



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force KiwiSaver Scheme

FINANCIAL STATEMENTS 2023

For the year ended 31 March 2023



NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Financial Statements
For the year ended 31 March 2023

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NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Directory

For the year ended 31 March 2023

Manager: Mercer (N.Z.) Limited

Registered Office

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Auckland 1010

Investor and Advisor Enquiries

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Wellington 6140
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Directors:

David Clifford Bryant
Ross Gregory Butler (Appointed and Chair from 14 April 2023)
Paula Elizabeth Jackson
Kristen Jane Kohere-Soutar (Chair to 13 April 2023)
Martin Paul Lewington
Emily Jane O'Brien

Supervisor: Trustees Executors Limited
Level 9, Spark Central
42 - 52 Willis Street
Wellington 6011

Custodians: BNP Paribas Fund Services Australasia Pty Ltd
Level 18, Aon Centre
1 Willis Street
Wellington 6011

Trustees Executors Limited
Level 9, Spark Central
42 - 52 Willis Street
Wellington 6011

Auditor: PricewaterhouseCoopers
Level 4, 10 Waterloo Quay
PO Box 243
Wellington 6140

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Net Assets
As at 31 March 2023

	Note	TOTAL		Cash		Conservative		Moderate	
		2023	2022	2023	2022	2023	2022	2023	2022
		\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Cash and cash equivalents		3,675,790	2,725,398	-	-	170,358	-	65,749	89,144
Financial assets at fair value through profit or loss	5	222,924,529	210,004,481	3,428,367	3,223,706	7,813,213	7,680,965	7,888,918	7,016,012
Investment management fee rebates receivable	6	3,814	2,034	132	66	89	49	104	53
Portfolio investment entity taxation receivable		1,632,807	-	-	-	32,377	32,223	38,685	11,288
Total Assets		228,236,940	212,731,913	3,428,499	3,223,772	8,016,037	7,713,237	7,993,456	7,116,497
LIABILITIES									
Bank overdraft		-	-	29,185	4,308	-	55,730	-	-
Unsettled Trades		8,674	-	-	-	8,674	-	-	-
Unallocated contributions		125,668	59,297	1,603	642	3,921	527	3,858	746
Benefits payable		308,105	189,447	20,967	104,860	-	-	-	-
Portfolio investment entity taxation payable		-	595,139	25,062	905	-	-	-	-
Supervisor fees payable	6	14,601	31,050	225	477	512	1,136	517	1,037
Manager fees (expense recoveries) payable	6	31,443	13,660	495	186	1,142	516	1,108	474
Other expenses payable		112,937	26,787	1,779	364	4,102	1,011	3,979	929
Total Liabilities (excluding net assets attributable to members)		601,428	915,380	79,316	111,742	18,351	58,920	9,462	3,186
NET ASSETS ATTRIBUTABLE TO MEMBERS	4	227,635,512	211,816,533	3,349,183	3,112,030	7,997,686	7,654,317	7,983,994	7,113,311
<i>Represented by:</i>									
Net assets available for benefits	4	227,635,512	211,816,533	3,349,183	3,112,030	7,997,686	7,654,317	7,983,994	7,113,311


The accompanying notes form part of and should be read in conjunction with these statements.


NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Net Assets
As at 31 March 2023

	Note	Balanced		Growth		High Growth		Shares	
		2023	2022	2023	2022	2023	2022	2023	2022
		\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Cash and cash equivalents		1,394,613	804,892	696,043	820,417	959,709	648,974	418,503	422,009
Financial assets at fair value through profit or loss	5	91,601,189	85,427,504	40,778,610	40,198,001	45,335,527	43,280,599	26,078,705	23,177,694
Investment management fee rebates receivable	6	1,438	766	706	392	834	447	511	261
Portfolio investment entity taxation receivable		695,931	-	356,081	-	367,962	-	166,833	-
Total Assets		93,693,171	86,233,162	41,831,440	41,018,810	46,664,032	43,930,020	26,664,552	23,599,964
LIABILITIES									
Bank overdraft		-	-	-	-	-	-	-	-
Unsettled Trades		-	-	-	-	-	-	-	-
Unallocated contributions		66,700	29,042	21,793	7,372	6,543	9,270	21,250	11,698
Benefits payable		120,342	49,419	98,599	10,603	48,510	14,139	19,687	10,426
Portfolio investment entity taxation payable		-	51,705	-	164,825	-	285,532	-	135,683
Supervisor fees payable	6	5,999	12,631	2,671	5,943	2,969	6,399	1,708	3,427
Manager fees (expense recoveries) payable	6	12,895	5,593	5,851	2,597	6,378	2,824	3,574	1,470
Other expenses payable		46,317	10,969	21,017	5,093	22,908	5,538	12,835	2,883
Total Liabilities (excluding net assets attributable to members)		252,253	159,359	149,931	196,433	87,308	323,702	59,054	165,587
NET ASSETS ATTRIBUTABLE TO MEMBERS	4	93,440,918	86,073,803	41,681,509	40,822,377	46,576,724	43,606,318	26,605,498	23,434,377
<i>Represented by:</i>									
Net assets available for benefits	4	93,440,918	86,073,803	41,681,509	40,822,377	46,576,724	43,606,318	26,605,498	23,434,377

These Financial Statements were authorised for issue by Mercer (N.Z.) Limited, the Manager on 27 July 2023.

For and on behalf of the Directors

DocuSigned by:

 ED6241F39C374A8...
 Director

DocuSigned by:

 DAAB2378F4274D6...
 Director

The accompanying notes form part of and should be read in conjunction with these statements.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Changes in Net Assets
For the year ended 31 March 2023

	Note	TOTAL		Cash		Conservative		Moderate	
		2023	2022	2023	2022	2023	2022	2023	2022
		\$	\$	\$	\$	\$	\$	\$	\$
INCOME									
Interest income		38,306	6,324	589	97	1,343	231	1,356	211
Net (losses)/gains on financial assets at fair value through profit or loss	6	(9,009,220)	4,515,293	101,576	10,168	(154,633)	(33,265)	(215,838)	52,294
Investment management fee rebates	6	19,703	24,179	781	684	473	605	540	656
Total (losses)/income		(8,951,211)	4,545,796	102,946	10,949	(152,817)	(32,429)	(213,942)	53,161
EXPENSES									
Supervisor fees	6	63,181	68,380	996	930	2,295	2,582	2,226	2,372
Manager fees (expense recoveries)	6	30,501	10,878	481	148	1,108	411	1,075	377
Other expenses		237,500	242,077	3,741	3,293	8,629	9,140	8,370	8,398
Total expenses		331,182	321,335	5,218	4,371	12,032	12,133	11,671	11,147
NET (LOSS)/PROFIT BEFORE MEMBERSHIP ACTIVITIES		(9,282,393)	4,224,461	97,728	6,578	(164,849)	(44,562)	(225,613)	42,014
MEMBERSHIP ACTIVITIES:									
Contributions/Transfers In									
Member contributions		20,686,038	22,119,367	261,778	280,071	829,237	662,934	851,230	943,356
Employer contributions		11,463,760	10,568,044	157,059	157,361	522,206	337,553	422,968	435,572
Tax credits		2,528,487	2,474,635	38,791	39,358	91,362	75,990	100,377	112,493
Transfers in from other schemes	8	6,298,512	8,220,101	128,203	67,241	100,254	125,696	40,369	117,282
Transfers to/(from) funds		-	-	716,453	1,064,399	704,841	818,419	382,408	(441,755)
Total Contributions/Transfers In		40,976,797	43,382,147	1,302,284	1,608,430	2,247,900	2,020,592	1,797,352	1,166,948
Benefits/Transfers Out/Fees/Tax									
Benefits	7	(8,606,396)	(11,690,891)	(900,150)	(1,222,409)	(1,378,270)	(1,514,720)	(489,175)	(773,115)
Administration fees	6	-	(69,228)	-	(1,150)	-	(2,335)	-	(2,967)
Transfers out to other schemes		(8,971,957)	(9,437,923)	(238,726)	(127,173)	(396,247)	(425,203)	(253,047)	(247,502)
Portfolio investment entity taxation (expense)/rebate		1,702,928	(618,402)	(23,983)	(1,262)	34,835	31,372	41,166	10,510
Total Benefits/Transfers Out/Fees/Tax		(15,875,425)	(21,816,444)	(1,162,859)	(1,351,994)	(1,739,682)	(1,910,886)	(701,056)	(1,013,074)
Total transactions with members in their capacity as members		25,101,372	21,565,703	139,425	256,436	508,218	109,706	1,096,296	153,874
NET INCREASE/(DECREASE) IN NET ASSETS DURING THE YEAR		15,818,979	25,790,164	237,153	263,014	343,369	65,144	870,683	195,888
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE YEAR		211,816,533	186,026,369	3,112,030	2,849,016	7,654,317	7,589,173	7,113,311	6,917,423
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR		227,635,512	211,816,533	3,349,183	3,112,030	7,997,686	7,654,317	7,983,994	7,113,311

The accompanying notes form part of and should be read in conjunction with these statements.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Changes in Net Assets
For the year ended 31 March 2023

	Note	Balanced		Growth		High Growth		Shares	
		2023	2022	2023	2022	2023	2022	2023	2022
		\$	\$	\$	\$	\$	\$	\$	\$
INCOME									
Interest income		15,740	2,573	7,007	1,211	7,790	1,303	4,481	698
Net (losses)/gains on financial assets at fair value through profit or loss	6	(3,854,297)	1,573,554	(2,026,239)	1,157,625	(2,231,805)	1,515,586	(627,984)	239,331
Investment management fee rebates	6	7,232	8,941	3,720	4,711	4,317	5,459	2,640	3,123
Total (losses)/income		(3,831,325)	1,585,068	(2,015,512)	1,163,547	(2,219,698)	1,522,348	(620,863)	243,152
EXPENSES									
Supervisor fees	6	25,911	28,000	11,757	13,000	12,816	14,136	7,180	7,360
Manager fees (expense recoveries)	6	12,508	4,454	5,676	2,068	6,187	2,249	3,466	1,171
Other expenses		97,411	99,126	44,204	46,019	48,173	50,045	26,972	26,056
Total expenses		135,830	131,580	61,637	61,087	67,176	66,430	37,618	34,587
NET (LOSS)/PROFIT BEFORE MEMBERSHIP ACTIVITIES		(3,967,155)	1,453,488	(2,077,149)	1,102,460	(2,286,874)	1,455,918	(658,481)	208,565
MEMBERSHIP ACTIVITIES:									
Contributions/Transfers In									
Member contributions		8,876,171	9,712,173	3,301,012	3,833,509	4,048,115	4,236,403	2,518,495	2,450,921
Employer contributions		5,109,916	4,857,687	1,674,448	1,594,571	2,114,803	1,934,764	1,462,360	1,250,536
Tax credits		1,139,700	1,144,189	358,675	370,299	473,531	446,777	326,051	285,529
Transfers in from other schemes	8	4,677,378	5,613,368	294,971	989,937	666,406	655,349	390,931	651,228
Transfers to/(from) funds		(3,862,067)	(7,037,409)	(6,555)	1,352,163	1,407,951	1,926,724	656,969	2,317,459
Total Contributions/Transfers In		15,941,098	14,290,008	5,622,551	8,140,479	8,710,806	9,200,017	5,354,806	6,955,673
Benefits/Transfers Out/Fees/Tax									
Benefits	7	(2,598,657)	(3,428,431)	(1,389,807)	(1,535,621)	(1,104,171)	(1,973,586)	(746,166)	(1,243,009)
Administration fees	6	-	(32,218)	-	(10,335)	-	(12,480)	-	(7,743)
Transfers out to other schemes		(2,732,915)	(3,393,360)	(1,665,371)	(1,841,977)	(2,731,577)	(2,211,914)	(954,074)	(1,190,794)
Portfolio investment entity taxation (expense)/rebate		724,744	(61,168)	368,908	(169,277)	382,222	(290,326)	175,036	(138,251)
Total Benefits/Transfers Out/Fees/Tax		(4,606,828)	(6,915,177)	(2,686,270)	(3,557,210)	(3,453,526)	(4,488,306)	(1,525,204)	(2,579,797)
Total transactions with members in their capacity as members		11,334,270	7,374,831	2,936,281	4,583,269	5,257,280	4,711,711	3,829,602	4,375,876
NET INCREASE/(DECREASE) IN NET ASSETS DURING THE YEAR		7,367,115	8,828,319	859,132	5,685,729	2,970,406	6,167,629	3,171,121	4,584,441
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE YEAR		86,073,803	77,245,484	40,822,377	35,136,648	43,606,318	37,438,689	23,434,377	18,849,936
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR		93,440,918	86,073,803	41,681,509	40,822,377	46,576,724	43,606,318	26,605,498	23,434,377

The accompanying notes form part of and should be read in conjunction with these statements.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Cash Flows
For the year ended 31 March 2023

	Note	TOTAL		Cash		Conservative		Moderate	
		2023	2022	2023	2022	2023	2022	2023	2022
		\$	\$	\$	\$	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES									
Proceeds from sale of financial assets		4,260,073	6,922,455	1,137,194	1,757,724	1,407,729	1,829,354	357,985	892,349
Interest income		38,306	6,324	589	97	1,343	231	1,356	211
Other expenses paid		(243,698)	(447,901)	(3,746)	(7,043)	(8,939)	(18,588)	(8,507)	(16,579)
Payments for purchase of financial assets		(26,180,667)	(26,386,404)	(1,240,279)	(2,052,835)	(1,685,936)	(1,908,018)	(1,446,729)	(927,503)
Investment management fee rebates received		17,923	27,509	715	839	433	705	489	766
Net cash used in operating activities	9	(22,108,063)	(19,878,017)	(105,527)	(301,218)	(285,370)	(96,316)	(1,095,406)	(50,756)
CASH FLOWS FROM FINANCING ACTIVITIES									
Member contributions		20,686,038	22,119,367	261,778	280,071	829,237	662,934	851,230	943,356
Employer contributions		11,463,760	10,568,044	157,059	157,361	522,206	337,553	422,968	435,572
Tax credits		2,528,487	2,474,635	38,791	39,358	91,362	75,990	100,377	112,493
Unallocated contributions		66,371	(97,857)	961	(163)	3,394	(510)	3,112	484
Transfers in from other schemes		6,298,512	8,220,101	128,203	67,241	100,254	125,696	40,369	117,282
Portfolio investment entity taxation (paid)/received		(525,018)	(2,481,621)	174	(215)	34,681	(54,814)	13,769	(56,653)
Administration fees paid		-	(80,444)	-	(1,354)	-	(2,734)	-	(3,479)
Benefits paid		(8,487,738)	(11,788,486)	(984,043)	(1,207,614)	(1,378,270)	(1,570,519)	(489,175)	(783,940)
Transfers out to other schemes		(8,971,957)	(9,437,923)	(238,726)	(127,173)	(396,247)	(425,203)	(253,047)	(247,502)
Transfers to/(from) funds		-	-	716,453	1,064,399	704,841	818,419	382,408	(441,755)
Net cash from/(used in) financing activities		23,058,455	19,495,816	80,650	271,911	511,458	(33,188)	1,072,011	75,858
Net increase/(decrease) in cash and cash equivalents		950,392	(382,201)	(24,877)	(29,307)	226,088	(129,504)	(23,395)	25,102
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,725,398	3,107,599	(4,308)	24,999	(55,730)	73,774	89,144	64,042
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		3,675,790	2,725,398	(29,185)	(4,308)	170,358	(55,730)	65,749	89,144

The accompanying notes form part of and should be read in conjunction with these statements.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Statements of Cash Flows
For the year ended 31 March 2023

	Note	Balanced		Growth		High Growth		Shares	
		2023	2022	2023	2022	2023	2022	2023	2022
		\$	\$	\$	\$	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES									
Proceeds from sale of financial assets		1,971,684	1,060,094	1,363,713	1,242,808	1,367,527	1,523,548	-	902,640
Interest income		15,740	2,573	7,007	1,211	7,790	1,303	4,481	698
Other expenses paid		(99,812)	(186,166)	(45,731)	(84,463)	(49,682)	(89,811)	(27,281)	(45,251)
Payments for purchase of financial assets		(11,999,666)	(7,513,298)	(3,970,561)	(5,342,044)	(5,654,260)	(5,942,262)	(3,528,995)	(4,986,506)
Investment management fee rebates received		6,560	10,197	3,406	5,349	3,930	6,168	2,390	3,485
Net cash used in operating activities	9	(10,105,494)	(6,626,600)	(2,642,166)	(4,177,139)	(4,324,695)	(4,501,054)	(3,549,405)	(4,124,934)
CASH FLOWS FROM FINANCING ACTIVITIES									
Member contributions		8,876,171	9,712,173	3,301,012	3,833,509	4,048,115	4,236,403	2,518,495	2,450,921
Employer contributions		5,109,916	4,857,687	1,674,448	1,594,571	2,114,803	1,934,764	1,462,360	1,250,536
Tax credits		1,139,700	1,144,189	358,675	370,299	473,531	446,777	326,051	285,529
Unallocated contributions		37,658	(49,611)	14,421	(12,154)	(2,727)	(7,294)	9,552	(28,609)
Transfers in from other schemes		4,677,378	5,613,368	294,971	989,937	666,406	655,349	390,931	651,228
Portfolio investment entity taxation (paid)/received		(22,892)	(964,980)	(151,998)	(529,849)	(271,272)	(596,058)	(127,480)	(279,052)
Administration fees paid		-	(37,420)	-	(12,053)	-	(14,470)	-	(8,934)
Benefits paid		(2,527,734)	(3,451,072)	(1,301,811)	(1,561,235)	(1,069,800)	(1,981,523)	(736,905)	(1,232,583)
Transfers out to other schemes		(2,732,915)	(3,393,360)	(1,665,371)	(1,841,977)	(2,731,577)	(2,211,914)	(954,074)	(1,190,794)
Transfers to/(from) funds		(3,862,067)	(7,037,409)	(6,555)	1,352,163	1,407,951	1,926,724	656,969	2,317,459
Net cash from/(used in) financing activities		10,695,215	6,393,565	2,517,792	4,183,211	4,635,430	4,388,758	3,545,899	4,215,701
Net increase/(decrease) in cash and cash equivalents		589,721	(233,035)	(124,374)	6,072	310,735	(112,296)	(3,506)	90,767
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		804,892	1,037,927	820,417	814,345	648,974	761,270	422,009	331,242
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,394,613	804,892	696,043	820,417	959,709	648,974	418,503	422,009

The accompanying notes form part of and should be read in conjunction with these statements.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**Notes to the Financial Statements****For the year ended 31 March 2023****1 SCHEME DESCRIPTION**

The New Zealand Defence Force KiwiSaver Scheme ("the Scheme") is a KiwiSaver Scheme registered under the KiwiSaver Act 2006. The Scheme was established by a Trust Deed on 16 September 2015. The Scheme is a defined contribution superannuation scheme and was established with the principal purpose of providing retirement benefits directly to natural persons within the New Zealand Defence Force community.

Trustees Executors Limited is the Supervisor of the Scheme and is licensed under the Financial Markets Supervisors Act 2011. Mercer (N.Z.) Limited ("Mercer" or "the Manager") is the Manager of the Scheme. Mercer is responsible for the management and administration of the Scheme, including responsibility for the preparation and issue of the Scheme's financial statements. The Manager's registered office is Level 11, PwC Tower, 15 Customs Street West, Auckland 1010. BNP Paribas Fund Services Australasia Pty Ltd ("BNP Paribas") is the Custodian of the Scheme's financial assets at fair value through profit or loss. Trustees Executors Limited is the Scheme's custodian of cash and cash equivalents.

These financial statements are for the Scheme which comprises the following funds: Cash, Conservative, Moderate, Balanced, Growth, High Growth and Shares (together "the Funds").

Details of membership during the year were:

	2023	2022
Opening Membership at 1 April	5,459	5,259
New Members	421	517
Exited Members	(271)	(317)
Closing Membership at 31 March	5,609	5,459

The Scheme and the Funds invested in the following investment portfolios within Mercer Investment Trusts New Zealand ("MITNZ"):

Mercer Investment Trusts New Zealand**Investment Portfolio**

Mercer New Zealand Cash and Fixed Interest Trust ('MNZCFIT')	- Mercer Cash Portfolio
Mercer Diversified Trust ('MDT')	- Mercer Conservative Portfolio
	- NZDF Conservative Portfolio
	- Mercer Moderate Portfolio
	- NZDF Moderate Portfolio
	- Mercer Balanced Portfolio
	- NZDF Balanced Portfolio
	- Mercer Growth Portfolio
	- NZDF Growth Portfolio
	- Mercer High Growth Portfolio
	- NZDF High Growth Portfolio
	- Mercer Shares Portfolio

2 BASIS OF PREPARATION

The financial statements are being presented on a segregated fund basis in accordance with the requirements of the Financial Markets Conduct Act 2013 ("FMCA") Section 461A. Segregated fund reporting has also been applied to 31 March 2022 comparatives.

The assets of each Fund are the exclusive property of that Fund, and all liabilities incurred in relation to a Fund are the exclusive liabilities of that Fund. The Manager must ensure that the assets of a Fund are accounted for separately from other Funds and that the assets of one Fund are not available to meet the liabilities of any other Fund as stated in section 8.7 of the Trust Deed. The results and position reported for the Scheme is an aggregation of the result, position and cash flows of the Funds that make up the Scheme.

Statement of Compliance

The Scheme is the reporting entity. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the Financial Markets Conduct Act 2013, the provisions of the Trust Deed and other relevant legislative requirements as appropriate for For-profit entities.

The Scheme is a Tier 1 entity and, as such, the financial statements are required to comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"), other New Zealand accounting standards and authoritative notices as appropriate for For-profit entities. These financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Manager, Mercer, on 27 July 2023.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**Notes to the Financial Statements****For the year ended 31 March 2023****2 BASIS OF PREPARATION (Continued)****Measurement Base**

The measurement base adopted is that of historical cost modified by the revaluation of financial assets at fair value through profit or loss. The financial statements have been prepared on a going concern basis.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars ("the presentation currency") which is the currency of the primary economic environment in which the Scheme operates (the "functional currency"). The financial statements are rounded to the nearest New Zealand dollar.

Assumptions, Estimates and Judgements

The preparation of the financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the financial statements.

As at 31 March 2023, cash and cash equivalents included an amount of \$508,869 maintained at the total Scheme level for the settlement of transactions (2022: \$372,877). The Manager has estimated the allocation of this cash balance to the Funds. At 31 March 2023, the amounts allocated to Cash, Conservative, Moderate, Balanced, Growth, High Growth and Shares were \$(51,301), \$21,104, \$(11,389), \$197,123, \$122,314, \$99,582 and \$131,436, respectively (2022: \$101,123, \$(44,215), \$5,085, \$99,756, \$62,006, \$39,226 and \$109,896, respectively).

Duration of the Scheme

Clause 25 of the Trust Deed requires that the Scheme and each Member's Account will terminate at such time as:

- (i) the High Court, on the application of the Financial Markets Authority or the Supervisor, directs that the Scheme must be wound up; or
- (ii) the Manager, having obtained the Supervisor's and, where required by the Participation Agreement, the Participating Employer's written consent, determines; or
- (iii) where permitted by the Participation Agreement, the Participating Employer provides notice in writing to the Manager and to the Supervisor that the Scheme is to terminate.

Funding Policy

The Scheme is a defined contribution scheme as defined by the KiwiSaver Act 2006. Funding in the form of contributions is primarily received from three sources: members of the Scheme; employers of members of the Scheme; and the Government (in accordance with the provisions of the KiwiSaver Act 2006). A third party may contribute directly to the Scheme in respect of a Member such amounts as may be agreed from time to time between the Manager, the third party and the Member but only to the extent that the contribution: (a) is permitted under the KiwiSaver Act; and (b) is not covered by a preceding provision in Clause 6 of the Trust Deed. Members may contribute to the Scheme at varying designated additional contributions in excess of any salary or wage linked contributions. As of 31 March 2023, employer contribution rates are either 3% or greater of each relevant member's gross salary or wages (2022: Same).

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the financial statements are set out below. The accounting policies have been applied consistently to all periods, unless otherwise stated.

(i) Income*Interest income*

Interest income as recognised in the Statements of Changes in Net Assets is derived from cash at bank and is recognised using the effective interest method.

Changes in fair value of investments

Net gains or losses on financial assets at fair value through profit or loss are calculated as the difference between fair value at sale, or at period end, and the fair value at the previous valuation point and/or weighted average cost for purchases during the year. This includes both realised and unrealised gains and losses, but does not include interest income and is net of any fees charged within underlying unit trust investments where these are incurred through a reduction in the value of the investment.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**Notes to the Financial Statements****For the year ended 31 March 2023****3 SIGNIFICANT ACCOUNTING POLICIES (Continued)****(ii) Financial Instruments***Classification*

Financial assets at fair value through profit or loss comprise investment in unlisted unit trusts including ununitised investments.

Investments in unlisted unit trusts including ununitised investments are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's investment 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 Scheme has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income.

Based on the Scheme's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets, the Manager has determined that all financial assets of the Scheme are classified as fair value through profit or loss with the exception of cash and cash equivalents and investment management fee rebates receivable, which are classified as financial assets at amortised cost.

Financial liabilities at amortised cost comprise investment management fees payable, supervisor fees payable, benefits payable, unallocated contributions, administration fees payable, manager fees (expense recoveries) payable, unsettled trades, other expenses payable and net assets attributable to members.

Recognition and derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Scheme commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investment have expired or the Scheme has transferred substantially all risks and rewards of ownership.

Ununitised investments comprise of investments in unlisted unit trusts purchased before year end, however, units are received after year end.

Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statements of Changes in Net Assets. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the Statements of Changes in Net Assets in the period in which they arise.

Financial assets and liabilities at amortised cost are initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition of the financial asset or liability and subsequently measured at amortised cost.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of units held by the Scheme in managed unlisted unit trusts is determined by reference to published bid prices at the close of business on the reporting date being the redemption price established by the underlying fund manager.

The Manager may make adjustments to the reported redemption price of the Funds based on considerations such as the liquidity of the fund or its underlying investments, the value date of the net asset value provided, and any restrictions on redemptions.

(iii) Expenses

Expenses comprise investment management fees, Supervisor fees, custody fees, manager fees (expense recoveries) and other expenses. All expenses are accounted for on an accrual basis. Up until 30 September 2021, administration fees were charged monthly per member via unit deduction and were recognised in Membership Activities in the Statements of Changes in Net Assets.

(iv) Taxation

The Scheme qualifies as, and has elected to be treated as, a Portfolio Investment Entity ("PIE") for tax purposes.

Under the PIE regime, the Manager attributes the taxable income of the Scheme to members in accordance with their proportionate interest in the Scheme. The income attributed to each member is taxed at the member's prescribed investor rate ("PIR") which is currently capped at 28%. The Manager accounts for tax on behalf of natural persons and certain other members and adjusts the members' interests in the Scheme to reflect that tax is paid at varying rates on behalf of the members. There is a unit price for each Fund and for each tax rate.

As the legislation regarding the taxation of PIEs provides that the Scheme pays tax on behalf of its members, the PIE taxation expense/(rebate) disclosed in the Statements of Changes in Net Assets is the expense attributable to members and is measured based on tax rates applicable to those members.

The tax amounts in the Statements of Net Assets represent the remaining tax payable/(receivable) by the Scheme on behalf of the members under the PIE regime to 31 March each year.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**Notes to the Financial Statements****For the year ended 31 March 2023****3 SIGNIFICANT ACCOUNTING POLICIES (Continued)****(v) Net Assets Attributable to Members**

The net assets attributable to members represents the liability for promised retirement benefits and are measured at amortised cost.

The Scheme issue units in the Fund that are redeemable at the Members' option and do not have identical features and are therefore presented as financial liabilities. The units can be put back to the Scheme at any time for the purpose of permitted withdrawals (such as reaching the retirement age of 65 or enduring significant hardship), transferred to another Fund within the Scheme or a separate KiwiSaver Scheme and which are equal to a proportionate share of the respective Fund's net asset value which is the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable at the period end date if Members exercise their right to put the units back to the Scheme.

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. Separate classes of units are created within the Funds to reflect the different Prescribed Investment Rates (PIR) of the Members. Each Member's account is invested in classes of units within the relevant Funds based on the member's PIR that has been most recently notified to the Manager. Each unit of a specified class has the same rights attaching to it as all other units of the same class within the relevant Fund.

Units are issued and redeemed at the holder's option at prices based on the Funds' net asset value per class of unit at the time of issue or redemption. The Funds' net asset value per class of unit is calculated by dividing the net assets attributable to all holders of units in the same class for each Fund by the total number of units on issue of the same class in each Fund.

(vi) Investment Entities

The Scheme has investments in a number of related party wholesale unlisted unit trusts. The Scheme has determined that it is an investment entity under the definition in NZ IFRS 10 as it meets the following

- the Scheme has obtained funds from members for the purpose of providing them with investment management services;
- the Scheme's business purpose, which it communicated directly to members, is investing solely for returns from capital appreciation; and
- the performance of investments made by the Scheme are measured and evaluated on a fair value basis.

The Scheme also meets all of the typical characteristics of an investment entity.

As a consequence, in the event the interest in the wholesale unlisted unit trusts gives rise to control, the Scheme is not required to consolidate these investments, and continues to account for these investments at fair value through profit or loss.

(vii) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, cash at bank and deposits held at call with banks with an original maturity of three months or less.

(viii) Statements of Cash Flows

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the Scheme's main income generating activity.

The cash flows of the Scheme do not include those of the investment managers. The following are definitions of the terms used in the Statements of Cash Flows:

Operating activities - are those relating to the principal income-producing activities of the Scheme and other activities that are not financing activities. These include those cash flows relating to the acquisitions, holding and disposal of investments and investments in securities not falling within the definition of cash.

Financing activities - are those activities that result in changes in the size and composition of member's funds. This includes elements of members' funds not falling within the definition of cash.

(ix) Contributions and Withdrawals

Contributions and withdrawals are accounted for on an accruals basis. Contributions are initially recognised at fair value when the Manager has confirmed the validity of the application details and instructions. Claims for death, retirement or other benefits are recognised when the Member meets the condition required for withdrawal eligibility.

Unallocated contributions arise when monies have been received but not yet allocated to members' accounts in the administration system at balance date. Unallocated contributions are recorded at their value, being the amounts received, and units are purchased at the unit price applicable on the date of allocation to members' accounts.

(x) 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 applicable.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2023

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xi) Application of New Accounting Standards

(a) New and amended standards adopted by the Scheme:

There are no new standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2022 that have a material effect of the financial statements of the Scheme.

(b) New standards, amendments and interpretations not yet adopted:

Effective 14 December 2022, The New Zealand External Reporting Board (XRB) issued the climate-related disclosure framework which comprises three Aotearoa New Zealand Climate Standards that have been designed as follows:

NZ CS 1 "Climate-related Disclosures", contains the climate-related disclosure requirements for each of the four thematic areas (Governance, Strategy, Risk Management and Metrics and Targets) and the assurance requirements for greenhouse gas emissions disclosures; NZ CS 2 "Adoption of Aotearoa New Zealand Climate Standards" provides optional adoption provisions, and NZ CS 3 "General requirements for Climate-related Disclosures" contains the principles, the underlying concepts such as materiality. An entity must apply these standards for annual reporting periods beginning on and after 1 January 2023.

(xii) Presentation of financial statements

The assets and liabilities in the financial statements have been presented in order of their liquidity. All assets and liabilities either have a maturity of less than a year or have no fixed maturity and are therefore considered current assets/liabilities. (2022: same)

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**Notes to the Financial Statements****For the year ended 31 March 2023****4 VESTED BENEFITS**

Vested benefits are the rights that, under the conditions of the Scheme's Trust Deed, are not conditional on continued membership.

	Total		Cash		Conservative		Moderate	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Member accounts	227,436,493	211,624,784	3,350,879	3,115,846	7,993,451	7,650,594	7,975,135	7,108,769
Adjustments arising from valuation differences	199,019	191,749	(1,696)	(3,816)	4,235	3,723	8,859	4,542
Net Assets Attributable to Members	227,635,512	211,816,533	3,349,183	3,112,030	7,997,686	7,654,317	7,983,994	7,113,311

	Balanced		Growth		High Growth		Shares	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Member accounts	93,357,262	86,002,863	41,636,005	40,779,052	46,545,404	43,559,267	26,578,357	23,408,393
Adjustments arising from valuation differences	83,656	70,940	45,504	43,325	31,320	47,051	27,141	25,984
Net Assets Attributable to Members	93,440,918	86,073,803	41,681,509	40,822,377	46,576,724	43,606,318	26,605,498	23,434,377

Valuation differences exist between the Net assets attributable to Members and vested benefits. Net assets attributable to Members are derived using accounting principles on an accruals basis resulting in timing differences in the settlement of certain accrued items and the impact thereof on unit pricing, whereas vested benefits are derived as the sum of individual member account balances, which are calculated using the 31 March unit prices.

No guarantees have been made in respect of any part of the Net Assets Attributable to Members.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2023

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Scheme held financial assets in the following MITNZ portfolios and ununitised investments as disclosed below:

	TOTAL		Cash		Conservative		Moderate	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Mercer Cash Portfolio	3,428,367	3,223,706	3,428,367	3,223,706	-	-	-	-
NZDF Conservative Portfolio	7,804,539	7,680,965	-	-	7,804,539	7,680,965	-	-
NZDF Moderate Portfolio	7,888,918	7,016,012	-	-	-	-	7,888,918	7,016,012
NZDF Balanced Portfolio	91,601,189	85,427,504	-	-	-	-	-	-
NZDF Growth Portfolio	40,778,610	40,198,001	-	-	-	-	-	-
NZDF High Growth Portfolio	45,335,527	43,280,599	-	-	-	-	-	-
Mercer Shares Portfolio	26,078,705	23,177,694	-	-	-	-	-	-
Ununitised Investments	8,674	-	-	-	8,674	-	-	-
Total financial assets at Fair Value through profit or loss	222,924,529	210,004,481	3,428,367	3,223,706	7,813,213	7,680,965	7,888,918	7,016,012

Percentage of financial assets held in the relevant class of security for the Scheme:

2% 2% 4% 4% 4% 3%

Percentage of financial assets held in the relevant class of security for the respective Fund:

100% 100% 100% 100% 100% 100%

	Balanced		Growth		High Growth		Shares	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Mercer Cash Portfolio	-	-	-	-	-	-	-	-
NZDF Conservative Portfolio	-	-	-	-	-	-	-	-
NZDF Moderate Portfolio	-	-	-	-	-	-	-	-
NZDF Balanced Portfolio	91,601,189	85,427,504	-	-	-	-	-	-
NZDF Growth Portfolio	-	-	40,778,610	40,198,001	-	-	-	-
NZDF High Growth Portfolio	-	-	-	-	45,335,527	43,280,599	-	-
Mercer Shares Portfolio	-	-	-	-	-	-	26,078,705	23,177,694
Ununitised Investments	-	-	-	-	-	-	-	-
Total financial assets at Fair Value through profit or loss	91,601,189	85,427,504	40,778,610	40,198,001	45,335,527	43,280,599	26,078,705	23,177,694

Percentage of financial assets held in the relevant class of security for the Scheme:

41% 41% 18% 19% 20% 21% 12% 11%

Percentage of financial assets held in the relevant class of security for the

100% 100% 100% 100% 100% 100% 100% 100%

respective Fund:

100% 100% 100% 100% 100% 100% 100% 100%

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**Notes to the Financial Statements****For the year ended 31 March 2023****5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)****Fair Value Hierarchy**

The Scheme's financial instruments carried at fair value are grouped into Levels 1 to 3 based upon the degree to which the fair value is observable. The different levels have been defined as follows:

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 (i.e., as published prices being the redemption price established by the underlying fund manager) or indirectly (i.e., derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at fair value through profit or loss are classified as Level 2 under the fair value hierarchy as the fair value of these financial assets at balance date is determined using the last available redemption unit price of those funds. During the year there were no transfers of investments between levels of the fair value hierarchy (2022: Same).

6 RELATED PARTIES

Related parties comprise the Manager, the Supervisor and their related parties.

The Manager and Supervisor are entitled to remuneration from the Scheme. This is represented by the Investment management, Administration and Supervisor fees in the Statements of Changes in Net Assets. These are recovered through the cancellation of units for member fixed fees and a unit price adjustment for net asset based fees.

The Supervisor fee was up to 0.04% of net assets per annum (2022: Same). The minimum fee per annum is \$15,000.

The investment management fee rates for the years ended 31 March 2023 and 31 March 2022 are disclosed below:

Fund	Investment management fee % p.a.
Cash	0.27%
Conservative	0.49%
Moderate	0.58%
Balanced	0.67%
Growth	0.75%
High Growth	0.80%
Shares	0.88%

Up to 30 September 2021, an administration fee of \$2.25 was charged per member, per month, with members with balances of less than \$1,000 and members aged 17 years or less entitled to a waiver of this fee. From 1 October 2021, the fee was waived for all members.

Investment management fees incurred by the Scheme are deducted through two components:

- The first component comprises investment management fees charged at Mercer Investment Trusts New Zealand ("MITNZ") level, a series of wholesale investment trusts managed by Mercer as disclosed in Note 5. These investment management fees are incurred through a reduction in the MITNZ unit price. This is reflected within net gains/(losses) on financial assets at fair value through profit or loss in the Statements of Changes in Net Assets.
- The second component is fees deducted from/rebated to the Scheme and invoiced by Mercer. These represent the balancing amounts of net asset based investment management fees once the deduction of fees in MITNZ are taken into account.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**Notes to the Financial Statements****For the year ended 31 March 2023****6 RELATED PARTIES (Continued)**

Amounts paid to Mercer for services as investment manager and administrator including investment management fees paid to and investment management fee rebates received from Mercer, other related and third parties via the MITNZ unit price and Supervisor fees for the year are disclosed below. As outlined in the Scheme's Trust Deed, the Manager is also entitled to be reimbursed for various fees and expenses incurred in acting as Manager. In the disclosure below these expenses are titled Manager fees (expense recoveries) and may include legal and other professional services, audit and tax fees and filing fees.

	Total		Cash		Conservative		Moderate	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Investment management fees / (rebates)								
Investment management fees expense to Mercer, other related and third party investment managers via MITNZ unit price	1,551,926	1,511,663	10,060	8,424	38,480	38,812	43,953	42,053
Investment management (fee rebate)/fees to Mercer	(19,703)	(24,179)	(781)	(684)	(473)	(605)	(540)	(656)
Total investment management fees	1,532,223	1,487,484	9,279	7,740	38,007	38,207	43,413	41,397
Administration fees								
Administration fees expense to Mercer	-	69,228	-	1,150	-	2,335	-	2,967
Supervisor fees								
Supervisor fees expense to Trustees Executors Limited	63,181	68,380	996	930	2,295	2,582	2,226	2,372
Manager fees (expense recoveries)								
Manager fees (expense recoveries) to Mercer	30,501	10,878	481	148	1,108	411	1,075	377
Total fees	1,625,905	1,635,970	10,756	9,968	41,410	43,535	46,714	47,113

	Balanced		Growth		High Growth		Shares	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Investment management fees / (rebates)								
Investment management fees expense to Mercer, other related and third party investment managers via MITNZ unit price	588,403	572,589	302,489	301,351	351,091	348,967	217,450	199,467
Investment management (fee rebate)/fees to Mercer	(7,232)	(8,941)	(3,720)	(4,711)	(4,317)	(5,459)	(2,640)	(3,123)
Total investment management fees	581,171	563,648	298,769	296,640	346,774	343,508	214,810	196,344
Administration fees								
Administration fees expense to Mercer	-	32,218	-	10,335	-	12,480	-	7,743
Supervisor fees								
Supervisor fees expense to Trustees Executors Limited	25,911	28,000	11,757	13,000	12,816	14,136	7,180	7,360
Manager fees (expense recoveries)								
Manager fees (expense recoveries) to Mercer	12,508	4,454	5,676	2,068	6,187	2,249	3,466	1,171
Total fees	619,590	628,320	316,202	322,043	365,777	372,373	225,456	212,618

Outstanding balances due to related parties are due within seven days and are not interest bearing.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**Notes to the Financial Statements****For the year ended 31 March 2023****6 RELATED PARTIES (Continued)**

Amounts payable/(receivable) to/(from) the Manager and Supervisor as at 31 March are as follows:

Fund	Manager fees (expense recoveries)		Supervisor fees		Investment management fees	
	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$
Cash	495	186	225	477	(132)	(66)
Conservative	1,142	516	512	1,136	(89)	(49)
Moderate	1,108	474	517	1,037	(104)	(53)
Balanced	12,895	5,593	5,999	12,631	(1,438)	(766)
Growth	5,851	2,597	2,671	5,943	(706)	(392)
High Growth	6,378	2,824	2,969	6,399	(834)	(447)
Shares	3,574	1,470	1,708	3,427	(511)	(261)
Total	31,443	13,660	14,601	31,050	(3,814)	(2,034)

Investment in related parties

The Scheme invests in MITNZ. Trustees Executors Limited ("TEL") were appointed as Trustee with effect from 1 July 2021. Mercer is the manager of MITNZ. During the year, no related party was a member of the Scheme (2022: Same).

The Scheme holds the following financial assets in MITNZ:

MITNZ Portfolio	Fund	Opening Balance		Purchases		Sales		Net Change in Fair Value		Closing Balance	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Mercer Cash Portfolio	Cash	3,223,706	2,918,427	1,240,279	2,052,835	(1,137,194)	(1,757,724)	101,576	10,168	3,428,367	3,223,706
Mercer Conservative Portfolio	Conservative	-	7,635,566	-	1,712,894	-	(9,344,677)	-	(3,783)	-	-
NZDF Conservative Portfolio	Conservative	7,680,965	-	1,685,936	7,815,474	(1,407,729)	(105,027)	(154,633)	(29,482)	7,804,539	7,680,965
Mercer Moderate Portfolio	Moderate	-	6,928,564	-	772,629	-	(7,735,004)	-	33,811	-	-
NZDF Moderate Portfolio	Moderate	7,016,012	-	1,446,729	7,129,544	(357,985)	(132,015)	(215,838)	18,483	7,888,918	7,016,012
Mercer Balanced Portfolio	Balanced	-	77,400,746	-	5,817,957	-	(84,028,644)	-	809,941	-	-
NZDF Balanced Portfolio	Balanced	85,427,504	-	11,999,666	84,663,891	(1,971,684)	-	(3,854,297)	763,613	91,601,189	85,427,504
Mercer Growth Portfolio	Growth	-	34,941,140	-	4,975,267	-	(40,437,889)	-	521,482	-	-
NZDF Growth Portfolio	Growth	40,198,001	-	3,970,561	39,561,858	(1,363,713)	-	(2,026,239)	636,143	40,778,610	40,198,001
Mercer High Growth Portfolio	High Growth	-	37,346,299	-	5,844,511	-	(43,828,548)	-	637,738	-	-
NZDF High Growth Portfolio	High Growth	43,280,599	-	5,654,260	42,402,751	(1,367,527)	-	(2,231,805)	877,848	45,335,527	43,280,599
Mercer Shares Portfolio	Shares	23,177,694	18,854,497	3,528,995	4,986,506	-	(902,640)	(627,984)	239,331	26,078,705	23,177,694
Total Scheme		210,004,481	186,025,239	29,526,426	207,736,117	(7,605,832)	(188,272,168)	(9,009,220)	4,515,293	222,915,855	210,004,481

As at 31 March 2023, the Conservative Fund had an unutilised investment of \$8,674. (2022: Nil)

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**Notes to the Financial Statements****For the year ended 31 March 2023****6 RELATED PARTIES (Continued)**

During the year ended 31 March 2022, the Scheme moved its investments in the Mercer Conservative Portfolio, Mercer Moderate Portfolio, Mercer Balanced Portfolio, Mercer Growth Portfolio and Mercer High Growth Portfolio to the NZDF Conservative Portfolio, NZDF Moderate Portfolio, NZDF Balanced Portfolio, NZDF Growth Portfolio and NZDF High Growth Portfolio respectively. Investing in the bespoke NZDF new portfolios eliminated the Scheme's indirect investments in unlisted shares.

The non-cash transactions comprising purchases and sales between MITNZ portfolios were as follows:

	Purchases		Sales	
	2023	2022	2023	2022
	\$	\$	\$	\$
Conservative				
Mercer Conservative Portfolio	-	-	-	7,620,350
NZDF Conservative Portfolio	-	7,620,350	-	-
Total	-	7,620,350	-	7,620,350
Moderate				
Mercer Moderate Portfolio	-	-	-	6,974,670
NZDF Moderate Portfolio	-	6,974,670	-	-
Total	-	6,974,670	-	6,974,670
Balanced				
Mercer Balanced Portfolio	-	-	-	82,968,550
NZDF Balanced Portfolio	-	82,968,550	-	-
Total	-	82,968,550	-	82,968,550
Growth				
Mercer Growth Portfolio	-	-	-	39,195,080
NZDF Growth Portfolio	-	39,195,080	-	-
Total	-	39,195,080	-	39,195,080
High Growth				
Mercer High Growth Portfolio	-	-	-	42,305,000
NZDF High Growth Portfolio	-	42,305,000	-	-
Total	-	42,305,000	-	42,305,000

The non-cash transactions comprising purchases and sales between MITNZ portfolios at the Scheme level were as follows:

	Purchases		Sales	
	2023	2022	2023	2022
	\$	\$	\$	\$
Mercer Cash Portfolio	155,910	285,597	(372,042)	(413,447)
Mercer Conservative Portfolio	-	202,028	-	(667,776)
NZDF Conservative Portfolio	178,959	-	(379,852)	(50,027)
Mercer Moderate Portfolio	-	27,213	-	(210,601)
NZDF Moderate Portfolio	292,644	-	(183,703)	-
Mercer Balanced Portfolio	-	184,667	-	(41,784)
NZDF Balanced Portfolio	561,059	620,000	(1,062,239)	-
Mercer Growth Portfolio	-	168,674	-	(327,268)
NZDF Growth Portfolio	1,063,999	50,027	(452,087)	-
Mercer High Growth Portfolio	-	461,313	-	(466,043)
NZDF High Growth Portfolio	1,027,636	-	(895,836)	-
Mercer Shares Portfolio	65,552	286,543	-	(109,116)
Total	3,345,759	2,286,062	(3,345,759)	(2,286,062)

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

7 BENEFITS

	TOTAL		Cash		Conservative		Moderate	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Retirement	2,009,392	1,549,793	-	7,070	712,738	249,811	70,207	70,491
Death or disability	136,474	122,025	133,949	122,025	-	-	-	-
Significant financial hardship	95,022	34,213	117	-	5,883	-	-	6,041
First home assistance	5,485,319	9,675,364	764,891	1,093,314	641,399	1,245,161	400,653	673,444
Permanent emigration to Australia	213,685	20,229	1,193	-	16,059	-	-	(1)
Permanent emigration excluding Australia	563,926	66,138	-	-	159	-	1,082	-
Late opt-out	1,417	606	-	-	1,196	-	-	-
Other permitted withdrawals	101,161	222,523	-	-	836	19,748	17,233	23,140
Total	8,606,396	11,690,891	900,150	1,222,409	1,378,270	1,514,720	489,175	773,115

	Balanced		Growth		High Growth		Shares	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Retirement	784,796	773,616	231,015	139,245	86,220	159,560	124,416	150,000
Death or disability	2,525	-	-	-	-	-	-	-
Significant financial hardship	46,972	12,615	195	4,349	16,710	3,019	25,145	8,189
First home assistance	1,487,179	2,497,394	915,719	1,341,241	837,703	1,761,796	437,775	1,063,014
Permanent emigration to Australia	33,386	20,230	29,078	-	69,589	-	64,380	-
Permanent emigration excluding Australia	243,283	66,138	208,642	-	64,899	-	45,861	-
Late opt-out	221	606	-	-	-	-	-	-
Other permitted withdrawals	295	57,832	5,158	50,786	29,050	49,211	48,589	21,806
Total	2,598,657	3,428,431	1,389,807	1,535,621	1,104,171	1,973,586	746,166	1,243,009

8 TRANSFERS IN FROM OTHER SCHEMES

	TOTAL		Cash		Conservative		Moderate	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Transfers from other KiwiSaver Schemes	5,138,231	7,287,251	128,203	24,130	100,254	121,598	40,369	54,959
Transfers from superannuation schemes	1,105,340	726,510	-	43,111	-	4,098	-	53,530
Transfers from Trans-Tasman portability	54,941	206,340	-	-	-	-	-	8,793
Total	6,298,512	8,220,101	128,203	67,241	100,254	125,696	40,369	117,282

	Balanced		Growth		High Growth		Shares	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Transfers from other KiwiSaver Schemes	3,915,930	5,181,964	252,945	722,660	464,101	601,994	236,429	579,946
Transfers from superannuation schemes	750,784	378,560	40,646	132,185	201,993	44,153	111,917	70,873
Transfers from Trans-Tasman portability	10,664	52,844	1,380	135,092	312	9,202	42,585	409
Total	4,677,378	5,613,368	294,971	989,937	666,406	655,349	390,931	651,228

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2023

9 RECONCILIATION OF NET PROFIT / (LOSS) BEFORE MEMBERSHIP ACTIVITIES TO NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES

	TOTAL		Cash		Conservative		Moderate	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Net (loss)/profit before membership activities	(9,282,393)	4,224,461	97,728	6,578	(164,849)	(44,562)	(225,613)	42,014
<i>Adjustments for:</i>								
Net losses/(gains) on financial assets at fair value through profit or loss	9,009,220	(4,515,293)	(101,576)	(10,168)	154,633	33,265	215,838	(52,294)
Proceeds from sale of financial assets	4,260,073	6,922,455	1,137,194	1,757,724	1,407,729	1,829,354	357,985	892,349
Payments for purchase of financial assets	(26,180,667)	(26,386,404)	(1,240,279)	(2,052,835)	(1,685,936)	(1,908,018)	(1,446,729)	(927,503)
<i>Changes in assets and liabilities:</i>								
(Increase)/decrease in assets (excluding cash and cash equivalents, financial assets at fair value through profit or loss and portfolio investment entity tax receivable)	(1,780)	3,330	(66)	155	(40)	100	(51)	110
Increase/(decrease) in liabilities (excluding bank overdraft, unsettled trades, unallocated contributions, benefits payable, portfolio investment entity tax payable and administration fees payable)	87,484	(126,566)	1,472	(2,672)	3,093	(6,455)	3,164	(5,432)
Net Cash used in operating activities	(22,108,063)	(19,878,017)	(105,527)	(301,218)	(285,370)	(96,316)	(1,095,406)	(50,756)

	Balanced		Growth		High Growth		Shares	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Net (loss)/profit before membership activities	(3,967,155)	1,453,488	(2,077,149)	1,102,460	(2,286,874)	1,455,918	(658,481)	208,565
<i>Adjustments for:</i>								
Net losses/(gains) on financial assets at fair value through profit or loss	3,854,297	(1,573,554)	2,026,239	(1,157,625)	2,231,805	(1,515,586)	627,984	(239,331)
Proceeds from sale of financial assets	1,971,684	1,060,094	1,363,713	1,242,808	1,367,527	1,523,548	-	902,640
Payments for purchase of financial assets	(11,999,666)	(7,513,298)	(3,970,561)	(5,342,044)	(5,654,260)	(5,942,262)	(3,528,995)	(4,986,506)
<i>Changes in assets and liabilities:</i>								
(Increase)/decrease in assets (excluding cash and cash equivalents, financial assets at fair value through profit or loss and portfolio investment entity tax receivable)	(672)	1,256	(314)	638	(387)	709	(250)	362
Increase/(decrease) in liabilities (excluding bank overdraft, unsettled trades, unallocated contributions, benefits payable, portfolio investment entity tax payable and administration fees payable)	36,018	(54,586)	15,906	(23,376)	17,494	(23,381)	10,337	(10,664)
Net Cash used in operating activities	(10,105,494)	(6,626,600)	(2,642,166)	(4,177,139)	(4,324,695)	(4,501,054)	(3,549,405)	(4,124,934)

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**Notes to the Financial Statements****For the year ended 31 March 2023****10 AUDITORS' REMUNERATION**

During the reporting period, the following fees (inclusive of GST) were paid or payable by the Manager and Scheme to the auditor of the Scheme. The Manager may recover fees paid from the Scheme. The auditor of the Scheme is PricewaterhouseCoopers.

	TOTAL		Cash		Conservative		Moderate	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Audit fees for the audit of financial statements	67,384	61,606	991	905	2,367	2,226	2,363	2,069
Taxation fees for tax compliance services	6,728	6,440	99	95	236	233	236	216
Total	74,112	68,046	1,090	1,000	2,604	2,459	2,599	2,285

	Balanced		Growth		High Growth		Shares	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Audit fees for the audit of financial statements	27,660	25,034	12,338	11,873	13,788	12,683	7,876	6,816
Taxation fees for tax compliance services	2,762	2,617	1,232	1,241	1,377	1,326	786	712
Total	30,422	27,651	13,570	13,114	15,164	14,008	8,662	7,528

11 FINANCIAL RISK MANAGEMENT

The Scheme's financial assets are comprised of units in unlisted unit trusts which is exposed to equities, interest bearing securities, units in unlisted unit trusts and derivative financial instruments. The Manager has determined that these types of investments are appropriate for the Scheme and are in accordance with its investment objectives. The objectives of the Scheme are to achieve a return (over the medium to long term) which is competitive with comparable trusts that have similar risk characteristics; and to outperform the notional return of a benchmark portfolio of suitable market indices over periods of one year or greater.

The Scheme's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's financial performance.

The Manager has considered the above investment risks in constructing the asset portfolios of the Scheme and aims to manage those risks primarily through diversification, including using some or all of the following (as applicable):

- investing across different asset classes (to reduce market risk and liquidity risk);
- investing predominantly in unit trusts which, in turn, invest with a number of different portfolios managed by several investment managers;
- investing across different countries (to reduce market risk); and
- investing in a number of individual securities within each asset class.

Professional investment managers are appointed on a research-based process of selection to manage the assets of the MITNZ via a set of investment guidelines. Risk management activities are performed within the underlying investment portfolios, not at the Scheme level. The investment managers of underlying investment portfolios may use derivatives and other instruments, including share price and bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks and exposures from forecast transactions.

The New Zealand Defence Force KiwiSaver Scheme invests in MDT that in turn invests in other MITNZ investment portfolios and MNZCFIT. The investment in the MITNZ investment portfolios are directly exposed to market risk, credit risk and liquidity risk.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

11 FINANCIAL RISK MANAGEMENT (Continued)

a) Market Risk

Market risk is the risk 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 price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk is minimised by the Manager through research and analysis of the investment mix within investment portfolios and ensuring that all investment activities are undertaken in accordance with established investment strategies. The Scheme's overall market positions are monitored by the Scheme's manager who uses research and analysis to form a view on these matters and then rebalances the investment mix of the investment portfolios to reduce the impact of market risk.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Scheme does not hold financial instruments denominated in currencies other than the New Zealand dollar, the functional currency. It is therefore not directly exposed to currency risk. Currency risk disclosure has been considered on the basis of the Scheme's direct investments and not on a look through basis for financial assets held indirectly through unit trusts. Consequently the Scheme may be exposed indirectly to currency risk where the Scheme has significant financial assets in unit trusts which have exposure to foreign currencies.

Exposure to currency risk is managed through hedging using derivative investments, which may include forward exchange contracts, within the underlying MITNZ investment portfolios.

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 majority of the Scheme's financial assets are non-interest bearing. As a result, the Scheme is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. Any sensitivity is immaterial.

Interest rate risk disclosures have been considered on the basis of the Scheme's direct investments and not on a look through basis for investments held indirectly through unit trusts. Consequently the Scheme is exposed indirectly to interest rate risk where the Scheme has significant investments in unit trusts which have interest bearing securities.

Exposure to interest rate risk is managed through the use of derivatives, diversification in holdings and the duration of fixed interest investments within the underlying investment portfolios.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**Notes to the Financial Statements****For the year ended 31 March 2023****11 FINANCIAL RISK MANAGEMENT (Continued)****a) Market Risk (Continued)**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price (other than those arising from interest rate risk or currency risk). The Scheme's financial assets are susceptible to market price risk arising from uncertainties about future values of the financial assets which will directly affect net investment income.

As the majority of the Scheme's financial instruments are carried at fair value, all changes in market conditions will directly affect investment returns that are recognised in the Statements of Changes in Net Assets. The Scheme's price risk is managed through diversification of the financial assets within the Fund and within the underlying investments in the MITNZ. In addition, price risk may be hedged using derivative financial instruments such as options or futures within the underlying MITNZ investment portfolios.

As at 31 March, the Scheme's exposure to market price risk through unlisted unit trusts was as follows:

Fund	2023		2022	
	\$	%	\$	%
Cash	3,428,367	2%	3,223,706	2%
Conservative	7,804,539	4%	7,680,965	4%
Moderate	7,888,918	4%	7,016,012	3%
Balanced	91,601,189	40%	85,427,504	40%
Growth	40,778,610	18%	40,198,001	19%
High Growth	45,335,527	20%	43,280,599	21%
Shares	26,078,705	12%	23,177,694	11%
Total Unlisted Unit Trusts	222,915,855	100%	210,004,481	100%

The table below shows the sensitivity to market price of the financial assets at fair value through profit and loss, if all other variables were held constant and investment markets fluctuated by the percentages disclosed below.

Fund	2023				2022			
	Net profit before membership activities		Net Assets Attributable to Members		Net profit before membership activities		Net Assets Attributable to Members	
	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
	\$	\$	\$	\$	\$	\$	\$	\$
Cash	342,837	(342,837)	342,837	(342,837)	322,371	(322,371)	322,371	(322,371)
Conservative	780,454	(780,454)	780,454	(780,454)	768,097	(768,097)	768,097	(768,097)
Moderate	788,892	(788,892)	788,892	(788,892)	701,601	(701,601)	701,601	(701,601)
Balanced	9,160,119	(9,160,119)	9,160,119	(9,160,119)	8,542,750	(8,542,750)	8,542,750	(8,542,750)
Growth	4,077,861	(4,077,861)	4,077,861	(4,077,861)	4,019,800	(4,019,800)	4,019,800	(4,019,800)
High Growth	4,533,553	(4,533,553)	4,533,553	(4,533,553)	4,328,060	(4,328,060)	4,328,060	(4,328,060)
Shares	2,607,871	(2,607,871)	2,607,871	(2,607,871)	2,317,769	(2,317,769)	2,317,769	(2,317,769)
Total	22,291,587	(22,291,587)	22,291,587	(22,291,587)	21,000,448	(21,000,448)	21,000,448	(21,000,448)

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

11 FINANCIAL RISK MANAGEMENT (Continued)

b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss. The Scheme is exposed to counterparty credit risk on cash and cash equivalents. None of these assets are impaired or past due (2022: Same).

With respect to credit risk arising from the cash and cash equivalents of the Scheme, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the carrying amount disclosed in the Statements of Net Assets. This represents the current maximum risk exposure at the reporting date.

The managers of the investment funds manage credit risk by establishing controls which are either specified in the guidelines set by the Manager or outlined in the product disclosure statement/information memorandum of underlying unit trust investments that it makes. Credit risk limitations include diversification of investments over a wide range of asset classes, companies, industries and maturities within the underlying investment portfolios. The Scheme's cash balances are held with Westpac New Zealand Limited (AA- rating, as measured by Standard & Poor's) (2022: Same).

The Scheme 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 expected credit loss. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Scheme.

c) Liquidity Risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that there will always be sufficient liquidity to meet liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme is exposed to daily cash redemptions of redeemable units.

The Scheme's liquidity risk is managed by investing in unlisted investment trusts which, in turn, invest in different asset classes and predominantly liquid assets.

Members are able to transfer their balances to another KiwiSaver Scheme at any time. As such, the liability for promised retirement benefits is deemed to be repayable on demand. All other financial liabilities of the Scheme are due within one month.

d) Capital Risk Management

The Scheme manages its net assets attributable to Members as capital, notwithstanding net assets attributable to Members is classified as a liability. The amounts of Members' funds can change significantly on a daily basis as the Funds can be transferred, withdrawn as set out in the conditions of the KiwiSaver Act 2006. The Scheme's objective when managing capital is to safeguard the Scheme's ability to continue as a going concern in order to provide returns for Members and to maintain a strong capital base to support the development of the investment activities of the Scheme. In order to maintain or adjust the capital structure, the Scheme's policy is to perform the following:

- a) monitor the level of daily contributions, transfers in, transfers out and benefits relative to the assets it is able to liquidate within seven days; and
- b) redeem and issue new units in accordance with the constitutional documents of the Scheme, which includes the ability to restrict redemptions in accordance with the KiwiSaver Act 2006. The Scheme does not have any externally imposed capital requirements.

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**Notes to the Financial Statements****For the year ended 31 March 2023****12 CLIMATE RELATED RISK MANAGEMENT**

The Financial Stability Board's Task Force on Climate-related Financial Disclosures (the TCFD) released its recommended framework for climate-related financial disclosures. Generally speaking, this framework covers four key areas: governance, strategy, risk management, and metrics & targets.

The recommended framework is broadly consistent with Mercer's approach.

Governance

Mercer's governance oversight on climate-related risks and opportunities is integrated through all levels of operations. The annual environmental, social and corporate governance ("ESG") review (now including carbon foot printing) is part of Mercer (N.Z.) Board reporting. The Board is aware of the importance of ensuring climate change is addressed, including having explicit goals and targets related to risks and opportunities.

Strategy

The impacts of climate change are actively considered in the process of determining Mercer's business and strategy over time. Mercer has completed climate scenario modelling and stress testing of its multi-sector portfolios and is integrating its findings into asset allocations and portfolio construction decisions.

Risk Management

Mercer's climate scenario modelling process is the key framework used to assess the size and scope of climate-related risks from a return perspective and prioritise asset classes and industry sectors for risk management (and exposure to new opportunities).

Metrics and targets

For equities and all interest bearing securities, Mercer has primarily relied on carbon foot printing analysis for all equity funds as a key portfolio metric for carbon emission intensity vs benchmark. This is a way of assessing historic carbon emissions volume or intensity, which is an indicator for the relative risk of carbon pricing increases as part of the transition to a low-carbon economy. Mercer New Zealand has committed to a target of Net-Zero absolute carbon emissions by 2050 for its investment funds.

13 FINANCIAL INSTRUMENTS BY CATEGORY

	TOTAL		Cash		Conservative		Moderate	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Financial assets at fair value through profit or loss								
Financial assets at fair value through profit or loss	222,924,529	210,004,481	3,428,367	3,223,706	7,813,213	7,680,965	7,888,918	7,016,012
Total financial assets at fair value through profit or loss	222,924,529	210,004,481	3,428,367	3,223,706	7,813,213	7,680,965	7,888,918	7,016,012
Financial assets at amortised cost								
Cash and cash equivalents	3,675,790	2,725,398	-	-	170,358	-	65,749	89,144
Investment management fee rebates receivable	3,814	2,034	132	66	89	49	104	53
Total financial assets at amortised cost	3,679,604	2,727,432	132	66	170,447	49	65,853	89,197
Total financial assets	226,604,133	212,731,913	3,428,499	3,223,772	7,983,660	7,681,014	7,954,771	7,105,209
LIABILITIES								
Financial liabilities at amortised cost								
Bank Overdraft	-	-	29,185	4,308	-	55,730	-	-
Unsettled Trades	8,674	-	-	-	8,674	-	-	-
Unallocated contributions	125,668	59,297	1,603	642	3,921	527	3,858	746
Benefits payable	308,105	189,447	20,967	104,860	-	-	-	-
Supervisor fees payable	14,601	31,050	225	477	512	1,136	517	1,037
Manager fees (expense recoveries) payable	31,443	13,660	495	186	1,142	516	1,108	474
Other expenses payable	112,937	26,787	1,779	364	4,102	1,011	3,979	929
Net assets attributable to members	227,635,512	211,816,533	3,349,183	3,112,030	7,997,686	7,654,317	7,983,994	7,113,311
Total financial liabilities at amortised cost	228,236,940	212,136,774	3,403,437	3,222,867	8,016,037	7,713,237	7,993,456	7,116,497

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME
Notes to the Financial Statements
For the year ended 31 March 2023

13 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Balanced		Growth		High Growth		Shares	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Financial assets at fair value through profit or loss								
Financial assets at fair value through profit or loss	91,601,189	85,427,504	40,778,610	40,198,001	45,335,527	43,280,599	26,078,705	23,177,694
Total financial assets at fair value through profit or loss	91,601,189	85,427,504	40,778,610	40,198,001	45,335,527	43,280,599	26,078,705	23,177,694
Financial assets at amortised cost								
Cash and cash equivalents	1,394,613	804,892	696,043	820,417	959,709	648,974	418,503	422,009
Investment management fee rebates receivable	1,438	766	706	392	834	447	511	261
Total financial assets at amortised cost	1,396,051	805,658	696,749	820,809	960,543	649,421	419,014	422,270
Total financial assets	92,997,240	86,233,162	41,475,359	41,018,810	46,296,070	43,930,020	26,497,719	23,599,964
LIABILITIES								
Financial liabilities at amortised cost								
Bank Overdraft	-	-	-	-	-	-	-	-
Unsettled Trades	-	-	-	-	-	-	-	-
Unallocated contributions	66,700	29,042	21,793	7,372	6,543	9,270	21,250	11,698
Benefits payable	120,342	49,419	98,599	10,603	48,510	14,139	19,687	10,426
Supervisor fees payable	5,999	12,631	2,671	5,943	2,969	6,399	1,708	3,427
Manager fees (expense recoveries) payable	12,895	5,593	5,851	2,597	6,378	2,824	3,574	1,470
Other expenses payable	46,317	10,969	21,017	5,093	22,908	5,538	12,835	2,883
Net assets attributable to Members	93,440,918	86,073,803	41,681,509	40,822,377	46,576,724	43,606,318	26,605,498	23,434,377
Total financial liabilities at amortised cost	93,693,171	86,181,457	41,831,440	40,853,985	46,664,032	43,644,488	26,664,552	23,464,281

At 31 March 2023 the carrying amount of the financial assets and liabilities at amortised cost approximates their fair value (2022: Same).

14 UNITS ON ISSUE

	TOTAL		Cash		Conservative		Moderate	
	2023	2022	2023	2022	2023	2022	2023	2022
Units on issue at the beginning of the year	143,908,543	129,433,013	2,943,495	2,699,253	6,341,751	6,272,562	5,542,609	5,433,423
Units issued during the year	55,583,240	64,360,522	2,142,019	3,013,678	3,818,291	4,350,859	2,825,339	2,916,653
Units redeemed during the year	(38,810,080)	(49,884,992)	(1,986,345)	(2,769,436)	(3,413,988)	(4,281,670)	(1,960,111)	(2,807,467)
Units on issue at the end of the year	160,681,703	143,908,543	3,099,169	2,943,495	6,746,054	6,341,751	6,407,837	5,542,609
	Balanced		Growth		High Growth		Shares	
	2023	2022	2023	2022	2023	2022	2023	2022
Units on issue at the beginning of the year	61,197,546	55,927,959	27,119,422	23,965,335	26,763,781	23,753,731	13,999,939	11,380,750
Units issued during the year	23,819,326	25,599,862	7,624,896	10,228,710	9,287,195	10,905,606	6,066,174	7,345,154
Units redeemed during the year	(15,825,427)	(20,330,275)	(5,782,468)	(7,074,623)	(6,113,391)	(7,895,556)	(3,728,350)	(4,725,965)
Units on issue at the end of the year	69,191,445	61,197,546	28,961,850	27,119,422	29,937,585	26,763,781	16,337,763	13,999,939

15 CONTINGENT LIABILITY, ASSET AND COMMITMENTS

There were no material contingent liabilities or commitments as at 31 March 2023 (2022: Same).

16 EVENTS AFTER BALANCE DATE

There have been no material events after balance date that require adjustment to or disclosure in the financial statements.



Independent auditor's report

To the members of the New Zealand Defence Force KiwiSaver Scheme (the "Scheme") which comprises:

- Cash
- Conservative
- Moderate
- Balanced
- Growth
- High Growth
- Shares

(Collectively referred to as the "Funds")

Our opinion

In our opinion, the accompanying financial statements of the Funds and the Scheme present fairly, in all material respects, the financial position of the Funds and the Scheme as at 31 March 2023, their financial performance and their cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

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

- the statements of net assets as at 31 March 2023;
- the statements of changes in net assets for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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



Independence

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

We have provided the following services to Mercer N.Z. Limited (“the Manager”): controls assurance reporting, collective registry compliance assurance reporting, tax compliance, tax pooling and tax advisory services, the audit of financial statements of other funds and schemes managed by the Manager, and reporting to the Supervisor and Trustee. The tax compliance services include services provided in relation to tax compliance for the Funds and the Scheme. Subject to certain restrictions, employees of our firm may invest in the Funds and the Scheme on normal terms within the ordinary course of trading activities of the Funds and the Scheme. These services and relationships have not impaired our independence as auditor of the Funds and the Scheme. We have no other relationships with, or interests in, the Funds and 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 year. 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.

Description of the key audit matter	How our audit addressed the key audit matter
<p>Valuation and existence of financial assets at fair value through profit or loss Refer to note 5 of the financial statements for disclosures of financial assets at fair value through profit or loss. This was an area of focus for our audit as it represents the majority of the net assets of the Funds and the Scheme.</p> <p>Valuation The Funds and the Scheme invest solely into funds of Mercer Investment Trusts New Zealand (MITNZ). MITNZ funds are unlisted unit trusts which are also managed by the Manager.</p>	<p>We have obtained an understanding of the processes employed by the Manager for recording and valuing the financial assets at fair value through profit or loss, including the relevant controls operated by a service organisation, the Investment Administrator.</p> <p>Our assessment of the business processes included obtaining the internal controls report over investment administration provided by the Investment Administrator.</p> <p>We evaluated the evidence provided by the internal controls report over the design and operating effectiveness of the relevant controls operated by the Investment Administrator.</p> <p>For valuation of the investments in unlisted unit trusts we agreed the redemption price used by the Manager at balance date to the confirmation provided by the MITNZ investment fund administrator.</p>



Description of the key audit matter	How our audit addressed the key audit matter
<p>The fair value of the investments in the MITNZ are categorised as level 2 in the fair value hierarchy. The fair value is based on the redemption price established by the MITNZ investment fund administrator. In assessing the fair value the Manager uses information provided by the MITNZ investment fund administrator.</p> <p>Existence Holdings of financial assets at fair value through profit or loss are held by the Custodian on behalf of the Funds and the Scheme.</p>	<p>We evaluated whether the redemption price represents fair value by:</p> <ul style="list-style-type: none"> • comparing the valuation of the investment to the net asset value per unit based on the 31 March 2023 audited financial statements of the unlisted unit trusts; • assessing whether the fair value of the underlying assets and liabilities of the underlying unlisted unit trust are primarily determined through observable market data; and • comparing against recent transaction prices. <p>For the existence of financial assets at fair value through profit or loss, we agreed the holdings to a confirmation from the Custodian of financial assets at fair value through profit or loss held by the Funds and the Scheme as at 31 March 2023.</p>

Our audit approach

Overview

Materiality

We determined materiality for each Fund and the Scheme separately. Our materiality for each Fund and the Scheme is calculated based on approximately 1% of net assets attributable to members for each Fund and the Scheme.

We chose net assets attributable to members as the benchmark because, in our view, the objective of the Funds and the Scheme is to provide members with a total return on the Funds' and the Scheme's net assets, taking into account both capital and income returns.

Key audit matters

As reported above, we have one key audit matter, being valuation and existence of financial assets at fair value through profit or loss.

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



Materiality

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

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

How we tailored our audit scope

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

The Manager is responsible for the governance and control activities of the Funds and the Scheme. The Funds' and the Scheme's investments are held by the Custodian. The Manager performs the investment accounting and registry services.

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

Other information

The Manager is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon which the Annual Report will refer to. The Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

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

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

Responsibilities of the Manager for the financial statements

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



In preparing the financial statements, the Manager is responsible for assessing each Fund's and the 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 intends to liquidate a Fund or the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants
27 July 2023

Wellington