	33,763,292	186,856,062	225,273,865
Transfers from other schemes		74,051,511	79,209,171	130,294,536	181,294,471	144,610,382	177,401,452	348,956,429	437,905,094
<b>Total contributions</b>		<b>197,201,579</b>	<b>282,893,675</b>	<b>299,184,920</b>	<b>300,950,955</b>	<b>387,437,112</b>	<b>325,487,848</b>	<b>883,823,611</b>	<b>909,332,478</b>
<b>Withdrawals</b>									
Transfers to other Funds in the Scheme		109,897,264	35,534,637	45,719,617	87,066,785	31,239,181	102,672,443	186,856,062	225,273,865
Transfers to other schemes		15,109,401	8,640,387	18,220,531	15,079,484	31,970,047	21,415,207	65,299,979	45,135,078
Withdrawals on death		590,176	334,868	504,826	315,571	530,924	580,670	1,625,926	1,231,109
Withdrawals or transfers on permanent emigration		209,643	350,821	342,095	208,794	320,843	286,891	872,581	846,506
Invalid enrolment withdrawals		41,304	8,669	43,106	21,507	58,329	35,866	142,739	66,042
Retirement		9,531,563	9,125,888	5,593,749	5,146,157	3,676,554	2,232,572	18,801,866	16,504,617
Serious illness withdrawals		556,239	448,235	1,042,015	683,558	692,157	539,693	2,290,411	1,671,486
First home purchase withdrawals		39,686,780	23,393,752	15,407,549	14,246,154	17,977,281	15,495,183	73,071,610	53,135,089
Significant financial hardship withdrawals		1,319,814	547,010	1,992,605	1,105,457	2,203,656	1,352,917	5,516,075	3,005,384
<b>Total benefits paid</b>		<b>176,942,184</b>	<b>78,384,267</b>	<b>88,866,093</b>	<b>123,873,467</b>	<b>88,668,972</b>	<b>144,611,442</b>	<b>354,477,249</b>	<b>346,869,176</b>
Administration fees	12	439,565	389,620	841,254	916,487	1,222,305	1,333,770	2,503,124	2,639,877
PIE tax		2,921,212	(185,736)	6,564,812	(1,804,808)	12,126,850	(3,991,109)	21,612,874	(5,981,654)
<b>Net membership activities</b>		<b>16,898,618</b>	<b>204,305,524</b>	<b>202,912,761</b>	<b>177,965,810</b>	<b>285,418,985</b>	<b>183,533,745</b>	<b>505,230,364</b>	<b>565,805,079</b>
<b>Members' accounts at the start of the year</b>		<b>402,614,652</b>	<b>200,468,361</b>	<b>577,125,998</b>	<b>424,684,917</b>	<b>731,428,366</b>	<b>571,475,413</b>	<b>1,711,169,016</b>	<b>1,196,628,691</b>
<b>Movement in members' accounts for the year</b>		<b>66,376,326</b>	<b>202,146,291</b>	<b>379,581,302</b>	<b>152,441,081</b>	<b>536,159,821</b>	<b>159,952,953</b>	<b>982,117,449</b>	<b>514,540,325</b>
<b>Members' accounts at the end of the year</b>		<b>468,990,978</b>	<b>402,614,652</b>	<b>956,707,300</b>	<b>577,125,998</b>	<b>1,267,588,187</b>	<b>731,428,366</b>	<b>2,693,286,465</b>	<b>1,711,169,016</b>

The Notes form an integral part of, and should be read in conjunction with, these Financial Statements.

## Statements of Net Assets

\$ As at 31 March	Note	Conservative Fund		Growth		Focused Growth Fund		Scheme Total	
		2021	2020	2021	2020	2021	2020	2021	2020
<b>Members' Funds</b>		<b>486,990,978</b>	<b>402,614,652</b>	<b>956,707,300</b>	<b>577,125,998</b>	<b>1,267,588,187</b>	<b>731,428,366</b>	<b>2,693,286,465</b>	<b>1,711,169,016</b>
<b>Represented by:</b>									
<b>Assets</b>									
Cash and cash equivalents		32,881,522	51,562,266	57,521,627	74,638,437	59,087,853	107,424,057	148,481,002	233,624,760
Trade and other receivables	8	4,240,245	2,133,170	11,370,869	5,437,576	18,798,892	5,820,578	34,410,106	13,391,324
Financial assets at fair value through profit or loss	6	438,869,898	352,643,650	908,551,414	511,430,784	1,226,887,580	645,665,615	2,574,332,892	1,509,739,949
Unitholder tax rebates receivable		24,276	500,374	52,551	2,007,030	78,869	4,228,181	155,496	6,735,585
<b>Total assets</b>		<b>478,038,941</b>	<b>406,839,360</b>	<b>977,496,461</b>	<b>593,513,827</b>	<b>1,304,853,094</b>	<b>783,138,431</b>	<b>2,758,389,486</b>	<b>1,763,491,618</b>
<b>Liabilities</b>									
Benefits payable		348,471	1,281,076	157,270	498,002	77,567	611,448	584,308	2,400,528
Trade and other payables	9	2,882,031	58,463	8,234,010	90,991	14,492,732	100,921	25,808,773	248,375
Trade and other payables to related parties	10	440,078	327,538	887,679	558,840	1,176,378	702,470	2,504,135	1,588,848
Financial liabilities at fair value through profit or loss	6	1,010,315	2,328,202	5,684,684	15,232,396	10,484,002	30,284,109	17,179,001	47,842,707
Unitholder tax liabilities payable		2,367,068	223,427	5,825,518	7,600	11,034,228	11,117	19,228,814	242,144
<b>Total liabilities</b>		<b>7,048,963</b>	<b>4,224,706</b>	<b>20,788,161</b>	<b>16,387,829</b>	<b>37,264,907</b>	<b>31,710,065</b>	<b>85,103,031</b>	<b>52,322,602</b>
<b>Net assets available for benefits</b>		<b>486,990,978</b>	<b>402,614,652</b>	<b>956,707,300</b>	<b>577,125,998</b>	<b>1,267,588,187</b>	<b>731,428,366</b>	<b>2,693,286,465</b>	<b>1,711,169,016</b>

The Notes form an integral part of, and should be read in conjunction with, these Financial Statements.

These Financial Statements were authorised for issue by the Manager, Generate Investment Management Limited.

Director



Date

Friday, 23 July 2021

Director



Date

Friday, 23 July 2021

## Statements of Cash Flows

\$	Note	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
		2021	2020	2021	2020	2021	2020	2021	2020
<b>For the year ended 31 March</b>									
<b>Cash flows from operating activities</b>									
Proceeds from sale of financial assets		106,335,537	67,424,212	164,173,357	192,988,407	174,224,166	233,774,765	444,733,060	494,187,384
Purchase of financial assets		(150,666,022)	(232,602,401)	(397,966,172)	(309,222,735)	(528,852,108)	(333,986,985)	(1,077,484,302)	(875,812,121)
Net settlement of derivative financial instruments		1,242,258	(252,048)	6,314,766	(2,775,939)	11,691,209	(5,995,990)	19,248,233	(9,023,977)
Dividend and distribution income		2,546,669	2,058,450	9,058,744	7,529,687	10,891,788	8,551,502	22,497,201	18,139,639
Interest income received		10,057,928	6,938,951	4,135,133	4,900,571	621,104	1,244,396	14,814,165	13,083,918
Other income received		16	148,861	112	108,026	19	45,071	147	301,958
Operating expenses paid		(5,215,391)	(3,269,243)	(9,897,792)	(7,493,184)	(12,807,653)	(9,574,679)	(27,920,836)	(20,337,106)
<b>Net cash outflow from operating activities</b>	<b>11</b>	<b>(35,699,005)</b>	<b>(159,553,218)</b>	<b>(224,181,852)</b>	<b>(113,965,167)</b>	<b>(344,231,475)</b>	<b>(105,941,920)</b>	<b>(604,112,332)</b>	<b>(379,460,305)</b>
<b>Cash flows from financing activities</b>									
Proceeds from units issued		198,234,616	282,777,353	299,465,105	300,979,283	387,487,063	324,895,401	885,186,784	908,652,037
Redemptions of units		(178,323,356)	(77,513,225)	(90,048,079)	(124,783,383)	(90,425,158)	(145,489,576)	(358,796,593)	(347,786,184)
Tax paid		(301,473)	(1,026,773)	1,207,585	(1,791,117)	3,045,773	(2,212,229)	3,951,885	(5,030,119)
<b>Net cash inflow from financing activities</b>		<b>19,609,787</b>	<b>204,237,355</b>	<b>210,624,611</b>	<b>174,404,783</b>	<b>300,107,678</b>	<b>177,193,596</b>	<b>530,342,076</b>	<b>555,835,734</b>
<b>Net increase/(decrease) in cash</b>		<b>(16,089,218)</b>	<b>44,684,137</b>	<b>(13,557,241)</b>	<b>60,439,616</b>	<b>(44,123,797)</b>	<b>71,251,676</b>	<b>(73,770,256)</b>	<b>176,375,429</b>
Cash at the beginning of the year		51,562,266	6,778,718	74,638,437	13,833,894	107,424,057	34,718,746	233,624,760	55,331,358
Effect of exchange rate fluctuations		(2,591,526)	99,411	(3,559,569)	364,927	(4,212,407)	1,453,635	(10,363,502)	1,917,973
<b>Cash at the end of the year</b>		<b>32,881,522</b>	<b>51,562,266</b>	<b>57,521,627</b>	<b>74,638,437</b>	<b>59,087,853</b>	<b>107,424,057</b>	<b>149,491,002</b>	<b>233,624,760</b>

The Notes form an integral part of, and should be read in conjunction with, these Financial Statements.

# Notes to the Financial Statements

## 1. General information

### Reporting entity

These Financial Statements ('Financial Statements') are for the Generate KiwiSaver Scheme (the 'Scheme') which comprises the following three investment funds (together the 'Funds' and individually 'Fund').

- Conservative Fund;
- Growth Fund; and
- Focused Growth Fund

The Manager and Issuer of the Scheme is Generate Investment Management Limited ('GIML'). The parent of the Manager is Generate Investment Holdings Limited ('GIHL') and the Supervisor of the Scheme is Public Trust ('the Supervisor'). The Scheme is registered and domiciled in New Zealand. The registered office of the Scheme is Jarden House, 9/21 Queen Street, Auckland 1010.

The Scheme is a defined contribution scheme under the KiwiSaver Act 2006, which means that members contribute to the Scheme over time and benefits payable depend on the amount of contributions made and any returns on contributions received.

The Scheme was established under a Trust Deed dated 14 December 2012. The Scheme received contributions from 28 March 2013. It is reporting as a Tier 1 for-profit entity as defined in the External Reporting Board's 'Accounting Standards framework'. On 25 August 2016, the Manager and the Supervisor updated the Trust Deed to ensure compliance with the requirements of Section 7 of the Financial Markets Conduct Act 2013 ('FMCA') and the Financial Markets Conduct Regulations 2014 ('FMC Regulations') and all other relevant enactments as amended by the FMCA and the Financial Markets (Repeals and Amendments) Act 2013. A Deed of Amendment and Restatement was dated 17 December 2020.

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

The principal objectives of the Funds are described below:

- The objective of the Conservative Fund is to provide a conservative investment return through investment in a portfolio of actively managed cash, fixed interest, property (including aged care), infrastructure assets (including telecoms, transport and logistics companies), Australasian equities and international equities. The Fund has a low to medium level of volatility.
- The objective of the Growth Fund is to provide growth over the long-term through investment in a portfolio of actively managed cash, fixed interest, property (including aged care), infrastructure assets (including telecoms, transport and logistics companies), Australasian equities and international equities. The Fund has a medium to high level of volatility.
- The objective of the Focused Growth Fund is to provide higher growth over the long-term through investment in a portfolio of actively managed cash, fixed interest, property (including aged care), infrastructure assets (including telecoms, transport and logistics companies), Australasian equities and international equities. The Fund has a high level of volatility.

### Funding arrangements

Under the Trust Deed contributions are made by members of the Scheme, their employers and the Crown. Members can choose to contribute 3%, 4%, 6%, 8% or 10% of gross salary or wages. Members may from time to time make additional voluntary contributions to the Scheme. Employers are required to contribute 3% of members' gross salary or wage to the Scheme if the member contributes at least 3% of their gross salary or wages. Employer contributions to KiwiSaver are subject to Employer Superannuation Contribution Tax. The Crown will also contribute \$0.50 for every \$1.00 of member contributions annually up to a maximum of \$521.43 for qualifying members.

### Retirement benefits

Member benefits will generally be locked into the Scheme until the latter of the date for reaching the qualifying age for New Zealand Superannuation or, for members enrolled prior to 1 July 2019, the date on which the Member has been a member of any KiwiSaver Scheme, or a member of a Complying Superannuation Scheme, for a period of five years. Members may also be able to withdraw their funds under significant financial hardship, serious illness, permanent emigration and first home withdrawals. Retirement benefits are determined by contributions to the Scheme together with investment earnings net of fees and tax on these contributions over the period of membership.

### Termination terms

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

### Statutory base

The Scheme is registered under the FMCA as a KiwiSaver Scheme. The Scheme is a trust vehicle governed by a Trust Deed dated 25 August 2016 and a Deed of Amendment and Restatement dated 12 December 2020.

## 2. Summary of accounting policies

### 2.1 Basis of preparation

The Financial Statements have been prepared in accordance with the Trust Deed governing the Scheme, the Kiwisaver Act 2006 and Section 7 of the FMCA.

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied throughout the years presented, unless otherwise stated.

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). For the purposes of complying with NZ GAAP, the Scheme is a profit-oriented entity. These Financial Statements have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') as issued by the New Zealand Accounting Standards Board and other applicable reporting standards. The Financial Statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board. These Financial Statements have been prepared under the historical cost method, except for financial assets and liabilities at fair value through profit or loss, and have been prepared on the assumption that the Scheme operates on a going concern basis.

The preparation of Financial Statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Directors of the Manager to exercise their judgement in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 3.

The Financial Statements are prepared for the year ended 31 March 2021, with comparative information presented for the year ended 31 March 2020.

# Notes to the Financial Statements

## 2. Summary of accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### (a) Presentation

The Financial Statements are presented in New Zealand dollars, which is the Scheme's functional currency. The functional currency reflects the currency of the economy in which the Scheme competes for funds and is regulated. All amounts are rounded to the nearest dollar unless otherwise stated.

#### (b) Standards and amendments to existing standards effective 1 April 2020 impacting the Scheme

There are no standards, amendments to standards or interpretations that are effective for the year beginning on 1 April 2020 that have a material effect on the Financial Statements of the Scheme.

There are no other standards, amendments or interpretations that have been issued but are not yet effective that are expected to impact the Scheme's Financial Statements.

### 2.2 Financial instruments

#### (a) Classification

##### Assets

Financial assets are recognised initially at fair value plus transaction costs. After initial recognition, financial assets are measured at fair value or amortised cost, determined on the basis of both (a) the Fund's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset.

##### (i) Financial assets at fair value through profit or loss

**Financial assets at fair value through profit or loss** can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Funds are primarily focused on fair value information and use that information to assess the assets' performance and to make decisions. The contractual cash flows of the Funds' fixed interest securities are not held for the purpose of collecting contractual cash flows. The collection of contractual cash flows is only incidental in achieving the Funds' business model. As a result these fixed interest securities are classified as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss comprise of equities, Portfolio Investment Entities ('PIEs'), listed and unlisted fixed interest securities, unit trusts, equity options and foreign exchange contracts.

##### (ii) Financial assets at amortised cost

(a) **Cash and cash equivalents** include cash in hand and deposits held at call with banks, denominated in New Zealand dollars and in foreign currencies.

(b) **Receivables** are amounts representing assets owing to the Funds and may include amounts due for interest or dividends and amounts due for securities sold that have been contracted for but not yet settled or delivered at year end.

##### Liabilities

##### (i) Financial liabilities at fair value through profit or loss

**Financial liabilities at fair value through profit or loss** can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial liabilities is managed and performance is evaluated on a fair value basis. As there are no financial liabilities designated at fair value upon initial recognition in the Funds, all financial liabilities are mandatorily measured at fair value through profit or loss. Foreign exchange contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss.

##### (ii) Financial liabilities at amortised cost

(a) **Payables** are amounts representing liabilities and accrued expenses owing by the Funds at year end and may include related party fees, withdrawals payable and amounts due to brokers for purchase of unsettled securities at year end.

#### (b) Recognition, measurement and derecognition

##### (i) Financial assets and liabilities at fair value through profit or loss

The Funds recognise financial assets and liabilities at fair value through profit or loss on the date they become parties to the contractual agreement. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Changes in Net Assets.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are recognised in the Statement of Changes in Net Assets when they arise.

Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognised when the obligation under the liability is discharged, cancelled or expires. Any gain or loss arising on derecognition of the financial asset or financial liability at fair value through profit or loss is included in the Statement of Changes in Net Assets in the year the item is derecognised.

# Notes to the Financial Statements

## 2. Summary of accounting policies (continued)

### 2.2 Financial instruments (continued)

#### (b) Recognition, measurement and derecognition (continued)

##### *(ii) Financial assets and liabilities at amortised cost*

The Funds recognise financial assets and liabilities at amortised cost on the date they become parties to the contractual agreement. Financial assets and liabilities at amortised cost are initially recognised at fair value plus/minus transaction costs.

Subsequent to initial recognition, all financial assets at amortised cost are measured at amortised cost less any impairment if applicable. Any impairment is recognised in the Statement of Changes in Net Assets as an expense. At each reporting date, the Funds shall measure the loss allowance of all financial assets at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12 month expected credit losses. See note 5.1.2 for further detail. If the credit risk increases to the point that it is considered to be credit impaired, interest will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired.

Financial assets at amortised cost are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all of the risks and rewards of ownership. Financial liabilities at amortised cost are derecognised when the obligation under the liability is discharged, cancelled or expires. Any gain or loss arising on derecognition of the financial asset or financial liability at amortised cost is included in the Statement of Changes in Net Assets in the year the item is derecognised.

#### (c) Fair value measurement

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 measurement date in the principal or, in its absence, the most advantageous market to which each Fund within the Scheme had access at that date. The fair value of a liability reflects its non-performance risk.

##### *Financial assets and liabilities held at fair value through profit or loss*

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

##### *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used by the Funds is the last traded market price for both financial assets and financial liabilities where the last traded prices fall within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value. The quoted market price used for fixed interest securities is the current mid price.

##### *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Manager uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Funds' investments in other funds are subject to the terms and conditions of the respective funds' offering documentation. The investments in other funds are primarily valued based on the latest available redemption price of such units for each other fund investment, as determined by the other funds' administrators. The Manager reviews the details of the reported information obtained from the other funds and considers: the liquidity of the other fund or its underlying investments; the value date of the net asset value provided; and restrictions on redemptions.

The rights of the Funds to request redemption of their investments in other funds may vary in frequency from daily to weekly redemptions. As a result, the carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Funds may be materially affected by the actions of other investors who have invested in other funds in which the Funds have invested.

If necessary, the Funds within the Scheme make adjustments to the net asset value of various other fund investments to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the statement of changes in net assets include the change in fair value of each other fund.

Fair value classifications of the Funds' financial assets and liabilities are detailed in Note 6. Fair value hierarchy is detailed in Note 5.3.

### 2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Net Assets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### 2.4 Revenue recognition

- (a) Dividend and distribution income is recognised in the Statement of Changes in Net Assets when the Scheme's right to receive payment is established.
- (b) Interest income is recognised in the Statement of Changes in Net Assets as the interest accrues using the effective interest rate method. Interest income is earned on cash and cash equivalents.
- (c) Gains or losses of financial assets at fair value through profit or loss are recognised in the Statement of Changes in Net Assets as disclosed in Note 2.2.
- (d) Foreign exchange gains and losses on cash and financial instruments at fair value through profit or loss are recognised in the Statement of Changes in Net Assets as disclosed in Note 2.9.
- (e) Underwriting and brokerage income is recognised in the Statement of Changes in Net Assets when the Scheme's right to receive payment is established.
- (f) Dividend and interest income is disclosed net of any resident withholding taxes deducted at source, as these tax credits are allocated to members under the Portfolio Investment Entities (PIEs) regime.



## Notes to the Financial Statements

### 2. Summary of accounting policies (continued)

#### 2.5 Expenses

The management fee, supervisory and custody fees and expense allowance is calculated on a daily basis based on the Gross Fund Value of the Scheme and paid monthly. Other expenses including fund administration fees are expensed in the Statement of Changes in Net Assets on an accrual basis. Member administration and registry fees are charged monthly per member via a unit deduction payment when they arise.

#### 2.6 Taxation

The Funds are PIEs. Under the PIE regime income is effectively taxed in the hands of the members and therefore the Funds have no tax expense. Accordingly, no income tax expense is recognised in the statement of changes in net assets.

Under the PIE regime, the Manager attributes the taxable income of the Funds to members in accordance with the proportion of their overall interest in the Funds. The income attributed to each member is taxed at the member's 'prescribed investor rate' which is capped at 28%. The Manager accounts for tax on behalf of members and undertakes any necessary adjustments to the members' interests in the Funds to reflect that the Scheme pays tax at varying rates on behalf of members.

Members' funds have been adjusted to reflect the impact of tax on the value of unit holdings.

The tax attributable to members is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Positions taken in attributing taxable income to members, with respect to situations in which applicable tax regulations are subject to interpretation, are evaluated by the Manager as required.

#### 2.7 Goods and services tax (GST)

The Scheme is not registered for GST. All items in the Statement of Changes in Net Assets and the statement of net assets are stated inclusive of GST.

#### 2.8 Statement of cash flows

Definitions of the terms used in the Statement of Cash Flows are:

- (a) 'Operating activities' include all transactions and other events that are not financing activities; and
- (b) 'Financing activities' are those activities that result in changes in the size and composition of members' funds.
- (c) The Scheme undertook no Investing activities during both reporting periods.

#### 2.9 Foreign currencies

##### *Transactions and balances*

Transactions denominated in foreign currencies are recognised at the exchange rates on the date of the transactions. Assets and liabilities at the reporting date denominated in foreign currencies are translated at the foreign currency exchange rates on that date. Realised and unrealised exchange gains and losses during each reporting period are recognised in the Statement of Changes in Net Assets.

#### 2.10 Net assets attributable to members

The net assets available for benefits represent the liability for promised retirement benefits and is the Scheme's present obligation to pay benefits to Members. This has been calculated as the difference between carrying amounts of the assets and carrying amounts of the liabilities at the reporting date. The Scheme's Funds issue units that are redeemable at the Members' option subject to the requirements of the Act and do not have identical features and are therefore classified as financial liabilities. The units can be put back to the Funds in the Scheme at any time for purposes of permitted withdrawals (such as reaching the retirement age of 65 or significant financial hardship), transfer to another Fund within the Generate KiwiSaver Scheme or to a separate KiwiSaver Scheme at a value that is 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 (based on the redemption unit price) at the period end date if Members exercise their right to put the units back to the Funds.

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.

#### 2.11 Related parties

A party is related to the Scheme if:

- (a) directly or indirectly through one or more of its intermediaries, it controls, is controlled by, or is under common control with, the Scheme;
- (b) it is a parent, subsidiary or fellow subsidiary of a party, defined in (a) above;
- (c) it has an interest in or relationship with the Scheme that gives it significant influence over the Scheme;
- (d) the Scheme has an interest in or relationship with the party that gives it significant influence over the party; or
- (e) they are a member of the Manager's key management personnel.

#### 2.12 Restatement of comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the Financial Statements.

## Notes to the Financial Statements

### 3. Accounting estimates and judgements

The preparation of Financial Statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Scheme's accounting policies. The Manager has applied its judgement in selecting the accounting policy to designate financial assets at fair value through profit or loss at initial recognition. This policy has a significant impact on the amounts disclosed in the Financial Statements.

The Manager has used its judgement in the categorisation of financial assets and liabilities at fair value through profit or loss in accordance with the fair value hierarchy under NZ IFRS 13 'Fair Value Measurement'.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value in its entirety. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability (refer to note 5.3 for further details).

### 4. Derivatives

#### 4.1 Forward foreign currency contracts

Forward foreign currency contracts are contractual obligations to buy or sell one currency on a future date in exchange for a second currency at a specified forward foreign exchange rate which is established in an organised market. The forward contracts are agreed between the parties to the contract and are not traded on an exchange. The Scheme's open positions in forward contracts at each reporting date are outlined below:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Forward exchange contracts (notional value in NZ\$)</b>								
Sell AUD/Buy NZD	9,120,210	2,434,111	64,531,588	13,633,119	94,128,103	20,523,216	167,779,901	36,590,446
Sell CNY/Buy NZD	13,948,943	8,834,391	32,113,685	17,545,620	61,088,741	32,737,084	107,151,369	59,117,095
Sell EUR/Buy NZD	4,007,940	457,166	24,117,132	6,284,976	45,588,295	13,458,437	73,713,367	20,200,579
Sell USD/Buy NZD	18,394,394	9,301,924	139,639,846	56,611,643	263,583,513	112,608,124	421,617,753	178,521,691
Sell NZD/Buy AUD	-	(2,434,000)	-	(13,633,000)	-	(20,523,000)	-	(36,590,000)
<b>Forward exchange contracts (fair value in NZ\$)</b>								
Sell AUD/Buy NZD	(99,205)	23,160	(555,422)	125,408	(784,801)	188,361	(1,439,428)	336,929
Sell CNY/Buy NZD	(345,199)	(606,947)	(794,727)	(1,822,386)	(1,511,782)	(3,772,784)	(2,651,708)	(6,202,117)
Sell EUR/Buy NZD	9,653	(70,046)	18,140	(1,165,687)	56,107	(2,388,590)	83,900	(3,624,323)
Sell USD/Buy NZD	(541,536)	(1,649,209)	(4,334,535)	(12,244,323)	(8,187,419)	(24,119,543)	(13,063,490)	(38,013,075)
Sell NZD/Buy AUD	-	818	-	194	-	(3,192)	-	(2,180)

#### 4.2 Options

An option is a contractual agreement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. Options held by the Funds are exchange traded or over the counter trades. The Funds are exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

The Funds have the below call options at the reporting date:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Notional value in NZD</b>								
Equity options	-	-	3,256,044	-	7,101,320	-	10,357,364	-
<b>Fair value in NZD</b>								
Equity options	-	-	116,854	-	254,855	-	371,709	-

## Notes to the Financial Statements

### 5. Financial risk management

#### 5.1 Financial risk factors

The Trust Deed for the Scheme requires the Manager to invest the assets of each Fund of the Scheme in accordance with the Scheme's Statements of Investment Policy and Objectives ('SIPO'), in order to manage risk. The Scheme's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Scheme's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Scheme is exposed and seeks to minimise potential adverse effects on the Scheme's financial performance.

All securities investments present a risk of loss of capital. The Funds of the Scheme hold various financial instruments such as long listed equities, unlisted unit trusts and fixed interest securities where the maximum loss of capital is limited to the carrying value of those positions. The maximum loss of capital on forward foreign exchange contracts is limited to the notional amount of currency that is contracted to be delivered under each contract.

The Scheme is exposed directly and indirectly to price risks through its holdings of equity and unit trust investments. The unlisted investments have underlying securities comprising primarily domestic, international equity instruments and fixed interest securities.

In addition to internal risk management carried out by the Manager, financial risk is also managed by the setting of an investment policy, agreed with and monitored by the Supervisor and set out in the SIPO. The Manager regularly reviews investment assets of the funds against Asset Allocation profiles of the SIPO together with the liquidity and concentration restrictions of the SIPO.

#### 5.1.1 Market risk

##### (a) Price risk

Price risk is the risk that the fair value or future cash flows of non-monetary financial instruments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to an issuer or factors affecting all similar financial instruments traded in the market. All investments in listed equities, listed trusts, unlisted trusts and equity options present a risk of loss of capital often due to factors beyond the Manager's control such as competition, regulatory changes, commodity price changes and changes in general economic climate domestically and internationally. The managers of the underlying unit trusts moderate this risk through careful asset selection and diversification of investments, daily monitoring of the positions and adherence to their investment policies. Price risks are managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Any price risk associated with monetary instruments such as the fixed interest securities is considered to be part of the risk captured under interest rate risk and credit risk.

The maximum market risk resulting from financial instruments is determined by their fair value.

Where non-monetary financial instruments, for example, unit trusts and equities denominated in currencies other than NZD, the price initially expressed in foreign currency and then converted into NZD will also fluctuate because of changes in foreign exchange rates. In addition, where the Scheme holds unit trusts which in turn invest in securities denominated in foreign currencies, the value of the unit trust will be indirectly affected by fluctuations in foreign exchange rates. Paragraph (b) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured.

##### Sensitivity Analysis

A variable of 10% was selected for price risk as this is a reasonably expected movement based on historic trends in unit prices. If investments in financial instruments subject to unit price risk at that date increased/decreased by 10% with all other variables held constant, this would have had the following impact on the statement of changes in net assets:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
10% increase in prices	<b>16,490,428</b>	10,298,576	<b>79,759,752</b>	41,988,632	<b>121,959,956</b>	63,576,207	<b>218,210,136</b>	115,863,415
10% decrease in prices	<b>(16,490,428)</b>	(10,298,576)	<b>(79,759,752)</b>	(41,988,632)	<b>(121,959,956)</b>	(63,576,207)	<b>(218,210,136)</b>	(115,863,415)

Members' Funds would be impacted by the same amount less the PIE tax adjustment that would be attributed to members.

## Notes to the Financial Statements

### 5. Financial risk management (continued)

#### 5.1.1 Market risk (continued)

##### (b) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Scheme is exposed to currency risk on monetary instruments through holdings of non-New Zealand dollar cash and cash equivalents, trade and other receivables, trade and other payables and by entering into forward foreign exchange contracts. The Manager may hedge the exposure to currency fluctuations.

The Scheme is also exposed to currency risk on non-monetary instruments through investments in equity securities and unit trusts.

At the reporting date the Scheme had the following foreign currency exposures due to holdings of monetary assets and liabilities (expressed in NZD equivalents):

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Monetary assets/(liabilities)</b>								
Australian Dollar (AUD)	(9,150,063)	3,784,276	(64,758,773)	15,100,038	(94,562,379)	26,871,251	(168,471,215)	45,755,565
Euro (EUR)	(3,931,971)	(289,882)	(23,593,385)	(6,561,794)	(44,595,628)	(13,550,918)	(72,120,984)	(20,402,594)
Great British Pound (GBP)	-	-	300,348	167,755	442,292	271,829	742,640	439,584
Hong Kong Dollar (HKD)	30,175	21,530	19,009	7,113,105	27,702	13,016,991	76,886	20,151,626
Chinese Yuan (CNY)	(14,329,371)	(9,434,646)	(32,989,516)	(19,354,431)	(62,754,804)	(36,484,365)	(110,073,691)	(65,273,442)
United States Dollar (USD)	(18,742,420)	(10,635,410)	(143,741,981)	(44,663,268)	(271,655,390)	(95,939,766)	(434,139,791)	(151,238,444)

The table below summarises the impact on the statement of changes in net assets on monetary assets and liabilities at the reporting date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 10% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Monetary assets/(liabilities)</b>								
Increase of 10%	4,193,059	1,504,921	24,069,482	4,381,690	43,008,928	9,619,543	71,271,469	15,506,154
Decrease of 10%	(5,124,850)	(1,839,348)	(29,418,255)	(5,355,399)	(52,566,467)	(11,757,220)	(87,109,572)	(18,951,967)

At the reporting date the Scheme had the following foreign currency exposures due to holdings of non-monetary assets and liabilities (expressed in NZD equivalents):

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Non-monetary assets/(liabilities)</b>								
Australian Dollar (AUD)	14,170,707	11,706,124	206,707,248	120,779,228	345,560,260	215,664,717	566,438,215	348,150,069
Euro (EUR)	2,796,397	949,619	24,831,276	5,223,119	46,297,626	12,145,744	73,925,299	18,318,482
Great British Pound (GBP)	-	-	49,112,415	22,631,709	93,383,471	47,956,386	142,495,886	70,588,095
Hong Kong Dollar (HKD)	17,494,456	10,212,537	38,354,378	22,584,129	74,783,768	39,264,884	130,632,602	72,061,550
United States Dollars (USD)	53,727,688	32,503,476	181,871,929	80,232,829	343,683,732	157,482,151	579,283,349	270,218,456

The table below summarises the impact on the statement of changes in net assets on non-monetary assets and liabilities at the reporting date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 10% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Non-monetary assets/(liabilities)</b>								
Increase of 10%	(8,017,204)	(5,033,796)	(45,534,295)	(22,859,183)	(82,155,351)	(42,955,807)	(135,706,850)	(70,848,786)
Decrease of 10%	9,798,805	6,152,417	55,653,027	27,939,002	100,412,095	52,501,542	165,863,927	86,592,961

## Notes to the Financial Statements

### 5. Financial risk management (continued)

#### 5.1.1 Market risk (continued)

##### (c) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities, and future cash flows. The Funds hold fixed interest securities that expose them to fair value interest rate risk. The Funds hold cash and cash equivalents that expose the Funds to cash flow interest rate risk.

The following table represents the maturity profile of financial instruments subject to interest rate risk at 31 March:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Cash and cash equivalents</b>								
On Call	32,881,522	51,562,266	57,521,627	74,638,437	59,087,853	107,424,057	149,491,002	233,624,760
<b>Fixed interest securities</b>								
Less than one year	57,067,808	36,571,524	25,010,558	19,029,026	3,543,267	3,102,992	85,621,633	58,703,542
1-2 years	65,506,764	46,752,282	32,274,899	21,336,088	2,176,342	-	99,958,005	68,088,370
2-5 years	112,629,620	118,737,713	42,086,924	36,660,977	1,003,699	-	155,720,243	155,398,690
Over 5 years	38,751,397	40,951,886	14,702,562	10,835,637	7,355,067	6,612,189	60,809,026	58,399,712
	273,955,589	243,013,405	114,074,943	87,861,728	14,078,375	9,715,181	402,108,907	340,590,314
<b>Floating interest securities</b>								
Less than one year	-	-	-	-	-	-	-	-
1-2 years	-	-	-	-	-	-	-	-
2-5 years	-	-	-	-	-	-	-	-
Over 5 years	-	6,620,408	-	3,557,139	-	-	-	10,177,547
	-	6,620,408	-	3,557,139	-	-	-	10,177,547

##### (i) Cash flow sensitivity analysis

The Scheme holds cash and cash equivalents in New Zealand dollars that expose the Funds to cash flow interest rate risk.

A change in interest rates impacts the cash flow of the Scheme's cash and cash equivalents by increasing or decreasing the amount of interest received. A movement of 100 basis points (1%) was selected as this is a reasonably expected movement based on past overnight cash rate movements. The one year cash flow sensitivity to a 100 basis point movement in interest rates (based on assets held at the reporting date), with all other variables held constant, is shown in the following table:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Increase of 1%	328,815	515,623	575,216	746,384	590,879	1,074,241	1,494,910	2,336,248
Decrease of 1%	(328,815)	(515,623)	(575,216)	(746,384)	(590,879)	(1,074,241)	(1,494,910)	(2,336,248)

##### (ii) Fair value interest rate risk

At the reporting date, had the interest rate increased or decreased by 1% (which is the Manager's assessment of a reasonable movement with regard to historical volatility) with all other variables held constant, the impact on the fair value of the fixed interest portfolio in the respective Funds and the related change in total comprehensive income/(loss) would have been as follows:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Increase of 1%	(6,078,341)	(5,636,258)	(2,228,799)	(1,471,589)	(399,005)	(377,328)	(8,706,145)	(7,485,175)
Decrease of 1%	6,320,613	6,322,104	2,327,265	1,836,752	421,156	403,026	9,069,034	8,561,882

In addition to the Scheme's direct exposure to interest rate changes on the fair value of financial asset and liabilities and on the cash flows of cash and cash equivalents shown above, each Fund in the Scheme is indirectly affected by the impact of interest rate changes on the earnings of their investments in unit trusts, which forms part of the Price Risk sensitivity (see above). Therefore, the above sensitivity analysis may not fully indicate the total effect on the Scheme's net assets attributable to members of future movements in interest rates.

## Notes to the Financial Statements

### 5. Financial risk management (continued)

#### 5.1.2 Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Scheme. Financial instruments that subject the Scheme to credit risk consist primarily of fixed interest securities, cash and cash equivalents and trade and other receivables.

The Funds measure credit risk and expected credit losses using the probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any expected credit loss and monitors credit risk within the terms of the Schemes' Statement of Investment Policies and Objectives (SIPO). This predominantly requires a minimum credit rating of 'investment grade' for issuers of fixed interest securities, or where unrated, for the investment committee to believe the issuer is of a credit quality equivalent to investment grade. For bank deposits, the bank is required to be investment grade. Cash and cash equivalent holdings with banks cannot exceed 15% of the assets of a fund, except for deposits with large overseas banks operating in New Zealand that each have a minimum credit rating of AA-, which cannot exceed 30% of the assets of a fund.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. There is a limited risk of default relating to contributions receivable by the Scheme as this receivable has arisen only due to timing between the date of receipt of the funds and when the units are allocated and the receipts processed. Derivative contracts can only be held with banks with a minimum credit rating of AA-. Forward foreign exchange contracts and interest rate swaps are held with ASB Bank Limited and ANZ Bank New Zealand Limited, who both have a S&P credit rating of AA-.

The maximum credit risk of financial instruments is considered to be the carrying amount on the statement of net assets. The risk of non-recovery of monetary assets is considered by the Manager to be minimal due to the quality of counterparties dealt with. The Scheme does not require collateral or other security to support financial instruments with credit risk. Cash and cash equivalents are held with ASB Bank Limited and BNP Paribas.

As at 31 March 2021 there were no financial assets past due or impaired (31 March 2020: Nil). As such, no loss allowance is deemed necessary on 12-month expected credit losses.

The following table sets out the Standard and Poor's credit rating for cash and cash equivalents and fixed interest securities held by the Scheme:

\$ As at 31 March		Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
		2021	2020	2021	2020	2021	2020	2021	2020
<b>Cash and cash equivalents</b>									
ASB Bank Limited	AA-	32,569,607	47,241,080	56,327,238	29,633,896	57,431,251	26,611,711	146,328,096	103,486,687
BNP Paribas SA	A	311,915	4,321,186	1,194,389	45,004,541	1,656,602	80,812,346	3,162,906	130,138,073
		<b>32,881,522</b>	<b>51,562,266</b>	<b>57,521,627</b>	<b>74,638,437</b>	<b>59,087,853</b>	<b>107,424,057</b>	<b>149,491,002</b>	<b>233,624,760</b>
<b>Debt Securities</b>									
High Grade	AA+ /AA /AA-	75,184,992	90,717,851	33,433,312	42,622,675	1,003,699	-	109,622,003	133,340,526
Upper Medium Grade	A+/A /A-	13,931,719	14,765,685	14,837,101	13,469,734	3,076,451	3,102,992	31,845,271	31,338,411
Lower Medium Grade	BBB+ /BBB / BBB- / BB+	92,918,140	92,885,072	35,387,526	22,285,822	-	-	128,305,666	115,170,894
Unrated	NR	91,920,738	51,265,205	30,417,004	13,040,636	9,998,225	6,612,189	132,335,967	70,918,030
<b>Total</b>		<b>273,955,589</b>	<b>249,633,813</b>	<b>114,074,943</b>	<b>91,418,867</b>	<b>14,078,375</b>	<b>9,715,181</b>	<b>402,108,907</b>	<b>350,767,861</b>

#### 5.1.3 Liquidity risk

Liquidity risk represents the risk that the Scheme may not have the financial ability to meet its contractual obligations. The Scheme evaluates its liquidity requirements on an on-going basis and maintains an investment in cash and cash equivalents to cover the possibility of any member withdrawals.

The Scheme's investment policies do not state a minimum required level of investment in liquid investments. The Scheme's financial liabilities consist of trade and other payables and derivatives (forward foreign exchange contracts and interest rate swaps) which are short term in nature and classified as a current liability at the reporting date. Current liabilities of financial derivative instruments consist of the fair value of forward foreign exchange contracts and interest rate swaps at year end. The current fair value represents the estimated cash flow that may be required to dispose of the positions. Future cash flows of the Scheme and realised liabilities may differ from current liabilities based on future changes in market conditions.

The following table shows the expected maturity of investments in debt securities at the reporting date:

\$ As at 31 March		Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
		2021	2020	2021	2020	2021	2020	2021	2020
<b>Debt securities</b>									
0-3 months		16,870,723	10,054,091	10,680,913	11,585,654	3,543,267	3,102,992	31,094,903	24,742,737
3-6 months		12,339,262	16,189,744	9,822,443	3,373,598	-	-	22,161,705	19,563,342
6-12 months		27,857,823	10,327,689	4,507,202	4,069,774	-	-	32,365,025	14,397,463
Over 12 months		216,887,781	213,062,289	89,064,385	72,389,841	10,535,108	6,612,189	316,487,274	292,064,319
<b>Total</b>		<b>273,955,589</b>	<b>249,633,813</b>	<b>114,074,943</b>	<b>91,418,867</b>	<b>14,078,375</b>	<b>9,715,181</b>	<b>402,108,907</b>	<b>350,767,861</b>

## Notes to the Financial Statements

### 5. Financial risk management (continued)

#### 5.1.3 Liquidity risk (continued)

The following table shows the expected maturity of derivative financial liabilities at the reporting date:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Forward foreign exchange contracts</b>								
0-3 months	1,010,315	2,326,202	5,684,684	15,232,396	10,484,002	30,284,109	17,179,001	47,842,707
over 12 months	-	-	-	-	-	-	-	-

The required cash outflow to settle the forward currency contracts which are in a liability position at each reporting date will be the fair value as at 31 March 2021 and 31 March 2020, if it was settled on that date. It is expected that the actual undiscounted cash flows will be different, given that the instrument is marked to market. All the open currency contracts which are in a loss position at 31 March 2021 mature within 3 months (31 March 2020: 3 months) after each reporting date.

All financial liabilities at amortised cost are expected to be settled within 1 month of the reporting date (31 March 2020: 1 month).

#### 5.2 Capital risk management

Net assets available to pay benefits are considered to be the Scheme's capital for the purposes of capital management notwithstanding net assets available to pay benefits is classified as a liability for accounting. The Scheme does not have to comply with externally imposed capital requirements. The Scheme's objectives when managing capital are to ensure it meets all present and future obligations, and to maximise value for members. In order to meet its objectives for capital management the Scheme's management monitors the Scheme's performance on a regular basis. Compliance with investment management is also monitored by the Manager and the Supervisor. There have been no material breaches of these mandate limits during the year (2020: nil).

#### 5.3 Fair value estimation

The carrying amounts of the Scheme's assets and liabilities at the reporting date are their fair values. Fair value measurements are categorised into a three level hierarchy that reflects the significance of the inputs used in making the measurements. The Scheme recognises transfers between levels of the fair value hierarchy as at the end of the financial year during which the change has occurred.

##### *Level 1 - fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets and liabilities are priced at last sale prices.

##### *Level 2 - fair value in an inactive or unquoted market using valuation techniques and observable market data*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques for which all significant inputs are based on observable market data, either directly (that is, as prices) or indirectly (that is, derived from prices).

##### *Level 3 - fair value in an inactive or unquoted market using valuation techniques without observable market data*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques for which any significant input is not based on observable market data. The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## Notes to the Financial Statements

### 5. Financial risk management (continued)

#### 5.3 Fair value estimation (continued)

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

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Level 1</b>								
<i>Financial assets at fair value through profit or loss</i>								
Australasian listed equities	90,219,740	59,320,127	349,072,693	188,725,555	373,967,069	179,546,110	813,259,502	427,591,792
International equities	74,018,541	43,665,632	294,169,998	130,671,786	558,148,594	256,849,162	926,337,133	431,186,580
Equity options	-	-	116,854	-	254,855	-	371,709	-
Fixed interest securities	133,670,617	108,881,768	40,954,757	24,555,724	9,998,225	6,612,189	184,623,599	140,049,681
<b>Total level 1 assets</b>	<b>297,908,898</b>	<b>211,867,527</b>	<b>684,314,302</b>	<b>343,953,065</b>	<b>942,368,743</b>	<b>443,007,461</b>	<b>1,924,591,943</b>	<b>998,828,053</b>
<b>Level 2</b>								
<i>Financial assets at fair value through profit or loss</i>								
Forward foreign exchange contracts	34,028	23,978	18,140	125,602	56,107	188,361	108,275	337,941
Unlisted unit trusts	-	-	148,656,786	100,488,974	277,940,580	199,366,801	426,597,366	299,855,775
Fixed interest securities	140,284,972	140,752,045	73,120,186	66,863,143	4,080,150	3,102,992	217,485,308	210,718,180
<b>Total level 2 assets</b>	<b>140,319,000</b>	<b>140,776,023</b>	<b>221,795,112</b>	<b>167,477,719</b>	<b>282,076,837</b>	<b>202,658,154</b>	<b>644,190,949</b>	<b>510,911,896</b>
<b>Level 3</b>								
<i>Financial assets at fair value through profit or loss</i>								
Unlisted unit trusts	666,000	-	2,442,000	-	2,442,000	-	5,550,000	-
<b>Total level 3 assets</b>	<b>666,000</b>	<b>-</b>	<b>2,442,000</b>	<b>-</b>	<b>2,442,000</b>	<b>-</b>	<b>5,550,000</b>	<b>-</b>
<b>\$ As at 31 March</b>								
<b>Level 2</b>								
<i>Financial liabilities at fair value through profit or loss</i>								
Forward foreign exchange contracts	1,010,315	2,326,202	5,684,684	15,232,396	10,484,002	30,284,109	17,179,001	47,842,707
<b>Total level 2 liabilities</b>	<b>1,010,315</b>	<b>2,326,202</b>	<b>5,684,684</b>	<b>15,232,396</b>	<b>10,484,002</b>	<b>30,284,109</b>	<b>17,179,001</b>	<b>47,842,707</b>

The fair value of listed equities and equity options are determined using quoted market prices in an active market. This measurement basis falls within Level 1 of the fair value hierarchy.

The fair value of fixed interest securities is determined in one of three ways. The first method uses quoted market prices in an active market which is a measurement basis which falls within Level 1 of the fair value hierarchy. The second method calculates the fair value by using a discounted cash flow calculation based on risk margins and swap yields provided by third party suppliers of financial data. The third method adjusts the face value for accrued interest. This measurement basis falls within Level 2 of the fair value hierarchy as all inputs used to calculate the fair value are based on observable market data.

The fair value of forward foreign exchange contracts is calculated from spot exchange rates and forward points supplied by WM/Reuters. This measurement basis falls within Level 2 of the fair value hierarchy as all inputs used to calculate the fair value are based on observable market data.

The Scheme uses valuation models to derive fair value of forward exchange contracts which may have various settlement dates. These valuations may incorporate inputs for counterparty risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs used are market observable and have been classified as Level 2.

The fair value of unlisted unit trusts is determined using the redemption price, based on the valuation of its underlying investments, as supplied by the third party administrators on a daily basis. This measurement basis falls within Level 2 of the fair value hierarchy as all significant inputs used to calculate the fair value are based on observable market data.

The level 3 investment as at 31 March 2021 is held in the Property Income Fund Limited. This investment is classified as level 3 as it is not traded in an active market and the price is not based on observable market data. The Manager prices this investment using unobservable inputs and judgement.

There were no transfers between levels during the year ended 31 March 2021 (31 March 2020: nil).

All loan and receivable balances are carried at amortised cost and their carrying values approximate fair value.

All trade and other payable balances are carried at amortised cost and their carrying values approximate fair value.

Refer to note 2.2(c) of the accounting policies for further details on the fair value hierarchy.



## Notes to the Financial Statements

### 6. Financial assets and liabilities at fair value through profit or loss

#### 6.1 Financial assets and liabilities classification

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Financial assets measured at fair value through profit or loss</b>								
Forward foreign exchange contracts	34,028	23,978	18,140	125,602	56,107	188,361	108,275	337,941
Equity options	-	-	116,854	-	254,855	-	371,709	-
Fixed interest securities	273,955,589	249,633,813	114,074,943	91,418,867	14,078,375	9,715,181	402,108,907	350,767,861
Australasian listed equities	90,219,740	59,320,127	349,072,693	188,725,555	373,967,069	179,546,110	813,259,502	427,591,792
International listed equities	74,018,541	43,665,632	294,169,998	130,671,786	558,148,594	256,849,162	926,337,133	431,186,580
Unlisted unit trusts	666,000	-	151,098,786	100,488,974	280,382,580	199,366,801	432,147,366	299,855,775
<b>Total financial assets at fair value through profit or loss</b>	<b>438,893,898</b>	<b>352,643,550</b>	<b>908,551,414</b>	<b>511,430,784</b>	<b>1,226,887,580</b>	<b>645,665,615</b>	<b>2,574,332,892</b>	<b>1,509,739,949</b>
<b>Financial liabilities measured at fair value through profit or loss</b>								
Forward foreign exchange contracts	1,010,315	2,326,202	5,684,684	15,232,396	10,484,002	30,284,109	17,179,001	47,842,707
<b>Total financial liabilities at fair value through profit or loss</b>	<b>1,010,315</b>	<b>2,326,202</b>	<b>5,684,684</b>	<b>15,232,396</b>	<b>10,484,002</b>	<b>30,284,109</b>	<b>17,179,001</b>	<b>47,842,707</b>

#### 6.2 Trading securities exceeding 5% of net assets available for benefits

As at 31 March 2021	Conservative Fund		Growth Fund		Focused Growth Fund	
	\$	%	\$	%	\$	%
Berkshire Hathaway Inc	-	-	69,439,982	7.26%	132,934,135	10.49%
Infratil Limited	-	-	63,716,103	6.66%	68,526,604	5.41%
Magellan Global Fund	-	-	-	-	65,855,645	5.20%
Platinum International Fund	-	-	48,297,803	5.05%	91,825,410	7.24%
T Rowe Price Global Equity Fund	-	-	64,783,083	6.77%	120,259,525	9.49%
Worldwide Healthcare Trust	-	-	-	-	65,150,025	5.14%
<b>As at 31 March 2020</b>						
Berkshire Hathaway Inc	-	-	36,024,464	6.24%	67,793,123	9.27%
Infratil Limited	-	-	31,940,837	5.53%	-	-
Magellan Global Fund	-	-	32,209,056	5.58%	63,463,351	8.68%
Platinum International Fund	-	-	35,925,736	6.22%	68,931,636	9.42%
T Rowe Price Global Equity Fund	-	-	32,354,182	5.61%	66,971,814	9.16%

## Notes to the Financial Statements

### 6. Financial assets and liabilities at fair value through profit or loss (continued)

#### 6.3 Trading securities exceeding 5% of asset class

As at 31 March 2021	Conservative Fund		Growth Fund		Focused Growth Fund	
	\$	%	\$	%	\$	%
<b>Australasian listed equities</b>						
Arvida Group Limited	5,498,387	6.09%	20,400,527	5.84%	20,134,011	5.38%
Contact Energy Limited	6,126,172	6.79%	23,262,096	6.66%	24,479,726	6.55%
Infratil Limited	17,202,871	19.07%	63,716,103	18.25%	68,526,604	18.32%
Mercury NZ Limited	4,618,751	5.12%	17,609,943	5.04%	-	-
Spark New Zealand Limited	9,936,833	11.01%	37,308,069	10.69%	39,429,779	10.54%
Summerset Group Holdings Limited	5,184,084	5.75%	19,688,433	5.64%	20,764,790	5.55%
<b>Domestic fixed interest</b>						
Infratil Limited 3.35% 15 Dec 26	-	-	-	-	6,275,546	44.58%
Infratil Limited 6.85% 15 Jun 22	-	-	-	-	1,208,832	8.59%
Infratil Limited 5.65% 15 Dec 22	-	-	-	-	967,510	6.87%
Kiwibank 2.36% 11 Dec 30	-	-	8,463,919	7.42%	-	-
Mercury NZ Limited 5.793% 06 Mar 23	-	-	6,398,618	5.61%	-	-
Metlifecare Limited 3.0% 30 Sep 26	-	-	-	-	1,079,521	7.67%
Salvation Army 2.30% 30 Sep 25	-	-	8,508,570	7.46%	-	-
<b>International equities, international unit trusts and listed investment companies</b>						
Alibaba Group Holding	7,316,482	9.80%	-	-	-	-
Alphabet Inc	11,653,304	15.60%	23,913,275	5.37%	45,741,502	5.45%
Berkshire Hathaway Inc	14,841,226	19.87%	69,439,982	15.60%	132,934,135	15.85%
Facebook	4,962,453	6.64%	-	-	-	-
Magellan Global Fund	-	-	35,575,900	7.99%	65,855,645	7.85%
Microsoft Corporation	4,797,205	6.42%	-	-	-	-
Novartis AG	7,506,275	10.05%	22,421,184	5.04%	42,474,534	5.07%
Ping An Insurance Group	10,021,874	13.42%	-	-	-	-
Platinum International Fund	-	-	48,297,803	10.85%	91,825,410	10.95%
T Rowe Price Global Equity Fund	-	-	64,783,083	14.55%	120,259,525	14.34%
Tencent Holdings Limited	7,472,582	10.01%	-	-	-	-
Worldwide Healthcare Trust PLC	-	-	34,497,197	7.75%	65,150,025	7.77%
<b>As at 31 March 2020</b>						
<b>Australasian listed equities</b>						
Arvida Group Limited	4,019,113	6.78%	15,241,289	8.08%	15,501,893	8.63%
Contact Energy Limited	5,059,619	8.53%	19,828,691	10.51%	19,546,001	10.89%
Infratil Limited	8,619,560	14.53%	31,940,837	16.92%	30,085,542	16.76%
Precinct Properties NZ Limited	-	-	9,468,833	5.02%	-	-
Spark New Zealand Limited	6,765,246	11.40%	13,989,626	7.41%	12,674,942	7.06%
Summerset Group Holdings Limited	3,703,607	6.24%	11,821,481	6.26%	11,159,725	6.22%
<b>Domestic fixed interest</b>						
Genesis Power Limited 5.81% 09 Mar 23	12,886,589	5.16%	-	-	-	-
Mercury NZ Limited 5.793% 06 Mar 23	-	-	6,424,522	7.03%	-	-
Metlifecare Limited 3.0% 30 Sep 26	-	-	-	-	957,432	9.86%
Infratil Limited 3.35% 15 Dec 26	-	-	-	-	5,654,757	58.21%
<b>International equities, international unit trusts and listed investment companies</b>						
Alibaba Group Holding	7,971,433	18.26%	13,498,949	5.84%	28,096,841	6.16%
Alphabet Inc	6,795,109	15.56%	-	-	-	-
Berkshire Hathaway Inc	9,964,443	22.82%	36,024,464	15.58%	67,793,123	14.86%
Facebook	3,981,705	9.12%	-	-	-	-
Magellan Global Fund	-	-	32,209,056	13.93%	63,463,351	13.91%
Microsoft Corporation	3,790,786	8.68%	13,222,794	5.72%	24,951,087	5.47%
Ping An Insurance Group	6,265,843	14.35%	11,641,775	5.04%	23,366,409	5.12%
Platinum International Fund	-	-	35,925,736	15.54%	68,931,636	15.11%
T Rowe Price Global Equity Fund	-	-	32,354,182	14.00%	66,971,814	14.68%
Tencent Holdings Limited	3,946,694	9.04%	-	-	-	-
Worldwide Healthcare Trust PLC	-	-	14,749,749	6.38%	32,063,728	7.03%

## Notes to the Financial Statements

### 7. Financial instruments by category

Financial instruments currently recognised in the Financial Statements comprise trade and other receivables, financial assets at fair value through profit or loss and trade and other payables. The following table details the Scheme's financial assets and liabilities by category:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Financial assets at fair value through profit and loss</b>								
Financial assets at fair value through profit or loss	438,893,898	352,643,550	908,551,414	511,430,784	1,226,887,580	645,665,615	2,574,332,892	1,509,739,949
<b>Financial assets at amortised cost</b>								
Cash and cash equivalents	32,881,522	51,562,266	57,521,627	74,638,437	59,087,853	107,424,057	149,491,002	233,624,760
Trade and other receivables	4,240,245	2,133,170	11,370,869	5,437,576	18,798,992	5,820,578	34,410,106	13,391,324
<b>Total financial assets at amortised cost</b>	<b>37,121,767</b>	<b>53,695,436</b>	<b>68,892,496</b>	<b>80,076,013</b>	<b>77,886,845</b>	<b>113,244,635</b>	<b>183,901,108</b>	<b>247,016,084</b>
<b>Total financial assets</b>	<b>476,015,665</b>	<b>406,338,986</b>	<b>977,443,910</b>	<b>591,506,797</b>	<b>1,304,774,425</b>	<b>758,910,250</b>	<b>2,758,234,000</b>	<b>1,756,756,033</b>

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Financial liabilities at fair value through profit and loss</b>								
Financial liabilities at fair value through profit or loss	1,010,315	2,326,202	5,684,684	15,232,396	10,484,002	30,284,109	17,179,001	47,842,707
<b>Financial liabilities at amortised cost</b>								
Benefits payable	349,471	1,291,078	157,270	498,002	77,567	611,448	584,308	2,400,528
Trade and other payables	2,882,031	56,463	8,234,010	90,991	14,492,732	100,921	25,608,773	248,375
Trade and other payables to related parties	440,078	327,538	887,679	558,840	1,176,378	702,470	2,504,135	1,588,848
<b>Total financial liabilities at amortised cost</b>	<b>3,671,580</b>	<b>1,675,079</b>	<b>9,278,959</b>	<b>1,147,833</b>	<b>15,746,677</b>	<b>1,414,839</b>	<b>28,697,216</b>	<b>4,237,751</b>
<b>Total financial liabilities</b>	<b>4,681,895</b>	<b>4,001,281</b>	<b>14,963,643</b>	<b>16,380,229</b>	<b>26,230,679</b>	<b>31,698,948</b>	<b>45,876,217</b>	<b>52,080,458</b>

### 8. Trade and other receivables

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Due from brokers	3,082,667	-	8,693,672	2,854,894	15,239,258	2,709,785	27,015,597	5,564,679
Dividends receivable	447,364	376,253	1,672,192	1,308,880	1,767,379	1,260,120	3,886,935	2,945,253
Interest receivable	200,257	213,923	86,650	89,781	-	33,128	286,907	336,832
Management fee rebates receivable	-	-	60,958	46,439	114,813	90,051	175,771	136,490
Contributions receivable	509,957	1,542,994	857,397	1,137,582	1,677,542	1,727,494	3,044,896	4,408,070
<b>Total trade and other receivables</b>	<b>4,240,245</b>	<b>2,133,170</b>	<b>11,370,869</b>	<b>5,437,576</b>	<b>18,798,992</b>	<b>5,820,578</b>	<b>34,410,106</b>	<b>13,391,324</b>

All trade and other receivable balances are carried at amortised cost and their carrying values approximate fair value.

### 9. Trade and other payables

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Due to brokers	2,809,842	-	8,088,397	-	14,311,113	-	25,209,352	-
General expenses payable	72,189	56,463	145,613	90,991	181,619	100,921	399,421	248,375
<b>Total trade and other payables</b>	<b>2,882,031</b>	<b>56,463</b>	<b>8,234,010</b>	<b>90,991</b>	<b>14,492,732</b>	<b>100,921</b>	<b>25,608,773</b>	<b>248,375</b>

All trade and other payable balances are carried at amortised cost and their carrying values approximate fair value.

## Notes to the Financial Statements

### 10. Trade and other payables to related parties

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Management fees payable	424,642	313,682	856,544	535,238	1,135,117	672,803	2,416,303	1,521,723
Supervisor fees payable	15,436	13,856	31,135	23,602	41,261	29,667	87,832	67,125
<b>Total trade and other payables to related parties</b>	<b>440,078</b>	<b>327,538</b>	<b>887,679</b>	<b>558,840</b>	<b>1,176,378</b>	<b>702,470</b>	<b>2,504,135</b>	<b>1,588,848</b>

All trade and other payable balances are carried at amortised cost and their carrying values approximate fair value.

### 11. Reconciliation of net profit before membership activities to net cash outflows from operating activities

\$ For the year ended 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Net profit before membership activities</b>	<b>49,477,708</b>	<b>(2,159,233)</b>	<b>176,668,541</b>	<b>(25,524,729)</b>	<b>250,740,836</b>	<b>(23,580,792)</b>	<b>476,887,085</b>	<b>(51,264,754)</b>
<b>Adjustments for non cash items:</b>								
Unrealised changes in the fair value of financial instruments	(37,290,392)	14,659,258	(147,344,842)	54,506,068	(208,318,411)	62,015,707	(392,953,645)	131,181,033
Unrealised foreign exchange (losses)/gains on cash at bank	2,591,526	(99,411)	3,559,569	(364,927)	4,212,407	(1,453,635)	10,363,502	(1,917,973)
Management fee rebates re-invested	-	-	(578,969)	(471,793)	(1,137,867)	(960,493)	(1,716,836)	(1,432,286)
Dividends re-invested	(625,225)	(38,671)	(10,717,413)	(5,932,760)	(18,762,855)	(11,720,069)	(30,105,493)	(17,691,500)
<b>Total adjustments for non cash items</b>	<b>(35,324,091)</b>	<b>14,521,176</b>	<b>(155,081,655)</b>	<b>47,736,588</b>	<b>(224,006,726)</b>	<b>47,881,510</b>	<b>(414,412,472)</b>	<b>110,139,274</b>
<b>Movements in working capital items:</b>								
(Increase)/decrease in cost of investments	(49,923,443)	(171,784,781)	(245,777,499)	(135,932,887)	(371,021,298)	(130,231,838)	(666,722,240)	(437,949,506)
(Increase)/decrease in trade and other receivables	(57,445)	(321,250)	(374,700)	(496,146)	(498,893)	(284,731)	(931,038)	(1,102,127)
(Decrease)/increase in trade and other payables	128,266	190,870	383,461	252,007	554,606	273,931	1,066,333	716,808
<b>Net cash flow from working capital items</b>	<b>(49,852,622)</b>	<b>(171,915,161)</b>	<b>(245,768,738)</b>	<b>(136,177,026)</b>	<b>(370,965,585)</b>	<b>(130,242,638)</b>	<b>(666,586,945)</b>	<b>(438,334,825)</b>
<b>Net cash outflow from operating activities</b>	<b>(35,699,005)</b>	<b>(159,553,218)</b>	<b>(224,181,852)</b>	<b>(113,965,167)</b>	<b>(344,231,475)</b>	<b>(105,941,920)</b>	<b>(604,112,332)</b>	<b>(379,460,305)</b>

### 12. Related parties

#### 12.1 Manager and Supervisor

The Manager of the Scheme is GIML. The Manager is entitled to a management fee from the Scheme of 1% of funds under management. The management fee accrued to the Manager for the year ended 31 March 2021 totalled \$22,678,446 (2020: \$15,955,257). The amount accrued but unpaid as at 31 March 2021 was \$2,416,303 (2020: \$1,521,723).

The Manager also retains part of the monthly administration fee charged to members. The remainder is paid out to the Administrator of the Scheme. The total administration fee accrued for the year ended 31 March 2021 totalled \$2,503,124 (2020: \$2,639,877). No administration fees were accrued but unpaid as at 31 March 2021 (31 March 2020: nil).

Generate Funds Limited ('GFL') is the ultimate parent of the Manager. No transactions were made between the Scheme and GFL.

The Scheme has paid to the Manager the Supervisor Fee and Expenses. The amount paid and accrued for the year ended 31 March 2021 for the Supervisor Fees totalled \$902,324 (2020: \$719,119) and for general expenses \$3,742,711 (2020: \$2,592,450). The amount accrued but unpaid as at 31 March 2021 for Supervisor Fees was \$87,832 (2020: \$67,125) and for general expenses \$399,421 (2020: \$248,375).

GIHL has paid Scheme expenses for the year ended 31 March 2021 and 31 March 2020. These comprise:

- Audit fees of \$34,500 (2020: \$39,873) and nil for other assurance services (2020: \$3,571)
- Supervisor fees and other expenses of \$2,186,287 (2020: \$2,006,643)

No amounts have been paid by the Scheme to the Directors in their capacity as Directors of the Manager.

## Notes to the Financial Statements

### 12. Related parties (continued)

#### 12.2 Directors' interest

Peter Brook, a Director of GIML, was also a Director of Argosy Property Limited. Peter Brooks resigned from the Argosy Board on 30 July 2020. The funds held the following investments in Argosy Property Limited:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Balance of Holdings as at 31 March	15,787,743	9,926,458	1,115,361	-	-	-	16,903,104	9,926,458

The funds have executed the following transactions in equities and bonds of Argosy Property Limited:

\$ For the year ended 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Purchases	5,113,694	9,527,350	1,125,013	4,185,000	-	-	6,238,706	13,712,350
Sales	-	3,227,770	-	9,570,327	-	555,027	-	13,353,124

The following table shows the holdings of the Directors of the Manager (GIML) at the reporting date:

\$ As at 31 March	Conservative Fund		Growth Fund		Focused Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Balance of Holdings	-	-	-	-	560,990	344,879	560,990	344,879

Contributions made by Directors included member, government and employer contributions.

### 13. Contingent liabilities

There were no contingent liabilities as at 31 March 2021 (31 March 2020: none).

### 14. Capital commitments

The Scheme has committed to future purchases in Property Income Fund Limited. As at 31 March 2021, \$5,550,000 has been called and is held in the Funds at year end as a level 3 investment. This makes up 0.22 cents per share, the remaining 0.78c per share which is callable in future. This amounts to a future capital commitment of \$19,450,000 as at 31 March 2021.

There were no other capital commitments as at 31 March 2021 (31 March 2020: none).

### 15. Events after reporting date

There have been no events subsequent to the reporting date that require adjustment or disclosure in these Financial Statements (31 March 2020: none).

### 16. Unauthorised data access

An unauthorised third party gained access to the Generate online system in late December 2019. Generate have taken the necessary actions to address the data breach. Any costs pertaining to this breach is solely the responsibility of the Manager, Generate Investment Management Limited, and does not have an impact on the Generate KiwiSaver Scheme. The Manager agreed that any members who have not already received compensation for reimbursement of costs associated with renewal of I.D documentation have their 2020/2021 annual member fee waived.

## Independent Auditor's Report

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To the Members of the Funds in the Generate KiwiSaver Scheme

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Generate KiwiSaver Scheme (comprising each of the funds, conservative fund, growth fund, focused growth fund and collectively the "Scheme") on pages 2 to 20 which comprise the statement of net assets as at 31 March 2021, and the statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of each Fund and the Scheme as at 31 March 2021 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") issued by the New Zealand Accounting Standards Board.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)") issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the audit matter is significant	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>As at 31 March 2021, the Funds hold significant financial assets. As detailed in the accounting policies, Note 2.2, these investments are recognised at fair value through profit or loss in accordance with <i>NZ IFRS 9: Financial Instruments</i>.</p> <p>While the investments were not assessed to be at a significant risk of misstatement or subject to significant levels of judgement, due to their materiality in the context of the Funds as a whole, these were considered to be an area which had the greatest impact on our overall audit strategy and the allocation of resources in planning and completing our audit.</p> <p>Market volatility can have a significant impact on the value of these financial assets and the financial statements; therefore, the recognition and valuation of investments is considered a key audit matter.</p> <p>Disclosures are included in Note 6 to the financial statements.</p>	<p>To address the risk associated with revenue recognition, the following audit procedures were carried out:</p> <ul style="list-style-type: none"> <li>• Documented and understood the controls in place for recording investment transactions and valuing the portfolio. This included evaluating the control environment in place at the Manager by obtaining and reading the reports issued by an independent auditor on the design and operation of those controls.</li> <li>• Agreed the 31 March 2021 investment holdings to confirmations received from the external fund manager of those investments.</li> <li>• Obtained and read the reports issued by an independent auditor on the design and operation of the controls at the external fund managers of those investments.</li> <li>• Assessing whether the disclosures in the financial statements appropriately reflected the Fund's exposure to financial instrument risk with reference to NZ IFRS 7 Financial Instruments.</li> </ul>

#### Other Information

The Managers are responsible for the other information. The other information comprises the Manager's Statement but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not and 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 identified above when it becomes available 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, if we conclude that there is a material misstatement therein, we are required to report that fact. We have nothing to report in this regard.

#### Manager's responsibilities for the Financial Statements

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

In preparing the financial statements, the Manager is responsible on behalf of the Scheme for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>

#### Restriction on use of our report

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

**Grant Thornton New Zealand Audit Limited**



**K Price**  
**Auckland**

**23 July 2021**