

Simplicity KiwiSaver Scheme
Financial Statements
For the year ended 31 March 2021

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Directory Listing

Manager:	Simplicity NZ Limited
Registered Office:	Level 16, 5-7 Byron Avenue, Takapuna 0622
Directors:	Arthur (Sam) Stubbs (Managing Director), Ngaire (Joy) Marslin (Chair), Reuben Halper, Melanie Hewitson, Anna Tierney, Chris Teeling
Supervisor & Custodian:	Public Trust
Administrator:	MMC Limited
Auditor	Grant Thornton New Zealand Limited
Solicitor:	DLA Piper

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 Simplicity KiwiSaver Scheme as at 31 March 2021 and their results for the year ended on that date in accordance with the requirements of the Simplicity KiwiSaver Scheme Trust Deed dated 10 June 2016 amended 26 July 2016.

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

Director *A Stubbs*
A Stubbs (Aug 19, 2021 07:59 GMT+12)

Director *Reuben Halper*
Reuben Halper (Aug 19, 2021 08:23 GMT+12)

Simplicity NZ Limited

12 August 2021

Statements of Changes in Net Assets

\$	Note	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
For the year ended 31 March											
Income											
Interest income from financial assets at amortised cost	12	8,430	24,699	20,256	69,252	77,135	246,542	805	2,888	106,626	343,381
Dividend and distribution income		3,933,403	754,742	6,603,682	2,054,854	21,921,963	7,127,907	323,635	46,401	32,782,683	9,983,904
Other income		3	137	2	1,262	1	17,080	1	25	7	18,504
Foreign exchange gains on cash and cash equivalents		(1,081)	(26,720)	23,856	(39,839)	145,110	(155,530)	(9,883)	4,860	158,002	(217,229)
Net gain on financial instruments at fair value through profit or loss		5,526,359	(57,931)	33,823,270	(5,356,040)	194,810,825	(36,392,159)	1,644,178	(673,979)	235,804,632	(42,480,109)
Management fee rebates	8	260,246	119,569	484,334	317,753	1,852,755	1,187,312	22,723	10,164	2,620,058	1,634,798
Total income		9,727,360	814,496	40,955,400	(2,952,758)	218,807,789	(27,968,848)	1,981,459	(609,641)	271,472,008	(30,716,751)
Expenses											
Manager's fee	8	412,333	191,534	743,456	484,052	2,882,621	1,834,644	34,652	15,897	4,073,062	2,526,127
Custody expenses		-	-	-	29	-	29	5	-	5	58
Transaction costs		556	1,685	1,466	2,168	1,870	2,668	687	2,041	4,579	8,562
Other expenses		1,094	535	1,995	371	7,398	270	190	147	10,677	1,323
Total expenses		413,983	193,754	746,917	486,620	2,891,889	1,837,611	35,534	18,085	4,088,323	2,536,070
Net profit/(loss) before membership activities		9,313,377	620,742	40,208,483	(3,439,378)	215,915,900	(29,806,459)	1,945,925	(627,726)	267,383,685	(33,252,821)
Membership activities											
Contributions											
Member contributions		9,011,418	4,485,151	17,467,461	12,245,789	73,114,247	48,194,068	132,204	92,719	99,725,330	65,017,727
Employer contributions		4,771,651	2,174,821	9,181,047	6,105,402	40,284,852	24,932,029	46,477	28,327	54,284,027	33,240,579
Crown contributions		1,314,037	499,977	2,366,288	1,653,280	10,417,990	7,186,740	21,707	5,409	14,120,022	9,345,406
Transfers from other funds within the scheme		61,154,963	96,305,906	48,735,856	28,530,009	93,975,636	48,010,690	274,916	2,691,043	204,141,371	175,537,648
Transfers from other KiwiSaver schemes		28,971,050	26,518,770	65,917,479	74,622,998	197,408,179	227,464,339	301,661	3,037,865	292,598,369	331,643,972
Transfers from Australian superannuation schemes		341,571	578,323	1,120,934	1,035,582	3,086,983	2,699,223	-	-	4,549,488	4,313,128
Voluntary and lump sum contributions		10,816,816	6,319,036	15,581,868	11,840,718	23,863,435	17,843,348	1,742,255	4,618,000	52,004,374	40,621,102
Total Contributions		116,381,506	136,881,984	160,370,933	136,033,778	442,151,322	376,330,437	2,519,220	10,473,363	721,422,981	659,719,562
Withdrawals											
Transfers to other funds within the scheme		90,453,517	35,011,780	46,786,779	56,499,695	54,240,002	83,125,926	12,661,073	900,247	204,141,371	175,537,648
Transfers to other KiwiSaver schemes		3,581,714	2,274,136	2,792,082	2,794,236	19,867,245	7,177,637	23,595	-	26,264,636	12,246,009
Transfers to Australian superannuation schemes		62,722	26,071	-	27,769	83,224	37,826	-	-	145,946	91,666
Withdrawals on death		316,822	-	188,500	204,784	66,029	30,245	-	-	571,351	235,029
Withdrawals or transfers on permanent emigration		292,398	177,612	47,018	49,633	587,884	334,573	-	-	927,300	561,818
Invalid enrolment withdrawals		13,522	-	23,062	12,994	31,205	358,555	-	-	67,789	371,549
Withdrawals on retirement		4,952,017	2,832,978	4,901,569	2,674,144	3,296,117	1,007,241	1,443,207	517,699	14,592,910	7,032,062
Serious illness withdrawals		25,143	182,535	138,968	109,487	736,470	290,936	-	-	900,581	582,958
First home purchase withdrawals		21,000,702	6,116,124	4,688,781	2,732,505	17,900,434	9,155,602	-	-	43,589,917	18,004,231
Significant financial hardship withdrawals		43,397	29,181	52,824	21,256	322,782	215,857	-	-	419,003	266,294
Other permitted withdrawals		196,140	48,579	114,795	187,762	138,990	739,291	5,273	1,583	455,198	977,215
Total Withdrawals		120,938,094	46,698,996	59,734,378	65,314,265	97,270,382	102,473,689	14,133,148	1,419,529	292,076,002	215,906,479
Member PIE taxation		(94,840)	383,977	718,482	1,254,231	5,582,304	4,924,311	35,683	28,911	6,241,629	6,591,430
Insurance premiums		-	-	-	-	-	-	105,329	58,162	105,329	58,162
Administration fees	8	62,715	48,828	131,092	139,622	518,570	554,845	678	1,183	713,055	744,478
Net membership activities		(4,524,463)	89,750,183	99,786,981	69,325,660	338,780,066	268,377,592	(11,755,618)	8,965,578	422,286,966	436,419,013
Members' accounts at the start of the year		129,417,396	39,046,471	178,753,119	112,866,837	662,329,422	423,758,289	9,809,799	1,471,947	980,309,736	577,143,544
Movements in members' accounts for the year		4,788,914	90,370,925	139,995,464	65,886,282	554,695,966	238,571,133	(9,809,693)	8,337,852	689,670,651	403,166,192
Members' accounts at the end of the year		134,206,310	129,417,396	318,748,583	178,753,119	1,217,025,388	662,329,422	106	9,809,799	1,669,980,387	980,309,736

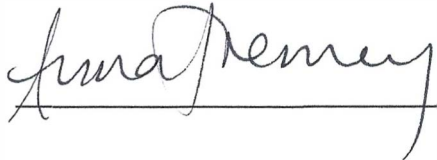
These statements are to be read in conjunction with the accompanying notes on pages 7 - 21

Statement of Financial Position

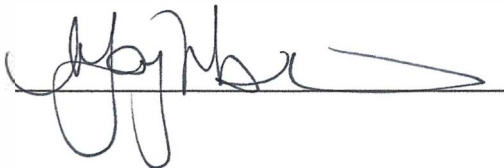
\$	Note	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March											
Members' Funds		134,206,310	129,417,396	318,748,583	178,753,119	1,217,025,388	662,329,422	106	9,809,799	1,669,980,387	980,309,736
<i>Represented by:</i>											
Assets											
Cash and cash equivalents		2,977,536	680,601	10,744,403	1,435,149	36,090,205	18,595,624	491,072	131,140	50,303,216	20,842,514
Trade and other receivables	9	429,408	3,158,928	189,463	1,942,487	865,623	8,945,924	4,645	65,297	1,489,139	14,112,636
Financial assets at fair value through profit or loss	6, 7	130,647,360	129,115,412	308,281,738	177,806,578	1,184,314,526	640,606,677	-	9,642,562	1,623,243,624	957,171,229
Member attributed taxation		593,342	96,362	277,532	12,856	129,634	8,714	6,154	154	1,006,662	118,086
Total assets		134,647,646	133,051,303	319,493,136	181,197,070	1,221,399,988	668,156,939	501,871	9,839,153	1,676,042,641	992,244,465
Liabilities											
Other payables	10	395,331	3,176,841	405,977	1,170,378	703,932	575,080	500,000	763	2,005,240	4,923,062
Manager fees payable	8	36,202	29,451	82,957	48,608	321,575	177,975	1,765	2,616	442,499	258,650
Financial liabilities at fair value through profit or loss	6, 7	-	31,951	-	120,922	-	651,372	-	-	-	804,245
Member attributed taxation		9,803	395,664	255,619	1,104,043	3,349,093	4,423,090	-	25,975	3,614,515	5,948,772
Total liabilities		441,336	3,633,907	744,553	2,443,951	4,374,600	5,827,517	501,765	29,354	6,062,254	11,934,729
Net assets available for benefits		134,206,310	129,417,396	318,748,583	178,753,119	1,217,025,388	662,329,422	106	9,809,799	1,669,980,387	980,309,736

These statements are to be read in conjunction with the accompanying notes on pages 7 - 21

These Financial Statements were authorised for issue by the Manager, Simplicity NZ Limited.

Director 

Date 12 August 2021

Director 

Date 12 August 2021

Statements of Cash Flows

\$		Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total		
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
	For the year ended 31 March											
	Note											
	Cash flows to operating activities											
	<i>Cash was provided from:</i>											
	Sale of investments	32,740,546	8,273,222	11,300,063	32,569,258	23,404,548	137,160,254	14,323,816	1,598,186	81,768,973	179,600,920	
	Interest received	8,430	24,832	20,256	69,704	77,135	247,853	805	2,898	106,626	345,287	
	Dividend and distribution income	444,793	63,393	733,975	161,919	2,361,417	514,816	35,683	3,119	3,575,868	743,247	
	Other income	3	137	2	1,262	1	17,080	1	25	7	18,504	
	Manager's fees rebates	240,368	99,163	440,825	277,790	1,663,054	1,043,688	22,626	6,188	2,366,873	1,426,829	
	Cash received upon settlement of forward exchange contracts	4,066	-	-	581	-	-	-	-	4,066	581	
	<i>Cash was applied to:</i>											
	Purchase of investments	(25,205,552)	(99,009,731)	(101,634,987)	(104,896,161)	(350,258,110)	(395,396,432)	(2,725,844)	(10,513,609)	(479,824,493)	(609,815,933)	
	Payments made on settlement of forward exchange contracts	(88,009)	51,192	(568,195)	226,710	(3,134,321)	1,159,616	(23,278)	13,454	(3,813,803)	1,450,972	
	Other expenses paid	(1,650)	(2,220)	(3,461)	(2,568)	(9,268)	(2,967)	(882)	(2,188)	(15,261)	(9,943)	
	Manager's fees paid	(405,582)	(171,144)	(709,107)	(461,405)	(2,739,021)	(1,754,508)	(35,503)	(13,630)	(3,889,213)	(2,400,687)	
	Net cash outflow from operating activities	11	7,737,413	(90,671,156)	(90,420,629)	(72,052,910)	(328,634,565)	(257,010,600)	11,597,424	(8,905,557)	(399,720,357)	(428,640,223)
	Cash flows from financing activities											
	<i>Cash was provided from:</i>											
	Contributions	119,130,904	133,940,437	162,167,465	134,178,004	450,421,322	367,715,515	2,579,969	10,412,614	734,299,660	646,246,570	
	<i>Cash was applied to:</i>											
	Withdrawals	(123,782,301)	(43,572,984)	(60,629,856)	(64,440,399)	(97,660,066)	(102,537,796)	(13,739,917)	(1,479,733)	(295,812,140)	(212,030,912)	
	Members' PIE Tax paid	(788,000)	(375,066)	(1,831,582)	(918,564)	(6,777,220)	(3,085,338)	(67,659)	(10,179)	(9,464,461)	(4,389,147)	
	Net cash inflow from financing activities	(5,439,397)	89,992,387	99,706,027	68,819,041	345,984,036	262,092,381	(11,227,607)	8,922,702	429,023,059	429,826,511	
	Net increase in cash	2,298,016	(678,769)	9,285,398	(3,233,869)	17,349,471	5,081,781	369,817	17,145	29,302,702	1,186,288	
	Cash at the beginning of the year	680,601	1,386,091	1,435,149	4,708,858	18,595,624	13,669,373	131,140	109,137	20,842,514	19,873,459	
	Effect of exchange rate fluctuations	(1,081)	(26,721)	23,856	(39,840)	145,110	(155,530)	(9,885)	4,858	158,000	(217,233)	
	Cash at the end of the year	2,977,536	680,601	10,744,403	1,435,149	36,090,205	18,595,624	491,072	131,140	50,303,216	20,842,514	

These statements are to be read in conjunction with the accompanying notes on pages 7 - 21

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

1. General information

Reporting entities

These Financial Statements are for the Simplicity KiwiSaver Scheme ("the Scheme") which comprises the following four funds (together the "Funds" and individually the "Fund"):

- Simplicity Conservative Fund ("Conservative Fund")
- Simplicity Balanced Fund ("Balanced Fund")
- Simplicity Growth Fund ("Growth Fund")
- Simplicity Guaranteed Income Fund ("Guaranteed Income Fund"). This Fund was wound up on 31 March 2021.

The Manager and issuer of the Scheme is Simplicity NZ 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 Scheme is AJK Stubbs, 24 Hamana Street, Narrow Neck, Auckland, 0622.

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

The Scheme was established by a Trust Deed dated 10 June 2016 and amended 26 July 2016 (the 'Trust Deed'). Establishment Deeds for the Conservative Fund, Balanced Fund and Growth Fund were issued on 10 June 2016 and for the Guaranteed Income Fund on 19 September 2017. The Conservative Fund, the Balanced Fund and the Growth Fund commenced operations on 1 September 2016. The Guaranteed Income Fund commenced operations on 24 October 2017 and ceased operations on 31 March 2021.

The principal activity of the Funds is investment.

Descriptions of the Funds are as follows:

- Conservative Fund: To achieve positive real returns over the short to medium term, while managing volatility through diversification of the Fund's assets. It provides investors with a limited exposure to growth assets such as stocks and shares, but most of its investments are in income assets such as cash and bonds.
- Balanced Fund: To achieve positive real returns over the medium term, while managing volatility through diversification of the Fund's assets. It provides investors with an exposure to a mix of growth and income assets.
- Growth Fund: To achieve positive real returns over the medium to long term, while managing volatility through diversification of the Fund's assets. It provides investors with a limited exposure to income assets but most of its investments are in growth assets.
- Guaranteed Income Fund: To achieve positive real returns over the medium term, while managing volatility through diversification of the Fund's assets. It provides investors with an exposure to a mix of growth and income assets. On retirement, the Fund provides investors with a regular annuity income, funded in the first instance from investors capital and returns, and subsequently from an insurance contract with Lifetime Income Limited. (Refer to Note 2.12 and 5.1 for further details). This Fund was wound up on 31 March 2021.

Nature of the Funds are as follows:

- The Conservative Fund provides investors with a limited exposure to growth assets, but most of its investments are in income assets.
- The Balanced Fund provides investors with an exposure to a mix of growth and income assets.
- The Growth Fund provides investors with a limited exposure to income assets, but most of its investments are in growth assets.
- The Guaranteed Income Fund provided investors with a mix of growth and income assets. On retirement, it provides investors with a regular income for life, even if their original investment runs out. Refer to Note 2.12 and 5.1 for further details.

Statutory base

These Financial Statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 ('FMCA'), the KiwiSaver Act 2006 (the 'Act'), the Financial Reporting Act 2013 and the Trust Deed.

The Financial Statements are for the year ended 31 March 2021. Comparatives for all the Funds are for the year ended 31 March 2020.

2. Summary of accounting policies

2.1 Basis of preparation

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

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

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

The Manager has assessed the Scheme's ability to continue as a going concern in light of the impact of COVID-19. There are no indicators that the Scheme will not continue to operate as a going concern.

(a) Presentation

These Financial Statements are presented in New Zealand dollars, which is the Scheme's functional currency. The functional currency reflects the currency of the economy in which the Scheme competes for funds and is regulated.

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

2. Summary of accounting policies (continued)

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

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

2.2 Financial instruments

(a) Classification

Financial assets

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

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

Financial assets at fair value through profit or loss can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. All financial assets measured at fair value are those mandatorily measured at fair value. Financial assets at fair value through profit and loss comprise of unlisted trusts and forward foreign exchange contracts.

(ii) Financial assets at amortised cost

(a) **Cash and cash equivalents** include cash in hand and deposits held at call with banks.

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial liabilities is managed and performance is evaluated on a fair value basis. All financial liabilities are mandatorily measured at fair value through profit or loss. Foreign exchange contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss.

(ii) Financial liabilities at amortised cost

(a) **Payables** are amounts representing liabilities and accrued expenses owing by the Fund at period end and may include related party fees.

The Fund's policy requires the Investment Manager and the Board of Directors to evaluate the information about financial assets and liabilities on a fair value basis together with other related financial information.

(b) Recognition, measurement and derecognition

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

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

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

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

(ii) Financial assets and liabilities at amortised cost

The Fund recognises financial assets and liabilities at amortised cost on the date they become parties to the contractual agreement. Financial assets and liabilities at amortised cost are initially recognised at fair value. Financial assets at amortised cost are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership. Financial liabilities at amortised cost are derecognised when the obligation under the liability is discharged, cancelled or expires. Subsequent to initial recognition, all financial assets and liabilities at amortised cost are measured at amortised cost less any impairment. Any impairment charge is recognised in the Statements of Changes in Net Assets. At each reporting date, the Fund shall measure the loss allowance of amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12 month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired.

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

2. Summary of accounting policies (continued)

(c) Fair value measurement

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date in the principal or, in its absence, the most advantageous market to which the Funds 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 such as publicly traded securities are based on quoted market prices at the close of trading on the reporting date. The quoted market price used by the Funds are the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value. The quoted market price used for fixed interest securities is the current mid price. (refer to Note 5.3 for further details on the methodologies applied for fixed income securities).

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 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 recent comparable arm's length market transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Funds would receive or pay to terminate the contract at balance date taking into account current market conditions (volatility and appropriate yield curve). It may be adjusted if the counterparty is not regarded as credit worthy. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

The Funds' investments in other funds are subject to the terms and conditions of the respective funds' offering documentation. The investments in other funds are primarily valued based on the latest available redemption price of such units for each other fund investment, as determined by the other funds' administrators. The Funds review 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 fair value of private equity investments are determined by the Manager using valuation techniques. The absence of observable market data and the lack of available data given the start up nature of private equity investments requires greater judgement and increases the subjectivity involved in assessing the fair value of these investments. The Manager may engage an independent valuer to provide further support for the carrying value of such investments. Refer to Note 5.3 for further information.

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

If necessary, the Funds make adjustments to the net asset value of various other fund investments to obtain the best estimate of fair value. Other net changes in fair value of financial assets and financial liabilities 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 classifications of the Funds' financial assets and liabilities are detailed in Note 6.

2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when, and only 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. Income and expenses are presented on a net basis for gains and losses from financial instruments at Fair value through profit and loss, and for foreign exchange gains and losses.

2.4 Revenue recognition

- (a) Dividend and distribution income is recognised in the Statements of Changes in Net Assets when the right to receive payment is established.
- (b) Interest income on financial assets at amortised cost and net interest income on financial assets at fair value through profit or loss are included under Income in the Statements of Changes in Net Assets and are recognised as interest accrues on a time-proportionate basis using the effective interest rate method. Interest income on financial assets at amortised cost comprises of interest income earned on cash and cash equivalents.
- (c) Gains or losses of financial assets at fair value through profit or loss are recorded net of any foreign withholding tax and recognised in the Statements of Changes in Net Assets as disclosed in Note 2.2.
- (d) Foreign exchange gains and losses on cash and financial instruments at fair value through profit or loss are recognised in the Statements of Changes in Net Assets as disclosed in Note 2.9.
- (e) Dividend and interest income is disclosed net of any resident withholding taxes deducted at source, as these tax credits are allocated to members under the PIE regime.

2.5 Expenses

The Manager pays audit, supervisory and administration expenses from the management fee paid by the Funds. The management fee is calculated on a daily basis based on the net asset value of the Scheme and is paid monthly. Administration and registry fees are charged monthly per member via a cancellation of units.

2.6 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.

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

2. Summary of accounting policies (continued)

2.7 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.

2.8 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.

2.9 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. Monetary assets and liabilities as at balance date denominated in foreign currencies are translated at the foreign currency exchange rates on that date. Non-monetary assets and liabilities as at balance date denominated in foreign currencies and measured at historical cost are not retranslated; they remain at the exchange rate at the date of the transaction. Non-monetary assets and liabilities as at balance date denominated in foreign currencies and measured at fair value are translated at the exchange rate when the fair value was determined. Realised and unrealised exchange gains and losses during the financial year are recognised in profit and loss in the Statements of Changes in Net Assets.

2.10 Net assets available for benefits

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

As stipulated in the Trust Deed, each unit represents a right to an individual share in the respective Fund and does not extend to a right in the underlying assets of the respective Fund. There are no separate classes of units within each Fund and each unit has the same rights attaching to it as all other units in the respective Fund.

Contributions received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed subject to the requirements of the KiwiSaver Act 2006 at the holder's option at prices based on the Funds' net asset value per unit at the time of issue or redemption. The Funds' net asset value per unit is calculated by dividing the net assets attributable to the holders of each Fund with the total number of outstanding units of each Fund. There are currently no entry or exit fees payable.

As disclosed in Note 1, the Scheme is a defined contribution scheme and the member funds presented as the Net assets available for benefits in the Statements of Net Assets represent the fully vested benefits to which the members are entitled to as at balance date. The movements of the liability for promised retirement benefits are presented by the movements as disclosed in the Statements of Changes in Net Assets during the year.

2.11 Related parties

A party is related to the Scheme if:

- (a) directly or indirectly through one or more of its intermediaries, it controls, is controlled by, or is under common control with, the Scheme;
- (b) it is a parent, subsidiary or fellow subsidiary of a party defined in Note 1 above;
- (c) it has an interest in or relationship with the Scheme that gives it significant influence over the Scheme;
- (d) the Scheme has an interest in or relationship with the party that gives it significant influence over the party; or
- (e) they are both the Manager, a related party of the Manager and any members of the Manager's key management personnel.

All dealings with related parties are conducted on standard business terms

2.12 Guaranteed Income Fund lifetime withdrawal benefit

Under the Trust Deed, Scheme members are entitled to elect to receive a regular lifetime withdrawal benefit from the date of initial draw down (usually 65) until the date of their death. This is funded in the first instance from the Scheme members' protected income base (i.e. funds invested +/- investment returns generated between date of investment through to the draw down date) and subsequently from the insurance policy held by the Supervisor on behalf of the Unitholders with Lifetime Income Limited (an insurer licensed in New Zealand under the Insurance (Prudential Supervision) Act 2010). The Scheme does not expect to make distributions from the Scheme apart from the lifetime withdrawal benefit. Please refer Note 5.1 for further details regarding financial risk. If there is still a balance in the Guaranteed Income Fund, it will be transferred to the Conservative Fund in accordance with the Product Disclosure Statement ("PDS"). This Fund was wound up on 31 March 2021.

2.13 Guaranteed Income Fund insurance payments

The Scheme pays insurance premiums to Lifetime Income Limited on behalf of the Scheme members. These premiums are calculated daily and paid monthly as disclosed in the Statements of Changes in Net Assets. Please refer to Note 8.1 for further details.

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

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 financial assets as quoted market prices are readily available and in the case of derivatives observable market inputs are readily available, therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at year end. However as with all investments, their value is subject to variation due to market fluctuations. The Manager may make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The fair values of securities that are not quoted in an active market may be determined by using valuation techniques, including earnings or revenue multiples, discounted cash flows, recent comparable transactions and progress against milestones. The models used to determine fair values are validated and periodically reviewed by the Manager.

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. 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. This relates to the judgement in valuing the Simplicity Private Equity Fund, which the Growth Investment Fund is invested in. 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).

The Manager has assessed the impact of COVID-19 and there has been no impact on the measurement and of the fair value hierarchy of investments.

Management considers that COVID-19 did not have a significant negative impact on the business operations, financial performance, for the financial position of the Fund for the year ended 31 March 2021. Management has made this judgement by looking at a range of indicators - and has not seen any material negative impacts on the following key indicators:

- * buy/sell spreads for financial instruments
- * liquidity of the financial markets
- * volatility of the financial markets

While the pandemic is largely under control in New Zealand, management continues to monitor the progress of the New Zealand government in keeping COVID-19 out of New Zealand, and will continue to assess any impact on the business operations, financial performance, and financial position of the either Simplicity KiwiSaver Scheme or Simplicity Investment Funds respectively in the event of any resurgences in New Zealand. At this stage, management does not consider there to be any significant risk to either the Simplicity KiwiSaver Scheme or Simplicity Investment Funds respectively. The factors which management considered in forming this judgement are as follows:

- * the Simplicity NZ limited operations are always ready to operate with minimal interruption upon enactment of our Business Continuity Plan (BCP).
- * the Supervisor, the Custodian and other counterparties of the (either Simplicity KiwiSaver Scheme or Simplicity Investment Funds respectively) are able to operate with minimal disruption based on experience from the first outbreak and lockdown period.
- * the (either Simplicity KiwiSaver Scheme or Simplicity Investment Funds respectively) is yet to see and does not anticipate seeing deferral of payments (based on experience from the first outbreak and lockdown period).

4. Derivatives

4.1 Forward foreign currency contracts

Forward currency contracts are primarily used by the Funds to economically hedge against foreign currency exchange rate risks on its non New Zealand denominated securities. 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:

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Forward exchange contracts (notional value in NZ\$)										
Sell AUD/Buy NZD	2,390,300	1,831,800	11,691,000	6,648,300	65,338,600	35,098,600	-	351,100	79,419,900	43,929,800
Forward exchange contracts (fair value in NZ\$)										
Sell AUD/Buy NZD	8,888	(31,951)	43,470	(120,922)	242,947	(651,372)	-	2,422	295,305	(801,823)

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

5. Financial Risk Management

5.1 Financial risk factors

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

The Scheme is exposed indirectly to price risks through its holdings in unlisted trusts. The unlisted investments have underlying securities comprising domestic, international equity instruments and fixed interest securities. All securities investments present a risk of loss of capital. The Funds of the Scheme hold unlisted trusts where the maximum loss of capital is limited to the carrying value of those positions. The maximum loss of capital on forward foreign exchange contracts is limited to the notional amount of currency that is contracted to be delivered under each contract.

The Funds are also indirectly exposed to risk factors such as liquidity risk, credit risk and interest rate risk via its investments underlying investment funds. However the risk management note outlined below are not prepared on a look through basis.

Investors in the Guaranteed Income Fund are entitled to regular annuity income from the draw down date through to death. As disclosed in Note 2.12, this is funded in the first instance from the Investor's capital plus/minus investment returns to date, and subsequently from the insurance policy held by the Supervisor on behalf of investors with Lifetime Income Limited (the "Insurer"). For investors in the Guaranteed Income Fund, there is a risk the Insurer won't be able to honour its income guarantee insurance policy in the event of a catastrophic market event. If this occurs, the Retirement Income will cease.

The Fund bears no credit risk regarding such payments, with the liability for the annuity payments, passing to the Insurer at the point at which the Investor's capital plus/minus investment return balance has been exhausted.

As disclosed in the Product Disclosure Statement, should the Insurer fail there may be insufficient funds residing in the Insurer's Statutory Fund to continue making the income payments.

As at 31 March 2021 and 31 March 2020, the Insurer has a B- credit rating as provided by A.M.Best.

As at 31 March 2021 and 31 March 2020, there were no financial assets past due or impaired.

In addition to internal risk management carried out by the Manager and the Investment Manager, financial risk is also managed by the setting of an investment policy, agreed with and monitored by the Supervisor and set out in the SIPO.

The Manager uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

5.1.1 Market risk

(a) Price risk

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

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

Where non-monetary financial instruments, for example, unlisted trusts 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 unlisted trusts which in turn invest in securities denominated in foreign currencies, the value of the unlisted trust will be indirectly affected by fluctuations in foreign exchange rates. Paragraph (b) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured.

Sensitivity Analysis

The variable of 5%, 10% and 20% has been applied. If investments in financial instruments subject to price risk at that date increased/decreased by this variable, with all other variables held constant, this would have had the following impact on the Statements of Changes in Net Assets.

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
5% increase in prices	6,531,924	6,455,771	15,411,913	8,890,329	59,203,579	32,030,334	-	482,007	81,147,416	47,858,441
5% decrease in prices	(6,531,924)	(6,455,771)	(15,411,913)	(8,890,329)	(59,203,579)	(32,030,334)	-	(482,007)	(81,147,416)	(47,858,441)
\$										
As at 31 March										
10% increase in prices	13,063,847	12,911,541	30,823,827	17,780,658	118,407,158	64,060,668	-	964,014	162,294,832	95,716,881
10% decrease in prices	(13,063,847)	(12,911,541)	(30,823,827)	(17,780,658)	(118,407,158)	(64,060,668)	-	(964,014)	(162,294,832)	(95,716,881)
\$										
As at 31 March										
20% increase in prices	26,127,694	25,823,082	61,647,654	35,561,316	236,814,316	128,121,335	-	1,928,028	324,589,664	191,433,761
20% decrease in prices	(26,127,694)	(25,823,082)	(61,647,654)	(35,561,316)	(236,814,316)	(128,121,335)	-	(1,928,028)	(324,589,664)	(191,433,761)

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

5. Financial Risk Management (continued)

(b) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Scheme is exposed to currency risk through holding Australian dollar unlisted trusts, cash and cash equivalents and forward foreign exchange contracts. The Manager may hedge the exposure to currency fluctuations.

Foreign currency risk, as defined in NZ IFRS 7, 'Financial Instruments: Disclosure's, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in currencies other than the functional currency fluctuate due to the changes in foreign exchange rates. NZ IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The Scheme is also exposed indirectly to currency risk through its holdings in unlisted trusts.

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Monetary assets/(liabilities)										
Australian Dollar (AUD)	(2,380,869)	(1,857,719)	(11,641,219)	(6,738,868)	(65,040,558)	(35,561,164)	-	(355,998)	(79,062,646)	(44,513,749)

The tables below summarises the impact on the Statements of Changes in Net Assets on monetary assets and liabilities at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5%, 10% and 20% with all other variables held constant.

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Monetary assets/(liabilities)										
Increase of 5%	113,375	88,463	554,344	320,898	3,097,169	1,693,389	-	16,952	3,764,888	2,119,702
Decrease of 5%	(125,309)	(97,775)	(612,696)	(354,677)	(3,423,187)	(1,871,640)	-	(18,737)	(4,161,192)	(2,342,829)

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Monetary assets/(liabilities)										
Increase of 10%	216,443	168,884	1,058,293	612,624	5,912,778	3,232,833	-	32,363	7,187,514	4,046,704
Decrease of 10%	(264,541)	(206,413)	(1,293,469)	(748,763)	(7,226,729)	(3,951,240)	-	(39,555)	(8,784,739)	(4,945,971)

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Monetary assets/(liabilities)										
Increase of 20%	396,812	309,620	1,940,203	1,123,145	10,840,093	5,926,861	-	59,333	13,177,108	7,418,959
Decrease of 20%	(595,217)	(464,430)	(2,910,305)	(1,684,717)	(16,260,140)	(8,890,291)	-	(89,000)	(19,765,662)	(11,128,438)

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

5. Financial Risk Management (continued)

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Non monetary assets/(liabilities)										
Australian Dollar (AUD)	9,636,177	8,274,646	56,536,098	33,023,792	307,589,635	166,935,787	-	1,760,458	373,761,910	209,994,683

As at 31 March 2021, the Manager has deemed it reasonable to apply the following variables for foreign exchange risk sensitivity. The variable of 5%, 10% and 20% has been applied. The tables below summarises the impact on the Statements of Changes in Net Assets on non-monetary assets and liabilities at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5%, 10% and 20% with all other variables held constant.

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Non monetary assets/(liabilities)										
Increase of 5%	(458,866)	(394,031)	(2,692,195)	(1,572,562)	(14,647,125)	(7,949,323)	-	(83,831)	(17,798,186)	(9,999,747)
Decrease of 5%	507,167	435,508	2,975,584	1,738,094	16,188,928	8,786,094	-	92,656	19,671,679	11,052,352

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Non monetary assets/(liabilities)										
Increase of 10%	(876,016)	(752,241)	(5,139,645)	(3,002,163)	(27,962,694)	(15,175,981)	-	(160,042)	(33,978,355)	(19,090,427)
Decrease of 10%	1,070,686	919,405	6,281,789	3,669,310	34,176,626	18,548,421	-	195,606	41,529,101	23,332,742

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Non monetary assets/(liabilities)										
Increase of 20%	(1,606,030)	(1,379,108)	(9,422,683)	(5,503,965)	(51,264,939)	(27,822,631)	-	(293,410)	(62,293,652)	(34,999,114)
Decrease of 20%	2,409,044	2,068,662	14,134,025	8,255,948	76,897,409	41,733,947	-	440,115	93,440,478	52,498,672

(c) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow.

Cashflow interest rate risk

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

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Increase of 1%	29,775	6,806	107,444	14,351	360,902	185,956	4,911	1,311	503,032	208,425
Decrease of 1%	(29,775)	(6,806)	(107,444)	(14,351)	(360,902)	(185,956)	(4,911)	(1,311)	(503,032)	(208,425)

Fair value interest rate risk

The Scheme is indirectly affected by the impact of interest rate changes on the earnings of their investments in unit trusts, which forms part of the Price Risk sensitivity (see above). Therefore, the above sensitivity analysis may not fully indicate the total effect on the Scheme's net assets attributable to members of future movements in interest rates.

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

5. Financial Risk Management (continued)

5.1.2 Credit risk

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

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. There is no risk of default relating to contributions receivable by the Scheme as this receivable has arisen only due to timing between the date of receipt of the funds and when the units are allocated and the receipts processed.

The maximum credit risk of financial instruments is considered to be the carrying amount on the Statements of Net Assets. The risk of non recovery of monetary assets is considered by the Manager to be minimal due to the quality of counterparties dealt with. The Scheme does not require collateral or other security to support financial instruments with credit risk. The Scheme invests cash with banks registered in New Zealand and Australia which carry a minimum short term credit rating of AA- (Standard & Poor's). The forward foreign exchange contracts as disclosed in Note 4 are held at ANZ. New Zealand registered banks carry a minimum short term credit rating of AA- (Standard and Poor's).

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any credit loss. Management consider the probability of default to be close to zero as the instruments have a low risk of default. As a result, no loss allowance has been recognised, as any such impairment would be wholly insignificant to the Fund.

As at 31 March 2021 and 31 March 2020, there were no financial assets past due or impaired.

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. The Scheme invests in various unlisted trusts, which 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 and are saleable. Whilst the Growth Fund has an investment in Simplicity Private Equity Fund which holds illiquid securities, this does not impact the Manager's ability to cover foreseeable redemptions due to the value of such holding being less than 0.5% of the net assets of the Fund. Monies received from member contributions may be used to offset withdrawals and the Manager may in certain circumstances suspend withdrawals from the Scheme.

The Scheme's investment policies do not state a minimum required level of investment in liquid investments. The Scheme's financial liabilities consist of trade and other payables and derivatives (forward foreign exchange contracts) 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 year end. The current fair value represents the estimated cash flow that may be required to dispose of the positions. Future cash flows of the Scheme and realised liabilities may differ from current liabilities based on future changes in market conditions.

During the year there have been no significant withdrawals and no need to suspend withdrawals, nor has the Manager identified any illiquid investments. The Scheme remains liquid and able to meet potential withdrawals.

The following table analyses each of the Scheme's financial liabilities and derivative financial instruments in a loss position based on a contractual maturity basis rather than on an expected maturity basis, as the expected maturities for such contracts are not considered to be essential to an understanding of the timing of cash flows. The amounts in the table are the contractual undiscounted cash flows.

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Financial liabilities held at fair value through profit or loss										
7 days to 2 months	-	31,951	-	120,922	-	651,372	-	-	-	804,245
Related party payables										
7 days to 2 months	36,202	29,451	82,957	48,608	321,575	177,975	1,765	2,616	442,499	258,650
Other payables										
Less than 7 days	395,331	3,176,841	405,977	1,170,378	703,932	575,080	500,000	763	2,005,240	4,923,062

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.

Refer Note 5.1 regarding the Guaranteed Income Fund and the insurance policy held by the Supervisor on behalf of Investors.

5.2.1 Units on Issue

Units	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Units on issue at the start of the year	110,664,763	34,550,646	150,384,539	95,466,723	534,712,074	336,560,618	9,155,880	1,365,616	804,917,256	467,943,603
Total contributions for the year	94,172,642	116,339,303	118,013,754	108,730,801	301,581,192	281,089,290	2,140,565	9,098,508	515,908,153	515,257,902
Total withdrawals for the year	(97,603,993)	(40,225,186)	(44,490,125)	(53,812,985)	(69,564,759)	(82,937,834)	(11,296,445)	(1,308,244)	(222,955,322)	(178,284,249)

Units on issue at the end of the year

107,233,412	110,664,763	223,908,168	150,384,539	766,728,507	534,712,074	-	9,155,880	1,097,870,087	804,917,256
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Notes to the Financial Statements for the year ended 31 March 2021

5. Financial Risk Management (continued)

5.3 Fair value estimation

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

Level one - fair value in an active market

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

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

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques for which all significant inputs are based on observable market data.

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

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques for which any significant input is not based on observable market data.

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into levels 1 to 3 based on the degree to which the fair value is observable. There have been no transfers between levels.

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Level 2										
<i>Financial assets at fair value through profit and loss</i>										
Unlisted funds/trusts	130,638,472	129,115,412	308,238,268	177,806,578	1,179,314,267	637,406,597	-	9,640,140	1,618,191,007	953,968,727
Forward foreign exchange contracts	8,888	-	43,470	-	242,947	-	-	2,422	295,305	2,422
Total Level 2 financial assets at fair value through profit or loss	130,647,360	129,115,412	308,281,738	177,806,578	1,179,557,214	637,406,597	-	9,642,562	1,618,486,312	953,971,149
Level 3										
<i>Financial assets at fair value through profit and loss</i>										
Unlisted funds/trusts	-	-	-	-	4,757,312	3,200,080	-	-	4,757,312	3,200,080
Total Level 3 financial assets at fair value through profit or loss	-	-	-	-	4,757,312	3,200,080	-	-	4,757,312	3,200,080
Total financial assets at fair value through profit or loss	130,647,360	129,115,412	308,281,738	177,806,578	1,184,314,526	640,606,677	-	9,642,562	1,623,243,624	957,171,229
Level 2										
<i>Financial liabilities at fair value through profit or loss</i>										
Forward foreign exchange contracts	-	31,951	-	120,922	-	651,372	-	-	-	804,245
Total financial liabilities at fair value through profit or loss	-	31,951	-	120,922	-	651,372	-	-	-	804,245

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1 include listed equity instruments. The Funds do not adjust the quoted price for these instruments.

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

The Funds' investments in unlisted trusts are valued at fair value which are based on the latest available redemption prices as obtained from the third party fund administrator. The Manager reviews the details of the reported information obtained from the third party administrator and considers:

- the liquidity of the Fund's holding in the unlisted trusts or their underlying investments;
- the value date of the net asset values ("NAVs") provided; and
- any restrictions on redemptions

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

The Level 3 investment in the Growth Fund is an investment in Simplicity Private Equity Fund. The Simplicity Private Equity Fund invests in securities issued by private companies. This is classified as Level 3 as there is no active market and the valuations are determined using valuation techniques that are not based on observable market data. Refer to Note 8 for further information.

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

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

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Total financial assets held for trading										
Financial assets at fair value through profit or loss										
Unlisted funds/trusts	130,638,472	129,115,412	308,238,268	177,806,578	1,184,071,579	640,606,677	-	9,640,140	1,622,948,319	957,168,807
Forward foreign exchange contracts	8,888	-	43,470	-	242,947	-	-	2,422	295,305	2,422
Total financial assets at fair value through profit or loss	130,647,360	129,115,412	308,281,738	177,806,578	1,184,314,526	640,606,677	-	9,642,562	1,623,243,624	957,171,229
Financial liabilities at fair value through profit or loss										
Forward foreign exchange contracts	-	31,951	-	120,922	-	651,372	-	-	-	804,245
Total financial liabilities at fair value through profit or loss	-	31,951	-	120,922	-	651,372	-	-	-	804,245

The forward currency contracts as disclosed in Note 4 are all with ANZ New Zealand.

7. Financial instruments

The following table shows the details of any single investment exceeding 5% of net assets or 5% of any category of investments for each of the Funds and the Scheme as at 31 March:

Trading securities exceeding 5% of Net assets available for benefits by Fund and by Scheme Total

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
As at 31 March										
<i>List of Securities</i>	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value
Simplicity NZ Bond Fund	44,717,693	33.32%	47,430,135	14.88%	82,477,641	6.78%	-	0.00%	174,625,469	10.46%
Simplicity NZ Share Fund	9,211,285	6.86%	46,955,642	14.73%	248,729,149	20.44%	-	0.00%	304,896,076	18.26%
Vanguard Eth'y Conscious Global Index Bond Fund	52,925,239	39.44%	80,497,478	25.25%	149,600,807	12.29%	-	0.00%	283,023,524	16.95%
Vanguard Ethically Conscious Australian Share Fund	-	0.00%	17,911,062	5.62%	100,100,882	8.23%	-	0.00%	121,673,901	7.29%
Vanguard Eth'y Conscious Int Shares Index Fund NZD	10,879,191	8.11%	72,986,130	22.90%	381,988,301	31.39%	-	0.00%	465,853,622	27.90%
Vanguard Eth'y Conscious Int Shares Index Fund AUD	-	0.00%	38,625,036	12.12%	207,488,753	17.05%	-	0.00%	252,088,009	15.10%

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
As at 31 March										
<i>List of Securities</i>	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value
Simplicity NZ Bond Fund	49,692,415	38.40%	29,655,867	16.59%	47,035,829	7.10%	1,582,699	16.15%	127,966,810	13.05%
Simplicity NZ Share Fund	9,407,502	7.27%	27,621,382	15.45%	135,750,560	20.50%	1,526,771	15.58%	174,306,215	17.78%
Vanguard Australian Share Index Fund	-	0.00%	10,545,223	5.90%	55,837,280	8.43%	556,936	5.68%	69,844,926	7.12%
Vanguard Ethically Conscious Global Index Bond Fund	50,449,772	38.98%	45,189,964	25.28%	77,100,976	11.64%	2,466,851	25.18%	175,207,563	17.87%
Vanguard Ethically Conscious Int Shares Index Fund NZD	11,229,849	8.68%	42,260,953	23.64%	210,465,405	31.78%	2,300,405	23.48%	266,256,612	27.16%
Vanguard Ethically Conscious Int Shares Index Fund AUD	-	0.00%	22,478,569	12.58%	111,098,507	16.77%	1,203,522	12.28%	134,780,598	14.30%

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

7. Financial instruments (continued)

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Financial assets at fair value through profit and loss										
Financial assets measured at fair value through profit or loss	130,647,360	129,115,412	308,281,738	177,806,578	1,184,314,526	640,606,677	-	9,642,562	1,623,243,624	957,171,229
Financial assets at amortised cost										
Cash and cash equivalents	2,977,536	680,601	10,744,403	1,435,149	36,090,205	18,595,624	491,072	131,140	50,303,216	20,842,514
Trade and other receivables	429,408	3,158,928	189,463	1,942,487	865,623	8,945,924	4,645	65,297	1,489,139	14,112,636
Total financial assets at amortised cost	3,406,944	3,839,529	10,933,866	3,377,636	36,955,828	27,541,548	495,717	196,437	51,792,355	34,955,150
Total financial assets	134,054,304	132,954,941	319,215,604	181,184,214	1,221,270,354	668,148,225	495,717	9,838,999	1,675,035,979	992,126,379
Liabilities at fair value through profit and loss										
Financial liabilities at fair value through profit or loss	-	31,951	-	120,922	-	651,372	-	-	-	804,245
Financial liabilities at amortised cost										
Other payables	395,331	3,176,841	405,977	1,170,378	703,932	575,080	500,000	763	2,005,240	4,923,062
Manager fees payable	36,202	29,451	82,957	48,608	321,575	177,975	1,765	2,616	442,499	258,650
Total financial liabilities at amortised cost	431,533	3,206,292	488,934	1,218,986	1,025,507	753,055	501,765	3,379	2,447,739	5,181,712
Total financial liabilities	431,533	3,238,243	488,934	1,339,908	1,025,507	1,404,427	501,765	3,379	2,447,739	5,985,957

Offsetting and amounts subject to master netting arrangements and similar agreements

As at 31 March 2021, the Scheme was subject to an International Swaps and Derivatives Association (ISDA) arrangement with ANZ, the derivative counterparty (31 March 2020: ANZ). According to the terms of the ISDA arrangement with the counterparty, all the derivatives are settled net.

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
<i>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</i>										
Gross amounts of recognised financial assets	8,888	-	43,470	-	242,947	-	-	-	295,305	-
Gross amounts of recognised financial liabilities	-	(31,951)	-	(120,922)	-	(651,372)	-	-	-	(804,245)
Net amounts presented in the Statements of Financial Position	8,888	(31,951)	43,470	(120,922)	242,947	(651,372)	-	-	295,305	(804,245)
<i>Related amounts not set-off in the Statement of Financial Position</i>	-	-	-	-	-	-	-	-	-	-
Net amount	8,888	(31,951)	43,470	(120,922)	242,947	(651,372)	-	-	295,305	(804,245)

Each party has the option to settle all open contracts on a net basis in the event of default by the other party. Per the terms of the ISDA agreement, an event of default includes the following:

* failure by a party to make a payment when due;

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

* bankruptcy

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

8. Related parties

8.1 Manager and Supervisor

The Manager of the Scheme is Simplicity NZ Limited. The Manager is wholly owned by Simplicity Charitable Trust, a New Zealand registered trust. The Manager is entitled to the following capped management fees per annum for services as Manager:

- Simplicity KiwiSaver Conservative Fund	- 0.31% of the net asset value per annum (comprising of 0.30% Manager's basic fee and 0.01% Other management and administration charges)
- Simplicity KiwiSaver Balanced Fund	- 0.31% of the net asset value per annum (comprising of 0.30% Manager's basic fee and 0.01% Other management and administration charges)
- Simplicity KiwiSaver Growth Fund	- 0.31% of the net asset value per annum (comprising of 0.30% Manager's basic fee and 0.01% Other management and administration charges)
- Simplicity KiwiSaver Guaranteed Income Fund	- 0.31% of the net asset value per annum (comprising of 0.30% Manager's basic fee and 0.01% Other management and administration charges) plus 1.30% per annum of the Protected Income Base

The capped management fees are used to cover expenses for management fees and administration charges. The capped management fees are calculated daily by MMC and paid monthly directly from the Scheme.

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
For the year ended 31 March										
Included in the Statements of Changes in Net Assets										
Management fees charged during the year	412,333	191,534	743,456	484,052	2,882,621	1,834,644	34,652	15,897	4,073,062	2,526,127
Management fee rebates earned during the year from the Manager	260,246	119,569	484,334	317,753	1,852,755	1,187,312	22,723	10,164	2,620,058	1,634,798
Included in the Statements of Net Assets										
Management fees payable to the Manager	36,202	29,451	82,957	48,608	321,575	177,975	1,765	2,616	442,499	258,650

The Supervisor of the Scheme is Public Trust. The Supervisor is entitled to receive a fee from the Manager for supervisory services. Audit expenses are also paid on behalf of the Scheme by the Manager.

The Manager also paid administration and custody expenses on behalf of the Funds to non-related parties. A monthly \$1.67 administration fee is deducted from each member by way of unit redemption and is payable to the Manager. (The monthly fee has been reduced from \$2.50 per member). This is accounted for as a withdrawal and does not impact net profit before membership activities. During the year, administration fees paid to the Manager totalled \$713,055 (2020: \$744,478). MMC Limited maintain the members' accounts and register of the Scheme and receives a fee for this service, paid by the Manager.

The Manager also paid insurance premiums on behalf of the Funds to Lifetime Income Limited. A monthly insurance premium 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 year, insurance premiums paid to the Manager totalled \$105,329 (2020: \$58,475).

Directors of the Manager held units in the Simplicity KiwiSaver Scheme in the following proportions:

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Holdings	0.00%	0.00%	0.00%	0.06%	0.07%	0.07%	n/a	0.00%	0.05%	0.06%

Total holdings attributable to related party investors in the Funds at year end:

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Funds managed by Simplicity NZ Limited:										
Simplicity NZ Bond Fund	44,717,693	49,692,415	47,430,135	29,655,867	82,477,641	47,035,829	-	1,582,699	174,625,469	127,966,810
Simplicity NZ Share Fund	9,211,285	9,407,502	46,955,642	27,621,382	248,729,149	135,750,560	-	1,526,771	304,896,076	174,306,215
Simplicity First Home Mortgage Fund	3,268,887	61,228	3,832,785	54,620	8,928,734	118,040	-	2,956	16,030,406	236,844
Simplicity Private Equity Fund	-	-	-	-	4,757,312	3,200,080	-	-	4,757,312	3,200,080

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

8. Related parties (continued)

Total income and gains attributable to related party investors in the Funds during the year:

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
For the year ended 31 March										
Funds managed by Simplicity NZ Limited:										
Simplicity NZ Bond Fund	(1,043,721)	977,645	(1,380,732)	1,339,413	(2,442,188)	2,229,352	(53,379)	41,856	(4,920,021)	4,588,266
Simplicity NZ Share Fund	2,268,784	(125,965)	7,371,260	(654,477)	37,671,589	(4,708,036)	355,538	(134,080)	47,667,171	(5,622,557)
Simplicity First Home Mortgage Fund	28,645	24	30,762	22	71,230	47	1,471	1	132,108	95
Private Equity Fund	-	-	-	-	19,425	-	-	-	19,425	-

9. Trade and other receivables

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Fee rebates receivable from external fund managers	54,554	34,676	128,371	84,863	503,343	313,643	4,645	4,548	690,913	437,730
Due from brokers	-	2,000,000	-	1,500,000	-	6,500,000	-	60,000	-	10,060,000
Contributions receivable	374,854	1,124,252	61,092	357,624	362,280	2,132,281	-	749	798,226	3,614,906
Total trade and other receivables	429,408	3,158,928	189,463	1,942,487	865,623	8,945,924	4,645	65,297	1,489,139	14,112,636

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

10. Other payables

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Redemptions payable	395,331	3,176,823	405,977	1,170,363	703,932	575,046	500,000	762	2,005,240	4,922,994
Due to brokers	-	18	-	15	-	34	-	1	-	68
Total other payables	395,331	3,176,841	405,977	1,170,378	703,932	575,080	500,000	763	2,005,240	4,923,062

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

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
For the year ended 31 March										
Net profit/(loss) after tax and before membership activities	9,313,377	620,742	40,208,483	(3,439,378)	215,915,900	(29,806,459)	1,945,925	(627,726)	267,383,685	(33,252,821)
Adjustments for non cash items:										
Net unrealised changes in the fair value of financial instruments	(3,212,780)	328,966	(33,096,588)	6,326,746	(193,591,564)	39,606,997	(748,942)	731,521	(230,649,874)	46,994,230
Net foreign currency gains or losses on cash and cash equivalents	1,081	26,720	(23,856)	39,839	(145,110)	155,530	9,883	(4,860)	(158,002)	217,229
Distributions and dividends re-invested	(3,488,610)	(691,349)	(5,869,707)	(1,892,935)	(19,560,546)	(6,613,091)	(287,952)	(43,282)	(29,206,815)	(9,240,657)
	(6,700,309)	(335,663)	(38,990,151)	4,473,650	(213,297,220)	33,149,436	(1,027,011)	683,379	(260,014,691)	37,970,802
Movements in working capital items:										
Decrease in trade and other receivables	(19,878)	(20,273)	(43,509)	(39,511)	(189,701)	(142,313)	(97)	(3,966)	(253,185)	(206,063)
Increase/(decrease) in trade and other payables	6,751	20,390	34,349	22,648	143,600	80,135	(851)	2,267	183,849	125,440
(Increase)/decrease in net cost of investments	5,137,472	(90,956,352)	(91,629,801)	(73,070,319)	(331,207,144)	(260,291,399)	10,679,458	(8,959,511)	(407,020,015)	(433,277,581)
	5,124,345	(90,956,235)	(91,638,961)	(73,087,182)	(331,253,245)	(260,353,577)	10,678,510	(8,961,210)	(407,089,351)	(433,358,204)
Net cash outflow from operating activities	7,737,413	(90,671,156)	(90,420,629)	(72,052,910)	(328,634,565)	(257,010,600)	11,597,424	(8,905,557)	(399,720,357)	(428,640,223)

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

12. Interest income

\$	Conservative Fund		Balanced Fund		Growth Fund		Guaranteed Income Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
For the year ended 31 March										
Interest on financial assets at amortised cost	8,430	24,699	20,256	69,252	77,135	246,542	805	2,888	106,626	343,381
Total Interest income	8,430	24,699	20,256	69,252	77,135	246,542	805	2,888	106,626	343,381

13. Contingent liabilities

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

14. Capital commitments

The Growth Fund has agreed to make further investments into the Simplicity Private Equity Fund totalling approximately \$700,000 on or about July 2021.

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

15. Events after balance date

No significant events have occurred since balance date which would impact on the financial position of the Scheme disclosed in the Statement of Financial Position as at 31 March 2021 or on the results and cash flows of the Scheme for the year ended on that date.

Independent Auditor's Report

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To the Members of the Funds in the Simplicity KiwiSaver Scheme

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Simplicity KiwiSaver Scheme (comprising each of the funds, conservative fund, balanced fund, growth fund, guaranteed income fund and collectively the "Scheme") on pages 4 to 23 which comprise the statement of financial position as at 31 March 2021, and the statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

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

Basis for Opinion

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Scheme.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Other Matter

The financial statements of Simplicity KiwiSaver Scheme for the year ended 31 March 2020 was audited by another auditor who expressed an unmodified opinion on those statements on 30 September 2020.

Other Information

The Managers are responsible for the other information. The other information comprises the Manager's Statement but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of audit opinion or assurance conclusion thereon.

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to report that fact. We have nothing to report in this regard.

Manager's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the Audit of the Financial Statements

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

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

Restriction on use of our report

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

Grant Thornton New Zealand Audit Limited



VJ Black

Auckland

12 August 2021