

MAS KIWISAVER SCHEME

Financial Statements

For the year ended 31 March 2023

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Independent Auditor's Report

To the Members of MAS KiwiSaver Scheme

Opinion

We have audited the financial statements of MAS KiwiSaver Scheme ("the Scheme") on pages 4 to 19, which comprise the statement of net assets of the Scheme as at 31 March 2023, the statement of changes in net assets and statement of cash flows for the year then ended of the Scheme, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 19 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.

We provide assurance services in relation to the register of members for the Scheme. Partners and employees of our firm may deal with the Scheme on normal terms within the ordinary course of trading activities of the business of the Scheme. We have no other 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 each matter below, our description of how our audit addressed the matter is provided in that context.

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

Investments

Why significant

- ▶ The Scheme's portfolio of investments represents almost 100% of its assets.
- ▶ These investments are recognised at fair value through profit or loss in accordance with NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. The Scheme's accounting policy for investments is described in Note 2.
- ▶ Volatility and other market drivers can have a significant impact on the value of these investments and the financial statements as a whole, therefore the recognition and measurement of the investment portfolio is considered a key area of audit focus.
- ▶ Disclosures regarding the Scheme's investments are included in Note 5 to the financial statements.

How our audit addressed the key audit matter

Our audit procedures included:

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

Those charged with governance responsibilities for the financial statements

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

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



Auditor's responsibilities for the audit of the financial statements

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

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

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

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Chartered Accountants
Wellington
28 June 2023

MAS KIWISAVER SCHEME
Statement of Net Assets
As at 31 March 2023

	Note	2023 NZ\$	2022 NZ\$
Assets			
Cash and Cash Equivalents	6	72,325,294	25,141,264
Wholesale Cash Fund	5	25,552,107	24,493,015
Investments at Fair Value Through Profit or Loss	5	1,023,779,908	1,056,227,982
PIE Tax Refundable		7,367,193	-
Total Assets		1,129,024,502	1,105,862,261
Less: Liabilities			
Accounts Payable		(932,127)	(985,731)
PIE Tax Payable		-	(1,306,155)
Total Liabilities		(932,127)	(2,291,886)
Net Assets available to pay Benefits		1,128,092,376	1,103,570,375
Represented by:			
Member Accounts	3	1,128,092,376	1,103,570,375
		1,128,092,376	1,103,570,375

Approved for issue by the Manager, Medical Funds Management Limited



Date & Time: 28 Jun, 2023 16:13:02 NZST

_____ Date



Date & Time: 28 Jun, 2023 15:30:10 NZST

_____ Date

This statement is to be read in conjunction with the notes on pages 7 to 19.

MAS KIWISAVER SCHEME
Statement of Changes in Net Assets
For the year ended 31 March 2023

	Note	2023 NZ\$	2022 NZ\$
Investment Activities			
Investment Revenues			
Dividend Income		8,504,455	8,317,405
Interest Income		1,413,706	123,509
(Loss)/Gain on Investments at Fair Value	7,8	(42,609,403)	23,852,692
Total Investment Revenue		(32,691,243)	32,293,606
Other Revenues			
Bank Interest Received		18,555	3,484
Fee Rebate		309,622	377,082
Total Other Revenue		328,177	380,566
Expenses			
Administration Expenses		(4,179)	(105,592)
MFM Management Fee		(10,123,580)	(10,600,652)
Audit Fee - Financial Statements - EY	11	-	(20,671)
Other Assurance Procedures - Registry Audit - EY	11	-	(1,610)
Trustee Fees		-	(3,556)
Total Expenses		(10,127,759)	(10,732,080)
Change in Net Assets before Taxation and Membership Activities	3	(42,490,825)	21,942,092
Membership Activities			
Contributions			
Member Contributions		57,305,989	79,697,191
Member Voluntary Contributions		5,016,314	5,016,946
Employer Contributions		27,574,608	25,413,128
Interest Received from IRD		3,361	1,923
Government Contribution		5,300,888	5,267,758
Transfers from Other Plans		12,203,492	13,431,273
Total Contributions		107,404,653	128,828,219
Benefits Paid			
Transfers to other Plans		(16,390,928)	(28,187,130)
Deaths		(146,387)	(860,478)
First Home Withdrawals		(6,068,568)	(12,559,041)
Hardship and Partial Withdrawals		(259,876)	(367,341)
Serious Illness		(143,852)	(157,951)
Court Ordered Payments		(319,420)	(1,372,974)
Permanent Emigration		(325,700)	(909,188)
Retirement		(24,375,693)	(16,843,408)
IRD Refunds		(5,196)	(975)
Total Benefits paid		(48,035,621)	(61,258,486)
PIE Tax Credit/(Paid)		7,643,792	(1,355,063)
Net Membership Activities		67,012,826	66,214,670
Net Increase in Net Assets During Year		24,522,001	88,156,762
Net Assets Available for Benefits at Beginning of Year		1,103,570,375	1,015,413,613
Net Assets Available for Benefits at End of Year		1,128,092,376	1,103,570,375

This statement is to be read in conjunction with the notes on pages 7 to 19.

MAS KIWISAVER SCHEME
Statement of Cash Flows
For the year ended 31 March 2023

	Note	2023 NZ\$	2022 NZ\$
Cash Flows from Operating Activities			
Cash provided from:			
Contributions		107,404,653	128,828,219
Sundry Income		18,555	3,482
		107,423,209	128,831,701
<i>less:</i> Cash applied to:			
Benefits Paid		(48,035,621)	(61,258,486)
MFM Management Fee and Other Expenses		(10,181,363)	(10,698,047)
PIE Tax Paid		(1,029,556)	(15,048,120)
		(59,246,540)	(87,004,653)
Net Cash Inflow from Operating Activities	8	48,176,668	41,827,048
Cash Flows from Investing Activities			
Cash provided from:			
Proceeds from Sale of Investment Assets		49,678,425	74,877,943
Proceeds from Sale of Cash Investment Assets		228,722,772	25,663,490
<i>less:</i> Cash applied to:			
Purchase of Investment Assets		(97,965,798)	(116,317,568)
Purchase of Cash Investment Assets		(181,428,038)	(16,952,554)
Net Cash Outflow from Investing Activities		(992,638)	(32,728,690)
Net increase in Cash Held		47,184,030	9,098,359
Add Cash at start of Year		25,141,264	16,042,904
Balance at end of Year		72,325,294	25,141,264

This statement is to be read in conjunction with the notes on pages 7 to 19.

MAS KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

1. Scheme Description

These financial statements are for the MAS KiwiSaver Scheme (the "Scheme") for the year ended 31 March 2023. The Scheme is governed by a Trust Deed dated 18 June 2021 and is a registered KiwiSaver scheme under the Financial Markets Conduct Act 2013 ("FMCA"). Medical Funds Management Limited ("the Manager" or "MFM") is the Manager of the Scheme. MFM's address is 10 Waterloo Quay, Pipitea, Wellington, New Zealand.

The Supervisor of the Scheme is Public Trust.

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

Scheme Benefits

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

Termination Terms

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

Changes to the Scheme

There were no changes to the Scheme during the year.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

MAS KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Measurement Base

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

Presentation and Functional Currency

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

Classification of Assets and Liabilities

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

New and amended standards and interpretations

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

Standards issued but not effective

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

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

The following new standards have been issued but are not yet effective for the period ended 31 March 2023. Aotearoa New Zealand Climate Standard 1 Climate-Related Disclosures, Aotearoa New Zealand Climate Standard 2 Adoption of Aotearoa New Zealand Climate Standards, and Aotearoa New Zealand Climate Standard 3 General Requirements for Climate-related Disclosures ("NZ Climate Standards") provide a framework for entities to consider climate-related risks and opportunities, outline a limited number of adoption provisions and establish principles and general requirements. The standards are effective for reporting periods beginning after 1 January 2023. The first applicable reporting period for the Scheme is the year ending 31 March 2024.

MAS KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

2. Summary of Significant Accounting Policies (Continued)

Investment Income

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

Foreign Currencies

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

Income and Expenses

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

Investments

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

Financial Instruments

(i) Classification

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

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

(ii) Recognition/derecognition

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

(iii) Measurement

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

MAS KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

2. Summary of Significant Accounting Policies (Continued)

The fair value of investments is determined using the value supplied by the relevant fund manager at balance date.

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

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

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

Taxation

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

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

Receivables

Receivables are short-term in nature and are stated at amortised cost.

Payables

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

Derivative Financial Instruments

The Scheme does not directly invest in derivative financial instruments ("derivatives"). The Scheme invests in a range of unitised products and pooled investment vehicles, which may enter into derivatives such as forward foreign exchange contracts, financial futures, swaps and options during the normal course of business.

Goods and Services Tax ("GST")

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

MAS KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

2. Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows

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

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

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

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

Contributions and Benefits

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

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

Transfers In and Transfers Out

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

Member Funds

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

Units held in the Scheme are redeemable at the Member's option, meet the definition of a puttable instrument, and are therefore classified as equity. The units are redeemable for cash based on their redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if Members exercised their right to redeem units in the Scheme.

Critical Accounting Estimates and Judgements

The Manager has applied their judgement in selecting the accounting policy to designate financial assets and financial liabilities at fair value through profit or loss. This policy has a significant impact on the amounts disclosed in the financial statements. For the purposes of the fair value hierarchy of financial assets at fair value through profit or loss, the Manager has to apply their judgement as to what constitutes "observable prices". For further details refer to Note 10 (Fair Value).

MAS KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

3. Net assets available to pay Benefits

	2023 NZ\$	2022 NZ\$
Movements in Members' Accounts - Per Members' Registry System		
Balance at beginning of year	1,102,874,733	1,015,327,643
Contributions received	108,464,175	129,209,256
Investment earnings allocated to Members	(42,494,818)	22,007,633
Kiwisaver management fee	(21,262)	(19,260)
PIE tax	7,600,918	(1,327,034)
Withdrawals paid	(49,245,418)	(62,323,505)
Balance at end of year	<u>1,127,178,328</u>	<u>1,102,874,733</u>
Movements in Members' Accounts - Timing Variances		
Balance at end of year - to be allocated to Members' accounts in 2023 (2022)	914,048	695,642
Total balance at end of year	<u>1,128,092,376</u>	<u>1,103,570,375</u>

Guaranteed Benefits

No guarantees have been made in respect of any part of the net assets available to pay benefits (2022: nil).

4. Scheme Benefits

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

5. Investments

	2023 NZ\$	2022 NZ\$
The funds were invested in the following asset classes:		
Domestic Fixed Interest	96,220,452	83,193,618
International Fixed Interest	179,458,438	199,876,986
Australasian Equities	241,151,114	236,503,055
International Equities	505,425,434	534,091,290
Alternative Investments	1,524,470	2,563,034
Cash Investments	25,552,107	24,493,015
	<u>1,049,332,015</u>	<u>1,080,720,997</u>
JBWere Cash Account	69,764,461	23,164,260
Total Investments	<u>1,119,096,476</u>	<u>1,103,885,257</u>

The majority of funds invested are invested into unitised products or pooled investment vehicles. The Scheme primarily invests in the MAS Wholesale Investment Funds, which are also managed by MFM.

MAS KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

5. Investments (Continued)

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

		2023		2022
	%	NZ\$	%	NZ\$
Australasian Equities				
MAS Wholesale Australasian Equities Fund	21	241,151,114	21	236,503,055
International Equities				
MAS Wholesale International Equities Fund	45	505,425,434	48	534,091,290
International Fixed Interest				
Hunter Global Fixed Interest Fund	16	179,458,438	18	199,876,986
New Zealand Fixed Interest				
MAS Wholesale New Zealand Fixed Interest Fund	9	96,220,452	8	83,193,618

(b) Trading Securities exceeding 5% of security class

		2023		2022
	%	NZ\$	%	NZ\$
Australasian Equities				
MAS Wholesale Australasian Equities Fund	100	241,151,114	100	236,503,055
International Equities				
MAS Wholesale International Equities Fund	100	505,425,434	100	534,091,290
Domestic Fixed Interest				
MAS Wholesale New Zealand Fixed Interest Fund	100	96,220,452	100	83,193,618
Alternative Investments				
Maui Capital Aqua Fund	80	1,226,642	82	2,094,267
Maui Capital Indigo Fund	18	279,502	14	351,966
International Fixed Interest (Unit Trust)				
Hunter Global Fixed Interest Fund	100	179,458,438	100	199,876,986
Cash Investments				
MAS Wholesale Cash Fund (NZD)	27	25,552,107	51	24,493,015
JBWere Cash Account (Westpac)	73	69,764,461	49	23,164,260

6. Cash and Cash Equivalents

	2023	2022
	NZ\$	NZ\$
ANZ Bank Current Account	2,560,833	1,977,004
JBWere Cash Account	69,764,461	23,164,260
	72,325,294	25,141,264

7. Changes in Net Market Value

	2023	2022
	NZ\$	NZ\$
Cash - Foreign Denominated	799,082	335,184
Domestic Fixed Interest	1,156,834	(2,583,491)
International Fixed Interest	(19,392,117)	(18,182,296)
Australasian Equities	(70,407)	287
International Equities	(25,102,795)	44,283,008
	(42,609,403)	23,852,692

MAS KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

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

	2023 NZ\$	2022 NZ\$
Increase in Net Assets	24,522,001	88,156,762
Add/(less) non-cash items:		
Dividends received	(8,504,455)	(8,317,405)
Interest received	(1,413,706)	(123,509)
Loss/(Gain) on investments at fair value	42,609,403	(23,852,692)
Fee rebate	(309,622)	(377,082)
Add/(less) movement in other working capital items:		
(Decrease)/Increase in accounts payable	(53,604)	34,032
Decrease in PIE tax payable and refundable	(8,673,349)	(13,693,058)
Net cash Inflows from operating activities	48,176,668	41,827,048

9. Financial Instruments and Risk Management

The Manager has established a Statement of Investment Policy and Objectives (“SIPO”) for the Scheme. Compliance with the SIPO is monitored daily and the SIPO itself is reviewed at least annually.

The Scheme’s risk management is carried out in accordance with policies set by the Manager. These policies provide clear structure for managing key financial risks.

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

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The Scheme is primarily exposed to interest rate and other price risks through its investments in cash and cash equivalents, unitised products and pooled investment vehicles. Market risk management is carried out in accordance with the SIPO.

MAS KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

9. Financial Instruments and Risk Management (Continued)

Liquidity Risk

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

Liquidity Profile of Financial Liabilities

	0-6 Months NZ\$	6-12 Months NZ\$	Total NZ\$
31 March 2023			
Financial Liabilities			
Accounts Payable	932,127	-	932,127
	932,127	-	932,127
31 March 2022			
Financial Liabilities			
Accounts Payable	985,731	-	985,731
	985,731	-	985,731

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, resulting in a financial loss to the Scheme. The financial instruments that potentially expose the Scheme to credit risk consist of cash and short term deposits and receivables and, indirectly, investments in unitised products and pooled investment vehicles which invest in cash and fixed interest investments. The maximum exposure to credit risk is the carrying value of these financial instruments. Credit risk is managed through policy that outlines minimum permitted credit ratings and diversification requirements.

There are no financial assets past due or impaired at balance date (2022: nil).

Statement of Net Asset Credit Exposures

	2023 NZ\$	2022 NZ\$
Cash and Cash Equivalents	72,325,294	25,141,264
	72,325,294	25,141,264

The following table provides information on the credit risk exposure for financial assets with external credit ratings of the Scheme. Investment grade financial assets are classified within the range of AAA to BBB, with AAA being the highest possible rating. For financial assets measured at amortised cost, the Scheme typically invests in high quality financial institutions that have minimum credit ratings of BBB by Standard & Poor's (or equivalent). The probability of default is considered minimal due to the high quality of investments, and no expected credit losses have been allowed for. Other investments are held at fair value through profit or loss, as such no expected credit losses are recognised.

	AAA	AA	A	BBB	Below BBB and Not rated	Carrying Value
31 March 2023						
Cash	-	100%	-	-	-	72,325,294
31 March 2022						
Cash	-	100%	-	-	-	25,141,264

MAS KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

9. Financial Instruments and Risk Management (Continued)

Currency Risk

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

At 31 March 2023, there is no foreign currency hedging (2022: no change) as the Scheme invests in foreign currency denominated assets via unitised products and pooled investment vehicles which are denominated in New Zealand dollars.

Interest Rate Risk

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

Sensitivity Analysis

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

	Change in Net Assets after Taxation Higher/(Lower)	
	2023	2022
	NZ\$	NZ\$
50bp Increase in Interest Rates		
Cash and Cash Equivalents	487,309	245,389
50bp Decrease in Interest Rates		
Cash and Cash Equivalents	(487,309)	(245,389)

Other Price Risk

The Scheme manages risk through investing in diversified unitised products and pooled investment vehicles.

Sensitivity Analysis

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

	Change in Net Assets after Taxation Higher/(Lower)	
	2023	2022
	NZ\$	NZ\$
Prices Increase by 10%	104,933,202	108,072,100
Prices Decrease by 10%	(104,933,202)	(108,072,100)

Classification of Financial Instruments

	2023	2022
	NZ\$	NZ\$
Financial Assets carried at fair value through profit or loss	1,023,779,908	1,056,227,982
Financial assets measured at amortised cost (including cash and cash equivalents)	72,325,294	25,141,264
Financial Liabilities held at amortised cost	(932,127)	(985,731)

MAS KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

9. Financial Instruments and Risk Management (Continued)

Capital Management

Net assets available to pay benefits are considered to be the Scheme's capital for the purposes of capital management. The Scheme does not have to comply with externally imposed capital requirements.

The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its Members, ensuring there is sufficient liquidity to meet any redemption requests from Members and to maximise the Scheme Members' value.

10. Fair Value

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

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

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

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

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

31 March 2023:

	NZ\$	NZ\$	NZ\$	NZ\$
	Level 1	Level 2	Level 3	Total Balance
Assets				
MAS Wholesale Investments	-	1,047,807,545	-	1,047,807,545
Alternative Investments	-	-	1,524,470	1,524,470
Total Assets	-	1,047,807,545	1,524,470	1,049,332,015

31 March 2022:

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

There were no transfers between levels during the year (2022: nil).

MAS KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

10. Fair Value (Continued)

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

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

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

Reconciliation of level 3 fair value movements

	2023	2022
	NZ\$	NZ\$
Opening Balance	2,563,034	2,760,830
Capital Withdrawal	(968,157)	(198,083)
Total (Losses)/Gains	(70,407)	288
Closing Balance	1,524,470	2,563,034

Level 3 assets were valued using valuation techniques which were consistent with last year. The fair value used for the Maui Capital Indigo Fund, Maui Capital Aqua Fund and Pencarrow IV Fund are determined with reference to valuations based on the most recent price available at balance date as provided by the relevant manager. A potential change in the relevant input by 10% would have the effect of impacting the fair value by \$152,447 (2022: \$256,303).

11. Related Parties

MFM provides management services to the Scheme. MFM charged a management fee to the Scheme of \$10,123,580 (2022: \$10,600,652). The fee charged ranges from 0.50% - 1.00% per annum of the funds under management and \$888,789 (2022: \$880,680) has been accrued at balance date. The management fee is calculated daily and paid monthly. No related party debts have been written off or forgiven during the year (2022: nil).

The Manager paid the audit fees incurred by the Scheme (2022: paid by the Scheme). The fees incurred were \$22,080 for the audit of the financial statements (2022: \$20,671) and \$1,725 for the registry audit (2022: \$1,610).

MAS KIWISAVER SCHEME

Notes to the Financial Statements

For the year ended 31 March 2023

12. Commitments and Contingent Liabilities

	2023	2022
	NZ\$	NZ\$
Maui Capital Aqua Fund	269,263	459,717
Maui Capital Indigo Fund	49,324	62,112
Pencarrow IV Fund	567	3,612
Total Capital Commitments	319,154	525,441

Capital commitments represent the uncalled capital contracted for at balance date but not yet paid to Maui Capital Aqua Fund, Maui Capital Indigo Fund, and Pencarrow IV Fund. No significant contingent liabilities exist as at 31 March 2023.

13. Events after Balance Date

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