

MEDICAL ASSURANCE SOCIETY
KIWISAVER PLAN
Financial Statements
For the year ended 31 March 2021

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Independent Auditor's Report

To the Members of Medical Assurance Society Kiwisaver Plan

Opinion

We have audited the financial statements of Medical Assurance Society Kiwisaver Plan ("the Plan") on pages 4 to 19, which comprise the statement of net assets of the Plan as at 31 March 2021, the statement of changes in net assets and statement of cash flows for the year then ended of the Plan, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 19 present fairly, in all material respects, the financial position of the Plan as at 31 March 2021 and its changes in net assets and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

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

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

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

We provide assurance services in relation to the register of members for the Plan. We have no other relationship with, or interest in, the Plan. Partners and employees of our firm may deal with the Plan on normal terms within the ordinary course of trading activities of the business of the Plan.

Key audit matters

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

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

Investments

Why significant

- ▶ The Plan's portfolio of investments represents almost 100% of its assets.
- ▶ These financial assets are recognised at fair value through profit or loss in accordance with NZ IFRS 9: *Financial Instruments*. The Plan's accounting policy for financial assets is described in Note 2.
- ▶ Volatility and other market drivers can have a significant impact on the value of these financial assets, therefore the recognition and measurement of the investment portfolio is considered a key area of audit focus.
- ▶ Disclosures regarding the Plan's investments are included in Note 5 to the financial statements.

How our audit addressed the key audit matter

Our audit procedures included:

- ▶ Gaining an understanding of the processes used to record investment transactions and the revaluation of the investment portfolio.
- ▶ Obtaining and reviewing the Independent Assurance Reports on Controls relevant to custody and pricing entities. We have considered the implications of any control deficiencies for our audit. We relied on these controls over the recognition and valuation of the investment balances as well as monitoring controls used by the Plan.
- ▶ Receiving confirmation directly, from the entities responsible for the custody and pricing of the Plan's investments, of the number of securities held by the Plan and their exit prices at balance date.
- ▶ Verifying a sample of exit prices at balance date to independent pricing sources.
- ▶ Assessing whether the disclosures in the financial statements appropriately reflect the requirements of NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans*, NZ IFRS 7 *Financial Instruments: Disclosures* and NZ IFRS 13 *Fair Value Measurement*.

Those charged with governance responsibilities for the financial statements

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

In preparing the financial statements, those charged with governance are responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Plan or cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Chartered Accountants
Wellington
30 June 2021

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN
Statement of Net Assets
For the year ended 31 March 2021

	Notes	2021 NZ\$	2020 NZ\$
Assets			
Cash and Cash Equivalents	6	16,042,904	96,519,262
Wholesale Cash Fund	5	34,807,829	-
Investments at Fair Value Through Profit or Loss	5	980,513,792	697,098,525
Derivative Financial Instruments	10	-	611,622
PIE Tax Refundable		-	3,820,906
Total Assets		1,031,364,524	798,050,314
Less: Liabilities			
Accounts Payable		(951,699)	(764,385)
PIE Tax Payable		(14,999,212)	-
Derivative Financial Instruments	10	-	(28,257,563)
Total Liabilities		(15,950,911)	(29,021,948)
Net Assets available to pay Benefits		1,015,413,613	769,028,366
Liability for Promised Benefits Represented by:			
Member Accounts	3	1,015,413,613	769,028,366
		1,015,413,613	769,028,366

Approved for issue by the Directors of MFM on behalf of the Trustees of the Medical Assurance Society KiwiSaver Plan.



Signed by: Harley Aish
Date & Time: 30 Jun, 2021 18:22:05 NZST

..... Date



Date & Time: 30 Jun, 2021 15:39:22 NZST

..... Date

This statement is to be read in conjunction with the notes on pages 7 to 19.

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN
Statement of Changes in Net Assets
For the year ended 31 March 2021

	Notes	2021 NZ\$	2020 NZ\$
Investment Activities			
Investment Revenues			
Dividend Income		8,582,098	12,749,595
Interest Income		797,081	4,663,393
Gain/(Loss) on Investments at Fair Value	7,8	203,527,839	(20,413,745)
Total Investment Revenue		212,907,018	(3,000,757)
Other Revenues			
Bank Interest Received		299	4,619
Total Other Revenue		299	4,619
Other Expenses			
Administration Expenses		(9,547,942)	(8,132,370)
Audit Fee - Financial Statements - EY		(16,577)	(17,943)
Audit Fee - Other Assurance Procedures - EY		(1,495)	(1,495)
Trustee Fees		(15,450)	(15,000)
Total Other Expenses		(9,581,465)	(8,166,808)
Change in Net Assets before Taxation and Membership Activities	3	203,325,852	(11,162,946)
Membership Activities			
Contributions			
Member Contributions		70,389,517	58,976,988
Member Voluntary Contributions		5,015,714	5,015,072
Employer Contributions		27,888,016	24,335,330
Interest Received from IRD		12,900	85,532
Government Contribution		5,379,464	5,487,646
Transfers from Other Plans		5,315,682	7,246,880
Total Contributions		114,001,293	101,147,448
Benefits Paid			
Transfers to other Plans		(26,689,768)	(21,004,152)
Deaths		(769,200)	(421,932)
First Home Withdrawals		(13,787,217)	(13,628,761)
Hardship and Partial Withdrawals		(301,637)	(169,169)
Serious Illness		(659,877)	(232,861)
Court Ordered Payments		(542,011)	(449,839)
Permanent Emigration		(865,589)	(414,012)
Retirement		(11,886,229)	(12,286,613)
IRD Refunds		(35,482)	(192,623)
Total Benefits paid		(55,537,010)	(48,799,962)
PIE Tax (Paid)/Refund		(15,349,623)	3,796,043
KiwiSaver Management Fee		(55,263)	(64,981)
Net Membership Activities		43,059,395	56,078,548
Net Increase in Net Assets During Year		246,385,247	44,915,602
Net Assets Available for Benefits at Beginning of Year		769,028,366	724,112,764
Net Assets Available for Benefits at End of Year		1,015,413,613	769,028,366

This statement is to be read in conjunction with the notes on pages 7 to 19

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN
Statement of Cash Flows
For the year ended 31 March 2021

	Notes	2021 NZ\$	2020 NZ\$
Cash Flows from Operating Activities			
Cash provided from:			
Contributions		114,001,294	100,901,290
Sundry Income		297	4,617
PIE Tax Refund/(Paid)		3,470,495	-
		117,472,086	100,905,907
<i>less:</i> Cash applied to:			
Benefits Paid		(55,537,009)	(48,888,961)
Expenses		(9,394,153)	(9,270,466)
KiwiSaver Management Fee		(55,263)	(64,981)
PIE Tax Refund/(Paid)		-	(4,304,574)
		(64,986,425)	(62,528,982)
Net Cash Inflow from Operating Activities	8	52,485,661	38,376,925
Cash Flows from Investing Activities			
Cash provided from:			
Proceeds from Sale of Investment Assets		56,747,416	56,489,977
Proceeds from Sale of Cash Investment Assets		16,620,716	43,936,555
<i>less:</i> Cash applied to:			
Purchase of Investment Assets		(109,844,168)	(95,589,214)
Purchase of Cash Investment Assets		(96,485,984)	-
		(132,962,020)	4,837,318
Net Cash (outflow)/inflow from Investing Activities		(132,962,020)	4,837,318
Net (decrease)/increase in Cash Held		(80,476,358)	43,214,244
Add Cash at start of Year		96,519,262	53,305,018
Balance at end of Year		16,042,904	96,519,262

This statement is to be read in conjunction with the notes on pages 7 to 19

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements

For the year ended 31 March 2021

1. Plan Description

Medical Assurance Society Kiwisaver Plan (the "Plan") is a defined contribution Superannuation Scheme for Members of the Medical Assurance Society. Under the Plan, contributions are made by Plan Members and Employers. The Plan is registered under the Financial Market Conduct Act 2013 (the "FMCA").

The Trustees of the Medical Assurance Society Kiwisaver Plan (the "Trustees") are the manager of the Plan, whose address is 19-21 Broderick Road, Johnsonville, Wellington, New Zealand.

The custodian of the Plan is JBWere (NZ) Nominees Limited. Its address is Level 38, Vero Centre, 48 Shortland Street, Auckland.

The Administration Manager of the Plan is Link Market Services Limited ("Link").

During the year 1,030 Members received benefits from the Plan (2020: 618 Members).

Funding Arrangements

Members can choose to contribute either 6%, 8% or 10% of gross salary or wages. Members may from time to time make additional voluntary contributions to the Plan. In certain circumstances, employers are required to contribute to KiwiSaver schemes in respect of their employees who are members at a rate of 3%. Employer contributions are subject to Employer Superannuation Contribution Tax ("ESCT"). The Government pays 50 cents for every dollar of Member contribution annually up to a maximum of \$521.43.

Retirement Benefits

For Members who joined on or before 30 June 2019, benefits will be locked into the Plan until the later of the date for reaching the qualifying age for New Zealand Superannuation (qualifying age) or 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. From 1 April 2020, Members may be able to opt out of this lock in period and withdraw from the qualifying age. They will no longer be eligible for Crown or compulsory employer contributions. For Members who joined after 30 June 2019, benefits will be locked into the Plan until qualifying age. Retirement benefits are determined by contributions to the Plan together with investment earnings net of tax on these contributions over the period of membership.

Termination Terms

The Trust Deed sets out the basis on which the Plan can be terminated. Clause A21 of the Trust Deed covers the situation where the Plan can be wound-up.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"), the requirements of the FMCA and the Trust Deed governing the Plan. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit orientated entities. The financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Plan prepared the financial statements under the FMCA as it is a FMC reporting entity.

The Plan comprises of seven funds: Cash, Conservative, Moderate, Balanced, Growth, Aggressive and Global Equities. The financial statements have been prepared at the Plan level as the liabilities of the individual investment choices are not limited to the assets of each investment choice. Therefore assets of one investment choice could be used to meet liabilities of another.

The Plan is classified as an investment entity under NZ IFRS 10. It obtains funds from multiple investors and invests these for returns from capital appreciation and investment income. No investments are controlled, and there has been no consolidation of investments.

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

Measurement Base

The measurement base adopted is that of historical cost except for financial instruments which are measured at fair value through profit or loss at the end of the reporting period.

Presentation and Functional Currency

These financial statements are rounded to the nearest dollar and presented in New Zealand dollars because that is the currency of the primary economic environment in which the Plan operates.

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements For the year ended 31 March 2021

2. Summary of Significant Accounting Policies (Continued)

Classification of Assets and Liabilities

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

New and amended standards and interpretations

All new standards or amendments were adopted by the Scheme during the reporting period. There was no material impact on the financial statements.

Standards issued but not effective

Following due enquiry, the Manager has concluded that standards and interpretations that are issued, but not yet effective, will not materially impact the financial statements of the Scheme.

The Scheme intends to adopt these standards, if applicable, when they become effective.

Investment Income

Interest, dividends and distributions from unitised investments are taken to income on a due and receivable basis. Net realised and unrealised gains and losses are recognised in the Statement of Changes in Net Assets in the year in which they occur.

Foreign Currencies

Transactions in currencies other than NZ dollars are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance date, assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance date. Gains and losses arising on retranslation are included in changes in net assets for the year.

Income and Expenses

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

Investments

Investments are recognised and derecognised on the trade date and are initially measured at fair value. Investment fund values are supplied by the Fund Manager JBWere (NZ) Pty Ltd ("JBWere"). Investments are classified at fair value through profit or loss. As the Plan's business is investing in financial assets with a view to profiting from their total return in the form of interest, distributions or increases in fair value, cash deposits are carried at fair value through profit or loss on initial recognition. Financial assets carried at fair value through profit or loss, are measured at subsequent reporting dates at fair value. The valuation techniques used are detailed in the note 10 Fair Value. Purchases and sales of investments are accounted for at trade date.

Financial Instruments

(i) Classification

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

Financial assets and financial liabilities carried at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Plan's documented investment strategy. The Plan's policy is for the Trustees to evaluate the information about these financial assets on a fair value basis together with other related financial information. The Trustees have determined that all financial assets of the Plan are carried at fair value through profit or loss with the exception of cash, cash equivalents, receivables and payables which are measured at amortised cost.

(ii) Recognition/derecognition

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

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements For the year ended 31 March 2021

2. Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

(iii) Measurement

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

The fair value of unitised funds is determined using the price as calculated by the fund manager at balance date.

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

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

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset assuming market participants act in their economic best interest.

Taxation

The Plan is a Portfolio Investment Entity ("PIE") under the Income Tax Act 2007. Under the PIE regime, income earned by the Plan is attributed to all Members in accordance with the proportion of their interest in the overall Plan. The income attributed to each Member is taxed at the Member's prescribed investor rate ("PIR") which is similar to an individual's marginal tax rate, however it is capped at a maximum rate of 28%. The Plan deducts tax from each Member's allocation and pays the tax to Inland Revenue on behalf of the Member.

PIE tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to Inland Revenue on behalf of the Members based on the members' current period's taxable income and their PIR.

Receivables

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

Payables

Payables include liabilities and accrued expenses owing by the Plan which are unpaid as at balance date. These amounts are unsecured and are usually paid within 30 days of recognition. These amounts are initially recognised at fair value, and subsequently measured at amortised cost.

Derivative Financial Instruments

During the year the Plan invested in a range of pooled investment vehicles by way of pooled units that were managed by JBWere. During the normal course of business the Plan enters into foreign exchange contracts, financial futures, swaps and options. These instruments are for economic hedging purposes only and accounted for at fair value. The Plan does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Plan's policies approved by the Trustees.

Changes in the fair value of derivative financial instruments are recognised in the Statement of Changes in Net Assets as they arise.

Goods and Services Tax ("GST")

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

Promised Benefits

The liability for promised benefits is the Plan's present obligation to pay benefits to Members. It has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the sundry liabilities and income tax liabilities as at balance date. Promised benefits include amounts allocated to Members' accounts.

Notes to the Financial Statements
For the year ended 31 March 2021

2. Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows

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

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

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

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

Contributions and Benefits

Contributions and benefits are accounted for on an accrual basis. Contributions are recognised in the Statement of Changes in Net Assets when they become receivable.

Benefits are recognised in Statement of Changes in Net Assets when they become payable.

Transfers In and Transfers Out

Transfers in and out are accounted for on an accruals basis.

Capital Risk Management

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

The Plan achieves this through obtaining contributions from Members and their Employers and investing them into financial assets.

New and amended standards and interpretations

All new standards or amendments were adopted by the Scheme during the reporting period. There was no material impact on the financial statements.

Standards issued but not effective

Following due enquiry, the Manager has concluded that standards and interpretations that are issued, but not yet effective, will not materially impact the financial statements of the Scheme.

The Scheme intends to adopt these standards, if applicable, when they become effective.

Critical Accounting Estimates and Judgements

The Trustees have applied their judgement in selecting the accounting policy to designate financial assets and financial liabilities at fair value through profit or loss. The policy has a significant impact on the amounts disclosed in the financial statements. With the exception of investments classified in Level 3 of the fair value hierarchy (see Note 10), which are not considered material, it is possible to determine the fair values of all financial assets as unit, bond and derivative prices are readily available from fund managers. Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of making material adjustments to the carrying value of assets and liabilities at year end. However, as with all investments their value is subject to variation due to market fluctuations. For the purposes of the fair value hierarchy of financial assets at fair value through profit or loss, the Trustees have to apply their judgement as to what constitutes "observable prices". For further details refer to note 10 (Fair Value).

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

**Notes to the Financial Statements
For the year ended 31 March 2021**

3. Liability for Promised Benefits

	2021	2020
	NZ\$	NZ\$
Movements in Members' Accounts - Per Member's Registry System		
Balance at beginning of year	771,000,546	724,139,025
Contributions received	115,196,769	100,810,666
Investment earnings transferred from/(to) reserve	200,701,194	(8,515,093)
Kiwisaver management fee	(55,181)	(64,978)
PIE tax payable (to)/from	(15,351,155)	3,796,160
Benefits paid	(56,164,528)	(49,165,234)
Balance at end of year	<u>1,015,327,643</u>	<u>771,000,546</u>
Movements in Members' Accounts - Timing Variances		
Balance at beginning of year	(1,972,179)	(26,261)
Investment earnings for year	203,325,852	(11,162,946)
Investment earnings allocated to members	(200,701,194)	8,515,093
Other variances due to timing differences	(566,509)	701,935
Balance at end of year - to be allocated to Members' accounts in 2021 (2020)	<u>85,970</u>	<u>(1,972,179)</u>
Total balance at end of year	<u><u>1,015,413,613</u></u>	<u><u>769,028,366</u></u>

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits (2020: Nil).

4. Vested Benefits

Vested Benefits are benefits payable to Members or Beneficiaries, under the conditions of the Plan, on the basis of all Members ceasing to be members of the Plan at balance date. Vested Benefits as at 31 March 2021 were the net assets available to pay benefits less wind up costs (2020: same).

5. Investments

	2021	2020
	NZ\$	NZ\$
The funds were invested by JBWere in the following asset classes:		
Domestic Fixed Interest	83,605,017	69,295,600
International Fixed Interest	193,913,608	166,998,462
Australasian Equities	208,761,981	129,459,203
International Equities	491,472,356	326,734,771
Alternative Investments	2,760,830	2,609,643
Cash Investments	34,807,829	-
Domestic Property	-	2,000,846
	<u>1,015,321,621</u>	<u>697,098,525</u>
Cash	14,467,629	96,658,484
Derivatives held for Trading (Forward FX Contracts and Interest Swaps)	-	(27,645,941)
Total Investments	<u><u>1,029,789,250</u></u>	<u><u>766,111,068</u></u>

The majority of funds invested are invested in unitised products or pooled vehicles. From 6 July 2020 the Plan commenced investing into wholesale funds managed by Medical Funds Management Limited for Domestic Fixed Interest, Australasian Equities, International Equities and Cash Investments.

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements
For the year ended 31 March 2021

5. Investments (Continued)

(a) Trading Securities exceeding 5% of net assets available for benefits

	%	2021 NZ\$	%	2020 NZ\$
Australasian Equities				
MAS Wholesale Australasian Equities Fund	21	208,761,981	-	-
International Equities				
MAS Wholesale International Equities Fund	48	491,472,356	-	-
International Equities	-	-	39	299,088,831
Domestic Equities				
New Zealand Equities	-	-	14	107,624,831
International Fixed Interest				
Hunter Global Fixed Interest Fund	19	193,913,609	22	166,998,463
New Zealand Fixed Interest				
MAS Wholesale New Zealand Fixed Interest Fund	8	83,605,016	-	-
New Zealand Fixed Interest	-	-	9	66,322,972
Cash				
JBWere NZD Premium Custody Call	-	-	13	96,642,093

(b) Trading Securities exceeding 5% of security class

Australasian Equities				
MAS Wholesale Australasian Equities Fund	100	208,761,981	-	-
Australian Equities	-	-	15	19,639,551
New Zealand Equities	-	-	59	76,130,946
International Equities				
MAS Wholesale International Equities Fund	100	491,472,356	-	-
Technology Select Sect Spdr	-	-	7	22,330,483
MAS SRI Global Mandate	-	-	89	267,394,477
Domestic Property				
Investor Property Limited	-	-	62	1,358,506
Kiwi Property Group Ltd	-	-	38	823,981

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements
For the year ended 31 March 2021

5. Investments (Continued)

(b) Trading Securities exceeding 5% of security class (Continued)

		2021		2020
	%	NZ\$	%	NZ\$
Domestic Fixed Interest				
MAS Wholesale New Zealand Fixed Interest Fund	100	83,605,016	-	-
New Zealand Fixed Interest	-	-	95	57,987,329
Alternative Investments				
Maui Capital Aqua Fund	76	2,094,267	76	1,974,595
Maui Capital Indigo Fund	13	362,318	10	269,150
Pencarrow IV Investment	11	304,246	14	365,898
International Fixed Interest (Unit Trust)				
Hunter Global Fixed Interest Fund	100	193,913,609	98	166,998,463
Cash Investments				
MAS Wholesale Cash Fund (NZD)	100	34,807,829	-	-
Cash and Cash Equivalents				
BNZ Term Deposit	-	-	11	10,417,822
Westpac	89	14,250,682	75	72,585,953

6. Cash and Cash Equivalents

	2021	2020
	NZ\$	NZ\$
ANZ Bank Current Account	1,575,274	(139,222)
JBWere Cash Account	14,467,629	96,658,484
	<u>16,042,904</u>	<u>96,519,262</u>

7. Changes in Net Market Value

	2021	2020
	NZ\$	NZ\$
Cash - Foreign Denominated	(1,014,383)	762,078
Domestic Fixed Interest	3,667,820	(611,611)
International Fixed Interest	4,984,184	(4,767,912)
Domestic Equities	22,259,374	(1,044,594)
International Equities	151,950,596	22,299,052
Derivative Financial Instruments	21,680,249	(37,050,758)
	<u>203,527,839</u>	<u>(20,413,745)</u>

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements For the year ended 31 March 2021

8. Reconciliation of Increase in Net Assets to Net Cash Flow from Operating Activities

	2021 NZ\$	2020 NZ\$
Increase in Net Assets	246,385,247	44,915,602
Add/(less) non-cash items:		
Dividends received	(8,582,098)	(12,749,595)
Interest received	(797,081)	(4,663,393)
Loss/(Gain) on investments at fair value	(203,527,839)	20,413,745
Add/(less) movement in other working capital items:		
(Decrease)/Increase in prepaid contributions	-	(246,159)
(Decrease)/Increase in benefits payable	-	(89,000)
(Decrease)/Increase in accounts payable	187,313	(1,103,659)
(Decrease)/Increase in PIE tax payable and refundable	18,820,118	(8,100,617)
Net cash Inflows from operating activities	<u>52,485,661</u>	<u>38,376,925</u>

9. Financial Instruments and Risk Management

The Plan's risk management is carried out in accordance with policies set by the Trustees. These policies provide clear structure for managing key financial risks. Whilst their review of risk is ongoing, the Trustees formally review the major risks faced by the Plan on a quarterly basis.

The Plan's fund manager enters into currency derivatives, principally to protect the value of investments against adverse currency movements. They are prevented by policy guidelines established by the Trustees from entering into such contracts for speculative purposes.

The Trustees have approved a Statement of Investment Policy and Objectives which establishes investment fund objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Trustees and asset reallocations undertaken as required.

The majority of the total sum invested, is in the name of the investing entity (Medical Assurance Society Kiwisaver Plan), via a custodian. The funds are primarily invested into unitised or pooled vehicles.

The Plan's activities expose it primarily to the financial risks of; market, liquidity and credit.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Plan is exposed directly, as well as indirectly through investments in unit trusts, to foreign exchange risk, interest rate risk and other price risks through its investments. The investments in unit trusts are unitised and the underlying securities comprise cash, domestic and international equity instruments, New Zealand commercial property and domestic and international fixed interest securities.

Market risk management is carried out in accordance with policies set by the Trustees. These policies provide clear structure for managing market risks. While their review is ongoing, the Trustees formally review market risks faced by the Plan on a quarterly basis.

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements
For the year ended 31 March 2021

9. Financial Instruments and Risk Management (Continued)

Liquidity Risk

Liquidity risk represents the risk that the Plan may not have the financial ability to meet its contractual obligations. The Plan evaluates its liquidity requirements on an ongoing basis and maintains a substantial investment in cash and cash equivalents to cover the possibility of any member withdrawals. All financial assets at fair value through profit or loss can be realised within 12 months. All financial liabilities are payable within 12 months.

Liquidity Profile of Financial Liabilities

	0-6 Months NZ\$	6-12 Months NZ\$	Total NZ\$
31 March 2021			
Financial Liabilities			
Derivative Financial Instruments	-	-	-
Other Liabilities	951,699	-	951,699
	<u>951,699</u>	<u>-</u>	<u>951,699</u>
31 March 2020			
Financial Liabilities			
Derivative Financial Instruments	28,257,563	-	28,257,563
Other Liabilities	764,385	-	764,385
	<u>29,021,948</u>	<u>-</u>	<u>29,021,948</u>

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, resulting in a financial loss to the Plan. The financial instruments that potentially expose the Plan to credit risk consist of cash and short term deposits, fixed interest securities and receivables and, indirectly, investments in unitised products which invest in cash and fixed interest investments. The maximum exposure to credit risk is the carrying value of these financial instruments. The Fund Managers of the Plan are JBWere and Bancorp Treasury Services Limited ("Bancorp"), which the Trustees consider to be financial institutions of high quality. The Fund Managers maintain a diversified investment fund in accordance with the fund mix adopted by the Trustees. The credit risk on liquid funds and derivatives is minimised by restricting transactions to rated banks.

There are no financial assets past due or impaired at balance date (2020: Nil).

Statement of Net Asset Credit Exposures	2021 NZ\$	2020 NZ\$
Cash and Cash Equivalents	16,042,904	96,519,262
Domestic Fixed Interest	-	69,295,600
International Fixed Interest	-	166,998,462
Derivatives Held for Trading	-	611,622
	<u>16,042,904</u>	<u>333,424,946</u>

The following table provides information on the credit risk exposure for financial assets with external credit ratings of the Plan. Investment grade financial assets are classified within the range of AAA to BBB, with AAA being the highest possible rating. The 'not rated' column discloses those assets not rated by external ratings agencies and principally comprises fixed interest investments with local government authorities.

	AAA	AA	A	BBB	Below BBB and Not rated	Carrying Value
31 March 2021						
Cash	-	100.0%	-	-	-	16,042,904
31 March 2020						
Cash	-	100.0%	-	-	-	96,519,262
Fixed Interest	-	32.3%	9.6%	47.8%	10.3%	236,294,062
Derivatives Held for Trading	-	100%	-	-	-	611,622

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

**Notes to the Financial Statements
For the year ended 31 March 2021**

9. Financial Instruments and Risk Management (Continued)

Currency Risk

The Plan is exposed to currency risk in that future currency movements will affect the valuation of holdings in foreign currency denominated investments.

Trustees set limits for the management of currency risk. At 31 March 2021, 0% of the foreign currency exposure is hedged (2020: 87%), which is due to the funds being invested into unitised or pooled vehicles.

Sensitivity Analysis

The following table shows the sensitivity of profit and members' funds to reasonably possible appreciation or depreciation in the NZ dollar against the basket of currencies at 31 March:

	Change in Net Assets after Taxation Higher/(Lower)	
	2021	2020
	NZ\$	NZ\$
10% Decrease in NZD	-	10,903,460
10% Increase in NZD	-	(8,921,012)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan is exposed to interest rate risk in that interest rate movements will affect cash flows and net market values of fixed interest securities. The Trustees review the Plan's interest rate exposure on a quarterly basis.

Sensitivity Analysis

The following table shows the sensitivity of profit and members' funds to reasonably possible changes in interest rates at 31 March:

	Change in Net Assets after Taxation Higher/(Lower)	
	2021	2020
	NZ\$	NZ\$
50bp Decrease in Interest Rates		
NZD Denominated Bonds	-	1,303,793
Cash and Cash Equivalents	248,335	346,671
50bp Increase in Interest Rates		
NZD Denominated Bonds	-	(1,303,793)
Cash and Cash Equivalents	(248,335)	(346,671)

Other Price Risk

The Fund manages risk through investing in diversified unitised funds.

Sensitivity Analysis

The following table shows the sensitivity of profit and members' funds to reasonably possible changes in equity and unit prices at 31 March:

	Change in Net Assets after Taxation Higher/(Lower)	
	2021	2020
	NZ\$	NZ\$
Prices Increase by 10%	101,532,162	60,015,699
Prices Decrease by 10%	(101,532,162)	(60,015,699)

Classification of Financial Instruments

	2021	2020
	NZ\$	NZ\$
Financial Assets carried at fair value through profit or loss	980,513,792	697,098,525
Derivatives held for trading	-	611,622
Financial assets measured at amortised cost (including cash and cash equivalents)	16,042,904	96,519,262
Financial Liabilities held at amortised cost	(951,699)	(764,385)
Financial Liability for Derivatives held for trading	-	(28,257,563)

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

**Notes to the Financial Statements
For the year ended 31 March 2021**

9. Financial Instruments and Risk Management (Continued)

Capital Management

Net assets available to pay benefits are considered to be the Plan's capital for the purposes of capital management. The Plan does not have to comply with externally imposed capital requirements.

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

10. Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the Plan's accounting policies.

The Plan classifies fair value measurements of financial instruments at fair value through profit or loss using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement. 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. The determination of what constitutes 'observable' requires significant judgement by the Trustees. The Trustees consider 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.

The following table analyses within the fair value hierarchy the Plan's financial assets and liabilities (by class) measured at fair value:

31 March 2021:				
	NZ\$	NZ\$	NZ\$	NZ\$
Assets	Level 1	Level 2	Level 3	Total Balance
MAS Wholesale Investments	-	1,012,560,791	-	1,012,560,791
Alternative Investments	-	-	2,760,830	2,760,830
Total Assets	-	1,012,560,791	2,760,830	1,015,321,621
Liabilities				
Derivative Financial Instruments	-	-	-	-
Total Liabilities	-	-	-	-
31 March 2020:				
	NZ\$	NZ\$	NZ\$	NZ\$
Assets	Level 1	Level 2	Level 3	Total Balance
Derivative Financial Instruments	-	611,622	-	611,622
Fixed Interest Investments	-	236,294,062	-	236,294,062
Equity Investments	458,194,820	-	-	458,194,820
Alternative Investments	-	-	2,609,643	2,609,643
Total Assets	458,194,820	236,905,684	2,609,643	697,710,147
Liabilities				
Derivative Financial Instruments	-	(28,257,563)	-	(28,257,563)
Total Liabilities	-	(28,257,563)	-	(28,257,563)

There were no transfers between levels during the year (2020: Nil). On 6 July 2020 the Plan switched from directly holding equity investments to investing in wholesale funds. The Plan now holds units in the wholesale fund which invests in listed equities. This change results in the equity investments being classed as a level 2 investment.

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements For the year ended 31 March 2021

10. Fair Value (Continued)

The financial assets carried at fair value through profit or loss level 2, held with JBWere were not traded in an active market. The investments are determined by reference to quoted prices in active markets.

The financial assets carried at fair value through profit or loss level 2 were not quoted in an active market. The fair value is measured using market observable prices as used by market participants. For these investment funds the Trustees believe the Plan could have redeemed its investments at unit pricing provided by the Fund Managers.

The fair value for fixed interest investments is determined by reference to quoted prices in active markets for similar assets or liabilities. Where not available or the market is considered to be lacking sufficient depth to be active, fair value is determined by reference to other significant inputs that are based on observable market data, for example interest rate yield curves and the maturity profile.

The financial assets carried at fair value through profit or loss level 3 were not quoted in an active market, and not based on observable market data. The fair value is measured using the net asset value which is a reasonable approximation of fair value.

Reconciliation of level 3 fair value movements

	2021 NZ\$	2020 NZ\$
Opening Balance	2,609,643	3,781,438
Sales	(23,478)	(175,983)
Purchases	-	-
Total (Losses)/Gains	174,664	(995,812)
Closing Balances	<u>2,760,830</u>	<u>2,609,643</u>

The financial assets carried at fair value through profit or loss level 3 were valued using valuation techniques which were consistent with last year. The fair value used for the Maui Capital Indigo Fund, Maui Capital Aqua Fund and Pencarrow IV Fund are determined with reference to valuations. The potential change in the relevant input by 10% would have the effect of impacting the fair value by \$276,083 (2020: \$260,964).

Derivative Financial Instruments Valuation

Derivative financial instruments are measured at fair value. The fair value of derivatives has been determined by reference to approximate price valuations received from registered banks. Valuations take account of relevant market conditions.

11. Related Parties

The Plan is distributed by Medical Assurance Society New Zealand Limited. Medical Funds Management Limited ("MFM") provides management services to the Plan. MFM charged a management fee to the Plan of \$9,248,584 (2020: \$7,990,162) being 1% of funds under management, except for the cash fund where the fee is 0.5%. \$911,604 (2020: \$676,451) has been accrued at balance date. MFM is responsible for paying JBWere and Bancorp investment management fees relative to the management of those funds. MFM is also responsible for paying Link for administration costs. All related party transactions are at arms length. No related party debts have been written off or forgiven during the year (2020: Nil).

12. Commitments and Contingent Liabilities

	2021 NZ\$	2020 NZ\$
Maui Capital Aqua Fund	625,560	589,814
Maui Capital Indigo Fund	63,938	47,497
Pencarrow IV Fund	9,410	11,316
Total Capital Commitments	<u>698,907</u>	<u>648,627</u>

Capital commitments represent the uncalled capital contracted for at balance date but not yet paid to Maui Capital Aqua Fund, Maui Capital Indigo Fund, and Pencarrow IV Fund. There are no significant contingent liabilities as at 31/3/2021.

MEDICAL ASSURANCE SOCIETY KIWISAVER PLAN

Notes to the Financial Statements

For the year ended 31 March 2021

13. Events after Balance Date

On 18 June 2021, the Trustees of the Plan retired as Manager of the Plan, Medical Assurance Society New Zealand Limited retired as Founder. Medical Funds Management Limited (MFM) were appointed manager of the Plan.

Public Trust has been appointed as Supervisor for the Plan. A new trust deed was executed 18 June 2021 by the retiring parties and the new parties.

The Plan has been renamed the MAS KiwiSaver Scheme. MFM applied to the Financial Markets Authority (FMA) and the FMA directed the removal of the registration of the "restricted" scheme status of the Plan. This opens investment in the Plan up to the wider public.