

Kernel KiwiSaver Scheme

Financial Statements

For the period ended 31 March 2023

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Directory

The Manager	Kernel Wealth Limited Level 4, 166 Queen Street Auckland, New Zealand
Directors of the Manager	Dean Leigh Anderson Kerry Grant McIntosh Paul Raymond Shelley Hocking Julian Paul Knights Nelson Nien-sheng Wang William Robert George Sellar
The Supervisor	Trustees Executors Limited PO Box 4197 Level 7, 51 Shortland Street Auckland, New Zealand
Administration Manager	Adminis NZ Limited Level 1 125 Featherston Street PO Box 25555 Wellington, New Zealand 6140
Auditor	Ernst & Young PO Box 490 Majestic Centre, 100 Willis Street Wellington, New Zealand
Correspondence	All correspondence and enquiries to the Supervisor about the Funds should be addressed to The Supervisor, Trustees Executors Limited, at the above address.



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Independent auditor’s report to the members of the Kernel KiwiSaver Scheme

Opinion

We have audited the financial statements of the Kernel KiwiSaver Scheme (the “Scheme”) on pages 6 to 18, which comprise the statement of net assets as at 31 March 2023, the statement of changes in net assets and statement of cash flows for the period 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 6 to 18 present fairly, in all material respects, the financial position of the Scheme as at 31 March 2023 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.

Other than in our capacity as auditor we have no relationship with, or interest in, 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 the 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 matter below, provide the basis for our audit opinion on the accompanying financial statements.

Investments

Why significant	How our audit addressed the key audit matter
<ul style="list-style-type: none"> ▶ The Scheme’s investments, being financial assets at fair value through profit or loss, 	Our audit procedures included:



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- are substantially all of the Scheme's total assets.
- ▶ As detailed in the Scheme's accounting policies, as described in Note 2 to the financial statements, investments are recognised at fair value in accordance with NZ IAS 26: *Accounting and Reporting by Retirement Benefit Plans*.
 - ▶ 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 3 and Note 4 to the financial statements.
- ▶ Gaining an understanding of the processes used to record investment transactions and to value the portfolio;
 - ▶ Obtaining and considering the Independent Assurance Report on Controls for the manager/custodian of the funds in which the Scheme invests. We rely on the confirmations provided by the funds' managers/custodians to support the existence and valuation of investments at balance date. We have considered the implications of any control deficiencies for our audit but do not rely on the control testing performed;
 - ▶ Receiving confirmations from the manager/custodian of the Kernel funds (being the only funds in which the Scheme invests) of the number of units held by the Scheme and comparing these to the Scheme's records;
 - ▶ Receiving third party confirmations of the investments held by each Kernel fund in which the Scheme invests, directly from the custodian of these investments, detailing the number of securities or units held by each fund;
 - ▶ To assess the net asset value of the Kernel funds in which the Scheme invests:
 - Comparing the custodians' confirmations to the records of the Kernel funds; and
 - Verifying a sample of prices used in their investment valuations at balance date to independent pricing sources;
 - ▶ Testing supporting documentation for a sample of investment purchases and disposals in the Kernel funds;
 - ▶ Assessing the fair value gain or loss recognised by considering the period end fair value and investment purchases and disposals during the period;
 - ▶ Assessing the disclosures in the financial statements, including whether they appropriately reflect the Scheme's exposure to financial instrument risk with reference to NZ IFRS 7 *Financial Instruments: Disclosures*.



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Information other than the financial statements and auditor's report

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

Manager's responsibilities for the financial statements

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

In preparing the financial statements, the Manager is responsible for assessing on behalf of the Scheme, 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 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 the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>. This description forms part of our auditor's report.

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

The signature of Ernst & Young is written in a cursive, black ink style.

Chartered Accountants
Auckland
25 July 2023

Statement of changes in net assets

for the period ended 31 March 2023
in New Zealand Dollars

		Kernel KiwiSaver Scheme
	Note	2023 \$
INVESTMENT ACTIVITIES		
Investment income		
Distribution income		236,991
Net gains on financial assets at fair value through profit or loss	3	1,060,576
Net investment income		1,297,567
Net profit before membership activities		1,297,567
MEMBERSHIP ACTIVITIES		
Contributions received		
Member contributions		1,672,287
Employer contributions		1,019,943
Crown contributions		85,994
Transfers from other KiwiSaver and superannuation schemes		38,383,891
Lump sum and other voluntary contributions		355,610
Other income		293
Payments to members		
Transfers to other KiwiSaver and superannuation schemes		(392,386)
First home purchase withdrawals		(56,627)
IRD Refund		(20,538)
Taxation		
PIE tax paid by members		(147,238)
Net membership activities		40,901,229
Net increase in net assets during the period		42,198,796
Net assets available for benefits at the start of the year		-
Net assets available for benefits at the end of the period		42,198,796

This statement is to be read in conjunction with the notes to the financial statements.

Statement of net assets

as at 31 March 2023

in New Zealand Dollars

		Kernel KiwiSaver Scheme
		2023
		\$
	Note	
Assets		
Cash and cash equivalents		1,465,362
Financial assets at fair value through profit or loss	4	40,878,121
Total assets		42,343,483
Liabilities		
PIE tax payable		144,687
Total liabilities		144,687
Net assets available for benefits		42,198,796
Represented by:		
Members' funds		42,198,796

These financial statements were authorised for issue by the Manager, Kernel Wealth Limited:



Director



Director

24 July 2023

Date

24 July 2023

Date

This statement is to be read in conjunction with the notes to the financial statements.

Statement of cash flows

for the period ended 31 March 2023
in New Zealand Dollars

		Kernel KiwiSaver Scheme
		2023
		\$
	Note	
Cash flows from operating activities		
<i>Cash was provided from</i>		
Sale of investments		3,179,887
<i>Cash was provided to</i>		
Purchase of investments		(42,760,441)
Net cash outflow from operating activities	6	(39,580,554)
Cash flows from financing activities		
Contributions from members		41,518,018
Withdrawals by members		(469,551)
PIE tax paid by members		(2,551)
Net cash inflow from financing activities		41,045,916
Net cash inflow		1,465,362
Net cash and cash equivalents at the beginning of the period		-
Net cash and cash equivalents at the end of the period		1,465,362

This statement is to be read in conjunction with the notes to the financial statements.

Notes to the financial statements

1. GENERAL INFORMATION

Reporting entity	<p>These financial statements are for the Kernel KiwiSaver Scheme (the "Scheme").</p> <p>The Scheme was established by a Trust Deed dated 11 March 2022 between Kernel Wealth Limited (the "Manager") and Trustees Executors Limited (the "Supervisor"), with subsequent amendments. The Scheme commenced on 3 April 2022.</p> <p>The Scheme is domiciled in New Zealand and registered under the Financial Markets Conduct Act 2013 ("FMCA") as a KiwiSaver Scheme. The Scheme is a tier-1 for-profit entity. The Scheme is a defined contribution scheme under the KiwiSaver Act 2006, which means that members contribute to the Scheme over time and benefits payable depend on the amount of contributions made and any returns on contributions received.</p> <p>The Scheme provides members with a range of investment options ("Funds") which they can combine in any way they choose. Fund options include diversified funds and sector funds. The investment objective of the Scheme is to provide members with the flexibility to combine a range of Funds to suit their own risk profile, investment objectives and investment beliefs. Each Fund has its own specific investment objective which is contained in the schedules of the Statement of Investment Policy and Objectives ("SIPO").</p> <p>The Funds of the Scheme are listed below:</p> <p>Diversified funds: Kernel Balanced Fund Kernel Cash Plus Fund Kernel High Growth Fund</p> <p>Sector funds: Kernel Global Green Property Fund Kernel Global Infrastructure (NZD Hedged) Fund Kernel Global Infrastructure Fund Kernel NZ 20 Fund Kernel NZ 50 ESG Tilted Fund Kernel NZ Commercial Property Fund Kernel NZ Small & Mid Cap Opportunities Kernel S&P 500 Fund Kernel S&P Global 100 (NZD Hedged) Fund Kernel S&P Global 100 Fund Kernel S&P Global Clean Energy Fund Kernel S&P Global Dividend Aristocrats Fund Kernel S&P Kensho Electric Vehicle Innovation Fund Kernel S&P Kensho Moonshots Innovation Fund</p> <p>Notwithstanding the division of the Scheme into Funds, the Scheme is a single trust with the value of each member's interest in the Scheme determined by amounts held in individual members' accounts. While all Scheme members invest in particular Funds, the liabilities of the Scheme are not limited to a separate Fund. Therefore, reporting in these financial statements are not segmented by Fund.</p> <p>The financial statements are for 12-month period from 3 April 2022 to 31 March 2023, with no comparatives.</p> <p>The financial statements were authorised for issue by the directors of the Manager on 21 July 2023.</p>
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Statutory Base	The financial statements for the Scheme have been prepared in accordance with the Trust Deed and the FMCA.
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation	<p>The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and other legislative requirements as appropriate for for-profit entities. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other New Zealand accounting standards and authoritative notices applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.</p> <p>The financial statements have been prepared under the historical cost basis, as modified by the revaluation of financial instruments at fair value through profit or loss. The methods used to measure fair value are discussed further below. The accrual basis of accounting has been applied, as has the going concern assumption.</p> <p>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.</p>
New accounting standards and interpretations not adopted	No standards or amendments to existing standards and interpretations that are not yet in effect are expected to have a material impact on the financial statements of the Scheme.
Investment entity	<p>The Scheme has direct investments in other funds managed by the Manager. The Scheme meets the definition of an investment entity per NZ IFRS 10 - Consolidated Financial Statements, as the following conditions exist:</p> <p>(a) The Scheme has obtained funds for the purpose of providing investors with investment management services.</p> <p>(b) The Scheme's business purpose, which is communicated directly to investors, is investing solely for returns from capital appreciation and investment income.</p> <p>(c) The performance of investments made through other funds managed by the Manager, is measured and evaluated on a fair value basis.</p> <p>The Scheme also displays all four typical characteristics that are associated with an investment entity:</p> <p>(i) The Scheme has more than one investment;</p> <p>(ii) The Scheme has more than one investor;</p> <p>(iii) The Scheme has investors that are not related parties; and</p> <p>(iv) ownership interests in the Scheme are represented by units in the Funds.</p>
Functional and presentation currency	The financial statements are presented in New Zealand dollars, which is the Scheme's functional currency. All amounts have been rounded to the nearest dollar.
Significant accounting estimates and judgements	<p>The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgment in the process of applying the Scheme's accounting policies.</p> <p>The investments of the Scheme have been valued at the relevant redemption price established by underlying investment managers, therefore the Manager has not made any material accounting estimates or judgements in relation to the carrying value of these assets.</p>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments

(a) Classification*Financial assets at fair value through profit or loss*

The Scheme classifies its investments in unlisted unit trusts as financial assets at fair value through profit or loss. The Scheme classifies its investments based on both the Scheme's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Scheme's investment strategies, policies and guidelines are established by the Manager. The portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Scheme's investment strategies.

The Manager and investment manager are primarily focused on fair value information and use that information to assess the assets' performance and to make decisions.

Financial assets and liabilities at amortised cost

The Scheme's cash and cash equivalents and other receivables are classified as financial assets at amortised cost based on the Scheme's business models for managing those financial assets and the contractual cash flow characteristics.

(b) Recognition

Purchases and sales of investments are recognised on the trade date, the date on which the Scheme commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value and, subsequent to initial recognition, measured at fair value. Gains and losses arising from changes in fair value are recognised in the Statement of Changes in Net Assets when they arise. Interest, dividend and distribution income are separately recognised in the Statement of Changes in Net Assets. Transaction costs are expensed as incurred in the Statement of Changes in Net Assets.

(c) Fair Value Measurement

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

Fair value of unlisted unit trusts

The fair value of investments in unlisted unit trusts is determined using the last available redemption unit prices for those funds at balance date. The Manager of the Scheme may make adjustments based on considerations such as the liquidity of the underlying investments and any restrictions on redemptions.

(d) Derecognition

Financial assets are derecognised upon maturity or disposal of the asset. Any gain or loss arising on derecognition of the asset is recognised in the Statement of Changes in Net Assets in the year the item is derecognised. Gains or losses are calculated as the difference between the disposal proceeds and the carrying amount of the item.

Fair value hierarchy

Fair value measurements are categorised into a three level hierarchy that reflects the significance of the inputs used in making the measurements. Transfers between levels of the fair value hierarchy (if any) are deemed to have occurred at the beginning of the period.

Level one - fair value in an active market

The fair value of financial assets traded in active markets for the same instruments based on their quoted market prices at balance date without any deduction for estimated future selling costs. Generally, a level one category asset will have the most independent, reliable basis for measurement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair value hierarchy - continued	<p><i>Level two - fair value in an inactive or unquoted market using valuation techniques and observable market data</i></p> <p>The fair value of financial assets that are not traded in an active market is determined using valuation techniques for which all significant inputs are based on observable market data.</p> <p>The Scheme's investments in unlisted unit trusts are valued at fair value which is based on the latest available redemption prices of the units in each respective underlying fund. The Manager reviews the details of the reported information obtained from each of the underlying investments and considers:</p> <ul style="list-style-type: none"> - the liquidity of the Scheme's holding in that investment, or it's underlying investments; - the value date of the net asset value ("NAV") provided; and - any restrictions on withdrawals <p><i>Level three - fair value in an inactive or unquoted market using valuation techniques without observable market data</i></p> <p>The fair value of financial assets that are not traded in an active market is determined using valuation techniques for which any significant input is not based on observable market data.</p>
Income recognition	<p>Interest income is recognised in the Statement of Changes in Net Assets as the interest accrues using the effective interest rate method. Interest income is earned on short term deposits and bank balances.</p> <p>Dividend and distribution income is recognised in the Statement of Changes in Net Assets when the Scheme's right to receive payment is established.</p> <p>Dividend and interest income is disclosed net of any foreign tax credits and resident withholding taxes deducted at source, as these tax credits are allocated to members under the PIE regime.</p> <p>Any unrealised gains or losses arising from the revaluation of investments and any realised gains or losses from the sale of investments during the year are included in the Statement of Changes in Net Assets.</p>
Expenses	<p>There are currently no fees or expenses paid by members for the Scheme. Administration, audit and other fees of the Scheme are paid by the Manager. Management and other fees charged by the Funds are reflected in the unit prices of those Funds.</p>
Cash and cash equivalents	<p>Cash and cash equivalents comprise cash balances and short term deposits with an original maturity of three months or less and are initially measured at fair value. Subsequent to initial recognition, all cash and cash equivalents are measured at amortised cost.</p>
Other payables	<p>Other payables include member contributions and withdrawals that are unapplied or unpaid at balance date. Payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method.</p>
Statement of cash flows	<p>Definitions of the terms used in the Statement of Cash Flows are:</p> <p>(a) Operating activities comprise all transactions and other events that are not financing activities and includes purchases and sales of investments.</p> <p>(b) Financing activities are those activities that result in changes in the size and composition of members' funds. This includes elements of members' funds not falling within the definition of cash. Distributions paid in relation to members' funds are included in financing activities.</p>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Taxation	<p>The Scheme is a Portfolio Investment Entity ("PIE"). Under the PIE regime income is effectively taxed in the hands of the unit holders and therefore the Scheme has no tax expense. Accordingly, no income tax expense is recognised in the Statement of Changes in Net Assets.</p> <p>Under the PIE regime, the Manager attributes the taxable income of the Scheme to members in accordance with the proportion of their interest in the Funds held by the Scheme. The income attributed to each member is taxed at the member's prescribed investor rate ("PIR") which is currently capped at 28%. Any PIE tax payable/refundable on withdrawals is paid/received by the members by way of deduction from or addition to the withdrawal proceeds paid. Units in the Funds are cancelled/issued to the value of the tax paid/refunded upon determination of the members' annual PIE tax liabilities/assets at 31 March each year.</p> <p>The PIE tax attributable to members at balance date is calculated on the basis of the tax laws enacted or substantively enacted at balance date.</p>
Goods and Services tax	<p>The Scheme is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.</p>
Contributions and withdrawals	<p>Contributions received for units in the Funds of the Scheme are recorded net of any entry fees payable prior to the issue of units in the Funds. Withdrawals from the Scheme are recorded gross of any exit fees payable after the cancellation of the Fund units redeemed. Units in the Funds are issued and redeemed at the holder's option at the unit price for that day. The unit price for each Fund is determined as the net asset value ("NAV") divided by the number of units on issue.</p>
Net assets attributable to members	<p>The net assets attributable to members represents the liability for promised retirement benefits. The Funds of the Scheme issue units that are redeemable at the members' discretion and do not have identical features and are therefore classified as financial liabilities and are measured at amortised cost. Units are redeemed for the purpose of permitted withdrawals (such as reaching the age of 65 or enduring significant hardship) or transferring to another Fund within the Scheme or separate KiwiSaver Scheme. Units are equal to a proportionate share of the respective Funds 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 all members exercised their right to redeem units back to the Funds.</p>
Related parties	<p>A party is related to the Funds if:</p> <ul style="list-style-type: none"> (a) directly or indirectly through one or more of its intermediaries, it controls, is controlled by, or is under common control with, the Scheme; (b) it is a parent, subsidiary or fellow subsidiary of a party defined in (a) above; (c) it has an interest in or relationship with the Funds that gives it significant influence or control over the Scheme; (d) it is controlled by or may be significantly influenced by another party which also has control or significant influence over the Scheme; (e) the Scheme has an interest in or relationship with the party that gives significant influence over the party; (f) it is an entity or member of a group which provides key management personnel services to the Scheme.

3. NET GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Kernel KiwiSaver Scheme
	2023
	\$
Financial instruments at fair value through profit or loss	
Unlisted unit trusts	1,060,576
Total net gains on financial assets at fair value through profit or loss	1,060,576

4(A). FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Kernel KiwiSaver Scheme
	2023
	\$
Financial assets at fair value through profit or loss	
Unlisted unit trusts	40,878,121
Total financial assets at fair value through profit or loss	40,878,121

Fair value of investments of the Scheme The units held and fair value of the investments of the Scheme are as follows:

	Units held by the Scheme		Fair Value	
	2023		2023	
	Number		\$	
Kernel Balanced Fund	315,224		1,655,356	
Kernel Cash Plus Fund	362,204		1,097,162	
Kernel Global Green Property Fund	86,136		160,694	
Kernel Global Infrastructure (NZD Hedged) Fund	23,695		222,128	
Kernel Global Infrastructure Fund	78,500		435,928	
Kernel High Growth Fund	5,034,074		25,288,876	
Kernel NZ 20 Fund	165,501		621,508	
Kernel NZ 50 ESG Tilted Fund	436,767		396,660	
Kernel NZ Commercial Property Fund	116,847		212,283	
Kernel NZ Small & Mid Cap Opportunities	148,171		196,763	
Kernel S&P 500 Fund	1,066,780		4,317,798	
Kernel S&P Global 100 (NZD Hedged) Fund	17,333		191,685	
Kernel S&P Global 100 Fund	850,448		4,452,618	
Kernel S&P Global Clean Energy Fund	543,778		538,698	
Kernel S&P Global Dividend Aristocrats Fund	267,239		612,994	
Kernel S&P Kensho Electric Vehicle Innovation Fund	365,131		193,696	
Kernel S&P Kensho Moonshots Innovation Fund	1,025,300		283,274	
Total fair value of Funds			40,878,121	

Those investments that hold more than 5% of net assets available for benefits, are the Kernel High Growth Fund (59.93%), Kernel S&P 500 Fund (10.23%) and the Kernel S&P Global 100 Fund (10.55%).

4(B). FAIR VALUE HIERARCHY

Level 2 fair value determination The fair value of units held by the Scheme in unlisted unit trusts is determined by reference to published unit prices calculated by those funds' administration managers and are included within level 2 of the fair value hierarchy.

There have been no transfers between the levels of the fair value hierarchy.

5. RELATED PARTIES

	Related parties comprise the Manager and the Supervisor.
Manager fees	The Manager currently does not charge management fees to the Scheme. Management fees are charged to underlying investment funds by the Manager and are reflected in the value of the funds.
Supervisor fees	Trustees Executors is entitled to a fee, payable by the Manager, for the services it provides as Supervisor of the Scheme. Total Supervisor fees for the period were \$717.
Related party holdings in the Funds	Holdings and transactions in the Scheme by directors and key management personnel of the Manager, Investment Manager and their immediate family members are:

	Kernel KiwiSaver Scheme
	2023
	\$
Opening value	-
Contributions	164,030
Change in fair value	1,939
Distributions received	2,583
PIE tax refund/(paid)	(770)
Closing value	167,782

6. RECONCILIATION OF NET PROFIT BEFORE MEMBERSHIP ACTIVITIES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Kernel KiwiSaver Scheme
	2023
	\$
Net profit attributable before membership activities	1,297,567
Adjustments for:	
Purchase of investments	(42,760,441)
Non-cash purchase of investments (distribution reinvestment)	(236,991)
Sale of investments	3,179,887
Net gains on financial assets at fair value through profit or loss	(1,060,576)
Net cash outflow from operating activities	(39,580,554)

7. FINANCIAL RISKS

Financial risk factors	<p>The Scheme's activities exposes it to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk and liquidity risk.</p> <p>The Funds of the Scheme each have their own investment objectives, strategies and guidelines as outlined in the SIPO. The Manager sets the investment policy and investment guidelines for each Fund and each Fund may have a policy that allows them to use derivative instruments to moderate certain risk exposures. The Manager oversees the development, implementation and monitoring of each Fund's investment mandate.</p> <p>All securities investments present a risk of loss of capital. The maximum loss of capital on unlisted unit trusts is limited to the fair value of those positions.</p>
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7(A). MARKET RISK

Price risk Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Scheme invests in other funds and are susceptible to market price risk arising from uncertainties about future values of those underlying funds.

Price risk - sensitivity analysis At 31 March, the net fair value of financial instruments is exposed to price risk. The Manager considers the volatility of the fair value of investments in portfolios to be in the 10% range, based on historical experience. Actual movements may be significantly different to this and will vary by Fund depending on the investments held. If the price of the Scheme's investments increased or decreased by 10%, the Scheme's net assets attributable to unit holders and net profit/(loss) would increase or decrease as follows:

	Kernel KiwiSaver Scheme
	2023
	\$
Financial assets at fair value through profit or loss	
Unlisted unit trusts	40,878,121
Total	40,878,121
Sensitivity analysis	
10% increase in prices	4,087,812
10% decrease in prices	(4,087,812)

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

The Scheme does not hold cash and cash equivalents or financial assets at fair value through profit or loss denominated in currencies other than New Zealand dollar, the functional currency. The Scheme is therefore not exposed to currency risk. The Scheme is, however, exposed indirectly to currency risk through their holdings in unlisted unit trusts.

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 does not hold cash in interest bearing accounts in accordance with the Investment Mandate for the Scheme. The Scheme is therefore not exposed to material risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flow.

7(B). LIQUIDITY RISK

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due.

The Manager assesses liquidity risk of the underlying funds with reference to liquidity of the underlying assets and securities. The Funds within the Scheme invest predominantly in liquid investments and hence have daily applications and redemptions. Market conditions can, however, change resulting in some assets being difficult to sell. Hence if any Fund within the Scheme were to experience liquidity problems, the Manager may defer or suspend redemptions for a period of time.

The Funds of the Scheme are exposed to daily redemptions of redeemable units, subject to the restrictions imposed by the KiwiSaver Act 2006. The Investment Manager selects underlying funds that are readily convertible to cash in normal market conditions. The redemption amount is set at the daily published unit price of each underlying investment.

Members are able to transfer their balances to other KiwiSaver schemes subject to the consent (if required) of the manager or supervisor of that scheme, and any transfer provisions of that scheme. As such, the liability for promised retirement benefits is deemed to be repayable on demand.

The Scheme's financial liabilities consist of other payables which are short term in nature and classified as current liabilities at balance date.

7(C). CREDIT RISK

Credit risk represents the risk that counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Scheme to incur a financial loss.

With respect to credit risk arising from the financial assets of the Scheme, the Scheme's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the statement of net assets. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Manager has selected underlying funds with investment strategies that ensure an appropriate diversification of investments so that the Scheme indirectly has no significant concentrations of counterparty or credit risk.

There is no material risk of default relating to contributions receivable by the Scheme (if any) as this receivable has arisen only due to timing between the date of receipt of the funds and when the units are allocated and the receipts processed.

The Scheme does not use credit derivatives to mitigate credit risk.

The Scheme's cash and cash equivalents are held with ANZ Bank (S&P Global credit rating: AA-).

At 31 March 2023, all cash and cash equivalents are held with counterparties with high credit ratings and all financial instruments measured at amortised cost are short-term in nature (i.e. no longer than 12 months) and of high credit quality. The Manager considers the probability of default to be close to zero as the counterparties have 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.

As at 31 March 2023, there were no financial assets past due or impaired.

7(D). CAPITAL RISK MANAGEMENT

The Scheme's net assets attributable to members (as represented by the liability for promised benefits) are primarily determined by contributions to the Scheme together with the change in fair value on these contributions over the period of membership. The timing of the payment of retirement benefits is determined requirements of the KiwiSaver Act 2006.

Under the terms of the Trust Deed, contributions can be made by the Scheme members, by their employers and by the Government. During the period, contributions by Scheme members, employers and the Government have been at the following rates:

- Member contributions: 3%, 4%, 6%, 8% or 10% of employee's pre-tax salary or wages. Voluntary contributions may also have been received from members.
- Employer contributions: required to contribute 3% of an employee's pre-tax salary or wages to the extent these contributions are matched by the employee.
- Government contributions: if a member is eligible, the Government will pay \$0.50 for every dollar of member contribution annually up to a maximum of \$521.43 (referred to as the Member Tax Credit).

Net assets attributable to Members are considered to be the Scheme's capital for the purposes of capital management. The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for members through capital growth. The Scheme does this by offering investment in diversified asset classes.

The Scheme does not have any externally imposed capital requirements. Units may be redeemed on a daily basis, or such other date as the Manager shall from time to time determine.

8. CONTINGENT LIABILITIES & COMMITMENTS

The Scheme has no material commitments or material contingencies at 31 March 2023.

9. AUDIT FEE

Ernst & Young is entitled to a fee, payable by the Manager, for the audit of the Kernel Funds and KiwiSaver Scheme financial statements. Total audit fees for the period were \$89,336.

10. EVENTS SUBSEQUENT TO BALANCE DATE

There are no significant subsequent events that require adjustment to or disclosure in these financial statements.