


Pathfinder KiwiSaver Plan
Financial Statements
For the year ended 31 March 2021

Manager's Statement

In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of the Pathfinder KiwiSaver Plan as at 31 March 2021 and the results for the period ended on that date in accordance with the requirements of the Pathfinder KiwiSaver Master Trust Deed dated 29 May 2019.

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

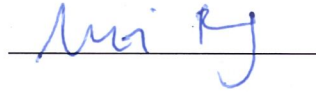
Director
Pathfinder Asset Management Limited



Date

30 July 2021

Director



Date

30 July 2021

Statements of Changes in Net Assets

| \$ | Note | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|---|------|-------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| For the period ended 31 March | | | | | | | | | |
| Income | | | | | | | | | |
| Interest income | 14 | 28,477 | 7,802 | 67,166 | 12,793 | 109,434 | 22,420 | 205,077 | 43,015 |
| Dividend and distribution income | | 20,483 | 7,887 | 149,950 | 27,288 | 461,322 | 87,421 | 631,755 | 122,396 |
| Foreign exchange losses on financial instruments at amortised cost | | 10,294 | (4,576) | 152,815 | (45,490) | 441,168 | (53,399) | 604,277 | (103,465) |
| Net gains/(losses) on financial assets and liabilities at fair value through profit or loss | | 188,270 | 29,104 | 1,927,430 | (170,191) | 6,729,264 | (700,518) | 8,844,964 | (841,605) |
| Other income | | - | - | - | 189 | - | 707 | - | 896 |
| Investment manager fee rebates | | 827 | 23 | 2,689 | 49 | 6,556 | 160 | 10,072 | 232 |
| Total income/(loss) | | 248,351 | 40,040 | 2,300,050 | (175,362) | 7,747,744 | (643,209) | 10,296,145 | (778,531) |
| Expenses | | | | | | | | | |
| Management fees | 9 | 27,812 | 4,765 | 131,285 | 16,881 | 348,420 | 49,735 | 507,517 | 71,381 |
| Transaction costs | | 1,116 | 996 | 6,378 | 4,806 | 21,721 | 11,751 | 29,215 | 17,553 |
| Interest expense | | 2,108 | 2,375 | 18,302 | 4,465 | 45,041 | 14,580 | 65,451 | 21,420 |
| Other expenses | | 803 | 21 | 2,220 | 308 | 3,396 | 632 | 6,419 | 961 |
| Total expenses | | 31,839 | 8,157 | 158,185 | 26,460 | 418,578 | 76,698 | 608,602 | 111,315 |
| Net profit/(loss) before membership activities | | 216,512 | 31,883 | 2,141,865 | (201,822) | 7,329,166 | (719,907) | 9,687,543 | (889,846) |
| Contributions | | | | | | | | | |
| Member contributions | | 298,555 | 47,420 | 674,079 | 114,535 | 2,322,376 | 468,315 | 3,295,010 | 630,270 |
| Employer contributions | | 162,075 | 24,037 | 406,156 | 55,760 | 1,278,714 | 239,571 | 1,846,945 | 319,368 |
| Crown contributions | | 40,773 | 18 | 103,311 | 169 | 280,274 | 3,066 | 424,358 | 3,253 |
| Transfers from other Funds in the Scheme | | 1,529,912 | 389,041 | 290,359 | 682,375 | 1,554,465 | 270,501 | - | - |
| Transfers from other KiwiSaver schemes | | 2,674,701 | 1,502,025 | 10,406,262 | 4,473,546 | 24,157,050 | 11,762,419 | 37,238,013 | 17,737,990 |
| Transfers from other superannuation schemes | | 28,171 | - | 23,179 | - | 373,513 | - | 424,863 | - |
| Lump sum contributions | | 2,194,290 | 2,643 | 1,215,193 | 510,556 | 1,280,065 | 45,929 | 4,689,548 | 559,128 |
| Other voluntary contributions | | 7,780 | - | 4,086 | 2,164 | 87,967 | 172 | 99,833 | 2,336 |
| Member attributed taxation | | - | 214 | - | 1,883 | - | 9,963 | - | 12,060 |
| Other income | | 66 | 75 | 846 | 154 | 829 | 749 | 1,741 | 978 |
| | | 6,936,323 | 1,965,473 | 13,123,471 | 5,821,142 | 31,335,253 | 12,800,685 | 48,020,311 | 19,265,383 |
| Withdrawals | | | | | | | | | |
| Transfers to other Funds in the Scheme | | 1,132,828 | 647,408 | 776,285 | 342,571 | 1,465,623 | 331,938 | - | - |
| Transfers to other KiwiSaver schemes | | 149,132 | - | 85,799 | - | 528,855 | 1,632 | 763,786 | 1,632 |
| Member attributed taxation | | 386 | 10,008 | 1,702 | 14,453 | 101,022 | 30,966 | 103,110 | 55,427 |
| Member administration fees | | 3,654 | 405 | 9,475 | 1,256 | 24,338 | 3,908 | 37,467 | 5,569 |
| Invalid enrolment withdrawals | | - | - | - | - | 4,832 | - | 4,832 | - |
| Member eligible withdrawals | | 26,726 | - | 32,000 | 599 | 3,000 | - | 61,726 | 599 |
| Serious illness withdrawals | | - | - | - | - | - | - | - | - |
| First home purchase withdrawals | | 870,519 | 29,366 | 73,166 | 19,294 | 363,900 | - | 1,307,585 | 48,660 |
| Significant financial hardship withdrawals | | 2,586 | - | - | - | 15,109 | 3,891 | 17,695 | 3,891 |
| Paid under other enactments | | - | - | 28,825 | - | - | 1 | 28,825 | 1 |
| | | 2,185,831 | 687,187 | 1,007,252 | 378,173 | 2,506,678 | 372,335 | 2,325,026 | 115,779 |
| Net membership activities | | 4,750,492 | 1,278,286 | 12,116,219 | 5,442,969 | 28,828,575 | 12,428,349 | 45,695,286 | 19,149,604 |
| Members' accounts at the start of the period | | 1,310,169 | - | 5,241,147 | - | 11,708,442 | - | 18,259,758 | - |
| Movements in members' accounts for the period | | 4,967,004 | 1,310,169 | 14,258,084 | 5,241,147 | 36,157,741 | 11,708,442 | 55,382,829 | 18,259,758 |
| Members' accounts at the end of the period | | 6,277,173 | 1,310,169 | 19,499,231 | 5,241,147 | 47,866,183 | 11,708,442 | 73,642,587 | 18,259,758 |

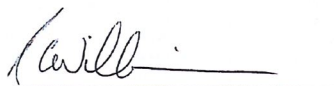
The Notes form an integral part of, and should be read in conjunction with, these financial statements.

Statements of Net Assets

| \$ As at 31 March | Note | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--|------|-------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Members' Funds | 5.2 | 6,277,173 | 1,310,169 | 19,499,231 | 5,241,147 | 47,866,183 | 11,708,442 | 73,642,587 | 18,259,758 |
| <i>Represented by:</i> | | | | | | | | | |
| Current assets | | | | | | | | | |
| Cash and cash equivalents | | 2,859,592 | 546,019 | 4,328,003 | 1,595,003 | 2,072,082 | 2,555,792 | 9,259,677 | 4,696,814 |
| Trade and other receivables | 10 | 79,251 | 21,963 | 280,551 | 54,786 | 322,373 | 187,576 | 640,101 | 260,633 |
| Term deposits | | 1,206,647 | 400,000 | 1,908,416 | 550,000 | 3,514,122 | - | 6,629,185 | 950,000 |
| Loans | | 150,716 | 53,574 | 429,356 | 137,033 | 1,056,029 | 350,295 | 1,636,101 | 540,902 |
| Financial assets at fair value through profit or loss | 6.1 | 2,024,256 | 302,112 | 12,784,829 | 3,281,022 | 41,535,873 | 9,444,501 | 56,344,958 | 13,027,635 |
| Member attributed taxation | | 2,185 | 214 | 26,787 | 1,883 | 3,919 | 9,963 | 32,891 | 12,060 |
| Total assets | | 6,322,647 | 1,323,882 | 19,757,942 | 5,619,727 | 48,504,398 | 12,548,127 | 74,542,913 | 19,488,044 |
| Current liabilities | | | | | | | | | |
| Bank overdraft | | - | - | - | - | - | 282,379 | - | 282,379 |
| Trade and other payables | 11 | 18,916 | 115 | 86,206 | 306,865 | 96,483 | 369,758 | 159,531 | 673,046 |
| Trade and other payables to related parties | 12 | 4,427 | 879 | 18,576 | 4,797 | 51,715 | 12,316 | 74,718 | 17,992 |
| Financial liabilities at fair value through profit or loss | 6.2 | 17,887 | 5,852 | 130,807 | 54,986 | 411,262 | 151,924 | 559,956 | 212,562 |
| Member attributed taxation | | 4,244 | 7,067 | 23,122 | 11,932 | 78,755 | 23,308 | 106,121 | 42,307 |
| Total current liabilities | | 45,474 | 13,713 | 258,711 | 378,580 | 638,215 | 839,685 | 900,326 | 1,228,286 |
| Net assets available for benefits | | 6,277,173 | 1,310,169 | 19,499,231 | 5,241,147 | 47,866,183 | 11,708,442 | 73,642,587 | 18,259,758 |

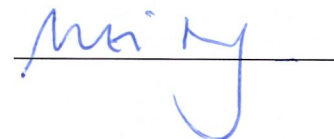
These financial statements were authorised for issue by the Manager, Pathfinder Asset Management Limited.

Director



Date 30 July 2021

Director



Date 30 July 2021

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

Statements of Cash Flows

| \$ | For the period ended 31 March | Note | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--|-------------------------------|------|--------------------|------------------|--------------------|--------------------|---------------------|--------------------|---------------------|---------------------|
| | | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Cash flows from operating activities | | | | | | | | | | |
| <i>Cash was provided from:</i> | | | | | | | | | | |
| Sale of investments | | | 113,648 | 350,965 | 819,583 | 715,791 | 2,911,828 | 1,778,615 | 3,845,059 | 2,845,371 |
| Repayments on loans | | | 53,947 | - | 137,979 | - | 352,728 | - | 544,654 | - |
| Proceeds from settlement of derivative financial instruments | | | 14,574 | 52,772 | 136,381 | 295,926 | 436,958 | 690,868 | 587,913 | 1,039,566 |
| Interest received | | | 21,532 | 2,542 | 49,194 | 3,570 | 66,979 | 10,418 | 137,705 | 16,530 |
| Dividend and distribution income | | | 17,024 | 5,011 | 128,319 | 14,854 | 390,290 | 54,136 | 535,633 | 74,001 |
| Other Income | | | 827 | - | 2,055 | 189 | 5,013 | 707 | 7,895 | 896 |
| <i>Cash was applied to:</i> | | | | | | | | | | |
| Purchase of investments | | | (1,608,401) | (657,981) | (8,371,312) | (3,949,955) | (28,097,727) | (11,615,784) | (38,077,440) | (16,223,720) |
| Loan advances | | | (148,000) | (52,000) | (421,000) | (133,000) | (1,036,000) | (340,000) | (1,605,000) | (525,000) |
| Net increase in term deposits | | | (806,647) | (400,000) | (1,358,417) | (550,000) | (3,514,122) | - | (5,679,186) | (950,000) |
| Purchase and settlement of derivative financial instruments | | | (38,324) | (12,350) | (379,004) | (149,839) | (694,981) | (489,263) | (1,112,309) | (651,452) |
| Interest expense | | | (2,108) | (2,375) | (18,302) | (4,465) | (45,041) | (14,580) | (65,451) | (21,420) |
| Payment to suppliers | | | (26,183) | (4,903) | (126,104) | (17,198) | (334,138) | (49,802) | (486,425) | (71,903) |
| Net cash outflow from operating activities | | 13 | (2,408,111) | (718,319) | (9,400,628) | (3,774,127) | (29,558,213) | (9,974,685) | (41,366,952) | (14,467,131) |
| Cash flows from financing activities | | | | | | | | | | |
| Contributions received | | | 6,883,634 | 1,949,034 | 12,921,828 | 5,780,564 | 31,281,755 | 12,634,065 | 47,754,555 | 19,045,438 |
| Withdrawals paid, inclusive of pie tax | | | (2,171,923) | (680,120) | (935,057) | (365,944) | (2,365,164) | (332,568) | (2,139,482) | (60,407) |
| Net cash inflow from financing activities | | | 4,711,711 | 1,268,914 | 11,986,771 | 5,414,620 | 28,916,591 | 12,301,497 | 45,615,073 | 18,985,031 |
| Net Increase/(decrease) in cash and cash equivalents | | | 2,303,600 | 550,595 | 2,586,143 | 1,640,493 | (641,622) | 2,326,812 | 4,248,121 | 4,517,900 |
| Cash at the beginning of the period | | | 546,019 | - | 1,595,003 | - | 2,273,413 | - | 4,414,435 | - |
| Effect of exchange rate fluctuations | | | 9,973 | (4,576) | 146,857 | (45,490) | 440,291 | (53,399) | 597,121 | (103,465) |
| Cash and cash equivalents at the end of the period | | | 2,859,592 | 546,019 | 4,328,003 | 1,595,003 | 2,072,082 | 2,273,413 | 9,259,677 | 4,414,435 |
| The cash balances of the Funds comprise of: | | | | | | | | | | |
| Cash and cash equivalents | | | 2,859,592 | 546,019 | 4,328,003 | 1,595,003 | 2,072,082 | 2,555,792 | 9,259,677 | 4,696,814 |
| Overdrawn cash balances with broker | | | - | - | - | - | - | (282,379) | - | (282,379) |
| | | | 2,859,592 | 546,019 | 4,328,003 | 1,595,003 | 2,072,082 | 2,273,413 | 9,259,677 | 4,414,435 |

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

Notes to the Financial Statements

1. General information

Reporting entity

The reporting entity is the Pathfinder KiwiSaver Plan (previously the CareSaver KiwiSaver Scheme) ("the Scheme"). The Scheme is made up of three funds ("the Funds"):

- Pathfinder KiwiSaver Conservative Fund (previously the CareSaver KiwiSaver Conservative Fund) ("Conservative Fund")
- Pathfinder KiwiSaver Balanced Fund (previously the "CareSaver KiwiSaver Balanced Fund" (the "Balanced Fund")
- Pathfinder KiwiSaver Growth Fund (previously the CareSaver KiwiSaver Growth Fund) ("Growth Fund")

The Manager of the Scheme is Pathfinder Asset Management Limited ("the Manager") and the Supervisor of the Scheme is Public Trust ("the Supervisor"). The Scheme is registered and domiciled in New Zealand. The registered office of the Manager of the Scheme is PWC Tower, Level 37, 15 Customs Street West, Auckland Central.

These Financial Statements were authorised for issue by the Board of Directors of the Manager on 30 July 2021.

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

The Scheme has been launched with the issuance of the Scheme's Master Trust Deed on 29 May 2019 and commenced operations on 20 August 2019.

Effective 2 February 2021 the Trust Deed has been amended to address the repeal of the Trustee Act 1956 and changes brought about under the Trusts Act 2019.

Effective 22 March 2021 the Trust Deed has been amended to change the names of the Funds and the Scheme as outlined above.

The financial statements are for the year ended 31 March 2021. The comparatives are for the period from the date of establishment, 29 May 2019 to 31 March 2020

The principal activities of the Funds are described below:

- The Conservative Fund seeks to provide members with modest returns with a lower risk focus. Members would choose the Conservative Fund if they have a short to medium term time frame of between 3 to 5 years. The Fund is an ethical portfolio with a higher exposure to income assets (like bonds and bank deposits) and lower exposure to growth assets (like shares). Investments are spread across geographies, companies and sectors to provide diversification. This Fund's value is unlikely to fluctuate as much as the Balanced Fund or Growth Fund
- The Balanced Fund seeks to provide members with medium returns with a medium risk focus. Members would choose the Balanced Fund if they have a long-term time frame of between 3 and 10 years. The Fund is an ethical portfolio which invests in a balance between growth assets (like shares) and income assets (like bonds and bank deposits). Investments are spread across geographies, companies and sectors to provide diversification. The Fund's value is likely to fluctuate more than the Conservative Fund but less than the Growth Fund.
- The Growth Fund seeks to provide members with medium to high returns with a higher risk focus. Members would choose the Growth Fund if they have a longer-term investment horizon of 10 or more years. The Fund is an ethical portfolio with a higher exposure to growth assets (like shares) and lower exposure to income assets (like bonds and bank deposits). Investments are spread across geographies, companies and sectors to provide diversification. This Fund's value is likely to fluctuate more than the Balanced Fund or Conservative Fund.

Statutory base

The Pathfinder KiwiSaver Plan is registered under the Financial Markets Conduct Act 2013 (FMC Act) as a KiwiSaver Scheme. The Scheme is a trust vehicle governed by a Master Trust Deed dated 29 May 2019.

2. Summary of accounting policies

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 2.3(c). The accrual basis of accounting has been applied, as has the going concern assumption.

The results, positions and cash flows reported for the Scheme are prepared on a consolidated basis, with the elimination of Interfund transactions and balances between funds.

Due to an error in presentation, a reclass was made to the comparatives of the Scheme's loan investment balances. Loans previously presented under financial assets at fair value through profit loss have been reclassified and now presented under financial assets at amortised cost. The adjustments did not result in any changes to the Members' Funds at the beginning of the year. The following table presents the comparatives of the loan balances subject to the reclass:

| \$ | Conservative Fund | Balanced Fund | Growth Fund | Scheme Total |
|---------------------|-------------------|---------------|-------------|--------------|
| As at 31 March 2020 | | | | |
| Loans | 53,574 | 137,033 | 350,295 | 540,902 |

The Manager reassessed the fair value categorisation of the Funds' investment in the Alvarium Private Credit Fund and considered it more appropriate to categorise this investment as a Level 3 investment in the fair value hierarchy instead of a Level 2 due to significant unobservable inputs included in the valuation. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the Financial Statements.

There have been no changes to comparative figures as a result of the implementation of new accounting standards.

Standards and amendments to existing standards effective 1 April 2020 impacting the Scheme

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

There are no standards, amendments to standards or interpretations that are not yet effective for annual periods beginning on 1 April 2020 that have a material effect on the financial statements of the Scheme.

Notes to the Financial Statements

2. Summary of accounting policies (continued)

2.2 Investment entity

The Scheme meets the definition of investment entities per NZ IFRS 10 'Consolidated financial statements' as the following conditions exist:

- (a) The Scheme has obtained funds for the purpose of providing investors with investment management services.
- (b) The Scheme'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 Scheme also displays all four typical characteristics that are associated with an investment entity:

1. it has more than one investment;
2. it has more than one investor;
3. investors that are not related parties; and
4. ownership interest in the Scheme is represented by respective units held in the Funds.

2.3 Financial instruments

(a) Classification

Assets

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

Financial assets at fair value through profit or loss can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Scheme is primarily focused on fair value information and use that information to assess the assets' performance and to make decisions. The contractual cash flows of the Funds' fixed interest securities are solely principal and interest, however, the fixed interest securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental in achieving the Funds' business model. As a result these debt securities are classified as financial assets at fair value through profit or loss.

Financial assets held at fair value are classified as financial assets mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss comprise of listed equities, unlisted equities, unlisted funds, forward foreign exchange contracts, equity index futures, loans and fixed interest securities.

(ii) Financial assets at amortised cost

Financial assets are measured at amortised cost when they are held within a business model whose objective is to hold to collect contractual cash flows and those cash flows are solely payments of principal and interest on the principal amount outstanding.

(a) **Cash and cash equivalents** include cash in hand, deposits held at call with banks, deposits and overdrawn balances with brokers 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 Scheme's main income generating activity.

(b) **Loans** are financial assets with fixed and determinable payments that are not quoted in an active market. The "hold to collect" model is applied to these financial assets as the contractual terms only give rise to cash flows that are solely payments of principal and interest.

(c) **Unsettled investment sales** included in trade and other receivables, are receivables for securities sold but not yet settled on the Statements of Net Assets at balance date. The unsettled trade receivable balance is held for collection.

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

(e) **Term deposits** are debt instruments where the business model is held for collection only; the contractual terms only give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Further the "hold to collect" model will be applied for these financial assets due to the following: collection of contractual cash flows is not incidental, there's no intention to sell these assets and they are used to effectively manage cash reserves. On this basis, the fair value option will not be applied and they are classified as financial assets at amortised cost.

Liabilities

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

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

(ii) Financial liabilities at amortised cost

(a) **Payables** other than unsettled investment purchases are amounts representing liabilities owing by the Funds at year end. These amounts include related party fees payable, overdrawn balances with brokers and withdrawals payable.

(b) **Unsettled investment purchases** included in trade and other payables, are payables for securities purchased but not yet settled on the Statements of Net Assets at balance date.

Notes to the Financial Statements

2. Summary of accounting policies (continued)

2.3 Financial instruments (continued)

(b) Recognition, derecognition and measurement

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

The Scheme recognises financial assets and liabilities at fair value through the profit or loss on the date they become parties to the contractual agreement. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statements of Changes in Net Assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all of the risks and rewards of ownership. This occurs upon maturity or disposal of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. Subsequent to initial recognition, all financial assets and liabilities at fair value through the profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are recognised in the Statements of Changes in Net Assets when they arise. 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 Scheme commits to purchase or sell the investment.

(ii) Financial assets and liabilities at amortised cost

The Scheme recognises financial assets and liabilities at amortised cost on the date it becomes a party to the contractual agreement. Financial assets and liabilities at amortised cost are initially recognised at fair value including any eligible transaction costs.

Subsequent to initial recognition, all financial assets at amortised cost are measured at amortised cost less any expected credit loss. Any expected credit loss is recognised in the Statements of Changes in Net Assets.

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

(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 Scheme had access at that date. The fair value of a liability reflects 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 sale 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 or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Funds use a variety of methods and make 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 inputs and relying as little as possible on entity-specific inputs.

Fair value classifications of the Fund's financial assets and liabilities are detailed in Note 5.3.

Fair value of unlisted funds or trusts

The Scheme'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 other fund investment, as supplied by the other fund's Manager and/or administrator. The Scheme reviews the 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; and 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 Scheme to request redemption of their investments in other funds are quarterly. The carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Scheme may be materially affected by the actions of other investors who have invested in other funds in which the Scheme has invested.

If necessary, the Scheme makes adjustments to the net asset value of various other fund investments to obtain the best estimate of fair value. Net gain/(loss) on 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 exchange-traded and not exchange-traded derivatives

- Fair value of forward foreign exchange contracts

Forward foreign exchange contracts are primarily used by the Funds to economically hedge against foreign currency exchange rate risks on its non-New Zealand dollar denominated trading securities. The Funds agree 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 Funds recognise a gain or loss equal to the change in fair value at the balance date and the Scheme 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 (losses)/gains on financial instruments at fair value through profit or loss.

- 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 and marketable securities held with the broker. Changes in futures contracts' values are usually settled net daily with the exchange. 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 Asset within net (losses)/gains on financial instruments at fair value through profit or loss.

Notes to the Financial Statements

2. Summary of accounting policies (continued)

2.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statements 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. Multi-currency account balances, held with the same counterparty, are offset and presented as a net amount in the Statements of Net Assets.

2.5 Revenue recognition

- (a) Dividend and distribution income is recognised in the Statements of Changes in Net Assets when the Scheme's right to receive payment is established.
- (b) Interest income on financial assets at amortised cost are included in Income in the Statements of Changes in Net Assets and are 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, loans and term deposits.

Interest income on financial instruments at fair value through profit are included in Income in the Statements of Changes in Net Assets and are recognised on an accrual basis with reference to the respective financial instruments' interest rates and lifetime. Net interest income on financial instruments at fair value through profit or loss comprises of interest on fixed interest securities.

- (c) Gains or losses of financial assets at fair value through profit or loss are recognised in the Statements of Changes in Net Assets as disclosed in Note 2.3.
- (d) Foreign exchange gains and losses on cash and financial instruments at fair value through profit or loss are recognised in the Statements of Changes in Net Assets as disclosed in note 2.10.
- (e) Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded in the Statements of Net Assets Attributable to Unitholders as Member attributed taxation. Trust distributions are recognised on a present entitlement basis.

2.6 Expenses

The Manager pays audit, supervisory, custody and administration expenses charged to the Funds. The management fee is calculated on a daily basis based on the net asset value of the Scheme and paid monthly. Refer to Note 9.1 for further details. Any ad hoc expenses directly attributable to the Funds such as bank fees and transaction costs are recognised on the accrual basis.

2.7 Taxation

The Funds are Portfolio Investment Entities ("PIEs"). Under the PIE regime income is effectively taxed in the hands of the members and therefore the Funds have no tax expense. Accordingly, no income tax expense is recognised in the Statements of Changes in Net Assets.

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

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

The tax attributable to members is calculated on the basis of the tax laws enacted or substantively enacted at 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.

2.8 Goods and Services Tax (GST)

The Scheme 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.

2.9 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.

2.10 Foreign currencies

(a) Functional and presentation currency

These financial statements are presented in New Zealand dollars (\$), which is the Scheme's functional currency, on the basis that the Scheme's investors are mainly based in New Zealand, with the contributions and withdrawals denominated in New Zealand 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.

2.11 Net assets available for benefits

The net assets available for benefits represents the liability for promised retirement benefits. 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 Scheme or a separate KiwiSaver Scheme and which are equal to a proportionate share of the respective Fund's net asset value which is the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable at the period end date if Members exercise their right to 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 Scheme. 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.

Notes to the Financial Statements

2. Summary of accounting policies (continued)

2.12 Related parties

A party is related to the Scheme if:

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

2.13 Impairment of financial assets at amortised cost

In accordance with NZ IFRS 9, the Manager assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. At each reporting date, the Manager shall measure the loss allowance for the financial assets at amortised cost that is an amount equal to the lifetime expected credit losses, irrespective of the timing of the default, if the credit risk for that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Manager shall measure the loss allowance for that financial instrument at an amount equal to expected credit losses resulting from default events that are possible within the next 12 months (a 12 month ECL). The Funds shall recognise in the Statements of Change in Net Assets, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at reporting date to the amount required in accordance with NZ IFRS 9.

The criteria that the Manager uses to determine that there is objective evidence of a default event include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

If there is objective evidence that an expected credit loss charge on loans has incurred, the carrying amount of the asset is reduced through the use of a loss allowance provision and the amount of the credit loss recognised in the Statements of Changes in Net Assets.

When a loan is uncollectible, it is written off against the related provision for expected credit loss. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

3. Accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Scheme's accounting policies. The Manager has applied its judgement in selecting the accounting policy to designate financial assets at fair value through profit or loss at initial recognition. This policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair value of all financial assets where 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 5.3 for further details).

Notes to the Financial Statements

4. Derivatives

4.1 Forward foreign currency contracts

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

| \$ As at 31 March | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|---|-------------------|------|---------------|---------|-------------|---------|--------------|---------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Forward exchange contracts (notional value in NZD) | | | | | | | | |
| Sell AUD/Buy NZD | 54,054 | - | 454,054 | - | 1,729,730 | - | 2,237,838 | - |
| Sell EUR/Buy NZD | 19,963 | - | 232,906 | - | 698,719 | - | 951,588 | - |
| Sell NZD/Buy AUD | 47,912 | - | - | - | - | - | 47,912 | - |
| Sell NZD/Buy CAD | 1,472 | - | - | - | - | - | 1,472 | - |
| Sell NZD/Buy CHF | 5,675 | - | - | - | - | - | 5,675 | - |
| Sell CAD/Buy NZD | - | - | - | - | 216,544 | - | 216,544 | - |
| Sell CHF/Buy NZD | - | - | - | - | 106,919 | - | 106,919 | - |
| Sell NZD/Buy JPY | 29 | - | - | - | - | - | 29 | - |
| Sell NOK/Buy NZD | - | - | 17,705 | - | 90,132 | - | 107,837 | - |
| Sell SEK/Buy NZD | - | - | 14,863 | - | 66,057 | - | 80,920 | - |
| Sell GBP/Buy NZD | 31 | - | - | - | 144,148 | - | 144,179 | - |
| Sell USD/Buy NOK | - | - | - | 5,520 | - | - | - | 5,520 |
| Sell NZD/Buy EUR | 896 | - | - | 74,032 | 338,001 | - | 338,897 | 74,032 |
| Sell NZD/Buy USD | - | - | - | 168,676 | - | 506,030 | - | 674,706 |
| Sell JPY/Buy NZD | 6,510 | - | 195,313 | - | 410,156 | - | 611,979 | - |
| Sell USD/Buy NZD | 589,653 | - | 2,731,121 | - | 8,193,363 | - | 11,524,137 | - |

| \$ As at 31 March | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|---|-------------------|------|---------------|-------|-------------|-------|--------------|-------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Forward exchange contracts (fair value in NZD) | | | | | | | | |
| Sell AUD/Buy NZD | (342) | - | (2,875) | - | (10,949) | - | (14,166) | - |
| Sell EUR/Buy NZD | (200) | - | (2,335) | - | (7,006) | - | (9,541) | - |
| Sell NZD/Buy AUD | (147) | - | - | - | - | - | (147) | - |
| Sell NZD/Buy CAD | 1 | - | - | - | - | - | 1 | - |
| Sell NZD/Buy CHF | (21) | - | - | - | - | - | (21) | - |
| Sell CAD/Buy NZD | - | - | - | - | (10,705) | - | (10,705) | - |
| Sell CHF/Buy NZD | - | - | - | - | 543 | - | 543 | - |
| Sell NOK/Buy NZD | - | - | (697) | - | (3,546) | - | (4,243) | - |
| Sell SEK/Buy NZD | - | - | 110 | - | 489 | - | 599 | - |
| Sell GBP/Buy NZD | - | - | - | - | (3,645) | - | (3,645) | - |
| Sell USD/Buy NOK | - | - | - | (16) | - | - | - | (16) |
| Sell NZD/Buy EUR | (2) | - | - | 534 | (709) | - | (711) | 534 |
| Sell NZD/Buy USD | - | - | - | 1,388 | - | 3,770 | - | 5,158 |
| Sell JPY/Buy NZD | 45 | - | 1,361 | - | 2,858 | - | 4,264 | - |
| Sell USD/Buy NZD | (16,995) | - | (124,900) | - | (374,701) | - | (516,596) | - |

4.2 Futures

Futures are contractual obligations 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. The Scheme held the following equity index future contracts at balance date.

| \$ As at 31 March | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|-----------------------------|-------------------|----------|---------------|-----------|-------------|-------------|--------------|-------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Equity index futures | | | | | | | | |
| Long | | | | | | | | |
| Notional value in NZD | - | - | - | - | - | 96,570 | - | 96,570 |
| Short | | | | | | | | |
| Notional value in NZD | - | (81,039) | - | (811,944) | - | (1,798,632) | - | (2,691,615) |
| Fair value in NZD | - | (5,652) | - | (54,970) | - | (140,130) | - | (200,752) |

Notes to the Financial Statements

5. Financial Risk Management

5.1 Financial risk factors

The Trust Deed for the Scheme requires the Manager to invest the assets of the Scheme in accordance with the Statement of Investment Policy and Objectives. The Scheme 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 Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's financial performance.

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 Scheme to price risk are investments in listed equities and funds. All investments in 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 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 Scheme 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 5% 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 that date increased or decreased by 5% with all other variables held constant, this would have had the following impact on the Statements of Changes in Net Assets:

| \$ As at 31 March | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--|-------------------|---------|---------------|-----------|-------------|-----------|--------------|------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Equities, unit trusts and unlisted securities | | | | | | | | |
| Carrying amount | 1,219,955 | 196,422 | 11,196,624 | 2,956,392 | 38,307,332 | 8,611,896 | 50,723,911 | 11,764,710 |
| Impact of a -5% change in prices | (60,998) | (9,821) | (559,831) | (147,820) | (1,815,367) | (430,595) | (2,536,196) | (588,236) |
| Impact of a +5% change in prices | 60,998 | 9,821 | 559,831 | 147,820 | 1,815,367 | 430,595 | 2,536,196 | 588,236 |
| Equity Index futures | | | | | | | | |
| Carrying amount | - | (5,652) | - | (54,970) | - | (140,130) | - | (200,752) |
| Impact of a -5% change in prices | - | 4,052 | - | 40,597 | - | 85,103 | - | 129,752 |
| Impact of a +5% change in prices | - | (4,052) | - | (40,597) | - | (85,103) | - | (129,752) |

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 Scheme is exposed to currency risk primarily through holding foreign currency denominated financial instruments. The Manager may hedge the exposure to currency fluctuations.

At the balance date the Scheme had the following foreign currency exposures due to holdings of financial instruments:

| \$ As at 31 March | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|----------------------------|-------------------|---------|---------------|---------|-------------|-----------|--------------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Australian Dollar (AUD) | 91,873 | 17,637 | 978,584 | 69,978 | 2,678,573 | 400,514 | 3,748,030 | 488,129 |
| Canadian Dollar (CAD) | 6,121 | 2,632 | 157,363 | 16,556 | 470,383 | 29,755 | 633,868 | 48,942 |
| Danish Krona (DKK) | 40 | - | 608 | - | 2,067 | - | 2,715 | - |
| Swiss Franc (CHF) | 6,111 | - | 89,352 | 29,820 | 178,635 | 60,416 | 274,098 | 90,236 |
| Euro (EUR) | 33,580 | 413 | 576,492 | 99,563 | 1,614,022 | 347,586 | 2,224,094 | 447,562 |
| Great British Pound (GBP) | 2,820 | 36 | 69,101 | 22,401 | 75,354 | 53,490 | 147,275 | 75,927 |
| Swedish Krona (SEK) | 480 | - | 31,551 | 6,121 | 132,370 | 66,241 | 164,401 | 72,362 |
| Norwegian Krona (NOK) | 5,087 | (277) | 13,833 | 4,125 | 59,225 | 15,894 | 78,145 | 19,742 |
| Japanese Yen (JPY) | 28,498 | 650 | 336,524 | 191,036 | 1,232,554 | 391,428 | 1,597,576 | 583,114 |
| Hong Kong Dollar (HKD) | 136 | - | 48,947 | 9,245 | 132,454 | 18,481 | 181,537 | 27,726 |
| Singapore Dollar (SGD) | - | - | 11,386 | 10,435 | 37,303 | 33,721 | 48,689 | 44,156 |
| United States Dollar (USD) | 157,673 | 301,077 | 1,645,892 | 946,844 | 8,325,009 | 3,137,436 | 10,128,574 | 4,385,357 |

Notes to the Financial Statements

5. Financial Risk Management (continued)

5.1.1 Market risk (continued)

(b) Foreign exchange risk (continued)

The table below summarises the impact on the Statements of Changes in Net Assets on financial instruments at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

| \$ As at 31 March | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--------------------------------|-------------------|----------|---------------|----------|-------------|-----------|--------------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Exchange rates increased by 5% | | | | | | | | |
| Australian Dollar (AUD) | (4,375) | (840) | (46,599) | (3,332) | (127,551) | (19,072) | (178,525) | (23,244) |
| Canadian Dollar (CAD) | (291) | (125) | (7,493) | (788) | (22,399) | (1,417) | (30,183) | (2,330) |
| Danish Krona (DKK) | (2) | - | (29) | - | (98) | - | (129) | - |
| Swiss Franc (CHF) | (291) | - | (4,255) | (1,420) | (8,506) | (2,877) | (13,052) | (4,297) |
| Euro (EUR) | (1,599) | (20) | (27,452) | (4,741) | (76,858) | (16,552) | (105,909) | (21,313) |
| Great British Pound (GBP) | (134) | (2) | (3,291) | (1,067) | (3,588) | (2,547) | (7,013) | (3,616) |
| Swedish Krona (SEK) | (23) | - | (1,502) | (291) | (6,303) | (3,154) | (7,828) | (3,445) |
| Norwegian Krona (NOK) | (242) | 13 | (659) | (196) | (2,820) | (757) | (3,721) | (940) |
| Japanese Yen (JPY) | (1,357) | (31) | (16,025) | (9,097) | (58,693) | (18,639) | (76,075) | (27,767) |
| Hong Kong Dollar (HKD) | (6) | - | (2,331) | (440) | (6,307) | (880) | (8,644) | (1,320) |
| Singapore Dollar (SGD) | - | - | (542) | (497) | (1,776) | (1,806) | (2,318) | (2,103) |
| United States Dollar (USD) | (7,508) | (14,337) | (78,376) | (45,088) | (396,429) | (149,402) | (482,313) | (208,827) |
| Exchange rates decreased by 5% | | | | | | | | |
| Australian Dollar (AUD) | 4,835 | 928 | 51,504 | 3,683 | 140,978 | 21,080 | 197,317 | 25,691 |
| Canadian Dollar (CAD) | 322 | 139 | 8,282 | 871 | 24,757 | 1,566 | 33,361 | 2,576 |
| Danish Krona (DKK) | 2 | - | 32 | - | 109 | - | 143 | - |
| Swiss Franc (CHF) | 322 | - | 4,703 | 1,569 | 9,402 | 3,180 | 14,427 | 4,749 |
| Euro (EUR) | 1,767 | 22 | 30,342 | 5,240 | 84,949 | 18,294 | 117,058 | 23,556 |
| Great British Pound (GBP) | 148 | 2 | 3,637 | 1,179 | 3,966 | 2,815 | 7,751 | 3,996 |
| Swedish Krona (SEK) | 25 | - | 1,661 | 322 | 6,967 | 3,486 | 8,653 | 3,808 |
| Norwegian Krona (NOK) | 268 | (15) | 728 | 217 | 3,117 | 837 | 4,113 | 1,039 |
| Japanese Yen (JPY) | 1,500 | 34 | 17,712 | 10,055 | 64,871 | 20,601 | 84,083 | 30,690 |
| Hong Kong Dollar (HKD) | 7 | - | 2,576 | 487 | 6,971 | 973 | 9,554 | 1,460 |
| Singapore Dollar (SGD) | - | - | 599 | 549 | 1,963 | 1,775 | 2,562 | 2,324 |
| United States Dollar (USD) | 8,299 | 15,846 | 86,626 | 49,834 | 438,158 | 165,128 | 533,083 | 230,808 |

Notes to the Financial Statements

5. Financial Risk Management (continued)

5.1.1 Market risk (continued)

(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. Financial instruments which potentially subject the Scheme to interest rate risk are short term cash deposits and term deposits. The Funds 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.

Instrument maturities, based on contractual maturity dates, are presented in the table below:

| \$ As at 31 March | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--|-------------------|---------|---------------|-----------|-------------|-----------|--------------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| <i>Financial assets at amortised cost</i> | | | | | | | | |
| Cash and cash equivalents | 2,859,592 | 546,019 | 4,328,003 | 1,595,003 | 2,072,082 | 2,273,413 | 9,259,677 | 4,414,435 |
| Current | | | | | | | | |
| Term deposits | | | | | | | | |
| 0 - 1 year | 1,206,647 | 400,000 | 1,908,416 | 550,000 | 3,524,626 | - | 6,639,689 | 950,000 |
| <i>Financial assets at fair value through profit or loss</i> | | | | | | | | |
| <i>Loans</i> | | | | | | | | |
| 0 - 1 year | 150,716 | - | 429,356 | - | 1,056,029 | - | 1,636,101 | - |
| 1 - 2 years | - | 53,574 | - | 137,033 | - | 350,295 | - | 540,902 |
| <i>Fixed interest securities</i> | | | | | | | | |
| 2- 5 years | 553,032 | - | 1,185,067 | - | 2,476,544 | - | 4,214,643 | - |
| Over 5 years | 251,043 | - | 401,667 | - | 748,106 | - | 1,400,816 | - |

a) Cash flow sensitivity analysis

A change in interest rates impacts the cash flow of the Scheme's cash and cash equivalents by increasing or decreasing the amount of interest received. A 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 point movement in interest rates (based on assets held at reporting date), with all other variables held constant, is shown in the following table:

| \$ As at 31 March | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|----------------------------------|-------------------|---------|---------------|-----------|-------------|-----------|--------------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| <i>Cash and cash equivalents</i> | | | | | | | | |
| Carrying value | 2,859,592 | 546,019 | 4,328,003 | 1,595,003 | 2,072,082 | 2,273,413 | 9,259,677 | 4,414,435 |
| Increase of 0.1% | 2,860 | 546 | 4,328 | 1,595 | 2,072 | 2,273 | 9,260 | 4,414 |
| Decrease of 0.1% | (2,860) | (546) | (4,328) | (1,595) | (2,072) | (2,273) | (9,260) | (4,414) |
| <i>Loans</i> | | | | | | | | |
| Carrying value | 150,716 | 53,574 | 429,356 | 137,033 | 1,056,029 | 350,295 | 1,636,101 | 540,902 |
| Increase of 0.1% | 151 | 54 | 429 | 137 | 1,056 | 350 | 1,636 | 541 |
| Decrease of 0.1% | (151) | (54) | (429) | (137) | (1,056) | (350) | (1,636) | (541) |
| <i>Term deposits</i> | | | | | | | | |
| Carrying value | 1,206,647 | 400,000 | 1,908,416 | 550,000 | 3,514,122 | - | 6,629,185 | 950,000 |
| Increase of 0.1% | 820 | 330 | 1,310 | 449 | 2,331 | - | 4,461 | 778 |
| Decrease of 0.1% | (820) | (330) | (1,310) | (449) | (2,331) | - | (4,461) | (778) |

The above analysis is based on the short term deposit balances maturing within 1 year from balance date. The cash flow interest risk impact on term deposits where the maturity dates are more than 1 year after the balance date, are not considered to be significant.

b) Fair value interest rate risk

A change in interest rates impacts the fair value of the Scheme's fixed interest securities 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 fair value sensitivity to a 10 basis point movement in interest rates (based on assets held at reporting date), with all other variables held constant, is shown in the following table:

| \$ As at 31 March | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|----------------------------------|-------------------|------|---------------|------|-------------|------|--------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| <i>Fixed interest securities</i> | | | | | | | | |
| Carrying amount | 804,075 | - | 1,586,734 | - | 3,224,650 | - | 5,615,459 | - |
| Increase of 0.1% | (3,460) | - | (6,760) | - | (14,095) | - | (24,314) | - |
| Decrease of 0.1% | 3,639 | - | 7,107 | - | 14,829 | - | 25,575 | - |

Notes to the Financial Statements

5. Financial Risk Management (continued)

5.1.2 Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Funds of the Scheme. The Scheme may require collateral or other security to support financial instruments with credit risk. Financial instruments that subject the Scheme to credit risk consist primarily of cash equivalents, margin accounts, term deposits and trade and other receivables including amounts receivable for unsettled investment trades, dividends receivable and contributions receivable.

The Scheme's policy is to invest in term deposits with counterparties of credit rating of BBB/Baa or higher designated by a well-known rating agency. The Scheme 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.

(a) Credit quality

The following table sets out the equivalent Standard & Poor's credit rating for cash and cash equivalents, fixed interest securities, term deposits and loans.

| \$ | | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|----------------------------------|-----------|-------------------|---------|---------------|-----------|-------------|-----------|--------------|-----------|
| | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| As at 31 March | | | | | | | | | |
| Credit rating | | | | | | | | | |
| Cash and cash equivalents | | | | | | | | | |
| Rating Category | AA- | 2,782,560 | 389,158 | 4,292,973 | 1,467,469 | 1,972,865 | 2,555,792 | 9,048,398 | 4,412,419 |
| | BBB+ | 77,032 | 156,861 | 35,030 | 127,534 | 99,217 | (282,379) | 211,279 | 2,016 |
| Term deposits | | | | | | | | | |
| Rating Category | AA- | 1,206,647 | 400,000 | 1,908,416 | 350,000 | 3,514,122 | - | 6,629,185 | 750,000 |
| Rating Category | A | - | - | - | 200,000 | - | - | - | 200,000 |
| Fixed interest securities | | | | | | | | | |
| Rating Category | BBB+ | 251,043 | - | 401,667 | - | 748,106 | - | 1,400,816 | - |
| Rating Category | Not rated | 553,032 | - | 1,185,067 | - | 2,476,544 | - | 4,214,643 | - |
| Loans | | | | | | | | | |
| Rating Category | Not rated | 150,716 | 53,574 | 429,356 | 137,033 | 1,056,029 | 350,295 | 1,636,101 | 540,902 |

As at 31 March 2021 there were no financial assets past due or impaired.

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

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.

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 Scheme's policy, the investment manager monitors the Funds of the Scheme's credit positions on a continuous basis. The Investment Management Committee reviews it on a monthly basis.

The Scheme's Manager 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. Management, depending on the nature and type of financial assets at amortised cost, considers both the historical and forward looking information, the liquidity and duration of the instrument, the credit ratings of the counterparty in determining any expected credit losses.

As at 31 March 2021:

Cash, margin account and term deposits and any interest accruals on any of these instruments are highly liquid and held with counterparties with strong credit ratings. The duration of the term deposits are all less than 12 months and the Manager has no historical information or forward looking information which suggests there are any losses to be recognised. All the loans are due within 12 months from balance date (31 March 2020: due within 24 months from balance date). The Manager assessed the loan balances applying the forward looking basis as described in note 2.13 at balance and is satisfied that there was no evidence of any expected credit losses.

The Manager therefore considers the expected credit losses for all the financial assets at amortised cost held by the Scheme, 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 Funds.

5.1.3 Liquidity risk

Liquidity risk is the risk that the Scheme 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 Scheme to meet liabilities as they fall due and withdrawals when requested. Where the Funds of the Scheme invests in other funds, they in turn, maintain sufficient liquidity in their portfolios to cover reasonably foreseeable redemptions under normal market conditions. The Scheme also holds securities that are listed on the NZX, ASX or other internationally recognised exchanges and are saleable. Monies received from member contributions may be used to offset withdrawals and the Manager may in certain circumstances suspend withdrawals from the Scheme and or various funds represented by the Manager in which the Scheme invests.

The Scheme's Statement of Investment Policies and Objectives ("the SIPO") state the target allocations and permitted ranges of asset classes. The Scheme'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. Future cash flows of the Scheme and realised liabilities may differ from current liabilities based on future changes in market conditions.

Notes to the Financial Statements

5. Financial Risk Management (continued)

5.1.3 Liquidity risk (continued)

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

| \$ As at 31 March | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|---|-------------------|---------|---------------|-----------|-------------|-----------|--------------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Financial liabilities at fair value through profit or loss | | | | | | | | |
| 7 days to 1 month | (171) | - | - | (16) | (710) | - | (881) | (16) |
| 1 month to 6 months | (17,716) | (5,652) | (130,807) | (54,970) | (410,552) | (151,924) | (559,075) | (212,546) |
| Financial liabilities at amortised cost | | | | | | | | |
| Overdrawn cash balances with broker | | | | | | | | |
| Less than 7 days | - | - | - | - | - | (282,379) | - | (282,379) |
| Trade and other payables | | | | | | | | |
| Less than 7 days | (18,916) | (115) | (86,206) | (306,865) | (96,483) | (369,758) | (201,605) | (676,738) |
| Related party payables | | | | | | | | |
| Less than 2 months | (4,427) | (879) | (18,576) | (4,797) | (51,715) | (12,316) | (74,718) | (17,992) |

The required cash outflow to settle the forward exchange contracts and futures which are in a loss position at balance date as disclosed in Note 6.2, will be the fair value as at balance date, if it was settled on that date. It is expected that the actual future undiscounted cash flows will be different, given that the instrument is marked to market. All the open currency contracts which are in a loss position at balance date, matured within 1 month after balance date.

5.2 Capital risk management

Net assets available to pay benefits are considered to be the Scheme's capital for the purposes of capital management not withstanding net assets available to pay benefits is classified as a liability for accounting. The Scheme does not have to comply with externally imposed capital requirements. The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and maximise the Scheme'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 Scheme's management monitors the Scheme's performance on a regular basis.

Notes to the Financial Statements

5. Financial Risk Management (continued)

5.2.1 Units on Issue

| Units For the period ended | Conservative Fund | | Balanced Fund | | Growth Fund | |
|---|-------------------|-----------|---------------|-----------|-------------|------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Units on issue at the start of the period | 1,272,173 | - | 5,296,077 | - | 11,877,790 | - |
| Total contributions for the period | 6,527,638 | 1,942,897 | 11,942,054 | 5,667,164 | 26,376,546 | 12,234,996 |
| Total withdrawals for the period | (2,074,758) | (670,724) | (919,477) | (371,087) | (2,109,448) | (357,206) |
| Units on issue at the end of the period | 5,725,053 | 1,272,173 | 16,318,654 | 5,296,077 | 36,144,888 | 11,877,790 |

5.3 Fair value estimation

All financial assets and financial liabilities included in the Statements of Net Assets, are carried at amounts that represent or approximate fair value. The fair value of financial assets traded in active markets are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Funds is the last traded price. The price used for unlisted funds is the published withdrawal price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

NZ IFRS 13 requires the Funds to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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.

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

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|---|-------------------|----------------|-------------------|------------------|-------------------|------------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| As at 31 March | | | | | | | | |
| Level 1 Assets | | | | | | | | |
| <i>Financial assets at fair value through profit or loss</i> | | | | | | | | |
| Listed equities | 875,771 | 179,049 | 10,029,451 | 2,858,376 | 35,398,229 | 8,295,867 | 46,303,451 | 11,333,292 |
| Equity index futures | - | - | - | - | - | 11,794 | - | 11,794 |
| Total Level 1 Assets | 875,771 | 179,049 | 10,029,451 | 2,858,376 | 35,398,229 | 8,307,661 | 46,303,451 | 11,345,086 |
| Level 1 Liabilities | | | | | | | | |
| Equity index futures | - | (5,652) | - | (54,970) | - | (151,924) | - | (212,546) |
| Total Level 1 Liabilities | - | (5,652) | - | (54,970) | - | (151,924) | - | (212,546) |
| Level 2 Assets | | | | | | | | |
| <i>Financial assets at fair value through profit or loss</i> | | | | | | | | |
| Forward foreign exchange contracts | 226 | - | 1,471 | 1,922 | 3,891 | 3,770 | 5,588 | 5,692 |
| Unlisted funds/trusts | - | - | - | - | - | - | - | - |
| Fixed interest securities | 452,744 | - | 833,883 | - | 1,367,616 | - | 2,654,243 | - |
| Total Level 2 Assets | 452,970 | - | 835,354 | 1,922 | 1,371,507 | 3,770 | 2,659,831 | 5,692 |
| Level 2 Liabilities | | | | | | | | |
| <i>Financial liabilities at fair value through profit or loss</i> | | | | | | | | |
| Forward foreign exchange contracts | (17,887) | - | (130,807) | (16) | (411,262) | - | (559,956) | (16) |
| Total Level 2 Liabilities | (17,887) | - | (130,807) | (16) | (411,262) | - | (559,956) | (16) |
| Level 3 Assets | | | | | | | | |
| <i>Financial assets at fair value through profit or loss</i> | | | | | | | | |
| Unlisted equities | 45,796 | 17,373 | 219,519 | 98,016 | 618,429 | 304,235 | 883,744 | 419,624 |
| Unlisted funds | 298,388 | 105,690 | 947,854 | 322,708 | 2,290,674 | 828,835 | 3,536,716 | 1,257,233 |
| Fixed interest securities | 351,331 | - | 752,851 | - | 1,857,034 | - | 2,961,216 | - |
| Total Level 3 Assets | 695,515 | 123,063 | 1,920,024 | 420,724 | 4,766,137 | 1,133,070 | 7,381,676 | 1,676,857 |
| Level 3 Investments as percentage of Net Asset Value | 11.08% | 9.39% | 9.85% | 8.03% | 9.96% | 9.68% | 10.02% | 9.18% |

Notes to the Financial Statements

5. Financial Risk Management (continued)

5.3 Fair value estimation (continued)

The fair value of listed equities and equity index futures 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 Funds of the Scheme hold investments in Level 2 fixed interest securities. The fair values of these fixed interest securities are calculated by using a discounted cash flow calculation based on risk margins and swap yields provided by third party suppliers of financial data. These 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 Ethical Growth Fund also holds an investment in a Level 3 fixed interest security. A significant component of the discount factor in valuation methodology are not market observable. A credit spread margin, which was not based on market observable inputs was added on top of the risk free rate to the coupon rate by management of the issuer.

Investments, which are classed as Level 3 instruments, are investments in securities issued by private companies and debt issued to private companies in the form of loans. The private company valuations are reviewed when there are significant liquidity events, with the results presented to the Investment Committee of the Manager. Fair values are also reviewed on a quarterly basis for potential increases or impairments, if there have been no significant liquidity events through the period. The Manager considers the operating performance of the businesses and the appropriateness of the valuation model inputs, as well as the valuation results using various valuation methods and techniques generally recognised as standard within the industry. In selecting the most appropriate valuation method the Manager considers which techniques are aligned to current actual market transactions.

The Level 3 unlisted equity securities held by the Funds at 31 March 2021 comprise of a private company position totalling \$883,744 (31 March 2020: nil) of the Net Asset value of the Fund. The Manager bases the valuations on actual observed market transactions on same or similar instruments, or cost price in the first instance. The valuation technique applied are multiple based calibrated with the price of recent investment. Unobservable inputs applied in the valuation technique are the Funds invested multiple and the liquidity discount. The multiples are discounted for considerations such as liquidity and business structure and differences between the comparable companies based on company-specific facts and circumstances as deemed necessary.

The Level 3 unlisted funds held by the Funds of the Scheme at 31 March 2021 amount to \$3,536,716 and comprise of investments in New Zealand based unlisted funds, Property Income Fund Limited ("PIFL") and Alvarium Private Credit Fund ("APCF"), which are in the Property investment industry and the Private lending industry respectively. The Pathfinder Group, which comprises of the Pathfinder Investment Funds and Pathfinder KiwiSaver Plan, made a total commitment of 2 million units at \$1 and total capital call to date was 444,000 units at \$1 across the Pathfinder Group for its investment in PIFL. The Manager valuation for PIFL is \$1 per unit, the par value per share, which was the value the units were issued. This value of the PIFL at par value was based on the underlying fund manager valuation and information made available to the Manager. The APCF predominantly invests into private loans that are issued to counterparties. The investment in the APCF is classified as level 3 as there is no active market and the majority of its investments, in private loans, are subject to underlying fund Manager valuations, which are not based on market observable data.

The Level 3 equity securities held by the Pathfinder KiwiSaver Plan at 31 March 2020 amounted to \$418,624 consisted of private company positions (in Rua Bioscience). The Manager based the valuations on actual observed market transactions on same or similar instruments, or cost price in the first instance. The valuation technique applied are multiple based calibrated with the price of recent investment. Unobservable inputs applied in the valuation technique are the Funds invested multiple and the liquidity discount. The multiples are discounted for considerations such as liquidity and business structure and differences between the comparable companies based on company-specific facts and circumstances as deemed necessary. Rua Bioscience converted to a listed company, trading on the New Zealand Stock Exchange since 22 October 2020, and therefore considered as a Level 1 investment security at 31 March 2021.

The Level 3 unlisted fund held by the Funds of the Scheme at 31 March 2020 amount to \$1,257,233 and comprises of an investment in a New Zealand based unlisted fund, Alvarium Private Credit Fund (APCF), which is in the Private lending industry. The APCF predominantly invests into private loans that are issued to counterparties. The investment in the APCF is classified as level 3 as there is no active market and the majority of its investments, in private loans, are subject to underlying fund Manager valuations, which are not based on market observable data.

Notes to the Financial Statements

5. Financial Risk Management (continued)

5.3 Fair value estimation (continued)

The following table presents the valuation techniques and significant unobservable inputs used in the fair value measurement in level 3 equity investments of the Funds.

| Industry | Fair value at 31 March 2021 | Valuation technique | Unobservable input | Range (weighted average) | Reasonable shift | Change in valuation | Shareholding |
|---|-----------------------------|--|--|--------------------------|-------------------|---------------------|--------------|
| | \$ | | | | ±(absolute value) | \$ | % |
| Level 3 Unlisted equities and unlisted funds | | | | | | | |
| Conservative Fund | | | | | | | |
| <i>Unlisted equity securities</i> | | | | | | | |
| Online investment trading industry | 45,796 | Multiples based calibrated with price of recent investment | Price to Sales multiple | 9 times - 10 times | 0.5 times | 2,410/(2,410) | 0.63% |
| | | | Liquidity discount | 15% - 25% | 5% | 2290/(2290) | |
| <i>Unlisted funds</i> | | | | | | | |
| Property investment industry | 31,080 | Par Asset Value calibrated with the underlying manager valuation | Par Asset Value | 1 x Asset Value | 5% | 1,554/(1,554) | 0.67% |
| Private lending industry | 267,308 | | Underlying manager assessment of credit risk | 0 - 10% | 5% | 13,365/(13,365) | 0.38% |
| Balanced Fund | | | | | | | |
| <i>Unlisted equity securities</i> | | | | | | | |
| Online investment trading industry | 219,519 | Multiples based calibrated with price of recent investment | Price to Sales multiple | 9 times - 10 times | 0.5 times | 11,553/(11,553) | 0.75% |
| | | | Liquidity discount | 15% - 25% | 5% | 10,975/(10,975) | |
| <i>Unlisted funds</i> | | | | | | | |
| Property investment industry | 99,900 | Par Asset Value calibrated with the underlying manager valuation | Par Asset Value | 1 x Asset Value | 5% | 4,995/(4,995) | 0.65% |
| Private lending industry | 847,754 | | Underlying manager assessment of credit risk | 0 - 10% | 5% | 42,388/(42,388) | 1.20% |
| Growth Fund | | | | | | | |
| <i>Unlisted equity securities</i> | | | | | | | |
| Online investment trading industry | 618,429 | Multiples based calibrated with price of recent investment | Price to Sales multiple | 9 times - 10 times | 0.5 times | 32,549/(32,549) | 0.89% |
| | | | Liquidity discount | 15% - 25% | 5% | 30,921/(30,921) | |
| <i>Unlisted funds</i> | | | | | | | |
| Property investment industry | 268,620 | Par Asset Value calibrated with the underlying manager valuation | Par Asset Value | 1 x Asset Value | 5% | 13,431/(13,431) | 0.74% |
| Private lending industry | 2,022,054 | | Underlying manager assessment of credit risk | 0 - 10% | 5% | 101,103/(101,103) | 2.87% |

Notes to the Financial Statements

5. Financial Risk Management (continued)

5.3 Fair value estimation (continued)

| Industry | Fair value at 31 March 2021 | Valuation technique | Unobservable input | Range (weighted average) | Reasonable shift | Change in valuation | Shareholding |
|------------------------------------|-----------------------------|--|--|--------------------------|-------------------|---------------------|--------------|
| | \$ | | | | +(absolute value) | \$ | % |
| Total Scheme | | | | | | | |
| Unlisted equity securities | | | | | | | |
| Online investment trading industry | 883,744 | Multiples based calibrated with price of recent investment | Price to Sales multiple | 9 times - 10 times | 0.5 times | 46,512/(46,512) | 2.27% |
| | | | Liquidity discount | 15% - 25% | 5% | 44,187/(44,187) | |
| Unlisted funds | | | | | | | |
| Property investment industry | 399,600 | Par Asset Value calibrated with the underlying manager valuation | Par Asset Value | 1 x Asset Value | 5% | 19,980/(19,980) | 2.06% |
| Private lending industry | 3,137,116 | | Underlying manager assessment of credit risk | 0 - 10% | 5% | 156,856/(156,856) | 4.45% |

| Industry | Fair value at 31 March 2020 | Valuation technique | Unobservable input | Range (weighted average) | Reasonable shift | Change in valuation | Shareholding |
|---|-----------------------------|--|--|--------------------------|-------------------|---------------------|--------------|
| | \$ | | | | +(absolute value) | \$ | % |
| Level 3 Unlisted equities and unlisted funds | | | | | | | |
| Conservative Fund | | | | | | | |
| Unlisted equities | | | | | | | |
| Horticultural Industry | 17,373 | Multiples based calibrated with price of recent investment | Funds invested multiple | 2.2 times - 3 times | 0.3 times | 2,480/(2,480) | 0.10% |
| | | | Liquidity discount | (2.6 times) 15% - 25% | 5% | 870/(870) | |
| Unlisted funds | | | | | | | |
| Private lending industry | 105,690 | Par Asset Value calibrated with the underlying manager valuation | Underlying manager assessment of credit risk | 0 - 10% | 5% | 5,285/(5,285) | 0.39% |
| Balanced Fund | | | | | | | |
| Unlisted equities | | | | | | | |
| Horticultural Industry | 98,016 | Multiples based calibrated with price of recent investment | Funds invested multiple | 2.2 times - 3 times | 0.3 times | 14,000/(14,000) | 0.30% |
| | | | Liquidity discount | (2.6 times) 15% - 25% | 5% | 4,900/(4,900) | |
| Unlisted funds | | | | | | | |
| Private lending industry | 322,708 | Par Asset Value calibrated with the underlying manager valuation | Underlying manager assessment of credit risk | 0 - 10% | 5% | 16,135/(16,135) | 1.20% |

Notes to the Financial Statements

5. Financial Risk Management (continued)

5.3 Fair value estimation (continued)

| | Industry | Fair value at 31 March 2020 | Valuation technique | Unobservable input | Range (weighted average) | Reasonable shift | Change in valuation | Shareholding |
|--------------------------|--------------------------|-----------------------------|--|--|--|-------------------|---------------------|--------------|
| | | \$ | | | | +(absolute value) | \$ | % |
| Growth Fund | | | | | | | | |
| Unlisted equities | Horticultural Industry | 304,235 | Multiples based calibrated with price of recent investment | Funds invested multiple | 2.2 times - 3 times (2.6 times) | 0.3 times | 43,500/(43,500) | 0.80% |
| | | | | Liquidity discount | 15% - 25% | 5% | 15,200/(15,200) | |
| Unlisted funds | Private lending industry | 828,835 | Par Asset Value calibrated with the underlying manager valuation | Underlying manager assessment of credit risk | 0 - 10% | 5% | 41,441/(41,441) | 3.09% |
| Total Scheme | | | | | | | | |
| Unlisted equities | Horticultural Industry | 419,624 | Multiples based calibrated with price of recent investment | Funds invested multiple | 2.2 times - 3 times (2.6 times) | 0.3 times | 59,880/(59,880) | 1.20% |
| | | | | Liquidity discount | 15% - 25% | 5% | 20,970/(20,970) | |
| Unlisted funds | Private lending industry | 1,257,233 | Par Asset Value calibrated with the underlying manager valuation | Underlying manager assessment of credit risk | 0 - 10% | 5% | 62,862/(62,862) | 4.68% |

Notes to the Financial Statements

5. Financial Risk Management (continued)

5.3 Fair value estimation (continued)

The Level 3 fixed interest security held by the Pathfinder KiwiSaver Plan comprise on an investment amounting to \$2,961,216 in the Community Refuge Trust. No credit ratings are available for the debt security. Up to 31 March 2021 there have been no default or amounts overdue on any interest payments by the counterparty. The credit spread margin applied to the risk free rate by the issuer of the security was not based on market observable information.

| Industry | Fair value at 31 March 2021 | Valuation technique | Unobservable input | Range (weighted average) | Reasonable shift | Change In valuation | Corporate debt holding |
|--|-----------------------------|-----------------------|--------------------|--------------------------|-------------------|---------------------|------------------------|
| | \$ | | | | ↔(absolute value) | \$ | % |
| Level 3 debt securities | | | | | | | |
| New Zealand fixed interest securities | | | | | | | |
| Conservative Fund | | | | | | | |
| Private lending industry | 351,331 | Yield curve valuation | Credit spread | 0.5% - 1.5% | 1% | 14,053/(14,053) | 4.27% |
| Balanced Fund | | | | | | | |
| Private lending industry | 752,851 | Yield curve valuation | Credit spread | 0.5% - 1.5% | 1% | 30,114/(30,114) | 9.15% |
| Conservative Fund | | | | | | | |
| Private lending industry | 1,857,034 | Yield curve valuation | Credit spread | 0.5% - 1.5% | 1% | 74,281/(74,281) | 22.56% |
| Total Scheme | | | | | | | |
| Private lending industry | 2,961,216 | Yield curve valuation | Credit spread | 0.5% - 1.5% | 1% | 118,448/(118,448) | 35.98% |

The change in valuation disclosed in the above tables shows the direction an increase or decrease in the respective input variables would have on the valuation result. For equity securities, increases in the multiples would each lead to an increase in estimated value. However, an increase in the discount for lack of liquidity would lead to a decrease in value. For debt securities, a change in the discount rate applied in the discount cash flow model, will lead to a change in the estimated value of the debt security.

Transfers between levels of the fair value hierarchy, for the purpose of preparing the table presenting the movement in level 3 instruments for the year by class of financial instruments, are deemed to have occurred at the beginning of the reporting period. Other than outlined in the table below, there have been no other transfers between the classifications during the year for any of the Funds.

The following table presents the movement in level 3 instruments for the year by class of financial instruments.

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--|-------------------|---------|---------------|---------|-------------|-----------|--------------|-----------|
| As at 31 March | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Level 3 equity investments | | | | | | | | |
| New Zealand unlisted companies and unlisted funds | | | | | | | | |
| Balance at the beginning of the period | 123,063 | - | 420,724 | - | 1,133,070 | - | 1,676,857 | - |
| Transfers from Level 3 to Level 1 | (17,373) | - | (98,016) | - | (304,235) | - | (419,624) | - |
| Sales during the period | - | - | - | - | - | - | - | - |
| Purchases during the period | 215,900 | 119,774 | 737,596 | 411,528 | 1,779,173 | 1,106,806 | 2,732,669 | 1,638,108 |
| Net gains recognised in other net changes in fair value of financial assets and financial liabilities | 22,594 | 3,289 | 106,869 | 9,196 | 301,095 | 26,264 | 430,558 | 38,749 |
| Balance at the end of the period | 344,184 | 123,063 | 1,167,173 | 420,724 | 2,909,103 | 1,133,070 | 4,420,460 | 1,676,857 |
| Change in unrealised gains or losses for Level 3 assets held at period end and included in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss. | 22,594 | 3,289 | 106,869 | 9,196 | 301,095 | 26,264 | 430,558 | 37,663 |

Notes to the Financial Statements

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--|-------------------|------|---------------|------|-------------|------|--------------|------|
| As at 31 March | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Level 3 debt securities | | | | | | | | |
| New Zealand fixed interest securities | | | | | | | | |
| Balance at the beginning of the period | - | - | - | - | - | - | - | - |
| Purchases during the period | 350,000 | - | 750,000 | - | 1,850,000 | - | 2,950,000 | - |
| Accrued interest | 338 | - | 723 | - | 1,784 | - | 2,845 | - |
| Net gains recognised in other net changes in fair value of financial assets and financial liabilities | 993 | - | 2,128 | - | 5,250 | - | 8,371 | - |
| Balance at the end of the period | 351,331 | - | 752,851 | - | 1,857,034 | - | 2,961,216 | - |
| Change in unrealised gains or losses for Level 3 assets held at period end and included in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss. | 993 | - | 2,128 | - | 5,250 | - | 8,371 | - |

6. Financial instruments at fair value through profit or loss

6.1. Financial assets at fair value through profit or loss

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--|-------------------|---------|---------------|-----------|-------------|-----------|--------------|------------|
| As at 31 March | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Financial assets at fair value through profit or loss | | | | | | | | |
| Forward foreign exchange contracts | 226 | - | 1,471 | 1,922 | 3,891 | 3,770 | 5,588 | 5,692 |
| Listed equities | 875,771 | 179,049 | 10,029,451 | 2,858,376 | 35,398,229 | 8,295,867 | 46,303,451 | 11,333,292 |
| Unlisted equities | 45,796 | 17,373 | 219,519 | 98,016 | 618,429 | 304,235 | 883,744 | 419,624 |
| Equity Index futures | - | - | - | - | - | 11,794 | - | 11,794 |
| Unlisted funds | 298,388 | 105,690 | 947,654 | 322,708 | 2,290,674 | 828,635 | 3,536,716 | 1,257,233 |
| Fixed interest securities | 804,075 | - | 1,586,734 | - | 3,224,650 | - | 5,615,459 | - |
| Total financial assets at fair value through profit or loss | 2,024,256 | 302,112 | 12,784,829 | 3,281,022 | 41,535,873 | 9,444,501 | 56,344,958 | 13,027,635 |

6.2. Financial liabilities at fair value through profit or loss

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|---|-------------------|---------|---------------|----------|-------------|-----------|--------------|-----------|
| As at 31 March | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Financial liabilities at fair value through profit or loss | | | | | | | | |
| Forward foreign exchange contracts | (17,887) | - | (130,807) | (16) | (411,262) | - | (559,956) | (16) |
| Equity Index futures | - | (5,652) | - | (54,970) | - | (151,924) | - | (212,546) |
| Total financial liabilities at fair value through profit or loss | (17,887) | (5,652) | (130,807) | (54,986) | (411,262) | (151,924) | (559,956) | (212,562) |

7. Concentration of investments

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

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--|-------------------|----------|---------------|----------|-------------|----------|--------------|----------|
| As at 31 March | 2021 | % of NAV | 2021 | % of NAV | 2021 | % of NAV | 2021 | % of NAV |
| Investments exceeding 5% of net assets available for benefits | | | | | | | | |
| CORT 2.20% 21/03/2026 | 350,993 | 5.59% | | | | | | |
| WSTP Term Deposit 1.19% 10/12/2020 08/06/2021 | 500,000 | 7.97% | 1,000,000 | 5.13% | | | | |
| Investments exceeding 5% of net assets available for benefits | | | | | | | | |
| Alvarium Private Credit Fund | 105,690 | 8.07% | 322,708 | 6.16% | 828,835 | 7.08% | 1,257,233 | 6.89% |
| BNZ Term Deposit 2.82% Maturing 19 June 2020 | 200,000 | 15.27% | | | | | | |
| Westpac Term Deposit 2.71% Maturing 18 May 2020 | 200,000 | 15.27% | | | | | | |

Notes to the Financial Statements

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

| \$ As at 31 March | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--|-------------------|---------------------|---------------|---------------------|-------------|---------------------|--------------|---------------------|
| | 2021 | % of Security class | 2021 | % of Security class | 2021 | % of Security class | 2021 | % of Security class |
| Securities exceeding 5% of security class | | | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | | | |
| Listed equities | | | | | | | | |
| New Zealand Windfarms Ltd | 47,604 | 5.44% | | | | | | |
| Fixed interest securities | | | | | | | | |
| CORT 2.20% 21/03/2026 | 351,331 | 43.69% | 752,851 | 47.45% | 1,857,034 | 57.59% | 2,961,216 | 52.73% |
| MCYNZ 2.16% 29/09/2026 | 251,043 | 31.22% | 401,668 | 25.31% | 748,106 | 23.20% | 1,400,817 | 24.95% |
| WLB ASSET II B | 201,701 | 25.08% | 432,216 | 27.24% | 619,510 | 19.21% | 1,253,427 | 22.32% |
| Unlisted funds | | | | | | | | |
| Alvarium Private Credit Fund | 267,308 | 89.58% | 847,754 | 89.46% | 2,022,054 | 88.27% | 3,137,116 | 88.70% |
| Property Income Fund Ltd | 31,080 | 10.42% | 99,900 | 10.54% | 268,620 | 11.73% | 399,600 | 11.30% |
| Unlisted Equities | | | | | | | | |
| Sharesies Limited | 45,796 | 100.00% | 219,519 | 100.00% | 618,429 | 100.00% | 883,744 | 100.00% |
| Financial assets at amortised cost | | | | | | | | |
| Loans | | | | | | | | |
| BR Land Co (Bremner) 10% 28 Feb 22 | 99,182 | 65.81% | 297,547 | 69.30% | 719,073 | 68.09% | 1,115,802 | 68.20% |
| LLP Forest SPV Loan 12.00% 10/09/2021 | 51,534 | 34.19% | 131,809 | 30.70% | 336,956 | 31.91% | 520,299 | 31.80% |
| Term deposits | | | | | | | | |
| ASBBNK Term Deposit 0.75% 23/11/2020 23/05/2021 | 202,748 | 16.80% | 202,748 | 10.62% | 304,123 | 8.65% | 709,619 | 10.70% |
| WSTP Term Deposit 1.14% 12/01/2021 12/07/2021 | 303,431 | 25.15% | 404,574 | 21.20% | 505,797 | 14.39% | 1,213,802 | 18.31% |
| WSTP Term Deposit 1.19% 10/12/2020 08/06/2021 | 501,826 | 41.59% | 1,003,652 | 52.59% | 2,007,303 | 57.12% | 3,512,781 | 52.99% |
| WSTP Term Deposit 1.29% 15/02/2021 15/02/2022 | 202,072 | 16.75% | 303,107 | 15.88% | 505,179 | 14.38% | 1,010,358 | 15.24% |
| WSTP Term Deposit 1.29% 11/02/2021 11/02/2022 | | | | | 202,224 | 5.75% | | |
| Securities exceeding 5% of security class | | | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | | | |
| Listed equities | | | | | | | | |
| New Zealand Windfarms Ltd | 24,570 | 13.72% | | | | | | |
| Unlisted trusts | | | | | | | | |
| Alvarium Private Credit Fund | 105,690 | 100.00% | 322,708 | 100.00% | 828,835 | 100.00% | 1,257,233 | 100.00% |
| Unlisted Equities | | | | | | | | |
| Rua Bioscience Limited | 17,373 | 100.00% | 98,016 | 100.00% | 304,235 | 100.00% | 419,624 | 100.00% |
| Financial assets at amortised cost | | | | | | | | |
| Loans | | | | | | | | |
| LLP Forest SPV Limited Term Deposit 12% - 1 October 2019 to 10 September 2021 | 41,210 | 79.25% | 41,210 | 30.98% | 61,817 | 18.18% | 144,237 | 26.67% |
| LLP Forest SPV Limited Term Deposit 12% - 20 November 2019 to 10 September 2021 | | | 72,127 | 54.23% | 169,999 | 50.00% | 242,126 | 44.76% |
| LLP Forest SPV Limited Term Deposit 12% - 10 September 2019 to 10 September 2021 | 12,364 | 23.78% | 23,696 | 17.82% | 118,479 | 34.85% | 154,539 | 28.57% |
| Term deposits | | | | | | | | |
| BNZ Term Deposit 2.82% Maturing 19 June 2020 | 200,000 | 50.00% | 175,000 | 31.82% | | | 375,000 | 39.47% |
| Westpac Term Deposit 2.71% Maturing 18 May 2020 | 200,000 | 50.00% | 175,000 | 31.82% | | | 375,000 | 39.47% |
| Bank of China Term Deposit 2.65% Maturing 12 June 2020 | | | 200,000 | 36.36% | | | 200,000 | 21.05% |

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 Scheme's financial assets and liabilities by category:

| \$ As at 31 March | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--|-------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Financial assets at fair value through profit and loss | | | | | | | | |
| Financial assets at fair value through profit or loss | 2,024,256 | 302,112 | 12,784,829 | 3,281,022 | 41,535,873 | 9,444,501 | 56,344,958 | 13,027,635 |
| Financial assets at amortised cost | | | | | | | | |
| Cash and cash equivalents | 2,859,592 | 546,019 | 4,328,003 | 1,595,003 | 2,072,082 | 2,555,792 | 9,259,677 | 4,696,814 |
| Term deposits | 1,206,647 | 400,000 | 1,908,416 | 550,000 | 3,514,122 | - | 6,629,185 | 950,000 |
| Loans | 150,716 | 53,574 | 429,356 | 137,033 | 1,056,029 | 350,295 | 1,636,101 | 540,902 |
| Trade and other receivables | 79,251 | 21,963 | 280,551 | 54,786 | 322,373 | 187,576 | 640,101 | 260,633 |
| Total financial assets at amortised cost | 4,296,206 | 1,021,556 | 6,946,326 | 2,336,822 | 6,964,606 | 3,093,663 | 18,165,064 | 6,448,349 |
| Total financial assets | 6,320,462 | 1,323,668 | 19,731,155 | 5,617,844 | 48,500,479 | 12,538,164 | 74,510,022 | 19,475,984 |
| Financial liabilities at fair value through profit and loss | | | | | | | | |
| Financial liabilities at fair value through profit or loss | 17,887 | 5,652 | 130,807 | 54,986 | 411,262 | 151,924 | 559,956 | 212,562 |
| Financial liabilities at amortised cost | | | | | | | | |
| Overdrawn cash balances with broker | - | - | - | - | - | 282,379 | - | 282,379 |
| Trade and other payables | 18,916 | 115 | 86,206 | 306,865 | 96,483 | 369,758 | 159,531 | 673,046 |
| Trade and other payables to related parties | 4,427 | 879 | 18,576 | 4,797 | 51,715 | 12,316 | 74,718 | 17,992 |
| Total financial liabilities at amortised cost | 23,343 | 994 | 104,782 | 311,662 | 148,198 | 664,453 | 234,249 | 973,417 |
| Total financial liabilities | 41,230 | 6,646 | 235,589 | 366,648 | 559,460 | 816,377 | 794,205 | 1,185,979 |

9. Related parties

9.1 Manager and Supervisor

Pathfinder Asset Management Limited is the Manager of the Scheme. The Supervisor of the Scheme is Public Trust. Alvarium (NZ) Wealth Management Holdings Limited owns 100 percent (31 March 2020: 51 percent) of the shareholder interest of the Manager. Alvarium (NZ) Wealth Management Holdings Limited is majority-owned by Alvarium Investments (NZ) Limited a joint venture between Alvarium and Tailorspace, the Christchurch based investment arm of the Ben Gough Family office. Alvarium, formerly known as LJ Partnership is a London-headquartered investment firm. Membership fees of \$2.25 per month 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. During the period, administration fees paid to the Manager totalled \$37,467 (31 March 2020: \$5,569). MMC Limited maintain the members' accounts and register of the Scheme and receives a fee for this service, paid by the Manager. The Manager waived the membership fees for all balances under \$1,000.

The Manager also charged an annual management fee based on the Gross Asset Value of each of the respective Funds:

Conservative Fund: 0.80%

Balanced Fund: 1.10%

Growth Fund: 1.25%

| \$ 31 March | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|-------------------------|-------------------|-------|---------------|--------|-------------|--------|--------------|--------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Management fees | 27,812 | 4,765 | 131,285 | 16,881 | 348,420 | 49,735 | 507,517 | 71,381 |
| Management fees payable | 4,427 | 879 | 18,576 | 4,797 | 51,715 | 12,316 | 74,718 | 17,992 |

Notes to the Financial Statements

9. Related parties (continued)

9.1 Manager and Supervisor (continued)

The Supervisor of the Scheme is Public Trust. The Supervisor is entitled to receive a fee from the Manager for supervisory services.

The management fees are used to cover expenses including audit fees, supervisor fees and administration fees of the Funds which are paid for by the Manager on behalf of the Scheme. The Manager paid and/or accrued for the following audit fees on behalf of the Scheme for the year ended 31 March:

| \$ | 2021 | 2020 |
|------------------------|--------|--------|
| Audit fees: | | |
| Ernst and Young | 23,000 | - |
| PriceWaterhouseCoopers | - | 23,000 |

Management fee rebates paid by the Manager to the Scheme are disclosed in the Statements of Changes in Net Assets.

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

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|----------------|-------------------|------|---------------|------|-------------|---------|--------------|---------|
| As at 31 March | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Holdings | - | - | - | - | 1,505,320 | 625,800 | 1,505,320 | 625,800 |

9.2 Investments by the Scheme in related parties

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

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|-----------------------------|-------------------|----------------|----------------|----------------|------------------|----------------|------------------|------------------|
| As at 31 March | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Avarium Private Credit Fund | 267,308 | 105,690 | 847,754 | 322,708 | 2,022,054 | 828,835 | 3,137,116 | 1,257,233 |
| Total | 267,308 | 105,690 | 847,754 | 322,708 | 2,022,054 | 828,835 | 3,137,116 | 1,257,233 |

The following table shows the income earned by the Funds from their investments in related parties in the period ended at balance date:

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|---|-------------------|--------------|---------------|--------------|---------------|---------------|----------------|---------------|
| For the period ended 31 March | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Avarium Private Credit Fund | 10,952 | 2,424 | 35,353 | 6,013 | 85,962 | 17,086 | 132,267 | 25,523 |
| Total income earned by the Funds from investments in related parties | 10,952 | 2,424 | 35,353 | 6,013 | 85,962 | 17,086 | 132,267 | 25,523 |

9.3 Interfund receivables and payables

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--------------------------|-------------------|-------|---------------|------|-------------|---------|--------------|------|
| As at 31 March | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Contributions receivable | 41,824 | 3,692 | 23 | - | 227 | - | - | - |
| Redemptions payable | (158) | - | (83) | - | (41,833) | (3,692) | - | - |

The table above represents related party contributions receivable and redemptions payable pertaining to unsettled Interfund switches at balance date. The amounts are included in the Contributions receivable and Withdrawals payable balances in note 10 and 11 respectively.

10. Trade and other receivables

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--|-------------------|---------------|----------------|---------------|----------------|----------------|----------------|----------------|
| As at 31 March | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Accrued Interest | 4,612 | 3,686 | 7,681 | 5,190 | 11,974 | 1,707 | 24,267 | 10,583 |
| Dividends and distributions receivable | 5,511 | 2,052 | 32,532 | 10,901 | 100,244 | 29,212 | 138,287 | 42,165 |
| Contributions receivable | 69,128 | 16,225 | 240,338 | 38,695 | 210,155 | 156,657 | 519,621 | 207,885 |
| Total trade and other receivables | 79,251 | 21,963 | 280,551 | 54,786 | 322,373 | 187,576 | 682,175 | 260,633 |

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

Notes to the Financial Statements

11. Trade and other payables

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|---------------------------------------|-------------------|------------|---------------|----------------|---------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| As at 31 March | | | | | | | | |
| Redemptions payable | 18,916 | 115 | 86,206 | 297 | 96,483 | 16,460 | 201,605 | 13,179 |
| Unsettled investment trades | - | - | - | 306,568 | - | 353,299 | - | 659,867 |
| Total trade and other payables | 18,916 | 115 | 86,206 | 306,865 | 96,483 | 369,758 | 201,605 | 673,046 |

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

12. Trade and other payables to related parties

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--|-------------------|------------|---------------|--------------|---------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| As at 31 March | | | | | | | | |
| Management fees payable | 4,427 | 879 | 18,576 | 4,797 | 51,715 | 12,316 | 74,718 | 17,992 |
| Total trade and other payables to related parties | 4,427 | 879 | 18,576 | 4,797 | 51,715 | 12,316 | 74,718 | 17,992 |

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

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

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|---|-------------------|-----------|---------------|-------------|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| For the period ended 31 March | | | | | | | | |
| Net profit/(loss) after tax and before membership activities | 216,512 | 31,883 | 2,141,865 | (201,822) | 7,329,166 | (719,907) | 9,687,543 | (889,846) |
| Adjustments for non cash items: | | | | | | | | |
| Unrealised changes in the fair value of financial instruments | (188,623) | 8,623 | (1,999,684) | 285,485 | (6,495,608) | 852,210 | (8,683,915) | 1,146,318 |
| Unrealised foreign exchange losses on financial instruments at amortised cost | (10,294) | 4,576 | (152,815) | 45,490 | (441,168) | 53,399 | (604,277) | 103,465 |
| Dividends and distributions re-invested | - | (624) | - | (1,533) | - | (4,074) | - | (6,231) |
| Movement in interest accruals | (6,019) | (1,574) | (15,481) | (4,033) | (38,450) | (10,295) | (59,950) | (15,902) |
| Other non cash income and expenses | - | (23) | (634) | (49) | (1,543) | (160) | (2,177) | (232) |
| | (204,936) | 10,978 | (2,168,614) | 325,360 | (6,976,769) | 891,080 | (9,350,319) | 1,227,418 |
| Movements in working capital items: | | | | | | | | |
| Increase in trade and other receivables | (4,385) | (5,738) | (24,122) | (16,091) | (75,037) | (30,919) | (103,544) | (52,748) |
| Increase/(decrease) in trade and other payables | 3,548 | 879 | (292,789) | 311,365 | (313,900) | 365,615 | (603,141) | 677,859 |
| Increase in net cost of investments | (1,612,203) | (356,321) | (7,698,551) | (3,642,939) | (26,007,551) | (10,480,554) | (35,318,305) | (14,479,814) |
| Increase in term deposits | (806,647) | (400,000) | (1,358,417) | (550,000) | (3,514,122) | - | (5,679,186) | (950,000) |
| | (2,419,687) | (761,180) | (9,373,879) | (3,897,665) | (29,910,610) | (10,145,858) | (41,704,176) | (14,804,703) |
| Net cash outflow from operating activities | (2,408,111) | (718,319) | (9,400,628) | (3,774,127) | (29,559,213) | (9,974,685) | (41,366,952) | (14,467,131) |

14. Interest income

| \$ | Conservative Fund | | Balanced Fund | | Growth Fund | | Scheme Total | |
|--|-------------------|-------|---------------|--------|-------------|--------|--------------|--------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| For the period ended 31 March | | | | | | | | |
| Interest income on financial assets at amortised cost | 25,531 | 7,802 | 60,944 | 12,793 | 99,596 | 22,420 | 186,071 | 43,015 |
| Interest income on financial assets as fair value through profit or loss | 2,946 | - | 6,222 | - | 9,838 | - | 19,006 | - |
| | 28,477 | 7,802 | 67,166 | 12,793 | 109,434 | 22,420 | 205,077 | 43,015 |

15. Assets and liabilities not carried at fair value but for which fair value is disclosed

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.

Cash and cash equivalents include cash on hand, deposits held with banks and brokers and other short-term investments in an active market.

Outstanding settlements represent the contractual amount due by the Funds for settlement of trades.

16. Contingent liabilities

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

17. Capital commitments

The Pathfinder Group, which comprises of the Pathfinder Investment Funds and Pathfinder KiwiSaver Plan, made a total commitment of 2 million units at \$1 and total capital call to date was 444,000 units at \$1 across the Pathfinder Group. The Manager valuation for the unlisted fund is \$1 per unit the par value per share which was the value the units were issued. There were no other material capital commitments as at 31 March 2021 (31 March 2020: none).

17. Events after balance date

There have been no events subsequent to balance date that require adjustment to, or disclosure of, in these financial statements.



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Independent auditor's report to the Members of the Pathfinder KiwiSaver Plan

Opinion

We have audited the financial statements of the Pathfinder KiwiSaver Plan ("the Plan") and the Conservative Fund, Balanced Fund and Growth Fund (each a "Fund" and collectively the "Funds", being the Funds comprising the Plan) on pages 3 to 27, which comprise the statement of net assets of each Fund and the Plan as at 31 March 2021, and the statement of changes in net assets and statement of cash flows for the year then ended of each Fund and the Plan, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 3 to 27 present fairly, in all material respects, the financial position of each Fund and the Plan as at 31 March 2021 and their financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

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

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

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

Partners and employees of our firm may deal with the Plan on normal terms within the ordinary course of trading activities of the business of the Plan. We have no other relationship with, or interest in, the Plan.

Key audit matters

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

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



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Financial assets at fair value through profit or loss

Why significant

- ▶ Each Fund's and the Plan's financial assets at FVTPL (being investments) comprise a significant portion of the respective Fund's and the Plan's total assets.
- ▶ Market volatility can have a significant impact on the value of these financial assets. Therefore, the recognition and measurement of these investments is considered a key area of audit focus. Financial assets at FVTPL are recognised in accordance with NZ IFRS 9 *Financial Instruments* and NZ IFRS 13 *Fair Value Measurement*.
- ▶ Disclosures regarding each Fund's and the Plan's financial assets at FVTPL are included in Notes 4 to 8 to the financial statements.

How our audit addressed the key audit matter

Our audit procedures included:

- ▶ Gaining an understanding of the processes used to record investment transactions and to value the portfolio. As the Administrator and Custodian (which are both external parties) are involved in the management of the investments, this included evaluating the service organisation reports issued by an independent auditor on the design and operation of the controls within the Administrator and Custodian. Our procedures focussed on the nature and significance of services provided by these service organisations, the relevant internal controls and the implications of any identified control deficiencies relevant to our audit of the financial statements.
- ▶ For a sample of investments held directly by each Fund, obtained confirmation directly from the Custodian, Sub-Custodian or counterparty of the investment held.
- ▶ For a sample of investments as at 31 March 2021, undertook the following to assess whether the fair value measurement was in accordance with NZ IFRS 9 *Financial Instruments* and NZ IFRS 13 *Fair Value Measurement*:
 - ▶ Where the price is quoted or otherwise observable, agreed the valuation to independent sources;
 - ▶ Where we audit the investee fund, performed audit procedures over a sample of its investments to provide evidence of the net asset value per unit of the respective unlisted fund. We also considered the results of our audit work for those funds and assessed any impact on the fund's valuation;
 - ▶ In relation to an unlisted debt instrument, assessed the significant unobservable inputs used by management in its valuation;
 - ▶ In relation to an unlisted equity investment, engaged our internal valuation specialists to assess the methodology and assumptions used by management to estimate its value.
- ▶ Assessing whether the disclosures in the financial statements appropriately reflected each Fund's and the Plan's exposure to financial instrument risk with reference to NZ IFRS 7 *Financial Instruments: Disclosures*.



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Information other than the financial statements and auditor's report

The Manager of the Plan is responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

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

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

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The financial statements of the Plan and Funds for the period ended 31 March 2020 were audited by another auditor who expressed an unqualified opinion on those financial statements on 21 August 2020.

Manager's responsibilities for the financial statements

The Manager of the Plan is responsible for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as 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 on behalf of the Funds and the Plan, the Funds and 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 the Funds or Plan or cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

The Ernst & Young logo is written in a black, cursive script font.

Chartered Accountants
Auckland
30 July 2021