

MAS KIWISAVER SCHEME

Financial Statements

For the year ended 31 March 2022

INDEX

Independent Auditor's Report	Pages 1 to 3
Statement of Net Assets	Page 4
Statement of Changes in Net Assets	Page 5
Statement of Cash Flows	Page 6
Notes to the Financial Statements	Pages 7 to 18



Independent Auditor's Report

To the Members of MAS KiwiSaver Scheme

Opinion

We have audited the financial statements of MAS KiwiSaver Scheme ("the Scheme") on pages 4 to 18, which comprise the statement of net assets of the Scheme as at 31 March 2022, the statement of changes in net assets and statement of cash flows for the year then ended of the Scheme, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 18 present fairly, in all material respects, the financial position of the Scheme as at 31 March 2022 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

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

We are independent of the 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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Key audit matters

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

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

Investments

Why significant

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

How our audit addressed the key audit matter

Our audit procedures included:

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

Those charged with governance responsibilities for the financial statements

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

In preparing the financial statements, those charged with governance are responsible for assessing the 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 those charged with governance either intend to liquidate the Scheme or cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

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

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

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

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive script.

Chartered Accountants
Wellington
29 June 2022

MAS KIWISAVER SCHEME
Statement of Net Assets
As at 31 March 2022

	Notes	2022 NZ\$	2021 NZ\$
Assets			
Cash and Cash Equivalents	6	25,141,264	16,042,904
Wholesale Cash Fund	5	24,493,015	34,807,829
Investments at Fair Value Through Profit or Loss	5	1,056,227,982	980,513,792
Total Assets		1,105,862,261	1,031,364,524
Less: Liabilities			
Accounts Payable		(985,731)	(951,699)
PIE Tax Payable		(1,306,155)	(14,999,212)
Total Liabilities		(2,291,886)	(15,950,911)
Net Assets available to pay Benefits		1,103,570,375	1,015,413,613
Represented by:			
Member Accounts	3	1,103,570,375	1,015,413,613
		1,103,570,375	1,015,413,613

Approved for issue by the Manager, Medical Funds Management Limited.



29/06/2022
 Date



29/06/2022
 Date

This statement is to be read in conjunction with the notes on pages 7 to 18.

MAS KIWISAVER SCHEME
Statement of Changes in Net Assets
For the year ended 31 March 2022

	Notes	2022 NZ\$	2021 NZ\$
Investment Activities			
Investment Revenues			
Dividend Income		8,317,405	8,242,851
Interest Income		123,509	797,081
Gain on Investments at Fair Value	7,8	23,852,692	203,527,839
Total Investment Revenue		32,293,606	212,567,771
Other Revenues			
Bank Interest Received		3,484	299
Fee Rebate		377,082	339,247
Total Other Revenue		380,566	339,546
Expenses			
Administration Expenses		(105,592)	(299,359)
MFM Management Fee		(10,600,652)	(9,303,847)
Audit Fee - Financial Statements - EY		(20,671)	(16,577)
Other Assurance Procedures - Registry Audit - EY		(1,610)	(1,495)
Trustee Fees		(3,556)	(15,450)
Total Expenses		(10,732,080)	(9,636,728)
Change in Net Assets before Taxation and Membership Activities	3	21,942,092	203,270,589
Membership Activities			
Contributions			
Member Contributions		79,697,191	70,389,517
Member Voluntary Contributions		5,016,946	5,015,714
Employer Contributions		25,413,128	27,888,016
Interest Received from IRD		1,923	12,900
Government Contribution		5,267,758	5,379,464
Transfers from Other Plans		13,431,273	5,315,682
Total Contributions		128,828,219	114,001,293
Benefits Paid			
Transfers to other Plans		(28,187,130)	(26,689,768)
Deaths		(860,478)	(769,200)
First Home Withdrawals		(12,559,041)	(13,787,217)
Hardship and Partial Withdrawals		(367,341)	(301,637)
Serious Illness		(157,951)	(659,877)
Court Ordered Payments		(1,372,974)	(542,011)
Permanent Emigration		(909,188)	(865,589)
Retirement		(16,843,408)	(11,886,229)
IRD Refunds		(975)	(35,482)
Total Benefits paid		(61,258,486)	(55,537,010)
PIE Tax (Paid)		(1,355,063)	(15,349,623)
Net Membership Activities		66,214,670	43,114,660
Net Increase in Net Assets During Year		88,156,762	246,385,247
Net Assets Available for Benefits at Beginning of Year		1,015,413,613	769,028,366
Net Assets Available for Benefits at End of Year		1,103,570,375	1,015,413,613

This statement is to be read in conjunction with the notes on pages 7 to 18.

MAS KIWISAVER SCHEME
Statement of Cash Flows
For the year ended 31 March 2022

	Notes	2022 NZ\$	2021 NZ\$
		<hr/>	<hr/>
Cash Flows from Operating Activities			
Cash provided from:			
Contributions		128,828,219	114,001,294
Sundry Income		3,482	297
PIE Tax Refund		-	3,470,495
		<hr/>	<hr/>
		128,831,701	117,472,086
<i>less:</i> Cash applied to:			
Benefits Paid		(61,258,486)	(55,537,009)
Expenses		(10,698,047)	(9,449,416)
PIE Tax Paid		(15,048,120)	-
		<hr/>	<hr/>
		(87,004,653)	(64,986,425)
Net Cash Inflow from Operating Activities	8	<hr/> 41,827,048	<hr/> 52,485,661
Cash Flows from Investing Activities			
Cash provided from:			
Proceeds from Sale of Investment Assets		74,877,943	56,747,416
Proceeds from Sale of Cash Investment Assets		25,663,490	16,620,716
<i>less:</i> Cash applied to:			
Purchase of Investment Assets		(116,317,568)	(109,844,168)
Purchase of Cash Investment Assets		(16,952,554)	(96,485,984)
		<hr/>	<hr/>
Net Cash (outflow)/inflow from Investing Activities		(32,728,690)	(132,962,020)
Net increase/(decrease) in Cash Held		9,098,359	(80,476,358)
Add Cash at start of Year		16,042,904	96,519,262
Balance at end of Year		<hr/> 25,141,264	<hr/> 16,042,904

This statement is to be read in conjunction with the notes on pages 7 to 18.

MAS KIWISAVER SCHEME

Notes to the Financial Statements

As at 31 March 2022

1. Scheme Description

These financial statements are for the MAS KiwiSaver Scheme (the "Scheme") for the year ended 31 March 2022. The Scheme is governed by a Trust Deed dated 18 June 2021 and is a registered KiwiSaver scheme under the Financial Markets Conduct Act 2013 ("FMCA"). The Scheme was first established in 2007, and in 2016 transitioned to a restricted KiwiSaver scheme under the FMCA, only allowing investment by Members of the Medical Assurance Society. On 18 June 2021 the Scheme had its "restricted" status removed which opened up investment to the wider public. Medical Funds Management Limited ("MFM") is the Manager of the Scheme, whose address is 19-21 Broderick Road, Johnsonville, Wellington, New Zealand.

The Supervisor of the Scheme is Public Trust.

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

During the year 552 Members received benefits from the Scheme (2021: 1,030 Members). Members are considered to be receiving benefits when they exit the Scheme.

Scheme Benefits

Benefits are determined by contributions to the Scheme together with investment earnings net of tax, over the period of membership. Members may make a withdrawal from the Scheme when they meet the eligibility criteria under the KiwiSaver Act 2006 (or any other relevant enactment). Retirement benefits are determined by contributions to the Scheme together with investment earnings net of tax on these contributions over the period of membership.

Termination Terms

The Trust Deed sets out the basis on which the Scheme can be terminated and covers the situation where the Scheme can be wound-up.

Changes to the Scheme

On 18 June 2021, the Scheme became a non-restricted KiwiSaver Scheme, when the Trustees of the Medical Assurance Society KiwiSaver Plan retired as manager of the Scheme, Medical Assurance Society New Zealand Limited retired as Founder. The Plan was renamed the MAS KiwiSaver Scheme.

Medical Funds Management Limited (MFM) was appointed manager of the Scheme.

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

MFM applied to the Financial Markets Authority ("FMA") and the FMA directed the removal of the registration of the "restricted" status of the Scheme. The Scheme is now open to the wider public.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

The Manager prepared the Scheme's financial statements in accordance with the FMCA as it is a registered scheme.

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

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

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

MAS KIWISAVER SCHEME

Notes to the Financial Statements

As at 31 March 2022

2. Summary of Significant Accounting Policies (Continued)

Measurement Base

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

Presentation and Functional Currency

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

Classification of Assets and Liabilities

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

New and amended standards and interpretations

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

Standards issued but not effective

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

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

Investment Income

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

Foreign Currencies

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

Income and Expenses

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

Investments

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

Financial Instruments

(i) Classification

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

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

MAS KIWISAVER SCHEME

Notes to the Financial Statements

As at 31 March 2022

2. Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

(ii) Recognition/derecognition

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

(iii) Measurement

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

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

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

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

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

Taxation

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

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

Receivables

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

Payables

Payables include liabilities and amounts payable to service providers and other accruals owing by the Scheme which are unpaid as at balance date. These amounts are unsecured and are usually paid within 30 days of recognition. These amounts are initially recognised at fair value, and subsequently measured at amortised cost.

Derivative Financial Instruments

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

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

Goods and Services Tax ("GST")

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

MAS KIWISAVER SCHEME

Notes to the Financial Statements

As at 31 March 2022

2. Summary of Significant Accounting Policies (Continued)

Scheme Benefits

The net assets available to pay benefits is the Scheme's present obligation to pay benefits to Members. It has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities in the Scheme as at balance date. Net assets available to pay benefits include amounts allocated to Members' accounts.

Statement of Cash Flows

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

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

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

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

Contributions and Benefits

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

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

Transfers In and Transfers Out

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

Member Funds

Units issued by the Scheme provide Members with the right to require redemption for cash at the value proportionate to the Member's share in the Scheme's net asset value provided the Member meets the eligibility requirements under the KiwiSaver Act 2006 or any other relevant enactment.

Units held in the Scheme are redeemable at the Member's option, meet the definition of a puttable instrument, and are therefore classified as equity. The units are redeemable for cash based on their 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 reporting date if Members exercised their right to redeem units in the Scheme.

Critical Accounting Estimates and Judgements

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

MAS KIWISAVER SCHEME

Notes to the Financial Statements

As at 31 March 2022

3. Net assets available to pay Benefits

	2022	2021
	NZ\$	NZ\$
Movements in Members' Accounts - Per Members' Registry System		
Balance at beginning of year	1,015,327,643	771,000,546
Contributions received	129,209,256	115,196,769
Investment earnings transferred from/(to) reserve	22,007,633	200,701,194
Kiwisaver management fee	(19,260)	(55,181)
PIE tax payable (to)/from	(1,327,034)	(15,351,155)
Benefits paid	(62,323,505)	(56,164,528)
Balance at end of year	<u>1,102,874,733</u>	<u>1,015,327,643</u>
Movements in Members' Accounts - Timing Variances		
Balance at beginning of year	85,970	(1,972,179)
Investment earnings for year	21,974,317	203,325,852
Investment earnings allocated to members	(22,007,633)	(200,701,194)
Other variances due to timing differences	642,988	(566,509)
Balance at end of year - to be allocated to Members' accounts in 2022 (2021)	<u>695,642</u>	<u>85,970</u>
Total balance at end of year	<u><u>1,103,570,375</u></u>	<u><u>1,015,413,613</u></u>

Guaranteed Benefits

No guarantees have been made in respect of any part of the net assets available to pay benefits (2021: Nil).

4. Vested Benefits

Vested Benefits are benefits payable to Members, under the conditions of the Scheme, on the basis of all Members ceasing to be members of the Scheme at balance date. Vested Benefits as at 31 March 2022 were the net assets available to pay benefits less wind up costs (2021: same).

5. Investments

	2022	2021
	NZ\$	NZ\$
The funds were invested by the Fund Manager in the following asset classes:		
Domestic Fixed Interest	83,193,618	83,605,017
International Fixed Interest	199,876,986	193,913,608
Australasian Equities	236,503,055	208,761,981
International Equities	534,091,290	491,472,356
Alternative Investments	2,563,034	2,760,830
Cash Investments	24,493,015	34,807,829
	<u>1,080,720,997</u>	<u>1,015,321,621</u>
Cash	23,164,260	14,467,629
Total Investments	<u><u>1,103,885,257</u></u>	<u><u>1,029,789,250</u></u>

The majority of funds invested are invested in unitised products or pooled vehicles.

MAS KIWISAVER SCHEME

Notes to the Financial Statements

As at 31 March 2022

5. Investments (Continued)

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

	%	2022 NZ\$	%	2021 NZ\$
Australasian Equities				
MAS Wholesale Australasian Equities Fund	21	236,503,055	21	208,761,981
International Equities				
MAS Wholesale International Equities Fund	48	534,091,291	48	491,472,356
International Fixed Interest				
Hunter Global Fixed Interest Fund	18	199,876,987	19	193,913,609
New Zealand Fixed Interest				
MAS Wholesale New Zealand Fixed Interest Fund	8	83,193,618	8	83,605,016

(b) Trading Securities exceeding 5% of security class

	%	2022 NZ\$	%	2021 NZ\$
Australasian Equities				
MAS Wholesale Australasian Equities Fund	100	236,503,055	100	208,761,981
International Equities				
MAS Wholesale International Equities Fund	100	534,091,291	100	491,472,356
Domestic Fixed Interest				
MAS Wholesale New Zealand Fixed Interest Fund	100	83,193,618	100	83,605,016
Alternative Investments				
Maui Capital Aqua Fund	82	2,094,267	76	2,094,267
Maui Capital Indigo Fund	14	351,966	13	362,318
Pencarrow IV Investment	-	-	11	304,246
International Fixed Interest (Unit Trust)				
Hunter Global Fixed Interest Fund	100	199,876,987	100	193,913,609
Cash Investments				
MAS Wholesale Cash Fund (NZD)	50	24,493,015	71	34,807,829
Westpac	50	24,336,239	29	14,250,682

MAS KIWISAVER SCHEME**Notes to the Financial Statements
As at 31 March 2022****6. Cash and Cash Equivalents**

	2022	2021
	NZ\$	NZ\$
ANZ Bank Current Account	1,977,004	1,575,274
JBWere Cash Account	23,164,260	14,467,629
	<u>25,141,264</u>	<u>16,042,904</u>

7. Changes in Net Market Value

	2022	2021
	NZ\$	NZ\$
Cash - Foreign Denominated	335,184	(1,014,383)
Domestic Fixed Interest	(2,583,491)	3,667,820
International Fixed Interest	(18,182,296)	4,984,184
Domestic Equities	287	22,259,374
International Equities	44,283,008	151,950,596
Derivative Financial Instruments	-	21,680,249
	<u>23,852,692</u>	<u>203,527,839</u>

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

	2022	2021
	NZ\$	NZ\$
Increase in Net Assets	88,156,762	246,385,247
Add/(less) non-cash items:		
Dividends received	(8,317,405)	(8,242,851)
Interest received	(123,509)	(797,081)
Gain on investments at fair value	(23,852,692)	(203,527,839)
Fee rebate	(377,082)	(339,246)
Add/(less) movement in other working capital items:		
(Decrease)/Increase in accounts payable	34,032	187,313
(Decrease)/Increase in PIE tax payable and refundable	(13,693,058)	18,820,118
Net cash Inflows from operating activities	<u>41,827,048</u>	<u>52,485,661</u>

MAS KIWISAVER SCHEME

Notes to the Financial Statements

As at 31 March 2022

9. Financial Instruments and Risk Management

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

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

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

The majority of the total sum invested, is in the name of the investing entity (MAS KiwiSaver Scheme), via a custodian. The funds are primarily invested into unitised or pooled vehicles.

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

Market Risk

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

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

MAS KIWISAVER SCHEME

Notes to the Financial Statements

As at 31 March 2022

9. Financial Instruments and Risk Management (Continued)

Liquidity Risk

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

Liquidity Profile of Financial Liabilities

	0-6 Months NZ\$	6-12 Months NZ\$	Total NZ\$
31 March 2022			
Financial Liabilities			
Other Liabilities	985,731	-	985,731
	<u>985,731</u>	<u>-</u>	<u>985,731</u>
31 March 2021			
Financial Liabilities			
Other Liabilities	951,699	-	951,699
	<u>951,699</u>	<u>-</u>	<u>951,699</u>

Credit Risk

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

There are no financial assets past due or impaired at balance date (2021: Nil).

Statement of Net Asset Credit Exposures	2022 NZ\$	2021 NZ\$
Cash and Cash Equivalents	25,141,264	16,042,904
	<u>25,141,264</u>	<u>16,042,904</u>

The following table provides information on the credit risk exposure for financial assets with external credit ratings of the Scheme. Investment grade financial assets are classified within the range of AAA to BBB, with AAA being the highest possible rating.

	AAA	AA	A	BBB	Below BBB and Not rated	Carrying Value
31 March 2022						
Cash	-	100.0%	-	-	-	25,141,264
31 March 2021						
Cash	-	100.0%	-	-	-	16,042,904

MAS KIWISAVER SCHEME

Notes to the Financial Statements

As at 31 March 2022

9. Financial Instruments and Risk Management (Continued)

Currency Risk

The Scheme is not directly exposed to currency risk in that future currency movements will affect the valuation of holdings in foreign currency denominated investments.

At 31 March 2022, 0% of the foreign currency exposure is hedged (2021: 0%), which is due to the funds being invested into unitised or pooled vehicles.

Interest Rate Risk

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

Sensitivity Analysis

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

	Change in Net Assets after Taxation Higher/(Lower)	
	2022 NZ\$	2021 NZ\$
50bp Decrease in Interest Rates		
Cash and Cash Equivalents	245,389	248,335
50bp Increase in Interest Rates		
Cash and Cash Equivalents	(245,389)	(248,335)

Other Price Risk

The Scheme manages risk through investing in diversified unitised funds.

Sensitivity Analysis

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

	Change in Net Assets after Taxation Higher/(Lower)	
	2022 NZ\$	2021 NZ\$
Prices Increase by 10%	108,072,100	101,532,162
Prices Decrease by 10%	(108,072,100)	(101,532,162)

Classification of Financial Instruments

	2022 NZ\$	2021 NZ\$
Financial Assets carried at fair value through profit or loss	1,056,227,982	980,513,792
Financial assets measured at amortised cost (including cash and cash equivalents)	25,141,264	16,042,904
Financial Liabilities held at amortised cost	(985,731)	(951,699)

MAS KIWISAVER SCHEME

Notes to the Financial Statements

As at 31 March 2022

9. Financial Instruments and Risk Management (Continued)

Capital Management

Net assets available to pay benefits are considered to be the Scheme's capital for the purposes of capital management. 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, ensuring there is sufficient liquidity to meet any redemption requests from members and to maximise the Scheme members' value.

10. Fair Value

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

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

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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

31 March 2022:				
	NZ\$	NZ\$	NZ\$	NZ\$
Assets	Level 1	Level 2	Level 3	Total Balance
MAS Wholesale Investments	-	1,078,157,963	-	1,078,157,963
Alternative Investments	-	-	2,563,034	2,563,034
Total Assets	-	1,078,157,963	2,563,034	1,080,720,997

31 March 2021:				
	NZ\$	NZ\$	NZ\$	NZ\$
Assets	Level 1	Level 2	Level 3	Total Balance
MAS Wholesale Investments	-	1,012,560,791	-	1,012,560,791
Alternative Investments	-	-	2,760,830	2,760,830
Total Assets	-	1,012,560,791	2,760,830	1,015,321,621

There were no transfers between levels during the year (2021: Nil).

MAS KIWISAVER SCHEME

Notes to the Financial Statements

As at 31 March 2022

10. Fair Value (Continued)

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

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

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

Reconciliation of level 3 fair value movements

	2022 NZ\$	2021 NZ\$
Opening Balance	2,760,830	2,609,643
Capital Investments/(Withdrawals)	(198,083)	(23,478)
Total Gains/(Losses)	288	174,664
Closing Balances	<u>2,563,034</u>	<u>2,760,830</u>

The financial assets carried at fair value through profit or loss level 3 were valued using valuation techniques which were consistent with last year. The fair value used for the Maui Capital Indigo Fund, Maui Capital Aqua Fund and Pencarrow IV Fund are determined with reference to valuations based on prices at balance date provided by the Fund Manager. The potential change in the relevant input by 10% would have the effect of impacting the fair value by \$256,303 (2021: \$276,083).

Derivative Financial Instruments Valuation

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

11. Related Parties

Medical Funds Management Limited ("MFM") provides management services to the Scheme. MFM charged a management fee to the Scheme of \$10,600,652 (2021: \$9,303,847). The fee charged ranges from 0.50% - 1.00% per annum of the funds under management and \$880,680 (2021: \$911,604) has been accrued at balance date. Management fees are calculated daily and paid monthly. MFM is responsible for paying JBWere and Bancorp investment management fees relative to the management of those funds. MFM is also responsible for paying Link for administration costs and paying the Supervisor's costs. All related party transactions are at arms length. No related party debts have been written off or forgiven during the year (2021: Nil).

12. Commitments and Contingent Liabilities

	2022 NZ\$	2021 NZ\$
Maui Capital Aqua Fund	459,717	625,560
Maui Capital Indigo Fund	62,112	63,938
Pencarrow IV Fund	3,612	9,410
Total Capital Commitments	<u>525,441</u>	<u>698,907</u>

Capital commitments represent the uncalled capital contracted for at balance date but not yet paid to Maui Capital Aqua Fund, Maui Capital Indigo Fund, and Pencarrow IV Fund. There are no significant contingent liabilities as at 31 March 2022.

13. Events after Balance Date

There were no subsequent events which require additional adjustment or disclosure in the financial statements.