

# Milford KiwiSaver Plan

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## Financial Statements

For the Year/Period Ended 31 March 2021



**MILFORD**

## Manager's Statement

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In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of the Milford KiwiSaver Plan as at 31 March 2021 and the results for the year/period ended on that date in accordance with the requirements of the Milford KiwiSaver Plan Trust Deed dated 28 January 2021.

The Directors are of the opinion that the Milford KiwiSaver Plan will be able to pay its debts as and when they fall due.

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Director  
Milford Funds Limited  
2 July 2021

## Statements of Changes in Net Assets



\$ thousands	Note	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund*		
		2021	2020	2021	2020	2021	2020	2021	2020	
<b>For the year/period ended 31 March</b>										
<b>Income</b>										
Interest income on financial assets at amortised cost		6	33	23	100	89	228	26	25	
Dividend and distribution income		3,181	2,246	594	512	-	-	591	76	
Net foreign exchange (losses)/gains on financial instruments at amortised cost		-	-	(611)	1,132	-	-	66	83	
Net gains/(losses) on financial instruments at fair value through profit or loss		15,722	(4,131)	98,641	(8,856)	542,139	(37,134)	54,082	(9,424)	
Other income		-	-	16	-	7	-	-	-	
<b>Total income/(loss)</b>		<b>18,909</b>	<b>(1,852)</b>	<b>98,663</b>	<b>(7,112)</b>	<b>542,235</b>	<b>(36,906)</b>	<b>54,765</b>	<b>(9,240)</b>	
<b>Expenses</b>										
Net manager's fee	9	13	27	1,774	1,386	18,783	15,428	306	18	
Performance fees	9	-	-	-	-	17,025	-	-	-	
Transaction costs		-	-	23	19	-	-	84	8	
Interest expense		-	-	40	-	-	-	6	-	
<b>Total expenses</b>		<b>13</b>	<b>27</b>	<b>1,837</b>	<b>1,405</b>	<b>35,808</b>	<b>15,428</b>	<b>396</b>	<b>26</b>	
<b>Net profit/(loss) before membership activities</b>		<b>18,896</b>	<b>(1,879)</b>	<b>96,826</b>	<b>(8,517)</b>	<b>506,427</b>	<b>(52,334)</b>	<b>54,369</b>	<b>(9,266)</b>	
<b>Contributions</b>										
Member contributions		8,874	6,001	21,122	16,523	87,594	73,386	14,186	2,680	
Employer contributions		4,622	2,874	10,771	8,111	46,636	37,278	7,746	1,303	
Crown contributions		1,112	644	2,373	2,001	10,585	9,729	1,186	2	
Transfers from other Funds in the Plan		46,453	155,797	63,300	43,027	113,222	42,844	146,040	50,635	
Transfers from other KiwiSaver and superannuation schemes		22,965	24,420	82,979	79,363	202,058	212,264	117,590	40,608	
Lump sum and other voluntary contributions		17,050	13,546	47,722	31,011	113,821	82,878	12,263	6,850	
Other contributions		3	10	7	27	28	209	9	5	
		<b>101,079</b>	<b>203,292</b>	<b>228,274</b>	<b>180,063</b>	<b>573,944</b>	<b>458,588</b>	<b>299,020</b>	<b>102,083</b>	

\* Comparative period is from the establishment date, 10 June 2019 to 31 March 2020. Refer to Note 1 for further details.

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

## Statements of Changes in Net Assets



\$ thousands	Note	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund*	
		2021	2020	2021	2020	2021	2020	2021	2020
<b>For the year/period ended 31 March</b>									
<b>Withdrawals</b>									
Transfers to other Funds in the Plan		144,343	49,511	66,213	61,943	154,138	168,417	28,287	15,861
Transfers to other KiwiSaver and superannuation schemes		4,318	3,605	4,587	2,695	23,543	19,586	7,289	339
Member attributed taxation		2,966	63	3,764	1,334	13,181	4,923	3,211	(536)
Member administration fees	9	71	63	144	162	638	731	81	18
Withdrawals on death		148	95	693	493	1,413	1,343	41	-
Withdrawals or transfers on permanent emigration		88	3	93	37	398	485	69	33
Invalid enrolment withdrawals		14	10	-	2	2	10	2	1
Member eligible withdrawals		6,375	17,351	13,929	15,886	23,121	30,042	1,627	271
Serious illness withdrawals		52	45	283	51	618	452	19	-
First home purchase withdrawals		7,686	4,170	2,023	1,992	13,958	12,398	2,295	104
Significant financial hardship withdrawals		93	58	133	117	632	414	69	1
Paid under other enactments		20	-	78	6	629	340	-	-
Other permitted withdrawals		-	-	-	-	2,000	-	-	-
		166,174	74,974	91,940	84,718	234,271	239,141	42,990	16,092
<b>Net membership activities</b>		<b>(65,095)</b>	128,318	<b>136,334</b>	95,345	<b>339,673</b>	219,447	<b>256,030</b>	85,991
<b>Members' accounts at the start of the year/period</b>		<b>216,955</b>	90,516	<b>355,609</b>	268,781	<b>1,365,435</b>	1,198,322	<b>76,725</b>	-
<b>Movements in members' accounts for the year/period</b>		<b>(46,199)</b>	126,439	<b>233,160</b>	86,828	<b>846,100</b>	167,113	<b>310,399</b>	76,725
<b>Members' accounts at the end of the year/period</b>		<b>170,756</b>	216,955	<b>588,769</b>	355,609	<b>2,211,535</b>	1,365,435	<b>387,124</b>	76,725

\* Comparative period is from the establishment date, 10 June 2019 to 31 March 2020. Refer to Note 1 for further details.

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

# Statements of Changes in Net Assets



\$ thousands	Note	Cash Fund***	Moderate Fund***	Plan Total**	
		2021	2021	2021	2020
<b>For the year/period ended 31 March</b>					
<b>Income</b>					
Interest income on financial assets at amortised cost		-	-	144	386
Dividend and distribution income		-	142	4,508	2,834
Net foreign exchange (losses)/gains on financial instruments at amortised cost		-	-	(545)	1,215
Net gains/(losses) on financial instruments at fair value through profit or loss		68	2,210	691,074	(56,971)
Other income		-	-	23	-
<b>Total (loss)/income</b>		<b>68</b>	<b>2,352</b>	<b>695,204</b>	<b>(52,536)</b>
<b>Expenses</b>					
Net manager's fee	9	1	2	20,879	16,859
Performance fees	9	-	-	17,025	-
Transaction costs		-	-	107	27
Interest expense		-	-	46	-
<b>Total expenses</b>		<b>1</b>	<b>2</b>	<b>38,057</b>	<b>16,886</b>
<b>Net (loss)/profit before membership activities</b>		<b>67</b>	<b>2,350</b>	<b>657,147</b>	<b>(69,422)</b>
<b>Contributions</b>					
Member contributions		842	840	133,456	98,592
Employer contributions		518	432	70,725	49,566
Crown contributions		104	50	15,410	12,376
Transfers from other Funds in the Plan		61,272	20,539	-	-
Transfers from other KiwiSaver and superannuation schemes		2,950	16,784	445,326	356,655
Lump sum and other voluntary contributions		1,599	8,752	175,952	112,739
Other contributions		-	-	47	251
		<b>67,285</b>	<b>47,397</b>	<b>840,916</b>	<b>630,179</b>

\*\* Where the Milford KiwiSaver Balanced Fund has invested into the Milford KiwiSaver Active Growth Fund, Milford KiwiSaver Aggressive Fund, Milford KiwiSaver Cash Fund and the Milford KiwiSaver Moderate Fund, these amounts have been eliminated from the Plan Total. The Milford KiwiSaver Cash Fund and Milford KiwiSaver Moderate Fund were both established on 18 March 2020, and as at 31 March 2020 their net asset values were \$3.6million and \$4.6million respectively. Whilst these 2 funds were not presented separately in the comparative results of these financial statements, their results have been included in the Plan's aggregated results for 31 March 2020. The Plan's aggregated results for 31 March 2021 includes the component of the Cash Fund and Moderate Fund results from 1 April 2020 to 31 March 2021. Refer to Note 1 for further detail.

\*\*\* Period is from the establishment date, 18 March 2020 to 31 March 2021. Refer to Note 1 for further details.

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## Statements of Changes in Net Assets



\$ thousands		Cash Fund <sup>***</sup>	Moderate Fund <sup>***</sup>	Plan Total <sup>**</sup>	
For the year/period ended 31 March	Note	2021	2021	2021	2020
<b>Withdrawals</b>					
Transfers to other Funds in the Plan		41,882	12,534	-	-
Transfers to other KiwiSaver and superannuation schemes		990	427	41,154	26,225
Member attributed taxation		15	117	23,254	5,784
Member administration fees	9	6	6	946	974
Withdrawals on death		1	127	2,423	1,931
Withdrawals or transfers on permanent emigration		83	-	731	558
Invalid enrolment withdrawals		-	3	21	23
Member eligible withdrawals		2,664	444	48,160	63,550
Serious illness withdrawals		-	-	972	548
First home purchase withdrawals		3,389	252	29,603	18,664
Significant financial hardship withdrawals		2	-	929	590
Paid under other enactments		-	-	727	346
Other permitted withdrawals		-	-	-	-
		49,032	13,910	148,920	119,193
<b>Net membership activities</b>		18,253	33,487	691,996	510,986
<b>Members' accounts at the start of the year/period</b>		-	-	1,960,522	1,518,958
<b>Movements in members' accounts for the year/period</b>		18,320	35,837	1,349,143	441,564
<b>Members' accounts at the end of the year/period</b>		18,320	35,837	3,309,665	1,960,522

\*\* Where the Milford KiwiSaver Balanced Fund has invested into the Milford KiwiSaver Active Growth Fund, Milford KiwiSaver Aggressive Fund, Milford KiwiSaver Cash Fund and the Milford KiwiSaver Moderate Fund, these amounts have been eliminated from the Plan Total. The Milford KiwiSaver Cash Fund and Milford KiwiSaver Moderate Fund were both established on 18 March 2020, and as at 31 March 2020 their net asset values were \$3.6million and \$4.6million respectively. Whilst these 2 funds were not presented separately in the comparative results of these financial statements, their results have been included in the Plan's aggregated results for 31 March 2020. The Plan's aggregated results for 31 March 2021 includes the component of the Cash Fund and Moderate Fund results from 1 April 2020 to 31 March 2021. Refer to Note 1 for further detail.

\*\*\* Period is from the establishment date, 18 March 2020 to 31 March 2021. Refer to Note 1 for further details.

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

## Statements of Net Assets



\$ thousands	Note	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund*		
		2021	2020	2021	2020	2021	2020	2021	2020	
<b>As at 31 March</b>										
<b>Members' Funds</b>		<b>170,756</b>	216,955	<b>588,769</b>	355,609	<b>2,211,535</b>	1,365,435	<b>387,124</b>	76,725	
<b>Represented by:</b>										
<b>Current assets</b>										
Cash and cash equivalents		188	2,204	30,984	18,846	31,949	30,060	19,242	7,942	
Trade and other receivables	10	504	2,780	2,579	2,510	5,406	3,315	3,599	898	
Financial assets at fair value through profit or loss	6.1	172,400	214,453	559,905	339,097	2,207,576	1,341,811	373,627	70,659	
Member attributed taxation		13	473	13	53	53	75	198	508	
<b>Total current assets</b>		<b>173,105</b>	219,910	<b>593,481</b>	360,506	<b>2,244,984</b>	1,375,261	<b>396,666</b>	80,007	
<b>Current liabilities</b>										
Trade and other payables	11	525	2,526	614	1,742	1,389	3,944	1,857	312	
Trade and other payables to related parties	12	-	5	197	141	19,075	1,339	68	5	
Financial liabilities at fair value through profit or loss	6.2	-	-	375	1,807	-	-	4,461	2,958	
Member attributed taxation		1,824	424	3,526	1,207	12,985	4,543	3,156	7	
<b>Total current liabilities</b>		<b>2,349</b>	2,955	<b>4,712</b>	4,897	<b>33,449</b>	9,826	<b>9,542</b>	3,282	
<b>Net assets available for benefits</b>		<b>170,756</b>	216,955	<b>588,769</b>	355,609	<b>2,211,535</b>	1,365,435	<b>387,124</b>	76,725	

These Financial Statements were authorised for issue by the Manager, Milford Funds Limited.

Director 

Date: 2 July 2021

Director 

Date: 2 July 2021

\* Comparative period is from the establishment date, 10 June 2019 to 31 March 2020. Refer to Note 1 for further details

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

## Statements of Net Assets



\$ thousands		Cash Fund***	Moderate Fund***	Plan Total**	
As at 31 March	Note	2021	2021	2021	2020
<b>Members' Funds</b>		18,320	35,837	3,309,665	1,960,522
<i>Represented by:</i>					
<b>Current assets</b>					
Cash and cash equivalents		203	1,280	83,846	59,293
Trade and other receivables	10	85	362	10,399	5,253
Financial assets at fair value through profit or loss	6.1	18,422	34,333	3,263,587	1,911,470
Member attributed taxation		-	2	279	1,109
<b>Total current assets</b>		18,710	35,977	3,358,111	1,977,125
<b>Current liabilities</b>					
Trade and other payables	11	382	58	2,689	1,154
Trade and other payables to related parties	12	-	-	19,340	4,503
Financial liabilities at fair value through profit or loss	6.2	-	-	4,836	4,765
Member attributed taxation		8	82	21,581	6,181
<b>Total current liabilities</b>		390	140	48,446	16,603
<b>Net assets available for benefits</b>		18,320	35,837	3,309,665	1,960,522

These Financial Statements were authorised for issue by the Manager, Milford Funds Limited.

Director 

Date: 2 July 2021

Director 

Date: 2 July 2021

\*\* Where the Milford KiwiSaver Balanced Fund has invested into the Milford KiwiSaver Active Growth Fund, Milford KiwiSaver Aggressive Fund, Milford KiwiSaver Cash Fund and the Milford KiwiSaver Moderate Fund, these amounts have been eliminated from the Plan Total. The Milford KiwiSaver Cash Fund and Milford KiwiSaver Moderate Fund were both established on 18 March 2020, and as at 31 March 2020 their net asset values were \$3.6million and \$4.6million respectively. Whilst these 2 funds were not presented separately in the comparative results of these financial statements, their results have been included in the Plan's aggregated results for 31 March 2020. The Plan's aggregated results for 31 March 2021 includes the component of the Cash Fund and Moderate Fund results from 1 April 2020 to 31 March 2021. Refer to Note 1 for further detail.

\*\*\* Period is from the establishment date, 18 March 2020 to 31 March 2021. Refer to Note 1 for further details.

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## Statements of Cash Flows



\$ thousands	Note	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund*		
		2021	2020	2021	2020	2021	2020	2021	2020	
<b>Cash flows from operating activities</b>										
Cash was provided from:										
Proceeds from sale of investments		66,456	5,450	11,151	43,693	-	70,250	20,261	2,782	
Proceeds from forward foreign exchange contracts and foreign exchange options		-	-	360,666	382,765	-	-	438,945	57,926	
Transfers from margin accounts		-	-	30,314	2,916	-	-	7,362	-	
Interest received		9	32	24	97	94	231	25	21	
Other Income		-	-	16	-	-	-	-	-	
Dividend and distribution income		-	-	-	-	-	-	267	24	
Cash was applied to:										
Purchase of investments		(5,500)	(132,627)	(132,980)	(132,570)	(323,626)	(257,000)	(275,731)	(79,414)	
Purchase and settlement of foreign exchange contracts and foreign exchange options		-	-	(357,179)	(384,969)	-	-	(429,724)	(57,942)	
Transfers to margin accounts		-	-	(34,155)	(770)	-	-	(7,555)	(547)	
Payment to suppliers		(18)	(23)	(1,718)	(1,337)	(18,072)	(15,067)	(314)	(21)	
<b>Net cash inflow/(outflow) from operating activities</b>	<b>13</b>	<b>60,947</b>	<b>(127,168)</b>	<b>(123,861)</b>	<b>(90,175)</b>	<b>(341,604)</b>	<b>(201,586)</b>	<b>(246,464)</b>	<b>(77,171)</b>	
<b>Cash flows from financing activities</b>										
Cash was provided from:										
Contributions		103,795	201,257	227,780	179,708	573,422	456,987	297,198	101,491	
Cash was applied to:										
Withdrawals		(166,758)	(73,095)	(91,135)	(82,704)	(229,929)	(233,448)	(39,491)	(16,451)	
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(62,963)</b>	<b>128,162</b>	<b>136,645</b>	<b>97,004</b>	<b>343,493</b>	<b>223,539</b>	<b>257,707</b>	<b>85,040</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,016)</b>	<b>994</b>	<b>12,784</b>	<b>6,829</b>	<b>1,889</b>	<b>21,953</b>	<b>11,243</b>	<b>7,869</b>	
Cash at the beginning of the year/period		2,204	1,210	18,846	10,955	30,060	8,107	7,942	-	
Effect of exchange rate fluctuations		-	-	(646)	1,062	-	-	57	73	
<b>Cash and cash equivalents at the end of the year/period</b>		<b>188</b>	<b>2,204</b>	<b>30,984</b>	<b>18,846</b>	<b>31,949</b>	<b>30,060</b>	<b>19,242</b>	<b>7,942</b>	

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## Statements of Cash Flows



\$ thousands		Cash Fund***	Moderate Fund***	Plan Total**	
For the year/period ended 31 March	Note	2021	2021	2021	2020
<b>Cash flows from operating activities</b>					
Cash was provided from:					
Proceeds from sale of investments		31,461	150	127,479	122,175
Proceeds from forward foreign exchange contracts and foreign exchange options		-	-	799,611	440,691
Transfers from margin accounts		-	-	37,676	2,916
Interest received		-	-	152	381
Other Income		-	-	16	-
Dividend and distribution income		-	-	267	24
Cash was applied to:					
Purchase of investments		(49,815)	(32,131)	(794,458)	(580,135)
Purchase and settlement of foreign exchange contracts and foreign exchange options		-	-	(786,903)	(442,911)
Transfers to margin accounts		-	-	(41,710)	(1,317)
Payment to suppliers		(1)	(2)	(20,125)	(16,448)
<b>Net cash outflow from operating activities</b>	<b>13</b>	<b>(18,355)</b>	<b>(31,983)</b>	<b>(677,995)</b>	<b>(474,624)</b>
<b>Cash flows from financing activities</b>					
Cash was provided from:					
Contributions		67,300	47,050	838,348	630,299
Cash was applied to:					
Withdrawals		(48,742)	(13,787)	(135,211)	(117,789)
<b>Net cash inflow from financing activities</b>		<b>18,558</b>	<b>33,263</b>	<b>703,137</b>	<b>512,510</b>
<b>Net increase in cash and cash equivalents</b>		<b>203</b>	<b>1,280</b>	<b>25,142</b>	<b>37,886</b>
Cash at the beginning of the year/period		-	-	59,293	20,272
Effect of exchange rate fluctuations		-	-	(589)	1,135
<b>Cash and cash equivalents at the end of the year/period</b>		<b>203</b>	<b>1,280</b>	<b>83,846</b>	<b>59,293</b>

\*\* Where the Milford KiwiSaver Balanced Fund has invested into the Milford KiwiSaver Active Growth Fund, Milford KiwiSaver Aggressive Fund, Milford KiwiSaver Cash Fund and the Milford KiwiSaver Moderate Fund, these amounts have been eliminated from the Plan Total. The Milford KiwiSaver Cash Fund and Milford KiwiSaver Moderate Fund were both established on 18 March 2020, and as at 31 March 2020 their net asset values were \$3.6million and \$4.6million respectively. Whilst these 2 funds were not presented separately in the comparative results of these financial statements, their results have been included in the Plan's aggregated results for 31 March 2020. The Plan's aggregated results for 31 March 2021 includes the component of the Cash Fund and Moderate Fund results from 1 April 2020 to 31 March 2021. Refer to Note 1 for further detail.

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## 1. General information

### Reporting entity

The reporting entity is the Milford KiwiSaver Plan (“the Plan”). The Plan is made up of six funds (“the Funds”):

- Milford KiwiSaver Cash Fund (“Cash Fund”)
- Milford KiwiSaver Conservative Fund (“Conservative Fund”)
- Milford KiwiSaver Moderate Fund (“Moderate Fund”)
- Milford KiwiSaver Balanced Fund (“Balanced Fund”)
- Milford KiwiSaver Active Growth Fund (“Active Growth Fund”)
- Milford KiwiSaver Aggressive Fund (“Aggressive Fund”)

The Manager of the Plan is Milford Funds Limited (“the Manager”) and the Supervisor of the Plan is Trustees Executors Limited (“the Supervisor”). The Plan is registered and domiciled in New Zealand. The registered office of the Plan is Level 28, 48 Shortland Street, Auckland, 1010.

The Plan is a defined contribution scheme under the KiwiSaver Act 2006, which means that members contribute to the Plan over time and benefits payable depend on the amount of contributions made and any returns on contributions received. The Plan is also registered as a Managed Investment Scheme in accordance with the Financial Markets Conduct Act 2013.

The Plan commenced on 1 April 2010 under the Trust Deed dated 19 March 2010. The Trust Deed of the Plan and the Establishment Deeds for each of the Funds have been amended and restated effective 28 January 2021 to be in compliance with the Financial Markets Conduct Act 2013. In accordance with the Trust Deed, the liabilities of the Scheme are limited to a separate fund, such that the assets of one Fund cannot be used to meet the liabilities of another Fund.

The financial statements for the Plan cover the year/period ended 31 March 2021 and the comparatives cover the year/period ended 31 March 2020. The Milford KiwiSaver Aggressive Fund was established on 10 June 2019 and commenced operations on 31 July 2019. Therefore the comparative period for the Aggressive Fund is presented for the period from 10 June 2019 to 31 March 2020. The Milford KiwiSaver Cash Fund and Milford KiwiSaver Moderate Fund were established on 18 March 2020 and were therefore in existence for less than 3 months before 31 March 2020. The financial statements of the Cash Fund and Moderate Fund for the period since the date of inception to 31 March 2021, are presented in the Plan’s financial statements for the year ended 31 March 2021. The Plan’s aggregated results for 31 March 2021 includes only the component of the Cash Fund and Moderate Fund results from 1 April 2020 to 31 March 2021. The financial results of these Funds for the period since the date of inception to 31 March 2020, have been incorporated in the aggregated Plan’s financial results for the year ended 31 March 2020, which are presented in these financial statements.

# Notes to the Financial Statements



The principal activities of the Funds are described below:

- The Cash Fund provides exposure to cash and cash-like securities through a diversified portfolio which includes New Zealand cash, term deposits and short-dated debt securities. The Fund may gain this exposure through investing into the Milford Investment Funds previously known as Milford Unit Trust PIE Funds, ("the Milford Investment Funds"). As at 31 March 2021 the Fund invests primarily into the Milford Cash Fund. The objective of the Fund is to generate annual returns above the New Zealand Official Cash Rate ('NZ OCR') after fees and before tax.
- The Conservative Fund holds a diversified mix of income-oriented investments which may be augmented with growth assets, and takes an active approach to sector and security selection. The Conservative Fund may gain this exposure by investing directly or into the Milford Investment Funds, externally managed funds, or the Milford Unit Trust Wholesale PIE Funds ("the Milford Wholesale Funds") (refer to Note 9.3). As at 31 March 2021 the Fund invests primarily into the Milford Conservative Fund. The Conservative Fund may use derivative products, short-sell securities and utilise leverage and active currency management. The objective of the Fund is to generate moderate returns and protect capital over the recommended investment timeframe.
- The Moderate Fund is an actively managed diversified fund that primarily invests in fixed interest securities with a significant allocation to equities. The Fund targets an investment mix of 60% income assets and 40% growth assets. The Fund may gain this exposure through investing into Milford Investment Funds or Milford Wholesale Funds. At 31 March 2021 the Fund invests primarily into the Milford Balanced Fund and Milford Conservative Fund. The objective of the Fund is to provide moderate returns and capital growth over a minimum 5 - year time horizon.
- The Balanced Fund actively invests in a diversified mix of investments including New Zealand equities and fixed interest securities, global equities and fixed interest securities, unlisted equities, unit trusts and managed funds. The Fund is actively managed in terms of sector weightings. The Fund may gain this exposure through investing directly or into Milford Investment Funds, the Milford KiwiSaver Active Growth Fund, externally managed funds or one or more of the Milford Wholesale Funds (refer to Note 9.3). The Fund may use derivative products, short-sell securities and utilise leverage and active currency management. The objective of the Fund is to generate capital growth over the minimum recommended timeframe.
- The Active Growth Fund is actively managed and invests in New Zealand, Australian and global listed and unlisted entities and unit trusts, cash and fixed interest securities. The Fund may gain this exposure through investing directly or into the Milford Wholesale Funds. The Fund invests primarily into the Milford Active Growth Wholesale Fund (refer to Note 9.3). The Fund may borrow up to 25% of the value of the Fund, use derivative products, short-sell securities and utilise leverage and active currency management. The objective of the Fund is to generate annual returns of 10% after the base fund fee but before tax and before performance fees over the recommended investment timeframe.
- The Aggressive Fund is actively managed and invests primarily in international shares with a moderate allocation to Australasian shares. The Fund is a higher risk investment and typically is fully invested in share markets with the aim of maximising the Fund's growth potential. The Fund may gain this exposure through investing directly or into the Milford Wholesale and Milford Investment Funds. The objective of the Fund is to maximise capital growth after the base fund fee but before tax and before performance fees (if applicable).

## 2. Summary of significant accounting policies

### Statutory base

The Milford KiwiSaver Plan is registered under the Financial Markets Conduct Act 2013 (FMC Act) as a KiwiSaver Scheme. The Plan is a trust vehicle governed by a Trust Deed dated 1 August 2016.

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for for-profit entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. The methods used to measure fair values are discussed in Note 2.2 (c). The accrual basis of accounting has been applied, as has the going concern assumption.

The results, positions and cash flows reported for the Plan are prepared on a consolidated basis, with the elimination of interfund transactions and balances.

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

There are no standards, amendments or interpretations that have been issued but are not yet effective that are expected to materially impact the Plan's financial statements.

### 2.2 Investment entity

The Plan has direct investments in the Milford Wholesale Funds and in the Milford Investment Funds. The Plan meets the definition of an investment entity per NZ IFRS 10 'Consolidated financial statements' as the following conditions exist:

- (a) The Plan has obtained funds for the purpose of providing investors with investment management services.
- (b) The Plan's business purpose, which is communicated directly to investors, is investing solely for returns from capital appreciation and investment income.
- (c) The performance of investments made through other funds managed by the Manager, is measured and evaluated on a fair value basis.

The Plan also displays all four typical characteristics that are associated with an investment entity:

1. the Plan invests directly, or via look through to the underlying investments in the Milford Wholesale Funds, Milford Investment Funds and funds within the Plan, which were formed to provide investment management services to the Funds of the Plan.
2. the Plan has more than one investor;
3. the Plan has investors that are not related parties; and
4. ownership interests in the Plan are represented by units in the Funds.

### 2.3 Unconsolidated subsidiaries

The Milford KiwiSaver Balanced Fund invests into the Milford KiwiSaver Moderate Fund by purchasing units in the respective fund. The Milford KiwiSaver Moderate Fund allows permitted withdrawals (refer to Note 2.12) of their units on a daily basis.

At 31 March 2020, the Milford KiwiSaver Balanced Fund owned 92.1% of the Milford KiwiSaver Moderate Fund's units on issue. However, the Milford KiwiSaver Balanced Fund investment in the Milford KiwiSaver Moderate Fund has not been consolidated in the Financial Statements of the Milford KiwiSaver Balanced Fund as the Fund meets the definition of an investment entity under NZ IFRS 10 Consolidated Financial Statements and, thus, meets NZ IFRS 10's exemption requirement for consolidation.

Please refer to Note 9.3: Related Parties for information on the Milford KiwiSaver Balanced Fund's unitholding in the Milford KiwiSaver Moderate Fund.

# Notes to the Financial Statements



## 2.4 Financial instruments

### (a) Classification

#### Assets

Financial assets are recognised initially at fair value. After initial recognition, financial assets are measured at fair value or amortised cost, determined on the basis of both (a) the Plan'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*

The portfolio of financial assets at fair value through profit or loss is managed and performance is evaluated on a fair value basis. The Plan is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

All financial assets held at fair value are classified as financial assets mandatorily measured at fair value through profit or loss. Financial assets measured mandatorily at fair value through profit or loss comprise of equities, funds/unit trusts and derivatives.

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

**(a) Cash and cash equivalents** include cash on hand and deposits held at call with banks in New Zealand dollars and foreign currencies. Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the Plan's main income generating activity.

**(b) Unsettled investment sales** included in Trade and other receivables, are receivables for securities sold but not yet settled at balance date. The unsettled trade receivable balance is held for collection.

**(c) Receivables, other than unsettled investment sales**, include margin accounts, interest and contributions receivables. Cash collateral provided by the Plan is identified as margin accounts and not included as a component of cash and cash equivalents.

#### Liabilities

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

The portfolio of financial liabilities is managed and performance is evaluated on a fair value basis. All financial liabilities held at fair value are classified as financial liabilities mandatorily measured at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

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

**(a) Unsettled investment purchases** included in Trade and other payables, are payables for securities purchased but not yet settled at balance date.

**(b) Payables other than unsettled investment purchases** are amounts representing liabilities and accrued expenses owing by the Plan at balance date. These amounts include related party fees payable, overdrawn balances with brokers, distributions payable and withdrawals payable.

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

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

The Plan recognises financial assets and liabilities at fair value through profit or loss on the date it becomes party to a 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 Statements 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 fair value are recognised in the Statements 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 when the rights to receive cash flows from financial assets have been transferred together with substantially all of their risks and rewards. 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 Statements of Changes in Net Assets in the period the item is derecognised. Gains or losses are calculated as the difference between the disposal proceeds and the carrying amount of the item. Interest and dividend income are separately recognised in the Statements of Changes in Net Assets. Purchases and sales of investments are recognised on the trade date, the date on which the Plan commits to purchase or sell the investment.

# Notes to the Financial Statements

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

The Plan recognises financial assets and liabilities at amortised cost on the date it becomes party to the contractual agreement. Financial assets and liabilities at amortised cost are initially recognised at fair value and subsequently measured at amortised cost. At each reporting date, the Plan shall measure the loss allowance of the 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. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all criteria considered in determining the expected credit loss. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Plan shall measure the loss allowance at an amount equal to 12 month expected credit losses. 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 when the rights to receive cash flows from financial assets have been transferred together with substantially all of their risks and rewards. Financial liabilities at amortised cost are derecognised when the obligation under the liability is discharged, cancelled or expires.

## **(c) Fair value estimation**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date in the principal or, in its absence, the most advantageous market to which the Plan had access at that date. The fair value of a liability includes its non-performance risk.

### **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 balance date without any deduction for estimated future selling costs. Financial assets and liabilities are priced at last traded price. Where the last traded price falls outside of the bid-ask spread for a particular stock, bid price will be used to value the investment.

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

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Plan uses a variety of methods and makes assumptions that are based on market conditions existing at each balance 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 observable inputs and relying as little as possible on entity-specific inputs.

### ***Fair value of unlisted funds or trusts***

The Plan's 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 fund investment, as supplied by the fund's Manager and/or administrator. The Plan reviews details of the reported information obtained from the other funds and consider: the liquidity of the other fund or its underlying investments; the value date of the net asset value provided; restrictions on redemptions; and the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information is obtained from the other funds' advisors.

The rights of the Plan to request redemption of its investments in other funds are daily. The carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Plan may be materially affected by the actions of other investors who have invested in other funds in which the Plan has invested.

If necessary, the Plan makes adjustments to the net asset value of other fund investments to obtain the best estimate of fair value. Net changes in the fair value of financial instruments at fair value through profit or loss in the Statements of Changes in Net Assets include the change in fair value of each other fund.

### ***Fair value of publicly traded and over-the-counter derivatives***

#### ***- Fair value of forward foreign exchange contracts***

Forward foreign exchange contracts are primarily used by the Plan to economically hedge against foreign currency exchange rate risks on its non-New Zealand dollar denominated trading securities. The Plan agrees to receive or deliver a fixed quantity of foreign currency for an agreed price on an agreed future date. The fair value of forward foreign exchange contracts is determined using valuation techniques based on spot exchange rates and forward points supplied by WM/Refinitiv. The Plan recognises a gain or loss equal to the change in fair value at the balance date and is presented in the Statements of Changes in Net Assets within net gains/(losses) on financial instruments at fair value through profit or loss.

# Notes to the Financial Statements



## - Fair value of futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market. The fair value of futures contracts is based on quoted market prices at balance date. When futures are closed, the amount paid or received, net of brokerage commissions, is recognised as a gain or loss and is presented in the Statements of Changes in Net Assets within net gains/(losses) on financial instruments at fair value through profit or loss.

## - Fair value of options

Options are contractual arrangements 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 financial instruments at a predetermined price. The option contracts are collateralised by cash or marketable securities. When the Plan purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Plan writes an option, an amount equal to fair value which is based on the premium received by the Plan is recorded as a liability. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognised as a gain or loss and is presented in the Statements of Changes in Net Assets within net gains/(losses) on financial instruments at fair value through profit or loss. The fair value of option contracts is based on quoted market prices at balance date.

Refer to Note 5.4 for further details with regards to the fair value estimation of the respective financial instruments at fair value through profit or loss.

## 2.5 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.

## 2.6 Revenue recognition

- (a) Dividend and distribution income is recognised in the Statements of Changes in Net Assets when the Plan's right to receive payment is established.
- (b) Interest income on financial assets at amortised cost is included in income in the Statements of Changes in Net Assets and is recognised on a time proportionate basis using the effective interest method. Interest income on financial assets at amortised cost comprises of interest earned on bank accounts and margin accounts.
- (c) Net gains or losses on financial instruments at fair value through profit or loss are recognised in the Statements of Changes in Net Assets as disclosed in Note 2.4.
- (d) Net foreign exchange gains or losses on financial instruments at amortised cost are recognised in the Statements of Changes in Net Assets as disclosed in note 2.11.
- (e) Underwriting and brokerage income is recognised in the Statements of Changes in Net Assets on an accrual basis at the point in time that the contract arrangement is agreed at which point the performance obligations of the Plan are satisfied.
- (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 PIE regime.

## 2.7 Expenses

The Manager pays registry and investment management, audit, supervisory, custody and administration expenses from the management fee charged to the Funds of the Plan. The management fee is calculated on a daily basis based on the net asset value of the Fund and paid monthly. Performance fees are calculated and accrued daily if applicable and paid annually. Refer to Note 9.1 for further details. Member administration fees are charged monthly per member via a unit deduction payment when they arise.



# Notes to the Financial Statements

## 2.8 Taxation

The Plan is a Portfolio Investment Entity (“PIEs”). Under the PIE regime, income is effectively taxed in the hands of the members and therefore the Plan has no tax expense. Accordingly, no income tax expense is recognised in the Statements of Changes in Net Assets.

Under the PIE regime, the Manager attributes the taxable income of the Plan to members in accordance with the proportion of their overall interest in the Plan. 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 Plan to reflect that the Plan 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 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.

## 2.9 Goods and Services Tax (GST)

The Plan is not registered for GST. All items in the Statements of Changes in Net Assets and the Statements of Net Assets are stated inclusive of GST.

## 2.10 Statements of Cash Flows

Definitions of the terms used in the Statements 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.

## 2.11 Foreign currencies

### **(a) Functional and presentation currency**

These financial statements are presented in New Zealand dollars (\$), which is the Plan’s functional currency, on the basis that the Plan’s investors are mainly based in New Zealand, with the contributions and withdrawals denominated in New Zealand dollars. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

### **(b) Transactions and balances**

Transactions denominated in foreign currencies are recognised at the exchange rates on the date of the transactions. Assets and liabilities as at balance date denominated in foreign currencies are translated at the foreign currency exchange rates on that date. Realised and unrealised exchange gains and losses during the financial period are recognised in the Statements of Changes in Net Assets. Foreign exchange gains and losses on cash and cash equivalents, unsettled investment sales and investment purchases payable are included in ‘Net foreign currency gains/(losses) on financial instruments at amortised cost’ in the Statements of Changes in Net Assets.

# Notes to the Financial Statements

## 2.12 Net assets available for benefits

The net assets attributable to members represents the liability for promised retirement benefits. The Funds of the Plan issue units that are redeemable at the Members' discretion and do not have identical features and are therefore classified as financial liabilities and are measured at amortised cost. Units are redeemed for the purpose of permitted withdrawals (such as reaching the retirement age of 65 or enduring significant hardship), transferred to another Fund within the Plan or a separate KiwiSaver Scheme and which are equal to a proportionate share of the respective Fund's net asset value which is the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable at the period end date if Members exercise their right to redeem 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 nor other funds within the Plan. The Trust Deed also stipulates that assets held for a Fund of the Plan shall not be made available to meet the liabilities incurred in relation to any other Fund of the Plan. The Funds' net asset value is calculated by dividing the net assets attributable to all holders of units in the Fund by the total number of units on issue of each Fund.

## 2.13 Related parties

A party is related to the Plan if:

- (a) directly or indirectly through one or more of its intermediaries, it controls, is controlled by, or is under common control with, the Plan;
- (b) it is a parent, subsidiary or fellow subsidiary of a party disclosed in Note 2.2; or
- (c) it has an interest in or relationship with the Plan that gives it significant influence over the Plan; or
- (d) the Plan 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.

## 2.14 Changes in accounting policies

The Plan has consistently applied the accounting policies to all periods presented in these Financial Statements.

## 2.15 Restatement of comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the Financial Statements. There has been no changes to comparative figures as a result of the implementation of new accounting standards.

## 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 Plan's accounting policies. The Manager has followed the applicable accounting guidance 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. It is possible to determine the fair value of all financial assets as quoted market prices are readily available and in the case of derivatives observable market inputs are readily available. Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at balance date. However as with all investments, their value is subject to variation due to market fluctuations.

The Manager has used judgement in the categorisation of its financial assets and liabilities at fair value through profit or loss in accordance with the fair value hierarchy under NZ IFRS 13. 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. 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 5.4 for further details).

## Notes to the Financial Statements

## 4. Derivatives

## 4.1 Forward foreign exchange contracts

Forward foreign exchange 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. The forward foreign exchange contracts are agreed between the parties to the contract and are not traded on an exchange. The Plan's open positions in forward foreign exchange contracts at balance date are outlined below:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Forward foreign exchange contracts (notional value in NZD)</b>								
Sell AUD/Buy NZD	-	-	5,063	-	-	-	-	-
Sell AUD/Buy USD	-	-	2,491	2,180	-	-	-	-
Sell CHF/Buy NZD	-	-	-	1,685	-	-	-	-
Sell EUR/Buy USD	-	-	8,262	-	-	-	-	-
Sell EUR/Buy NZD	-	-	4,560	7,420	-	-	8,525	1,489
Sell GBP/Buy NZD	-	-	-	-	-	-	1,530	505
Sell JPY/Buy NZD	-	-	739	1,114	-	-	4,634	-
Sell NZD/Buy AUD	-	-	-	3,613	-	-	-	-
Sell NZD/Buy USD	-	-	5,954	2,205	-	-	-	3,289
Sell USD/Buy NZD	-	-	6,000	24,087	-	-	134,919	28,602

\$ thousands	Cash Fund	Moderate Fund	Plan Total	
	2021	2021	2021	2020
<b>As at 31 March</b>				
<b>Forward foreign exchange contracts (notional value in NZD)</b>				
Sell AUD/Buy NZD	-	-	5,063	-
Sell AUD/Buy USD	-	-	2,491	2,180
Sell CHF/Buy NZD	-	-	-	1,685
Sell EUR/Buy USD	-	-	8,262	-
Sell EUR/Buy NZD	-	-	13,085	8,909
Sell GBP/Buy NZD	-	-	1,530	505
Sell JPY/Buy NZD	-	-	5,373	1,114
Sell NZD/Buy AUD	-	-	-	3,613
Sell NZD/Buy USD	-	-	5,954	5,494
Sell USD/Buy NZD	-	-	140,919	52,689

## Notes to the Financial Statements



\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Forward foreign exchange contracts (fair value in NZD)</b>								
Sell AUD/Buy NZD	-	-	(51)	-	-	-	-	-
Sell AUD/Buy USD	-	-	44	115	-	-	-	-
Sell CHF/Buy NZD	-	-	-	(36)	-	-	-	-
Sell EUR/Buy USD	-	-	239	-	-	-	-	-
Sell EUR/Buy NZD	-	-	(35)	(139)	-	-	(37)	(179)
Sell GBP/Buy NZD	-	-	-	-	-	-	(46)	(19)
Sell JPY/Buy NZD	-	-	11	(29)	-	-	110	-
Sell NZD/Buy AUD	-	-	-	(16)	-	-	-	-
Sell NZD/Buy USD	-	-	186	(394)	-	-	-	(263)
Sell USD/Buy NZD	-	-	(257)	(1,193)	-	-	(4,341)	(2,442)

\$ thousands	Cash Fund	Moderate Fund	Plan Total	
	2021	2021	2021	2020
<b>As at 31 March</b>				
<b>Forward foreign exchange contracts (fair value in NZD)</b>				
Sell AUD/Buy NZD	-	-	(51)	-
Sell AUD/Buy USD	-	-	44	115
Sell CHF/Buy NZD	-	-	-	(36)
Sell EUR/Buy USD	-	-	239	-
Sell EUR/Buy NZD	-	-	(72)	(318)
Sell GBP/Buy NZD	-	-	(46)	(19)
Sell JPY/Buy NZD	-	-	121	(29)
Sell NZD/Buy AUD	-	-	-	(16)
Sell NZD/Buy USD	-	-	186	(657)
Sell USD/Buy NZD	-	-	(4,598)	(3,635)

## Notes to the Financial Statements

## 4.2 Futures

Futures are a contractual obligation to buy or sell an asset, such as a physical commodity, equity index or a financial instrument, at a predetermined future date and price. Futures contracts have standardised contract terms to facilitate trading on a futures exchange.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Futures (notional value in NZD)</b>								
<b>Equity Index futures</b>								
Long positions	-	-	-	-	-	-	9,776	832
Short positions	-	-	(9,687)	(9,747)	-	-	-	-
<b>Fixed interest index futures</b>								
Short positions	-	-	(23,905)	-	-	-	-	-
<b>Futures (fair value in NZD)</b>								
<b>Equity index futures</b>								
Long positions	-	-	-	-	-	-	(5)	35
Short positions	-	-	(32)	57	-	-	-	-
<b>Fixed interest index futures</b>								
Short positions	-	-	516	-	-	-	-	-
<b>As at 31 March</b>								
<b>Futures (notional value in NZD)</b>								
<b>Equity Index futures</b>								
Long positions	-	-	-	-	-	-	9,776	832
Short positions	-	-	(9,687)	(9,747)	-	-	(9,687)	(9,747)
<b>Fixed interest index futures</b>								
Short positions	-	-	(23,905)	-	-	-	(23,905)	-
<b>Futures (fair value in NZD)</b>								
<b>Equity index futures</b>								
Long positions	-	-	-	-	-	-	(5)	35
Short positions	-	-	(32)	57	-	-	(32)	57
<b>Fixed interest index futures</b>								
Short positions	-	-	516	-	-	-	516	-

# Notes to the Financial Statements

## 4.3 Exchange traded options

Exchange traded options are contracts that give the purchaser the right (but not the obligation) to buy (a call option) or sell (a put option) an underlying asset or instrument at a specified strike price on or before a specified date, depending on the details of the option. Exchange traded options have standardised contract terms that facilitate trading on an option exchange. The open options contracts at balance date are exposed to equity indices such as the S&P500, EURO STOXX, FTSE 100, ASX 200 and Nikkei. Notional values in the table below are presented as absolute amounts.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Equity index options</b>								
<b>Notional values in NZD</b>								
<i>Bought</i>								
Call options	-	-	33,932	-	-	-	49,966	5,701
<b>Fair values in NZD</b>								
<i>Bought</i>								
Call options	-	-	278	-	-	-	424	2

\$ thousands	Cash Fund	Moderate Fund	Plan Total	
	2021	2021	2021	2020
<b>As at 31 March</b>				
<b>Notional values in NZD</b>				
<i>Bought</i>				
<b>Equity index options</b>				
Call options	-	-	83,898	5,701
<b>Fair values in NZD</b>				
<i>Bought</i>				
Call options	-	-	702	2

## Notes to the Financial Statements

#### 4.4 Foreign exchange options

Foreign exchange options are contractual obligations that give the purchaser the right (but not the obligation) to buy (a call option) or sell (a put option) an amount of one currency on a future date in exchange for a second currency at a foreign exchange rate which is established at the time of entering into the option. The option contracts are agreed between the parties to the contract and are not traded on an exchange.

The Plan's open positions in purchased options contracts at balance date are outlined below:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Notional values in NZD</b>								
Call AUD/Put USD	-	-	-	6,194	-	-	-	-
Call NZD/Put USD	-	-	-	8,500	-	-	-	-
Foreign exchange options								
<b>Fair value in NZD</b>	-	-	-	2	-	-	-	-

\$ thousands	Cash Fund	Moderate Fund	Plan Total	
	2021	2021	2021	2020
<b>As at 31 March</b>				
<b>Notional values in NZD</b>				
Call AUD/Put USD	-	-	-	6,194
Call NZD/Put USD	-	-	-	8,500
Foreign exchange options				
<b>Fair value in NZD</b>	-	-	-	2

## 5. Financial Risk Management

### 5.1 Financial risk factors

The Trust Deed for the Plan requires the Manager to invest the assets of the Plan in accordance with the Statement of Investment Policy and Objectives. The Plan is subject to a number of financial risks which arise as a result of its activities, including: market risk, liquidity risk and credit risk. The Plan's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Plan's financial performance.

#### 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.

Non-monetary financial instruments which potentially subject the Plan to price risk are investments in unit trusts, listed equities and listed derivatives, such as exchange traded futures and options. All investments in equities and unit trusts 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 Manager of the underlying unit trusts advised that this risk is moderated through stock selection and diversification of unit trust investments, daily monitoring of the unit trusts' market position and adherence to the unit trusts' investment policy. The unitised investments have underlying securities comprising domestic and international equity instruments and fixed interest securities that are subject to price risk.

For direct investments in equities or listed derivatives, the Manager moderates this risk through careful stock selection and diversification, daily monitoring of the Plan's market position and adherence to the Plan's investment policies.

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

Where non-monetary financial instruments are 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 Plan holds unit trusts which in turn invest in securities denominated in foreign currencies, the value of the unit trust will be affected by fluctuations in foreign exchange rates. Paragraph (b) 'Foreign exchange risk' 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 price risk at balance date increased or decreased by 10% with all other variables held constant, this would have had the following impact on the Statements of Changes in Net Assets:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Equities, unit trusts and unlisted securities</b>								
Carrying amount	172,400	214,453	558,631	338,923	2,207,576	1,341,811	373,061	70,567
Impact of a -10% change in prices	(17,240)	(21,445)	(55,863)	(33,892)	(220,758)	(134,181)	(37,306)	(7,057)
Impact of a +10% change in prices	17,240	21,445	55,863	33,892	220,758	134,181	37,306	7,057
<b>Equity index and fixed interest index futures and options</b>								
Carrying amount	-	-	762	57	-	-	419	37
Impact of a -10% change in prices	-	-	3,081	975	-	-	(1,402)	(87)
Impact of a +10% change in prices	-	-	(1,120)	(975)	-	-	3,603	118



## Notes to the Financial Statements

\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>						
<b>Equities, unit trusts and unlisted securities</b>						
Carrying amount	18,422	34,333	3,261,747	1,911,204		
Impact of a -10% change in prices	(1,842)	(3,433)	(326,175)	(191,120)		
Impact of a +10% change in prices	1,842	3,433	326,175	191,120		
<b>Equity and fixed interest index futures and options</b>						
Carrying amount	-	-	1,181	94		
Impact of a -10% change in prices	-	-	1,679	888		
Impact of a +10% change in prices	-	-	2,483	(857)		

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

**(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 Plan is exposed to foreign exchange risk primarily through holding foreign currency denominated cash and cash equivalents, trade and other receivables, trade and other payables and forward foreign exchange contracts. The Manager may hedge the exposure to currency fluctuations.

The Plan is also exposed indirectly to foreign exchange risk through its holdings in the Milford Wholesale Funds and the Milford Investment Funds. The foreign exchange exposure in relation to these non-monetary assets is included as a component of market price risk (which forms part of the Price risk sensitivity (see note 5.1.1 (a))).

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

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Monetary assets/(liabilities)</b>								
Australian Dollar (AUD)	-	-	(6,586)	9,306	-	-	-	-
Swiss Franc (CHF)	-	-	26	(1,715)	-	-	-	-
Euro (EUR)	-	-	(12,167)	(526)	-	-	(8,769)	(1,666)
United States Dollar (USD)	-	-	11,766	(34,417)	-	-	(135,274)	(27,748)
Japanese Yen (JPY)	-	-	699	957	-	-	(3,837)	24
Great British Pound (GBP)	-	-	(3)	22	-	-	1,099	(523)
Hong Kong Dollar (HKD)	-	-	-	-	-	-	166	-

## Notes to the Financial Statements



\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021		2021		2021	2020
<b>As at 31 March</b>						
<b>Monetary assets/(liabilities)</b>						
Australian Dollar (AUD)	-		-		(6,586)	9,306
Swiss Franc (CHF)	-		-		26	(1,715)
Euro (EUR)	-		-		(20,936)	(2,192)
United States Dollar (USD)	-		-		(123,508)	(62,165)
Japanese Yen (JPY)	-		-		(3,138)	981
Great British Pound (GBP)	-		-		1,096	(501)
Hong Kong Dollar (HKD)	-		-		166	-

The table below summarises the impact on the Statements of Changes in Net Assets on monetary assets and liabilities at balance 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.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Monetary assets/(liabilities)</b>								
Exchange rates increased by 10%								
Australian Dollar (AUD)	-	-	599	(846)	-	-	-	-
Swiss Franc (CHF)	-	-	(2)	156	-	-	-	-
Euro (EUR)	-	-	1,106	48	-	-	797	151
United States Dollar (USD)	-	-	(1,070)	3,129	-	-	12,298	2,523
Japanese Yen (JPY)	-	-	(64)	(87)	-	-	349	(2)
Great British Pound (GBP)	-	-	-	(2)	-	-	(100)	48
Hong Kong Dollar (HKD)	-	-	-	-	-	-	(15)	-
Exchange rates decreased by 10%								
Australian Dollar (AUD)	-	-	(732)	1,034	-	-	-	-
Swiss Franc (CHF)	-	-	3	(191)	-	-	-	-
Euro (EUR)	-	-	(1,352)	(58)	-	-	(974)	(185)
United States Dollar (USD)	-	-	1,307	(3,824)	-	-	(15,030)	(3,083)
Japanese Yen (JPY)	-	-	78	106	-	-	(426)	3
Great British Pound (GBP)	-	-	-	2	-	-	122	(58)
Hong Kong Dollar (HKD)	-	-	-	-	-	-	18	-

## Notes to the Financial Statements

\$ thousands	Cash Fund		Moderate Fund		Plan Total	
As at 31 March	2021		2021		2021	2020
<b>Monetary assets/(liabilities)</b>						
Exchange rates increased by 10%						
Australian Dollar (AUD)	-		-		599	(846)
Swiss Franc (CHF)	-		-		(2)	156
Euro (EUR)	-		-		1,903	199
United States Dollar (USD)	-		-		11,228	5,651
Japanese Yen (JPY)	-		-		285	(89)
Great British Pound (GBP)	-		-		(100)	46
Hong Kong Dollar (HKD)	-		-		(15)	-
Exchange rates decreased by 10%						
Australian Dollar (AUD)	-		-		(732)	1,034
Swiss Franc (CHF)	-		-		3	(191)
Euro (EUR)	-		-		(2,326)	(244)
United States Dollar (USD)	-		-		(13,723)	(6,907)
Japanese Yen (JPY)	-		-		(349)	109
Great British Pound (GBP)	-		-		122	(56)
Hong Kong Dollar (HKD)	-		-		18	-

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

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
As at 31 March	2021	2020	2021	2020	2021	2020	2021	2020
<b>Non-monetary assets/(liabilities)</b>								
Australian Dollar (AUD)	-	-	-	3	-	-	-	-
Euro (EUR)	-	-	148	-	-	-	223	-
Great British Pound (GBP)	-	-	74	-	-	-	202	-
Japanese Yen (JPY)	-	-	-	-	-	-	3,852	606
United States Dollar (USD)	-	-	540	54	-	-	72,694	6,868
Hong Kong Dollar (USD)	-	-	-	-	-	-	3,507	-

## Notes to the Financial Statements



\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>						
<b>Non-monetary assets/(liabilities)</b>						
Australian Dollar (AUD)	-	-	-	-	-	3
Euro (EUR)	-	-	-	-	371	-
Great British Pound (GBP)	-	-	-	-	276	-
Japanese Yen (JPY)	-	-	-	-	3,852	606
United States Dollar (USD)	-	-	-	-	73,234	6,922
Hong Kong Dollar (HKD)	-	-	-	-	3,507	-

The table below summarises the impact on the Statements of Changes in Net Assets on non-monetary assets at balance 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.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Non-monetary assets/(liabilities)</b>								
Exchange rates increased by 10%								
Euro (EUR)	-	-	(13)	-	-	-	(20)	-
Great British Pound (GBP)	-	-	(7)	-	-	-	(18)	-
Japanese Yen (JPY)	-	-	-	-	-	-	(350)	(55)
United States Dollar (USD)	-	-	(49)	(5)	-	-	(6,609)	(624)
Hong Kong Dollar (HKD)	-	-	-	-	-	-	(319)	-
Exchange rates decreased by 10%								
Euro (EUR)	-	-	16	-	-	-	25	-
Great British Pound (GBP)	-	-	8	-	-	-	22	-
Japanese Yen (JPY)	-	-	-	-	-	-	428	67
United States Dollar (USD)	-	-	60	6	-	-	8,077	763
Hong Kong Dollar (HKD)	-	-	-	-	-	-	390	-

## Notes to the Financial Statements

\$ thousands	Cash Fund		Moderate Fund		Plan Total	
As at 31 March	2021	2020	2021	2020	2021	2020
<b>Non-monetary assets/(liabilities)</b>						
Exchange rates increased by 10%						
Euro (EUR)	-	-	-	-	(33)	-
Great British Pound (GBP)	-	-	-	-	(25)	-
Japanese Yen (JPY)	-	-	-	-	(350)	(55)
United States Dollar (USD)	-	-	-	-	(6,658)	(629)
Hong Kong Dollar (HKD)	-	-	-	-	(319)	-
Exchange rates decreased by 10%						
Euro (EUR)	-	-	-	-	41	-
Great British Pound (GBP)	-	-	-	-	30	-
Japanese Yen (JPY)	-	-	-	-	428	67
United States Dollar (USD)	-	-	-	-	8,137	769
Hong Kong Dollar (HKD)	-	-	-	-	390	-

**(c) 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. In addition to interest rate risk on indirect fixed interest investments through its holdings in the Milford Wholesale Funds and Milford Investment Funds which is captured in Price risk sensitivity (see Note 5.1.1 (a)), the Plan's direct holdings in cash and cash equivalents exposes the Plan to cash flow interest rate risk. The Plan can invest cash in New Zealand and internationally (short term investments only) and interest income and investment valuations are therefore subject to changes in New Zealand and international interest rates. The Manager may hedge the exposure to interest fluctuations. The Plan has no direct exposure to fair value interest rate risk.

**Cash flow sensitivity analysis**

A change in interest rates impacts the cash flow of the Plan's cash and cash equivalents by increasing or decreasing the amount of interest received. A variable of 10 basis points (0.1%) was selected as this is a reasonably expected movement based on past overnight cash rate movements. The one year cash flow sensitivity to a 10 basis points movement in interest rates (based on assets held at reporting date), with all other variables held constant, is shown in the following table:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
As at 31 March	2021	2020	2021	2020	2021	2020	2021	2020
Cash and cash equivalents								
Carrying amount	188	2,204	30,984	18,846	31,949	30,060	19,242	7,942
Increase of 0.1%	-	2	31	19	32	30	20	8
Decrease of 0.1%	-	(2)	(31)	(19)	(32)	(30)	(20)	(8)

## Notes to the Financial Statements



\$ thousands	Cash Fund		Moderate Fund		Plan Total	
As at 31 March	2021	2020	2021	2020	2021	2020
Cash and cash equivalents						
Carrying amount	203		1,280		83,846	59,293
Increase of 0.1%	-		1		84	59
Decrease of 0.1%	-		(1)		(84)	(59)

In addition to the Plan's direct exposure to interest rate change on the cash flows of cash and cash and cash equivalents shown above, the Plan is indirectly affected by the impact of interest rate changes on the value of their investments in the Milford Wholesale Funds and Milford Investment Funds. These indirect exposures form part of the Price risk sensitivity (see Note 5.1.1 (a)). Therefore, the above sensitivity analysis does not fully indicate the total effect on the Funds' Net Assets available for benefits of future movements in interest rates.

### 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 Plan. The Plan may require collateral or other security to support financial instruments with credit risk. Financial instruments that subject the Plan to credit risk consist primarily of cash and cash equivalents, margin accounts and trade and other receivables including amounts receivable for unsettled investment trades, dividends receivable and contributions receivable.

The Plan's policy is to invest in debt securities that have a minimum credit rating of BBB/Baa or higher designated by a well-known rating agency. The Plan may also invest in unrated assets where a rating is assigned by the Manager using an approach that is consistent with the approach used by that rating agency.

The Plan's cash and cash equivalent balances are all held with banks with a Standard and Poor's equivalent credit rating of AA- (2020 : AA-). Below is the credit rating analysis for the margin accounts held by the Balanced Fund and the Aggressive Fund.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
As at 31 March	2021	2020	2021	2020	2021	2020	2021	2020
<b>Margin Accounts</b>	-	-	590	1,439	-	-	816	302
Rating category	A+	-	580	-	-	-	816	-
Rating category	A-	-	10	10	-	-	-	-
Rating category	BBB+	-	-	1,429	-	-	-	302

  

\$ thousands	Cash Fund		Moderate Fund		Plan Total	
As at 31 March	2021	2020	2021	2020	2021	2020
Margin Accounts	-	-	-	-	1,406	1,741
Rating category	A+	-	-	-	1,396	-
Rating category	A-	-	-	-	10	10
Rating category	BBB+	-	-	-	-	1,731

## Notes to the Financial Statements

All other receivables including amounts due from brokers are held by parties which the Manager considers to have a strong capacity to meet their contractual obligations in the near term.

The Plan also restricts its exposure to credit losses on the trading derivatives it holds by entering into International Swap and Derivatives Association (ISDA) arrangements with their counterparties (Refer to Note 5.1.4 for further details) with whom it undertakes derivative transactions. The arrangements do not result in an offset of the Statements of Net Assets' assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by the arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The overall exposure to credit risk on derivative instruments subject to such arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement. The forward foreign exchange contracts and foreign exchange options as disclosed in Note 4.1 and 4.4 are with banks with a AA- Standard and Poor's credit rating.

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 purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. Investments in unlisted funds are held in funds managed by the Manager (refer to Note 9). The Manager considers that all the unlisted funds held at balance date have a strong capacity to meet their contractual obligations in accordance with the respective offering documents.

The maximum credit risk of financial instruments is considered to be the carrying amount on the Statements of Net Assets. There is a risk of non-recovery. In accordance with the Plan's policy, the Manager monitors the Plan's credit positions on a daily basis. The Investment Management Committee reviews it on a monthly basis.

The Plan measures credit risk and expected credit losses using the probability of default, exposure at default and loss given default.

At balance date, the credit risk has not increased significantly for any of the financial assets at amortised cost since initial recognition. As a result, the Manager measured the loss allowance at an amount equal to 12 month expected credit losses. The Manager, depending on the nature and type of financial assets at amortised cost, considers both the historical and forward looking information, the duration of the instrument, and the credit ratings of the counterparty in determining any expected credit losses.

As at 31 March 2021 and 31 March 2020:

All other receivable balances and amounts due from brokers are due to be settled within 1 month and are held with counterparties which the Manager considers have a strong capacity to meet their contractual obligations in the near term.

Cash and margin accounts and any interest accruals on any of these instruments are highly liquid and held with counterparties with strong credit ratings. The Manager has no historical information or forward looking information which suggests that there is any losses to be recognised.

The Manager therefore considers the expected credit losses for all the financial assets held at amortised cost held by the Plan to be close to zero. As a result no loss allowance has been recognised based on the 12-month expected credit losses as any such impairment would be wholly insignificant to the Plan.

The clearing and depository operations for the Plan's security transactions are via multiple brokers with strong capacity to meet their obligations. At 31 March 2021 and 31 March 2020, cash and cash equivalents and the majority of investments are placed in custody with National Australia Bank which had a credit rating of AA- (31 March 2020 : AA-). Balances due from brokers (i.e. for unsettled investment sales) have no credit risk given in the event of non-performance (i.e. the trade not settling), the Plan would retain the investment. Additionally, margin accounts are held with Macquarie Bank and UBS which had credit ratings of A+ and A- respectively (31 March 2020: Deutsche Bank and UBS with credit ratings of BBB+ and A- respectively). It is expected that all securities and other deposits with custodians or brokers will be clearly identified as assets of the Plan; the Plan should not therefore be exposed to a credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Plan may experience an increase in exposure to credit risk associated with the applicable custodians or brokers.

The Plan is indirectly exposed to credit risk through its investments in unlisted unit trusts, who in turn, invest in direct assets such as debt instruments issued by domestic and international companies and governments. The Plan is indirectly exposed to credit risk through its investments in the Milford Wholesale Funds and Milford Investment Funds, the exposure to which forms part of the price risk sensitivity.

## Notes to the Financial Statements

**5.1.3 Liquidity risk**

Liquidity risk is the risk that the Plan will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Liquidity risk is managed by holding liquid investments to enable the Plan to meet liabilities as they fall due and withdrawals when requested. The Plan invests in various funds managed by Milford Funds Limited, which in turn, maintain sufficient liquidity in their portfolios to cover reasonably foreseeable redemptions under normal market conditions. The Plan also directly holds securities that are listed on internationally recognised exchanges. Monies received from member contributions may be used to offset withdrawals and the Manager may in certain circumstances suspend withdrawals from the Plan and or various funds represented by Milford Funds Limited in which the Plan invests.

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

The table below shows the remaining undiscounted contractual cash flows over their respective maturities for the Plan's financial liabilities:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Financial liabilities at fair value through profit or loss</b>								
7 days to 2 months	-	-	(343)	(1,807)	-	-	(4,461)	(2,958)
2 months - 6 months	-	-	(32)	-	-	-	-	-
<b>Financial liabilities at amortised cost</b>								
<b>Trade and other payables</b>								
Less than 7 days	(525)	(2,526)	(614)	(1,742)	(1,389)	(3,944)	(1,857)	(312)
<b>Related party payables</b>								
Less than 2 months	-	(5)	(197)	(141)	(19,075)	(1,339)	(68)	(5)
<b>Net assets available for benefits</b>								
Unknown	(170,756)	(216,955)	(588,769)	(355,609)	(2,211,535)	(1,365,435)	(387,124)	(76,725)



## Notes to the Financial Statements

\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>						
<b>Financial liabilities held at fair value through profit or loss</b>						
7 days to 2 months	-	-	-	-	(4,804)	(4,765)
2 months - 6 months	-	-	-	-	(32)	-
<b>Financial liabilities at amortised cost</b>						
<b>Trade and other payables</b>						
Less than 7 days	(382)	(58)	(382)	(58)	(2,689)	(1,154)
<b>Related party payables</b>						
Less than 2 months	-	-	-	-	(19,340)	(4,503)
<b>Net assets available for benefits</b>						
Unknown	(18,320)	(35,837)	(18,320)	(35,837)	(3,309,665)	(1,960,522)

**5.1.4 Offsetting and amounts subject to master netting arrangements and similar agreements**

The Plan is subject to International Swaps and Derivatives Association (ISDA) arrangements with their derivative counterparties; ANZ, BNZ, Westpac Banking Corporation, Citibank, Macquarie Bank and UBS. According to the terms of the ISDA arrangements with the respective counterparties all the derivatives, can be settled on a net basis.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:</b>								
Gross amounts of recognised financial assets	-	-	1,274	174	-	-	566	92
Gross amounts of recognised financial liabilities set-off in the Statements of Net Assets	-	-	-	-	-	-	-	-
<b>Net amounts of financial assets presented in the Statements of Net Assets</b>	-	-	1,274	174	-	-	566	92
Related amounts not set-off in the Statements of Net Assets								
Financial instruments	-	-	(118)	(117)	-	-	(147)	(55)
<b>Net amount</b>	-	-	1,156	57	-	-	419	37

## Notes to the Financial Statements



\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:</b>								
Gross amounts of recognised financial liabilities	-	-	(375)	(1,807)	-	-	(4,461)	(2,958)
Gross amounts of recognised financial assets set-off in the Statements of Net Assets	-	-	-	-	-	-	-	-
<b>Net amounts of financial liabilities presented in the Statements of Net Assets</b>	-	-	<b>(375)</b>	<b>(1,807)</b>	-	-	<b>(4,461)</b>	<b>(2,958)</b>
<i>Related amounts not set-off in the Statements of Net Assets</i>								
Financial instruments			118	117			147	55
<b>Net amount</b>	-	-	<b>(257)</b>	<b>(1,690)</b>	-	-	<b>(4,314)</b>	<b>(2,903)</b>
\$ thousands	Cash Fund	Moderate Fund		Plan Total				
	2021	2021	2020	2021				
<b>As at 31 March</b>								
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:</b>								
Gross amounts of recognised financial assets	-	-		1,840				
Gross amounts of recognised financial liabilities set-off in the Statements of Net Assets	-	-		-				
<b>Net amounts of financial assets presented in the Statements of Net Assets</b>	-	-		<b>1,840</b>				
<i>Related amounts not set-off in the Statements of Net Assets</i>								
Financial instruments	-	-		(265)				
<b>Net amount</b>	-	-		<b>1,575</b>				
<b>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:</b>								
Gross amounts of recognised financial liabilities	-	-		(4,836)				
Gross amounts of recognised financial assets set-off in the Statements of Net Assets	-	-		-				
<b>Net amounts of financial liabilities presented in the Statements of Net Assets</b>	-	-		<b>(4,836)</b>				
<i>Related amounts not set-off in the Statements of Net Assets</i>								
Financial instruments	-	-		265				
Cash collateral	-	-		-				
<b>Net amount</b>	-	-		<b>(4,571)</b>				

# Notes to the Financial Statements

Per the terms of the ISDA agreement each party has the option to settle all open contracts on a net basis in the event of default by the other party. The ISDA agreement defines an event of default as including the following:

- \* failure by a party to make a payment when due
- \* failure by a party to perform an obligation required by the agreement (other than payment) if such failure is not remedied within 30 days after notice of such failure is given to the party

The related amounts not set-off in the Statements of Net Assets represent amounts that have not been offset in the Statements of Net Assets but could be expected to be offset in the event of default by either the Plan or its counterparty to the derivative contract. For financial instruments this is the maximum value of assets and liabilities that could be offset. For cash collateral this is the value of cash that could be withheld by the counterparty to settle derivatives, such as future and option contracts which are in a liability position.

## 5.2 Capital risk management

Net assets available to pay benefits are considered to be the Plan's capital for the purposes of capital management notwithstanding net assets available to pay benefits is classified as a liability for accounting. 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 maximise the Plan's members' values as well as ensuring its net assets available to pay benefits are sufficient to meet all present and future obligations. In order to meet its objectives for capital management, the Plan's Manager monitors the Plan's performance on a regular basis.

### 5.2.1 Units on Issue

Units thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>For the year/period ended 31 March</b>								
Units on issue at the start of the year/period	122,155	51,816	156,940	118,148	384,142	329,033	83,453	-
Total unit contributions for the year/period	53,163	111,993	86,178	74,402	133,708	117,790	248,700	100,306
Total unit withdrawals for the year/period	(88,204)	(41,654)	(34,971)	(35,610)	(54,606)	(62,681)	(35,977)	(16,853)
Units on issue at the end of the year/period	87,114	122,155	208,147	156,940	463,244	384,142	296,176	83,453

Units thousands	Cash Fund	Moderate Fund
	2021	2021
<b>For the year/period ended 31 March</b>		
Units on issue at the start of the year/period	-	-
Total unit contributions for the year/period	67,192	43,262
Total unit withdrawals for the year/period	(48,941)	(12,366)
Units on issue at the end of the year/period	18,251	30,896

# Notes to the Financial Statements



## 5.3 Swing pricing

The impact of swing pricing is reflected in the Funds' year-to-date swing amounts and recorded within applications and withdrawals in the Statements of Changes in Net Assets. Swing adjustment amounts pertaining to any unsettled capital activity at balance date are included either in contributions receivable or withdrawals payable in the Statement of Changes in Net Assets. Swing pricing has been applied to all the Funds during the year. From April 2020, the Manager of the Plan introduced partial swing pricing as an anti-dilution mechanism as part of the unit valuation process. From August 2020, the Manager of the Plan changed the partial swing pricing mechanism to a full swing pricing mechanism. The introduction of swing pricing is aimed to protect investors by mitigating the effects of dilution in value of their unitholding as a result of transaction costs brought about by other investors buying or selling units in the fund. Subject to a threshold being met, the fund's net asset value per unit is adjusted up or down based on the direction of the net fund flows: if net flows are positive, the unit price will swing up and if net flows are negative, the unit price will swing down. The same unit price will apply to all transacting unitholders whether they are redeeming or subscribing.

The swing factor to be applied to the unit price is set individually for each Fund of the Plan and is accounted for in the Funds' registry system outside the Fund's Net Asset Value ("NAV") accounting system. The NAV per unit calculated for each fund is adjusted for capital processing, if certain pre-established thresholds are met. The factor adjustment is not presented separately in the Statement of Net Assets as it is not reflective of any actual asset or liability held by the fund at balance date.

The swing factor determines the magnitude of a swing to the net asset value price which is either a positive or a negative swing factor, depending on the net flow or direction of that day. These factors can differ from one Fund to the other as described below. The difference between the pending contributions and pending withdrawals of a given day is the resulting net flow. A net flow can be positive if the pending contributions exceeds the pending withdrawals and negative in the reverse scenario. A threshold is a predetermined net flow value that needs to be met or exceeded (greater than or equal to) for a swing factor to be enforced. If the threshold is not met, the resulting price would be equal to the net asset value price. A threshold is a percentage of the net asset value. The Manager can at its discretion change the swing factors and/or the thresholds.

The table below outlines the Swing factors and the thresholds that have been applied to each Fund at balance date:

As at 31 March 2021	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
Swing factor	0.11%	N/A	0.12%	N/A	0.13%	N/A	0.10%	N/A
Threshold as a percentage of the net asset value	0.01%	N/A	0.01%	N/A	0.01%	N/A	0.01%	N/A

  

As at 31 March 2021	Cash Fund		Moderate Fund	
	2021	2020	2021	2020
Swing factor	0.00%	N/A	0.11%	N/A
Threshold as a percentage of the net asset value	0.01%	N/A	0.01%	N/A

At 31 March 2021 all the Funds of the Plan subject to swing pricing during the year have met their threshold and therefore swing factors have been applied to the net asset value based prices.

## 5.4 Fair value estimation

Fair value measurements are categorised into a three level hierarchy that reflects the significance of the inputs used in making the measurements. The Plan recognises transfers between levels of the fair value hierarchy as at the end of the financial reporting period 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 balance date without any deduction for estimated future selling costs.

### 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.

## Notes to the Financial Statements

**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 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 input that is significant to the fair value measurement in its entirety. For this purpose, 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.

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 and provided by independent sources that are actively involved in the relevant market.

All financial assets and liabilities not measured at fair value through profit or loss are carried at amortised cost and their carrying values are a reasonable approximation of fair value.

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. There are no level 3 financial instruments. There have been no transfers between levels.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Level 1 Assets</b>								
<i>Financial assets at fair value through profit or loss</i>								
Equity index futures	-	-	-	57	-	-	32	35
Fixed interest index futures	-	-	516	-	-	-	-	-
Equity index options	-	-	278	-	-	-	424	2
Listed equities	-	-	-	-	-	-	80,057	7,438
<b>Total Level 1 Assets</b>	-	-	794	57	-	-	80,513	7,475
<b>Level 2 Assets</b>								
<i>Financial assets at fair value through profit or loss</i>								
Foreign exchange options	-	-	-	2	-	-	-	-
Forward foreign exchange contracts	-	-	480	115	-	-	110	55
Unlisted funds/trusts	172,400	214,453	558,631	338,923	2,207,576	1,341,811	293,004	63,129
<b>Total Level 2 Assets</b>	172,400	214,453	559,111	339,040	2,207,576	1,341,811	293,114	63,184
<b>Level 1 Liabilities</b>								
<i>Financial liabilities at fair value through profit or loss</i>								
Equity index futures	-	-	(32)	-	-	-	(37)	-
<b>Total Level 1 Liabilities</b>	-	-	(32)	-	-	-	(37)	-
<b>Level 2 Liabilities</b>								
<i>Financial liabilities at fair value through profit or loss</i>								
Forward foreign exchange contracts	-	-	(343)	(1,807)	-	-	(4,424)	(2,958)
<b>Total Level 2 Liabilities</b>	-	-	(343)	(1,807)	-	-	(4,424)	(2,958)

## Notes to the Financial Statements



\$ thousands	Cash Fund		Moderate Fund		Plan Total	
As at 31 March	2021		2021		2021	2020
<b>Level 1 Assets</b>						
<i>Financial assets at fair value through profit or loss</i>						
Equity index futures	-		-		32	92
Fixed interest index futures	-		-		516	-
Equity index options	-		-		702	2
Listed equities	-		-		80,057	7,438
<b>Total Level 1 Assets</b>	-		-		<b>81,307</b>	7,532
<b>Level 2 Assets</b>						
<i>Financial assets at fair value through profit or loss</i>						
Foreign exchange options	-		-		-	2
Forward foreign exchange contracts	-		-		590	170
Unlisted funds/trusts	18,422		34,333		3,181,690	1,903,766
<b>Total Level 2 Assets</b>	<b>18,422</b>		<b>34,333</b>		<b>3,182,280</b>	1,903,938
<b>Level 1 Liabilities</b>						
<i>Financial liabilities at fair value through profit or loss</i>						
Equity index futures	-		-		(69)	-
<b>Total Level 1 Liabilities</b>	-		-		<b>(69)</b>	-
<b>Level 2 Liabilities</b>						
<i>Financial liabilities at fair value through profit or loss</i>						
Forward foreign exchange contracts	-		-		(4,767)	(4,765)
<b>Total Level 2 Liabilities</b>	-		-		<b>(4,767)</b>	(4,765)

The fair value of listed equities, listed funds/trusts and listed equity index futures, fixed interest index futures and options is 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 forward foreign exchange contracts is calculated from spot exchange rates and forward points supplied by WM/Refinitiv. 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 foreign exchange options are obtained from third party pricing sources where the fair values are derived from option pricing models using market observable inputs such as currency exchange rates in the valuation methodology and are classified as Level 2 in the fair value hierarchy.

The Plan's investments in each of the funds managed by the Manager are recognised at fair value which are based on the latest available redemption prices of the units in the Milford Wholesale Funds, Milford Investment Funds and Funds of the Plan. The Manager reviews the details of the reported information obtained from the Milford Funds and considers:

- (a) the liquidity of the Plan's holding in the Milford Funds or their underlying investments;
- (b) the value date of the Net Asset Values ("NAVs") provided; and
- (c) any restrictions on redemptions

The fair value of unlisted funds/trusts is determined using the redemption price, based on the valuation of its underlying investments, as supplied by the Manager 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.

Refer to Note 2.4(c) of the accounting policies for further details on the fair value hierarchy.

## Notes to the Financial Statements

## 6. Financial instruments at fair value through profit or loss

## 6.1 Financial assets at fair value through profit or loss

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
Equity index futures	-	-	-	57	-	-	32	35
Fixed interest index futures	-	-	516	-	-	-	-	-
Equity index options	-	-	278	-	-	-	424	2
Foreign exchange options	-	-	-	2	-	-	-	-
Forward foreign exchange contracts	-	-	480	115	-	-	110	55
Listed equities	-	-	-	-	-	-	80,057	7,438
Unlisted funds/trusts	172,400	214,453	558,631	338,923	2,207,576	1,341,811	293,004	63,129
<b>Total financial assets at fair value through profit or loss</b>	<b>172,400</b>	<b>214,453</b>	<b>559,905</b>	<b>339,097</b>	<b>2,207,576</b>	<b>1,341,811</b>	<b>373,627</b>	<b>70,659</b>

\$ thousands	Cash Fund	Moderate Fund	Plan Total	
	2021	2021	2021	2020
<b>As at 31 March</b>				
Equity index futures	-	-	32	92
Fixed interest index futures	-	-	516	-
Equity index options	-	-	702	2
Foreign exchange options	-	-	-	2
Forward foreign exchange contracts	-	-	590	170
Listed equities	-	-	80,057	7,438
Unlisted funds/trusts	18,422	34,333	3,181,690	1,903,766
<b>Total financial assets at fair value through profit or loss</b>	<b>18,422</b>	<b>34,333</b>	<b>3,263,587</b>	<b>1,911,470</b>

## Notes to the Financial Statements



## 6.2. Financial liabilities at fair value through profit or loss

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March								
Equity index futures	-	-	(32)	-	-	-	(37)	-
Forward foreign exchange contracts	-	-	(343)	(1,807)	-	-	(4,424)	(2,958)
<b>Total financial liabilities at fair value through profit or loss</b>	-	-	<b>(375)</b>	<b>(1,807)</b>	-	-	<b>(4,461)</b>	<b>(2,958)</b>

\$ thousands	Cash Fund	Moderate Fund	Plan Total	
	2021	2021	2021	2020
As at 31 March				
Equity index futures	-	-	(69)	-
Forward foreign exchange contracts	-	-	(4,767)	(4,765)
<b>Total financial liabilities at fair value through profit or loss</b>	-	-	<b>(4,836)</b>	<b>(4,765)</b>



## Notes to the Financial Statements

## 7. Concentration of investments

The following table presents the securities, excluding derivatives, exceeding 5% of net assets available for benefits at balance date:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	% of NAV	2021	% of NAV	2021	% of NAV	2021	% of NAV
<b>As at 31 March</b>								
<b>Investments exceeding 5% of net assets available for benefits</b>								
Milford Active Growth Wholesale Fund					<b>2,207,576</b>	<b>99.8%</b>		
Milford Income Wholesale Fund			<b>220,087</b>	<b>37.4%</b>				
Milford Global Equity Fund			<b>102,181</b>	<b>17.4%</b>				
Milford KiwiSaver Active Growth Fund			<b>88,273</b>	<b>15.0%</b>				
Milford Global Select Wholesale Fund							<b>179,837</b>	<b>46.5%</b>
Milford Australian Equity Wholesale Fund							<b>24,237</b>	<b>6.3%</b>
Milford Dynamic Fund							<b>33,857</b>	<b>8.7%</b>
Milford Trans-Tasman Equity Fund							<b>48,433</b>	<b>12.5%</b>
Milford Conservative Fund	<b>172,400</b>	<b>101.0%</b>						

\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021	% of NAV	2021	% of NAV	2021	% of NAV
<b>As at 31 March</b>						
<b>Investments exceeding 5% of net assets available for benefits</b>						
Milford Active Growth Wholesale Fund					<b>2,207,576</b>	<b>66.7%</b>
Milford Income Wholesale Fund					<b>220,087</b>	<b>6.6%</b>
Milford Global Select Wholesale Fund					<b>195,141</b>	<b>5.9%</b>
Milford Cash Fund	<b>18,422</b>	<b>100.6%</b>				
Milford Balanced Fund			<b>17,505</b>	<b>48.8%</b>		
Milford Conservative Fund			<b>16,828</b>	<b>47.0%</b>	<b>189,228</b>	<b>5.7%</b>

# Notes to the Financial Statements



\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2020	% of NAV	2020	% of NAV	2020	% of NAV	2020	% of NAV
<b>As at 31 March</b>								
<b>Investments exceeding 5% of net assets available for benefits</b>								
Milford Active Growth Wholesale Fund					1,341,811	98.3%		
Milford Income Wholesale Fund			140,979	39.6%				
Milford Global Equity Fund			69,176	19.5%				
Milford KiwiSaver Active Growth Fund			53,037	14.9%				
Milford Global Select Wholesale Fund							46,857	61.1%
Milford Australian Equity Wholesale Fund							4,547	5.9%
Milford Dynamic Fund							4,709	6.1%
Milford Trans-Tasman Equity Fund							7,016	9.1%
Milford Conservative Fund	214,453	98.8%						

\$ thousands	Plan Total	
	2020	% of NAV
<b>As at 31 March</b>		
<b>Investments exceeding 5% of net assets available for benefits</b>		
Milford Active Growth Wholesale Fund	1,341,811	68.4%
Milford Income Wholesale Fund	140,979	7.2%
Milford Conservative Fund	214,453	10.9%

## Notes to the Financial Statements

The following table presents the securities, excluding derivatives, exceeding 5% of security class

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	% of Security class	2021	% of Security class	2021	% of Security class	2021	% of Security class
<b>As at 31 March</b>								
<b>Listed equities</b>								
Cme Group Inc							4,688	5.9%

\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021	% of Security class	2021	% of Security class	2021	% of Security class
<b>As at 31 March</b>						
<b>Listed equities</b>						
Cme Group Inc					4,688	5.9%

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	% of Security class	2021	% of Security class	2021	% of Security class	2021	% of Security class
<b>As at 31 March</b>								
<b>Unlisted funds/trusts</b>								
Milford Active Growth Wholesale Fund					2,207,576	100.0%		
Milford Income Wholesale Fund			220,087	39.4%				
Milford Trans-Tasman Equity Fund							48,433	16.5%
Milford Global Equity Fund			102,181	18.3%				
Milford KiwiSaver Active Growth Fund			88,273	15.8%				
Milford Global Select Wholesale Fund							179,837	61.4%
Milford Australian Equity Wholesale Fund							24,237	8.3%
Milford Dynamic Fund							33,857	11.6%
Milford Conservative Fund	172,400	100.0%						

\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021	% of Security class	2021	% of Security class	2021	% of Security class
<b>As at 31 March</b>						
<b>Unlisted funds/trusts</b>						
Milford Active Growth Wholesale Fund					2,207,576	69.4%
Milford Income Wholesale Fund					220,087	6.9%
Milford Global Select Wholesale Fund					195,141	6.1%
Milford Cash Fund	18,422	100.0%				
Milford Balanced Fund			17,505	51.0%		
Milford Conservative Fund			16,828	49.0%	189,228	5.9%

## Notes to the Financial Statements



The following table presents the securities, excluding derivatives, exceeding 5% of security class

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2020	% of Security class	2020	% of Security class	2020	% of Security class	2020	% of Security class
<b>As at 31 March</b>								
<b>Listed equities</b>								
free KK							606	8.2%
Amazon.Com Inc							559	7.5%
Activision Blizzard Inc							411	5.5%
Alibaba Group Holding-Sp Adr							609	8.2%
Cme Group Inc							483	6.5%
Dr Horton Inc							459	6.2%
Electronic Arts Inc							422	5.7%
Alphabet Inc Class C							522	7.0%
McDonald's Corp							390	5.2%
Microsoft Corporation							694	9.3%
Tencent Holdings Ltd-UNS ADR							662	8.9%
Visa Inc-Class A Shares							522	7.0%
Waste Management Inc							437	5.9%

\$ thousands							Plan Total	
	2020	% of Security class	2020	% of Security class	2020	% of Security class	2020	% of Security class
<b>As at 31 March</b>								
<b>Listed equities</b>								
free KK							606	8.2%
Amazon.Com Inc							559	7.5%
Activision Blizzard Inc							411	5.5%
Alibaba Group Holding-Sp Adr							609	8.2%
Cme Group Inc							483	6.5%
Dr Horton Inc							459	6.2%
Electronic Arts Inc							422	5.7%
Alphabet Inc Class C							522	7.0%
McDonald's Corp							390	5.2%
Microsoft Corporation							694	9.3%
Tencent Holdings Ltd-UNS ADR							662	8.9%
Visa Inc-Class A Shares							522	7.0%
Waste Management Inc							437	5.9%

## Notes to the Financial Statements



\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2020	% of Security class	2020	% of Security class	2020	% of Security class	2020	% of Security class
<b>As at 31 March</b>								
<b>Unlisted funds/trusts</b>								
Milford Active Growth Wholesale Fund					1,341,811	100.0%		
Milford Income Wholesale Fund			140,979	41.6%				
Milford Global Select Wholesale Fund							46,857	74.2%
Milford Australian Equity Wholesale Fund							4,547	7.2%
Milford Conservative Fund	214,453	100.0%						
Milford Global Equity Fund			69,176	20.4%				
Milford Dynamic Fund							4,709	7.5%
Milford Trans-Tasman Equity Fund							7,016	11.1%
Milford KiwiSaver Active Growth Fund			53,037	15.6%				

\$ thousands	Plan Total	
	2020	% of Security class
<b>As at 31 March</b>		
<b>Unlisted funds/trusts</b>		
Milford Active Growth Wholesale Fund	1,341,811	70.5%
Milford Income Wholesale Fund	140,979	7.4%
Milford Conservative Fund	214,453	11.3%

# Notes to the Financial Statements

## 8. Financial instruments by category

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

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Financial assets at fair value through profit and loss</b>	<b>172,400</b>	214,453	<b>559,905</b>	339,097	<b>2,207,576</b>	1,341,811	<b>373,627</b>	70,659
<b>Financial assets at amortised cost</b>								
Cash and cash equivalents	188	2,204	30,984	18,846	31,949	30,060	19,242	7,942
Trade and other receivables	504	2,780	2,579	2,510	5,406	3,315	3,599	898
<b>Total financial assets at amortised cost</b>	<b>692</b>	4,984	<b>33,563</b>	21,356	<b>37,355</b>	33,375	<b>22,841</b>	8,840
<b>Total financial assets</b>	<b>173,092</b>	219,437	<b>593,468</b>	360,453	<b>2,244,931</b>	1,375,186	<b>396,468</b>	79,499
<b>Financial liabilities at fair value through profit and loss</b>	-	-	375	1,807	-	-	4,461	2,958
<b>Financial liabilities at amortised cost</b>								
Trade and other payables	525	2,526	614	1,742	1,389	3,944	1,857	312
Trade and other payables to related parties	-	5	197	141	19,075	1,339	68	5
Net assets available for benefits	170,756	216,955	588,769	355,609	2,211,535	1,365,435	387,124	76,725
<b>Total financial liabilities at amortised cost</b>	<b>171,281</b>	219,486	<b>589,580</b>	357,492	<b>2,231,999</b>	1,370,718	<b>389,049</b>	77,042
<b>Total financial liabilities</b>	<b>171,281</b>	219,486	<b>589,955</b>	359,299	<b>2,231,999</b>	1,370,718	<b>393,510</b>	80,000

## Notes to the Financial Statements

\$ thousands	Cash Fund	Moderate Fund	Plan Total	
As at 31 March	2021	2021	2021	2020
<b>Financial assets at fair value through profit and loss</b>	18,422	34,333	3,263,587	1,911,470
<b>Financial assets at amortised cost</b>				
Cash and cash equivalents	203	1,280	83,846	59,293
Trade and other receivables	85	362	10,399	5,253
<b>Total financial assets at amortised cost</b>	288	1,642	94,245	64,546
<b>Total financial assets</b>	18,710	35,975	3,357,832	1,976,016
<b>Financial liabilities at fair value through profit and loss</b>	-	-	4,836	4,765
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	382	58	2,689	1,154
Trade and other payables to related parties	-	-	19,340	4,503
Net assets available for benefits	18,320	35,837	3,309,665	1,960,522
<b>Total financial liabilities at amortised cost</b>	18,702	35,895	3,331,694	1,966,179
<b>Total financial liabilities</b>	18,702	35,895	3,336,530	1,970,944

# Notes to the Financial Statements

## 9. Related parties

### 9.1 Manager and Supervisor

The Manager of the Plan is Milford Funds Limited. The Manager is entitled to the following management fees per annum for services as Manager:

Milford KiwiSaver Cash Fund	0.20% per annum
Milford KiwiSaver Conservative Fund	0.95% per annum
Milford KiwiSaver Moderate Fund	0.95% per annum
Milford KiwiSaver Balanced Fund	1.05% per annum
Milford KiwiSaver Active Growth Fund	1.05% per annum
Milford KiwiSaver Aggressive Fund	1.15% per annum

The management fees are used to cover expenses for administration fees, supervisor fees, audit fees and other appropriate expenses payable by the Plan. The management fees are calculated daily and paid monthly directly from the Plan.

The Manager is also entitled to be paid a performance fee for the KiwiSaver Active Growth Fund in respect of the 12 month period ending 31 March in any period that the investment performance is above the benchmark and the high water mark. The performance fee is equal to 15% of the amount that the return of the Fund (after the deduction of the base fund fee but before tax and before the performance fee) exceeds the benchmark. The benchmark is a 10% return per annum. The payment of the performance fee is made if the net asset value per unit exceeds the net asset value per unit used in the calculation of the last performance fee paid (the high water mark). The high water mark is the Fund's previous highest ever net asset value per unit achieved on 31 March. If this condition is not met, payment is deferred until it is met. Absolute performance losses are carried forward into the next performance period. From 14th August 2020, a performance fee cap of 0.95% of average daily NAV was applied to the Fund. The cap is reset at the end of the respective 12 month period and any excess over the cap is not carried over into the next period.

The Milford KiwiSaver Balanced Fund and the Milford KiwiSaver Aggressive Fund may invest into related Milford Funds which are subject to performance fees payable to the Manager.



## Notes to the Financial Statements



\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>31 March</b>								
Fees paid and payable to related parties for the year/period ended 31 March were as follows:								
Milford Funds Limited:								
Management fees	1,770	1,147	4,908	3,710	18,783	15,428	2,385	390
Management fee rebates	(1,757)	(1,120)	(3,134)	(2,324)	-	-	(2,079)	(372)
Management fees payable	-	5	197	141	2,050	1,339	68	5
Performance fees	-	-	-	-	17,025	-	-	-
Performance fees payable	-	-	-	-	17,025	-	-	-

\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021	2021	2021	2020		
<b>31 March</b>						
Fees paid and payable to related parties for the year/period ended 31 March were as follows:						
Milford Funds Limited:						
Management fees	37	203	28,085	20,675		
Management fee rebates	(36)	(201)	(7,206)	(3,816)		
Management fees payable	-	-	2,315	1,490		
Performance fee rebates			17,025			
Performance fees payable			17,025			

The Supervisor of the Plan is Trustees Executors Limited. The Supervisor is entitled to receive a fee from the Manager for supervisory services.

The Plan incurred the following fees to related parties that were paid for by the Manager on behalf of the Plan for the year/period ended 31 March:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>For the year/period ended 31 March</b>								
Trustees Executors Limited:								
Supervisor fees	18	14	46	41	174	169	20	4

  

\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021	2021	2021	2020		
<b>For the year/period ended 31 March</b>						
Trustees Executors Limited:						
Supervisor fees	2	2	262	228		

## Notes to the Financial Statements



The Plan incurred the following audit fees that were paid for by the Manager on behalf of the Plan for the year/period ended 31 March:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>For the year/period ended 31 March</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>

PricewaterhouseCoopers New Zealand:

Audit fees	16	16	16	16	16	16	13	13
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\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021	2020	2021	2020	2021	2020
<b>For the year/period ended 31 March</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>

PricewaterhouseCoopers New Zealand:

Audit fees	11	11	83	61
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The Manager also paid administration, legal and custody expenses on behalf of the Plan to non-related parties. A monthly member administration fee is deducted from each member by way of unit redemption and is payable to the Manager. This is accounted for as a withdrawal and does not impact net profit before membership activities. Effective 1 December 2020, this fee was reduced from \$3.00 per month to \$1.50. In addition, the Manager ceased charging members under 21 and over 65 years of age, from 1 September 2019.

From time to time the Manager undertakes certain trades of investments between the Funds of the Plan and various funds managed by the Manager without incurring brokerage costs. In the opinion of the Manager these transactions were made at fair value. No such trades occurred during the current period or the comparative financial year.

Holdings in the Plan by Directors and key management personnel of the Manager and their immediate family members that are directly or indirectly held:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>

Holdings	-	-	-	-	2,303	1,437	1,712	962
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\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>

Holdings	-	-	4,015	2,399
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## Notes to the Financial Statements

## 9.2 Investments in the Plan by related parties

The following table shows the value of investments by related parties in the Plan at balance date:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Milford KiwiSaver Funds</b>								
Milford KiwiSaver Balanced Fund	-	-	-	-	88,273	53,037	7,599	4,597
<b>Total</b>	-	-	-	-	88,273	53,037	7,599	4,597

\$ thousands	Cash Fund	Moderate Fund	Plan Total	
	2021	2021	2021	2020
<b>As at 31 March</b>				
<b>Milford KiwiSaver Funds</b>				
Milford KiwiSaver Balanced Fund	1,004	5,800	-	-
<b>Total</b>	1,004	5,800	-	-

At 31 March 2020, the Milford KiwiSaver Balanced Fund also held investments with a fair value of \$4,997,000 and \$1,000,100 in the Milford KiwiSaver Moderate Fund and Milford KiwiSaver Cash Fund respectively.

The following table shows the income earned or (losses) incurred by related parties from their investments in the Plan in the year/period ended.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>For the year/period ended 31 March</b>								
<b>Milford KiwiSaver Funds</b>								
Milford KiwiSaver Balanced Fund	-	-	-	-	18,981	(2,170)	2,002	(403)
<b>Total</b>	-	-	-	-	18,981	(2,170)	2,002	(403)

\$ thousands	Cash Fund	Moderate Fund	Plan Total	
	2021	2021	2021	2020
<b>For the year/period ended 31 March</b>				
<b>Milford KiwiSaver Funds</b>				
Milford KiwiSaver Balanced Fund	4	803	-	-
<b>Total</b>	4	803	-	-

During the year ended 31 March 2020, the Milford KiwiSaver Balanced Fund also made an unrealised loss of \$3,000 and an unrealised gain of \$100 from its investments in the Milford KiwiSaver Moderate Fund and Milford KiwiSaver Cash Fund respectively.

## Notes to the Financial Statements



## 9.3 Investments by the Plan in related parties

The following table shows the value of investments by the Plan in related parties at balance date:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
<b>Milford Wholesale Funds</b>								
Milford Active Growth Wholesale Fund	-	-	-	-	2,207,576	1,341,811	-	-
Milford Income Wholesale Fund	-	-	220,087	140,979	-	-	-	-
Milford NZ Equities Wholesale Fund	-	-	23,012	7,471	-	-	-	-
Milford Australian Equities Wholesale Fund	-	-	-	-	-	-	24,237	4,547
Milford Global Select Wholesale Fund	-	-	15,304	9,283	-	-	179,837	46,857
Milford Global Real Asset Wholesale Fund	-	-	-	-	-	-	6,640	-
<b>Milford Investment Funds</b>								
Milford Balanced Fund	-	-	-	-	-	-	-	-
Milford Trans-Tasman Equity Fund	-	-	23,426	9,816	-	-	48,433	7,016
Milford Trans-Tasman Bond Fund	-	-	8,050	7,689	-	-	-	-
Milford Dynamic Fund	-	-	27,268	10,994	-	-	33,857	4,709
Milford Global Corporate Bond Fund	-	-	19,733	11,495	-	-	-	-
Milford Global Equity Fund	-	-	102,181	69,176	-	-	-	-
Milford Conservative Fund	172,400	214,453	-	-	-	-	-	-
Milford Australian Absolute Growth Fund	-	-	16,894	8,389	-	-	-	-
Milford Cash Fund	-	-	-	-	-	-	-	-
<b>Milford KiwiSaver Funds</b>								
Milford KiwiSaver Active Growth Fund	-	-	88,273	53,037	-	-	-	-
Milford KiwiSaver Aggressive Fund	-	-	7,599	4,597	-	-	-	-
Milford KiwiSaver Cash Fund	-	-	1,004	1,000	-	-	-	-
Milford KiwiSaver Moderate Fund	-	-	5,800	4,997	-	-	-	-
<b>Total</b>	<b>172,400</b>	<b>214,453</b>	<b>558,631</b>	<b>338,923</b>	<b>2,207,576</b>	<b>1,341,811</b>	<b>293,004</b>	<b>63,129</b>

## Notes to the Financial Statements



\$ thousands	Cash Fund	Moderate Fund	Plan Total	
As at 31 March	2021	2021	2021	2020
<b>Milford Wholesale Funds</b>				
Milford Active Growth Wholesale Fund	-	-	<b>2,207,576</b>	1,341,811
Milford Income Wholesale Fund	-	-	<b>220,087</b>	140,979
Milford NZ Equities Wholesale Fund	-	-	<b>23,012</b>	7,471
Milford Australian Equities Wholesale Fund	-	-	<b>24,237</b>	4,547
Milford Global Select Wholesale Fund	-	-	<b>195,141</b>	56,140
Milford Global Real Asset Wholesale Fund	-	-	<b>6,640</b>	-
<b>Milford Investment Funds</b>				
Milford Balanced Fund	-	<b>17,505</b>	<b>17,505</b>	2,709
Milford Trans-Tasman Equity Fund	-	-	<b>71,859</b>	16,832
Milford Trans-Tasman Bond Fund	-	-	<b>8,050</b>	7,689
Milford Dynamic Fund	-	-	<b>61,125</b>	15,703
Milford Global Corporate Bond Fund	-	-	<b>19,733</b>	11,495
Milford Global Equity Fund	-	-	<b>102,181</b>	69,176
Milford Conservative Fund	-	<b>16,828</b>	<b>189,228</b>	217,176
Milford Australian Absolute Growth Fund	-	-	<b>16,894</b>	8,389
Milford Cash Fund	<b>18,422</b>	-	<b>18,422</b>	3,649
<b>Milford KiwiSaver Funds</b>				
Milford KiwiSaver Active Growth Fund	-	-	-	-
Milford KiwiSaver Aggressive Fund	-	-	-	-
Milford KiwiSaver Cash Fund	-	-	-	-
Milford KiwiSaver Moderate Fund	-	-	-	-
<b>Total</b>	<b>18,422</b>	<b>34,333</b>	<b>3,181,690</b>	1,903,766

During March 2020, the Milford KiwiSaver Balanced Fund provided seeding capital of \$5,000,000 to the Milford KiwiSaver Moderate Fund. At 31 March 2020, the Milford KiwiSaver Balanced held 92.1% of the Milford KiwiSaver Moderate Fund's units on issue. Effective from 28 April 2020 the Milford KiwiSaver Balanced Fund no longer had a controlling interest in the Milford KiwiSaver Moderate Fund. Since this date, the Milford KiwiSaver Moderate Fund is no longer an unconsolidated subsidiary of the Milford KiwiSaver Balanced Fund.

## Notes to the Financial Statements



The following table shows the income earned or (loss) incurred by the Plan from their investments in related parties in the year/period ended.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>For the year/period ended 31 March</b>								
<b>Milford Wholesale Funds</b>								
Milford Active Growth Wholesale Fund	-	-	-	-	542,139	(37,134)	-	-
Milford Income Wholesale Fund	-	-	25,206	(3,955)	-	-	-	-
Milford NZ Equities Wholesale Fund	-	-	3,996	879	-	-	-	-
Milford Australian Equities Wholesale Fund	-	-	-	-	-	-	3,590	(1,184)
Milford Global Select Wholesale Fund	-	-	2,802	1,111	-	-	22,749	(2,256)
Milford Global Real Asset Wholesale Fund	-	-	-	-	-	-	(10)	-
<b>Milford Investment Funds</b>								
Milford Trans-Tasman Equity Fund	-	-	4,810	(418)	-	-	5,468	(1,098)
Milford Trans-Tasman Bond Fund	-	-	361	332	-	-	-	-
Milford Dynamic Fund	-	-	8,224	(1,864)	-	-	5,598	(1,241)
Milford Global Corporate Bond Fund	-	-	1,558	334	-	-	-	-
Milford Global Equity Fund	-	-	26,125	(856)	-	-	-	-
Milford Conservative Fund	18,903	(1,885)	-	-	-	-	-	-
Milford Australian Absolute Growth Fund	-	-	3,005	(354)	-	-	-	-
<b>Milford KiwiSaver Funds</b>								
Milford KiwiSaver Active Growth Fund	-	-	18,981	(2,170)	-	-	-	-
Milford KiwiSaver Aggressive Fund	-	-	2,002	(403)	-	-	-	-
Milford KiwiSaver Cash Fund	-	-	4	-	-	-	-	-
Milford KiwiSaver Moderate Fund	-	-	803	(3)	-	-	-	-
<b>Total</b>	<b>18,903</b>	<b>(1,885)</b>	<b>97,877</b>	<b>(7,367)</b>	<b>542,139</b>	<b>(37,134)</b>	<b>37,395</b>	<b>(5,779)</b>

## Notes to the Financial Statements

\$ thousands	Cash Fund	Moderate Fund	Plan Total	
For the year/period ended 31 March	2021	2021	2021	2020
<b>Milford Wholesale Funds</b>				
Milford Active Growth Wholesale Fund	-	-	542,139	(37,134)
Milford Income Wholesale Fund	-	-	25,206	(3,955)
Milford NZ Equities Wholesale Fund	-	-	3,996	879
Milford Australian Equities Wholesale Fund	-	-	3,590	(1,184)
Milford Global Select Wholesale Fund	-	-	25,551	(1,145)
Milford Global Real Asset Wholesale Fund	-	-	(10)	-
<b>Milford Investment Funds</b>				
Milford Balanced Fund	-	1,707	1,710	-
Milford Trans-Tasman Equity Fund	-	-	10,278	(1,516)
Milford Trans-Tasman Bond Fund	-	-	361	332
Milford Dynamic Fund	-	-	13,822	(3,105)
Milford Global Corporate Bond Fund	-	-	1,558	334
Milford Global Equity Fund	-	-	26,125	(856)
Milford Conservative Fund	-	645	19,547	(1,884)
Milford Australian Absolute Growth Fund	-	-	3,005	(354)
Milford Cash Fund	68	-	68	-
<b>Milford KiwiSaver Funds</b>				
Milford KiwiSaver Active Growth Fund	-	-	-	-
Milford KiwiSaver Aggressive Fund	-	-	-	-
Milford KiwiSaver Cash Fund	-	-	-	-
Milford KiwiSaver Moderate Fund	-	-	-	-
<b>Total</b>	<b>68</b>	<b>2,352</b>	<b>676,946</b>	<b>(49,588)</b>

All related party transactions were made on an arm's length basis.

## Notes to the Financial Statements

**9.4 Interfund receivables and payables**

The following table shows the related party contributions receivable and related party redemptions payable which are included in the respective contributions receivable and withdrawals payable at balance date (see Note 10 and Note 11):

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
Contributions receivable	<b>315</b>	2,379	<b>374</b>	608	<b>504</b>	958	<b>684</b>	306
Redemptions payable	<b>(501)</b>	(1,908)	<b>(403)</b>	(1,552)	<b>(656)</b>	(3,768)	<b>(144)</b>	(142)

\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>						
Contributions receivable	<b>81</b>		<b>178</b>		-	-
Redemptions payable	<b>(378)</b>		<b>(54)</b>		-	-

The related party contributions receivable and related party redemptions payable balances represent outstanding interfund switches by members.



## Notes to the Financial Statements

## 10. Trade and other receivables

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>								
Accrued interest	-	3	7	8	9	14	5	4
Dividends and distributions receivable	-	-	-	-	-	-	60	-
Futures margin accounts	-	-	590	1,439	-	-	816	302
Other receivables	-	-	-	-	7	-	-	-
Contributions receivable	504	2,777	1,982	1,063	5,390	3,301	2,718	592
<b>Total trade and other receivables</b>	<b>504</b>	<b>2,780</b>	<b>2,579</b>	<b>2,510</b>	<b>5,406</b>	<b>3,315</b>	<b>3,599</b>	<b>898</b>

\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>						
Accrued interest	-	-	-	-	21	29
Dividends and distributions receivable	-	-	-	-	60	-
Futures margin accounts	-	-	-	-	1,406	1,741
Other receivables	-	-	-	-	7	-
Contributions receivable	85	362	362	3,483	8,905	3,483
<b>Total trade and other receivables</b>	<b>85</b>	<b>362</b>	<b>362</b>	<b>5,253</b>	<b>10,399</b>	<b>5,253</b>

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

## Notes to the Financial Statements



## 11. Trade and other payables

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March								
Redemptions payable	525	2,526	614	1,742	1,389	3,944	486	142
Unsettled investment trades	-	-	-	-	-	-	1,371	170
<b>Total trade and other payables</b>	<b>525</b>	<b>2,526</b>	<b>614</b>	<b>1,742</b>	<b>1,389</b>	<b>3,944</b>	<b>1,857</b>	<b>312</b>

\$ thousands	Cash Fund		Moderate Fund		Plan Total	
	2021	2020	2021	2020	2021	2020
As at 31 March						
Redemptions payable	382		58		1,318	984
Unsettled investment trades	-		-		1,371	170
<b>Total trade and other payables</b>	<b>382</b>		<b>58</b>		<b>2,689</b>	<b>1,154</b>

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

## Notes to the Financial Statements

## 12. Trade and other payables to related parties

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March								
Management fees payable	-	5	197	141	2,050	1,339	68	5
Performance fees payable	-	-	-	-	17,025	-	-	-
Unsettled investment trades	-	-	-	-	-	-	-	-
<b>Total trade and other payables to related parties</b>	-	5	197	141	19,075	1,339	68	5

\$ thousands	Cash Fund	Moderate Fund	Plan Total	
	2021	2021	2021	2020
As at 31 March				
Management fees payable	-	-	2,315	1,490
Performance fees payable	-	-	17,025	-
Unsettled investment trades	-	-	-	3,013
<b>Total trade and other payables to related parties</b>	-	-	19,340	4,503

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

## Notes to the Financial Statements

### 13. Reconciliation of net profit/(loss) before tax and membership activities to net cash flows from operating activities

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>For the year/period ended 31 March</b>								
<b>Net profit/(loss) before membership activities</b>	<b>18,896</b>	(1,879)	<b>96,826</b>	(8,517)	<b>506,427</b>	(52,334)	<b>54,369</b>	(9,266)
<b>Adjustments for non cash items:</b>								
Unrealised changes in the fair value of financial instruments at fair value through profit or loss	<b>(13,133)</b>	4,498	<b>(97,794)</b>	14,124	<b>(542,139)</b>	53,769	<b>(42,468)</b>	8,663
Unrealised foreign exchange (gains)/losses on cash at bank	-	-	<b>646</b>	(1,062)	-	-	<b>(57)</b>	(73)
Distributions re-invested	<b>(3,181)</b>	(2,246)	<b>(594)</b>	(512)	-	-	<b>(264)</b>	(52)
Other non cash income and expenses	-	-	<b>63</b>	15	-	-	<b>19</b>	-
	<b>(16,314)</b>	2,252	<b>(97,679)</b>	12,565	<b>(542,139)</b>	53,769	<b>(42,770)</b>	8,538
<b>Movements in working capital items:</b>								
Decrease/(increase) in trade and other receivables	<b>3</b>	(1)	<b>814</b>	(604)	<b>(2)</b>	3	<b>(580)</b>	(315)
(Decrease)/increase in trade and other payables	<b>(5)</b>	4	<b>56</b>	52	<b>17,736</b>	361	<b>59</b>	5
Decrease/(increase) in cost of investments	<b>58,367</b>	(127,544)	<b>(123,878)</b>	(93,671)	<b>(323,626)</b>	(203,385)	<b>(257,542)</b>	(76,133)
	<b>58,365</b>	(127,541)	<b>(123,008)</b>	(94,223)	<b>(305,892)</b>	(203,021)	<b>(258,063)</b>	(76,443)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>60,947</b>	(127,168)	<b>(123,861)</b>	(90,175)	<b>(341,604)</b>	(201,586)	<b>(246,464)</b>	(77,171)

## Notes to the Financial Statements



\$ thousands	Cash Fund	Moderate Fund	Plan Total	
For the year/period ended 31 March	2021	2021	2021	2020
<b>Net profit/(loss) before membership activities</b>	<b>67</b>	<b>2,350</b>	<b>657,147</b>	(69,422)
<b>Adjustments for non cash items:</b>				
Unrealised changes in the fair value of financial instruments at fair value through profit or loss	(33)	(2,201)	(676,367)	78,480
Unrealised foreign exchange (gains)/losses on cash at bank	-	-	589	(1,135)
Distributions re-invested	-	(142)	(4,181)	(2,810)
Other non cash income and expenses	-	-	82	15
	<b>(33)</b>	<b>(2,343)</b>	<b>(679,877)</b>	74,550
<b>Movements in working capital items:</b>				
Decrease/(increase) in trade and other receivables	-	-	235	(917)
Increase in trade and other payables	-	-	14,833	3,435
Increase in cost of investments	(18,389)	(31,990)	(670,333)	(482,270)
	<b>(18,389)</b>	<b>(31,990)</b>	<b>(655,265)</b>	(479,752)
<b>Net cash outflow from operating activities</b>	<b>(18,355)</b>	<b>(31,983)</b>	<b>(677,995)</b>	(474,624)

## 14. Contingent liabilities

There were no contingent liabilities as at 31 March 2021 (31 March 2020: Nil).

## 15. Capital commitments

There were no material capital commitments as at 31 March 2021 (31 March 2020: Nil).

## 16. Events after balance date

There have been no events or conditions that have occurred since balance date which would impact the financial position of the Plan disclosed in the Statements of Net Assets as at 31 March 2021, or the results and cash flows of the Plan for the year/period ended on that date.



## Independent auditor's report

To the members of the Milford KiwiSaver Plan (the Plan) which comprises:

- Milford KiwiSaver Conservative Fund
- Milford KiwiSaver Balanced Fund
- Milford KiwiSaver Active Growth Fund
- Milford KiwiSaver Aggressive Fund
- Milford KiwiSaver Cash Fund
- Milford KiwiSaver Moderate Fund

(Collectively referred to as the Funds)

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### Our opinion

In our opinion, the accompanying financial statements of the Funds and the Plan present fairly, in all material respects, the financial position of the Funds and the Plan as at 31 March 2021, their financial performance and their cash flows for the year/period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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### What we have audited

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

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

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### Basis for opinion

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

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

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### Independence

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

We have provided the following services to Milford Funds Limited (the Manager): net tangible assets agreed upon procedures and managed investment scheme licensing compliance assurance services. Subject to certain restrictions, employees of the firm may invest in the Plan on normal market terms. These services and relationships have not impaired our independence as auditor of the Plan.



### Key audit matters

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

#### Description of the key audit matter

##### **Valuation and existence of financial assets and financial liabilities at fair value through profit or loss (collectively, financial instruments)**

Refer to note 6 to the financial statements for disclosures of financial instruments at fair value through profit or loss

##### *Financial assets at fair value through profit or loss (000's)*

- Milford KiwiSaver Conservative Fund: \$172,400
- Milford KiwiSaver Balanced Fund: \$559,905
- Milford KiwiSaver Active Growth Fund: \$2,207,576
- Milford KiwiSaver Aggressive Fund: \$373,627
- Milford KiwiSaver Cash Fund: \$18,422
- Milford KiwiSaver Moderate Fund: \$34,333
- Milford KiwiSaver Plan: \$3,263,587

##### *Financial liabilities at fair value through profit or loss (000's):*

- Milford KiwiSaver Balanced Fund: \$375
- Milford KiwiSaver Aggressive Fund: \$4,461
- Milford KiwiSaver Plan: \$4,836

This was an area of focus for our audit as it represents the majority of the net assets of the Funds and the Plan.

The fair value of the financial instruments traded in active markets are based on quoted market prices at 31 March 2021 and are categorised as level 1 in the fair value hierarchy.

#### Description of the key audit matter

The fair value of the financial instruments are not traded in an active market are determined by using valuation techniques. The valuation technique depends on the underlying asset and includes assumptions that are based on market conditions existing at balance date. Financial instruments with inputs to the valuation that are observable either directly or indirectly are categorised as level 2 in the fair value hierarchy.

The Funds' level 2 financial instruments include forward foreign exchange contracts, foreign exchange options and investments in unlisted funds/trusts.

The Funds' invest into unlisted funds/trusts managed by the Manager. The fair value of these unlisted funds/trusts is based on the latest available redemption price established by MMC Limited (the Administrator).

For financial instruments quoted in foreign currencies, these are translated to New Zealand dollars using the applicable exchange rate at balance date.

Record of all financial instruments is held with the National Australia Bank (the Custodian), the Administrator, financial institutions and counterparties on behalf of the Funds and the Plan.



### How our audit addressed the key audit matter

We assessed the processes employed by the Manager for recording and valuing the financial instruments at fair value through profit or loss, including the relevant controls operated by the Manager and the third party service organisations. The third party service organisations include the Administrator and the Custodian.

Our assessment of the business processes included obtaining the internal control reports over custody, investment accounting and registry provided by the third party service organisations. We evaluated the evidence provided by the internal controls reports over the design and operating effectiveness of the key controls operated by the third party service providers for the period 1 April 2020 to 31 March 2021.

Where the report did not cover the full period from 1 April 2020 to 31 March 2021, we obtained a bridging letter confirming there were no material changes in the third party service provider's control environment and no significant deficiencies in the design or operation of relevant internal controls in the intervening period.

#### Valuation

For all investments where quoted market prices in an active market were available, we agreed the market prices at 31 March 2021 to independent third party pricing sources.

For investments in unlisted funds/trusts managed by the Manager, we agreed the redemption price at balance date to the redemption price established by the Administrator.

For all investments quoted in foreign currencies, we agreed the exchange rates at which they have been converted from their underlying local currencies to New Zealand dollars to independent third party sources.

For forward foreign exchange contracts and foreign exchange options, we agreed the observable inputs to third party pricing sources and used our own in-house valuation expert to test the fair value using independent valuation methods.

### How our audit addressed the key audit matter

#### Existence

We obtained confirmations from the Custodian, the Administrator, financial institutions or counterparties of the holdings of all the financial instruments held by the Funds and the Plan as at balance date.

From the procedures performed, we have no matters to report.

### Our audit approach Overview

<b>Materiality</b>	We determined materiality for each fund and the Plan separately. Our materiality is calculated based on 1% of the net assets for each Fund and the Plan.  We chose net assets as the benchmark because, in our view, the objective of the Funds and the Plan is to provide members with a total return on the Funds' and the Plan's net assets, taking into account both capital and income returns.
<b>Key audit matters</b>	As reported above, because of the significance of the investments to the financial statements, we have determined that there is one key audit matter: valuation and existence of investments at fair value through profit or loss.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



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### **Materiality**

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

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

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

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

The Manager is responsible for governance and control activities of the Funds. The Funds' investments are held by a Custodian. The Manager has outsourced investment accounting and registry services to the Administrator.

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

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### **Other information**

The Manager is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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



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

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

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

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### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

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### **Who we report to**

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

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

For and on behalf of:

Chartered Accountants  
2 July 2021

Auckland



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