

Simplicity KiwiSaver Scheme
Financial Statements
For the year ended 31 March 2023

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Directory Listing

Manager:	Simplicity NZ Limited
Registered Office:	Level 11, 5-7 Byron Avenue, Takapuna 0622
Directors:	Arthur (Sam) Stubbs (Managing Director), Ngaire (Joy) Marslin (Chair), Reuben Halper, Melanie Hewitson, Anna Tierney, Chris Teeling
Supervisor & Custodian:	Public Trust
Administrator:	Apex Investment Administration (NZ) Limited
Auditor	Grant Thornton New Zealand Limited
Solicitor:	DLA Piper

Manager's Statement

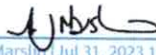
In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of the Simplicity KiwiSaver Scheme as at 31 March 2023 and their results for the year ended on that date in accordance with the requirements of the Simplicity KiwiSaver Scheme Trust Deed dated 10 June 2016 amended 26 July 2016.

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

Director 
A Stubbs (Jul 31, 2023 11:51 GMT+12)

Simplicity NZ Limited

31 July 2023

Director 
Joy Marslin (Jul 31, 2023 12:04 GMT+12)

Statements of Changes in Net Assets

\$		Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total		
		2023	2022	2023	2022	2023	2022	2023	4 months ended 31 March 2022	2023	2022	
	For the year ended 31 March											
	Note											
	Income											
	Interest income from financial assets at amortised cost	12	87,372	16,397	330,446	57,443	1,399,899	204,791	275,975	28,593	2,093,692	307,224
	Dividend and distribution income		1,119,413	3,915,315	4,325,028	10,688,084	17,491,277	39,553,432	3,468,341	623,380	26,404,059	54,780,211
	Other income		-	-	-	-	-	-	-	522	-	522
	Foreign exchange gains/(losses) on cash and cash equivalents		(3,789)	2,206	(21,042)	478	(73,319)	(30,133)	(24,526)	51,022	(122,676)	23,573
	Net loss on financial instruments at fair value through profit or loss		(5,674,462)	(7,484,634)	(18,589,016)	(9,626,329)	(65,536,986)	(147,828)	(14,887,250)	(20,600,200)	(104,687,714)	(37,858,991)
	Management fee rebates	8	261,893	244,275	877,823	785,833	3,373,394	2,979,899	711,657	213,550	5,224,767	4,223,557
	Total income/(loss)		(4,209,573)	(3,306,441)	(13,076,761)	1,905,509	(43,345,735)	42,560,161	(10,455,803)	(19,683,133)	(71,087,872)	21,476,096
	Expenses											
	Manager's fee	8	414,996	394,247	1,363,529	1,212,825	5,248,686	4,617,083	1,067,248	316,420	8,094,459	6,540,575
	Transaction costs		-	-	-	251	-	187	148	55	148	493
	Other expenses		267	267	266	268	275	273	90	53	898	861
	Total expenses		415,263	394,514	1,363,795	1,213,344	5,248,961	4,617,543	1,067,486	316,528	8,095,505	6,541,929
	Net profit/(loss) before membership activities		(4,624,836)	(3,700,955)	(14,440,556)	692,165	(48,594,696)	37,942,618	(11,523,289)	(19,999,661)	(79,183,377)	14,934,167
	Membership activities											
	Contributions											
	Member contributions		8,693,023	7,303,565	30,102,107	23,581,986	130,896,342	105,757,397	46,806,467	10,852,323	216,497,939	147,495,271
	Employer contributions		4,517,709	3,706,661	15,317,140	11,759,797	69,745,484	55,131,571	28,311,501	6,680,484	117,891,834	77,278,513
	Crown contributions		1,289,045	1,033,403	4,282,494	3,296,946	19,006,108	15,462,905	7,668,142	(17,217)	32,245,789	19,776,037
	Transfers from other funds within the scheme		44,747,885	61,404,846	26,053,062	48,432,640	47,740,437	86,343,314	2,300,629	533,877	120,842,013	196,714,677
	Transfers from other KiwiSaver schemes		8,363,585	29,357,248	38,740,635	111,118,099	120,198,104	277,902,554	1,779,867	381,552,276	169,082,191	799,930,177
	Transfers from Australian superannuation schemes		348,434	139,082	1,332,480	1,073,270	4,501,760	8,009,566	1,081,621	68,053	7,264,295	9,289,971
	Voluntary and lump sum contributions		1,318,269	7,410,297	8,180,790	27,362,462	26,680,163	35,840,675	591,355	313,016	36,770,577	70,926,450
	Total Contributions		69,277,950	110,355,102	124,008,708	226,625,200	418,768,398	584,447,982	88,539,582	399,982,812	700,594,638	1,321,411,096
	Withdrawals											
	Transfers to other funds within the scheme		35,115,092	65,984,687	34,410,618	66,399,491	42,300,552	56,871,504	9,015,751	7,458,995	120,842,013	196,714,677
	Transfers to other KiwiSaver schemes		5,931,019	3,859,513	8,853,546	5,950,380	32,322,602	36,627,067	16,312,034	8,165,584	63,419,201	54,602,544
	Transfers to Australian superannuation schemes		150,351	36,731	155,993	428,460	635,991	627,373	148,725	55,704	1,091,060	1,148,268
	Withdrawals on death		854,667	21,492	1,086,285	618,194	958,711	518,269	203,068	6,649	3,102,731	1,164,604
	Withdrawals or transfers on permanent emigration		412,658	313,825	311,020	196,583	1,288,229	969,527	293,970	110,311	2,305,877	1,590,246
	Invalid enrolment withdrawals		2,977	-	21,296	25,749	1,100	7,366	262,525	31,545	287,898	64,660
	Withdrawals on retirement		10,445,758	7,171,761	13,350,093	13,034,683	9,283,335	7,074,985	3,792,798	864,240	36,871,984	28,145,669
	Serious illness withdrawals		288,488	222,876	87,554	34,084	309,020	394,834	422,674	34,997	1,107,736	686,791
	Life-shortening congenital condition withdrawals		-	-	-	-	-	-	23,294	-	23,294	-
	First home purchase withdrawals		12,612,740	22,059,703	5,706,215	7,702,794	18,050,210	26,289,150	1,932,397	693,025	38,301,562	56,744,672
	Significant financial hardship withdrawals		152,859	29,873	256,321	105,988	448,917	144,299	557,003	61,798	1,415,100	341,958
	Other permitted withdrawals		-	27,550	109,216	98,988	287,309	687,820	8,800	25,000	405,325	740,370
	Total Withdrawals		65,966,609	99,728,011	64,348,157	94,496,406	105,885,976	130,212,194	32,973,039	17,507,848	269,173,781	341,944,459
	Member PIE taxation		(655,797)	(484,145)	621,418	584,534	9,636,935	6,605,568	377,191	(1,279,359)	9,979,747	5,426,598
	Administration fees	8	-	37,717	-	116,945	-	472,456	-	-	-	627,118
	Net membership activities		3,967,138	11,073,519	59,039,133	131,427,315	303,245,487	447,157,764	55,189,352	383,754,323	421,441,110	973,412,921
	Members' accounts at the start of the year		141,578,874	134,206,310	450,868,063	318,748,583	1,702,125,770	1,217,025,388	363,754,662	-	2,658,327,369	1,669,980,281
	Movements in Members' accounts for the year		(657,698)	7,372,564	44,598,577	132,119,480	254,650,791	485,100,382	43,666,063	363,754,662	342,257,733	988,347,088
	Members' accounts at the end of the year		140,921,176	141,578,874	495,466,640	450,868,063	1,956,776,561	1,702,125,770	407,420,725	363,754,662	3,000,585,102	2,658,327,369

These statements are to be read in conjunction with the accompanying notes on pages 7 - 19

Statements of Net Assets

As at 31 March	Note	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Members' Funds		140,921,176	141,578,874	495,466,640	450,868,063	1,956,776,561	1,702,125,770	407,420,725	363,754,662	3,000,585,102	2,658,327,369
Represented by:											
Assets											
Cash and cash equivalents		3,909,567	2,719,960	12,200,953	10,147,134	51,611,139	40,353,673	10,709,353	5,894,942	78,431,012	59,115,709
Trade and other receivables	9	152,280	333,812	1,109,212	1,105,599	1,143,670	6,017,005	170,165	2,173,177	2,575,327	9,629,593
Financial assets at fair value through profit or loss	6, 7	137,406,293	137,905,909	483,327,391	439,520,379	1,914,830,157	1,659,327,901	397,382,076	354,846,723	2,932,945,917	2,591,600,912
Member attributed taxation		479,891	903,098	8,821	608,071	170	274,383	22,230	1,278,162	511,112	3,063,714
Total assets		141,948,031	141,862,779	496,646,377	451,381,183	1,967,585,136	1,705,972,962	408,283,824	364,193,004	3,014,463,368	2,663,409,928
Liabilities											
Other payables	10	894,907	209,062	331,638	347,083	834,684	843,102	322,729	347,348	2,383,958	1,746,595
Manager fees payable	8	35,037	35,714	123,168	112,839	486,116	423,208	97,780	90,806	742,101	662,567
Financial liabilities at fair value through profit or loss	6, 7	1,568	-	15,979	-	82,905	-	13,094	-	113,546	-
Member attributed taxation		95,343	39,129	708,952	53,198	9,404,870	2,580,882	429,496	188	10,638,661	2,673,397
Total liabilities		1,026,855	283,905	1,179,737	513,120	10,808,575	3,847,192	863,099	438,342	13,878,266	5,082,559
Net assets available for benefits		140,921,176	141,578,874	495,466,640	450,868,063	1,956,776,561	1,702,125,770	407,420,725	363,754,662	3,000,585,102	2,658,327,369

These statements are to be read in conjunction with the accompanying notes on pages 7 - 19

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

Director 
A Stubbs (Jul 31, 2023 11:51 GMT+12)

Date 31 July 2023

Director 
Joy Marshall (Jul 31, 2023 12:04 GMT+12)

Date 31 July 2023

Statements of Cash Flows

\$		Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
		2023	2022	2023	2022	2023	2022	2023	4 months ended 31 March 2022	2023	2022
	For the year ended 31 March										
	Note										
	Cash flows to operating activities										
	<i>Cash was provided from:</i>										
	Sale of investments	20,653,474	17,339,209	35,056,893	13,600,000	79,661,695	44,480,661	30,705,286	22,495,171	166,077,348	97,915,041
	Interest received	87,372	16,397	330,446	57,443	1,399,899	204,791	275,975	28,593	2,093,692	307,224
	Dividend and distribution income	2,393	444,347	21,069	1,147,475	106,963	4,185,484	16,842	4,963	147,267	5,782,269
	Other income	-	-	-	-	-	-	-	522	-	522
	Manager's fees rebates	256,359	246,078	861,435	722,060	3,272,977	2,755,895	700,448	54,345	5,091,219	3,778,378
	Cash received upon settlement of forward exchange contracts	5,024	22,992	152,854	38,146	758,905	187,406	127,543	-	1,044,326	248,544
	<i>Cash was applied to:</i>										
	Purchase of investments	(24,711,067)	(28,634,416)	(93,279,733)	(144,962,507)	(383,955,987)	(484,461,322)	(84,790,839)	(396,972,257)	(586,737,626)	(1,055,030,502)
	Payments made on settlement of forward exchange contracts	-	-	-	-	-	-	-	(351,420)	-	(351,420)
	Other expenses paid	(267)	(267)	(266)	(519)	(275)	(460)	(238)	(108)	(1,046)	(1,354)
	Manager's fees paid	(415,673)	(394,735)	(1,353,200)	(1,182,943)	(5,185,778)	(4,515,450)	(1,060,274)	(225,614)	(8,014,925)	(6,318,742)
	Net cash outflow from operating activities	11	(4,122,385)	(10,960,395)	(58,210,502)	(130,580,845)	(303,941,601)	(437,162,995)	(54,025,257)	(374,965,805)	(420,299,745)
	Cash flows from financing activities										
	<i>Cash was provided from:</i>										
	Contributions	69,465,016	110,448,895	124,021,483	225,772,837	423,742,150	579,520,604	90,553,803	397,968,840	707,782,452	1,313,711,176
	<i>Cash was applied to:</i>										
	Withdrawals	(65,280,764)	(99,951,997)	(64,363,602)	(94,672,245)	(105,894,394)	(130,545,480)	(32,997,658)	(17,160,500)	(268,536,418)	(342,330,222)
	Members' PIE tax (paid)/refund	1,135,218	203,715	633,586	(1,117,494)	(2,538,734)	(7,518,528)	1,308,049	1,385	538,119	(8,430,922)
	Net cash inflow from financing activities	5,319,470	10,700,613	60,291,467	129,983,098	315,309,022	441,456,596	58,864,194	380,809,725	439,784,153	962,950,032
	Net increase/(decrease) in cash	1,197,085	(259,782)	2,080,965	(597,747)	11,367,421	4,293,601	4,838,937	5,843,920	19,484,408	9,279,992
	Cash at the beginning of the year	2,719,960	2,977,536	10,147,134	10,744,403	40,353,673	36,090,205	5,894,942	-	59,115,709	49,812,144
	Effect of exchange rate fluctuations	(7,478)	2,206	(27,146)	478	(109,955)	(30,133)	(24,526)	51,022	(169,105)	23,573
	Cash at the end of the year	3,909,567	2,719,960	12,200,953	10,147,134	51,611,139	40,353,673	10,709,353	5,894,942	78,431,012	59,115,709

These statements are to be read in conjunction with the accompanying notes on pages 7 - 19

Notes to the Financial Statements for the year ended 31 March 2023

1. General information

Reporting entities

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

- Simplicity Conservative Fund ("Conservative Fund")
- Simplicity Balanced Fund ("Balanced Fund")
- Simplicity Growth Fund ("Growth Fund")
- Simplicity Guaranteed Income Fund ("Guaranteed Income Fund"). This Fund was wound up on 31 March 2021.
- Simplicity Default Fund ("Default Fund"). This Fund commenced operations from 1 December 2021.

The Manager and issuer of the Scheme is Simplicity NZ Limited ("the Manager") and the Supervisor of the Scheme is Public Trust ("the Supervisor"). The Scheme is registered and domiciled in New Zealand. The registered office of the Scheme is AJK Stubbs, 24 Hamana Street, Narrow Neck, Auckland, 0622.

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

The Scheme was established by a Trust Deed dated 10 June 2016 and amended 26 July 2016 (the 'Trust Deed'). Establishment Deeds for the Conservative Fund, Balanced Fund and Growth Fund were issued on 10 June 2016, the Guaranteed Income Fund on 19 September 2017 and the Default Fund on 14 September 2021. The Conservative Fund, the Balanced Fund and the Growth Fund commenced operations on 1 September 2016. The Guaranteed Income Fund commenced operations on 24 October 2017 and ceased operations on 31 March 2021. The Default Fund commenced operations on 1 December 2021.

The comparative 'Scheme totals' were updated to remove the amounts relating to the Guaranteed Income Fund. The impact to the 'Net profit/(loss) before membership activities' and 'Movements in Members' accounts for the year' in the Statements of Changes in Net Assets is \$106.

The principal activity of the Funds is investment.

Descriptions of the Funds are as follows:

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

Nature of the Funds are as follows:

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

Statutory base

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

The Financial Statements are for the year ended 31 March 2023. Comparatives for all the Funds are for the year ended 31 March 2022, except for the Default Fund which are presented from 1 December 2021 (date of commencement of operations) to 31 March 2022.

2. Summary of accounting policies

2.1 Basis of preparation

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

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

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

(a) Presentation

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

Notes to the Financial Statements for the year ended 31 March 2023

2. Summary of accounting policies (continued)

(b) Standards and amendments to existing standards effective 1 April 2022 impacting the scheme

There are no standards, amendments to standards or interpretations that are effective for the year beginning on 1 April 2022 which have a material effect on the Financial Statements of the Scheme.

2.2 Financial instruments

(a) Classification

Financial assets

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

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

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

(ii) Financial assets at amortised cost

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

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

Financial liabilities

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

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

(ii) Financial liabilities at amortised cost

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

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

(b) Recognition, measurement and derecognition

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

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

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

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

(ii) Financial assets and liabilities at amortised cost

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

Notes to the Financial Statements for the year ended 31 March 2023

2. Summary of accounting policies (continued)

(c) Fair value measurement

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

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets such as publicly traded securities are based on quoted market prices at the close of trading on the reporting date. The quoted market price used by the Funds are the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value. The quoted market price used for fixed interest securities is the current mid price. (refer to Note 5.3 for further details on the methodologies applied for fixed income securities).

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each balance date. Valuation techniques used include the use of recent comparable arm's length market transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

The Funds' investments in other funds are subject to the terms and conditions of the respective funds' offering documentation. The investments in other funds are primarily valued based on the latest available redemption price of such units for each other fund investment, as determined by the other funds' administrators. The Funds review the details of the reported information obtained from the other funds and consider: the liquidity of the other fund or its underlying investments; the value date of the net asset value provided; restrictions on redemptions; the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information is obtained from the other funds' advisors.

The fair value of private equity investments are determined by the Manager using valuation techniques. The absence of observable market data and the lack of available data given the start-up nature of private equity investments requires greater judgement and increases the subjectivity involved in assessing the fair value of these investments. The Manager may engage an independent valuer to provide further support for the carrying value of such investments. Refer to Note 5.3 for further information.

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

If necessary, the Funds make adjustments to the net asset value of various other fund investments to obtain the best estimate of fair value. Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss in the Statements of Changes in Net Assets include the change in fair value of each other fund.

Fair value classifications of the Funds' financial assets and liabilities are detailed in Note 6.

2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when, and only when, there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit and loss, and for foreign exchange gains and losses.

2.4 Revenue recognition

(a) Dividend and distribution income is recognised in the Statements of Changes in Net Assets when the right to receive payment is established.

(b) Interest income on financial assets at amortised cost and net interest income on financial assets at fair value through profit or loss are included under Income in the Statements of Changes in Net Assets and are recognised as interest accrues on a time-proportionate basis using the effective interest rate method. Interest income on financial assets at amortised cost comprises of interest income earned on cash and cash equivalents.

(c) Gains or losses of financial assets at fair value through profit or loss are recorded net of any foreign withholding tax and recognised in the Statements of Changes in Net Assets as disclosed in Note 2.2.

(d) Foreign exchange gains and losses on cash and financial instruments at fair value through profit or loss are recognised in the Statements of Changes in Net Assets as disclosed in Note 2.9.

(e) Dividend and interest income is disclosed net of any resident withholding taxes deducted at source, as these tax credits are allocated to Members under the PIE regime.

2.5 Expenses

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

2.6 Taxation

The Funds are Portfolio Investment Entities (PIEs). Under the PIE regime, income is effectively taxed in the hands of the Members and therefore the Funds have no tax expense. Accordingly, no income tax expense is recognised in the Statements of Changes in Net Assets.

Under the PIE regime, the Manager attributes the taxable income of the Funds to Members in accordance with the proportion of their overall interest in the Funds. The income attributed to each Member is taxed at the Member's "prescribed investor rate" which is capped at 28%. The Manager accounts for tax on behalf of Members and undertakes any necessary adjustments to the Members' interests in the Funds to reflect that the Scheme pays tax at varying rates on behalf of Members.

Members' funds have been adjusted to reflect the impact of tax on the value of unit holdings.

The tax attributable to Members is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Positions taken in attributing taxable income to Members, with respect to situations in which applicable tax regulations are subject to interpretation, are evaluated by the Manager as required.

Notes to the Financial Statements for the year ended 31 March 2023

2. Summary of accounting policies (continued)

2.7 Goods and services tax (GST)

The Scheme is not registered for GST. All items in the Statements of Changes in Net Assets and the Statements of Net Assets are stated inclusive of GST.

2.8 Statements of Cash Flows

Definitions of the terms used in the Statements of Cash Flows are:

- (a) 'Operating activities' include all transactions and other events that are not financing activities; and
- (b) 'Financing activities' are those activities that result in changes in the size and composition of Members' funds.

2.9 Foreign currencies

(a) Functional and presentation currency

These Financial Statements are presented in New Zealand dollars (\$), which is the Scheme's functional currency, on the basis that the Scheme's investors are mainly based in New Zealand, with the contributions and withdrawals denominated in New Zealand dollars.

(b) Transactions and balances

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

2.10 Net assets available for benefits

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

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

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

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

2.11 Related parties

A party is related to the Scheme if:

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

All dealings with related parties are conducted on standard business terms.

2.12 Guaranteed Income Fund lifetime withdrawal benefit

Under the Trust Deed, Scheme Members are entitled to elect to receive a regular lifetime withdrawal benefit from the date of initial drawdown (usually 65) until the date of their death. This is funded in the first instance from the Scheme Members' protected income base (i.e. funds invested +/- investment returns generated between date of investment through to the drawdown date) and subsequently from the insurance policy held by the Supervisor on behalf of the Members with Lifetime Income Limited (an insurer licensed in New Zealand under the Insurance (Prudential Supervision) Act 2010). The Scheme does not expect to make distributions from the Scheme apart from the lifetime withdrawal benefit. Please refer Note 5.1 for further details regarding financial risk.

2.13 Guaranteed Income Fund insurance payments

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

Notes to the Financial Statements for the year ended 31 March 2023

3. Accounting estimates and judgements

The preparation of Financial Statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Scheme's accounting policies. The Manager has applied its judgement in selecting the accounting policy to designate financial assets at fair value through profit or loss at initial recognition. This policy has a significant impact on the amounts disclosed in the Financial Statements. It is possible to determine the fair value of financial assets as quoted market prices are readily available and in the case of derivatives observable market inputs are readily available, therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at year end. However as with all investments, their value is subject to variation due to market fluctuations. The Manager may make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The fair values of securities that are not quoted in an active market may be determined by using valuation techniques, including earnings or revenue multiples, discounted cash flows, recent comparable transactions and progress against milestones. The models used to determine fair values are validated and periodically reviewed by the Manager.

The Manager has used judgement in the categorisation of its financial assets and liabilities at fair value through profit or loss in accordance with the fair value hierarchy under NZ IFRS 13. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value in its entirety. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. This relates to the judgement in valuing the Simplicity Private Equity Fund, which the Growth Investment Fund is invested in. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability (refer to Note 5.3 for further details).

4. Derivatives

4.1 Forward foreign currency contracts

Forward currency contracts are primarily used by the Funds to economically hedge against foreign currency exchange rate risks on its non New Zealand denominated securities. Forward foreign currency contracts are contractual obligations to buy or sell one currency on a future date in exchange for a second currency at a specified forward foreign exchange rate which is established in an organised market. The forward contracts are agreed between the parties to the contract and are not traded on an exchange. The Scheme's open positions in forward contracts at balance date are outlined below:

	\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March											
Forward exchange contracts (notional value in NZ\$)											
Sell AUD/Buy NZD		1,348,900	2,287,400	13,747,200	17,814,300	71,327,100	93,607,200	11,265,600	14,038,600	97,688,800	127,747,500
Forward exchange contracts (fair value in NZ\$)											
Sell AUD/Buy NZD		(1,568)	5,629	(15,979)	43,842	(82,905)	238,233	(13,094)	37,170	(113,546)	324,874

The forward currency contracts as disclosed above are all held with ANZ.

5. Financial Risk Management

5.1 Financial risk factors

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

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

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

As at 31 March 2023 and 31 March 2022, there were no financial assets past due or impaired.

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

Notes to the Financial Statements for the year ended 31 March 2023

5. Financial Risk Management (continued)

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

5.1.1 Market risk

(a) Price risk

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

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

Where non-monetary financial instruments, for example, unlisted trusts denominated in currencies other than NZD, the price initially expressed in foreign currency and then converted into NZD will also fluctuate because of changes in foreign exchange rates. In addition, where the Scheme holds unlisted trusts which in turn invest in securities denominated in foreign currencies, the value of the unlisted trust will be indirectly affected by fluctuations in foreign exchange rates. Paragraph (b) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured.

Sensitivity Analysis

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
10% increase in prices	13,740,629	13,790,028	48,332,739	43,947,654	191,483,016	165,908,967	39,738,208	35,480,955	293,294,592	259,127,604
10% decrease in prices	(13,740,629)	(13,790,028)	(48,332,739)	(43,947,654)	(191,483,016)	(165,908,967)	(39,738,208)	(35,480,955)	(293,294,592)	(259,127,604)

(b) Foreign exchange risk

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

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

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

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
Monetary assets/(liabilities)										
Australian Dollar (AUD)	(1,349,107)	(2,279,946)	(13,746,030)	(17,752,700)	(71,299,808)	(90,270,436)	(11,267,739)	(12,995,644)	(97,662,684)	(123,298,726)

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
Monetary assets/(liabilities)										
Increase of 10%	122,646	207,268	1,249,639	1,613,882	6,481,801	8,206,403	1,024,340	1,181,422	8,878,426	11,208,975
Decrease of 10%	(149,901)	(253,327)	(1,527,337)	(1,972,522)	(7,922,201)	(10,030,048)	(1,251,971)	(1,443,960)	(10,851,410)	(13,699,857)

Notes to the Financial Statements for the year ended 31 March 2023

5. Financial Risk Management (continued)

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
Non monetary assets/(liabilities)										
Australian Dollar (AUD)	9,908,853	9,852,617	90,717,455	83,578,755	477,732,279	433,280,518	74,447,323	66,788,678	652,805,910	593,500,568

As at 31 March 2023, the Manager has deemed it reasonable to apply the following variables for foreign exchange risk sensitivity. The variable of 10% has been applied. The tables below summarises the impact on the Statements of Changes in Net Assets on non-monetary assets and liabilities at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 10% with all other variables held constant.

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
Non monetary assets/(liabilities)										
Increase of 10%	(900,805)	(895,692)	(8,247,041)	(7,598,069)	(43,430,207)	(39,389,138)	(3,545,111)	(3,180,413)	(56,123,164)	(51,063,312)
Decrease of 10%	1,100,984	1,094,735	10,079,717	9,286,528	53,081,364	48,142,280	3,918,280	3,515,194	68,180,345	62,038,737

(c) Interest rate risk

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

Cashflow interest rate risk

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

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
Increase of 1%	39,096	27,200	122,010	101,471	516,111	403,537	107,094	58,949	784,310	591,157
Decrease of 1%	(39,096)	(27,200)	(122,010)	(101,471)	(516,111)	(403,537)	(107,094)	(58,949)	(784,310)	(591,157)

Fair value interest rate risk

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

Notes to the Financial Statements for the year ended 31 March 2023

5. Financial Risk Management (continued)

5.1.2 Credit risk

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

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

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

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

As at 31 March 2023 and 31 March 2022, there were no financial assets past due or impaired.

5.1.3 Liquidity risk

Liquidity risk is the risk that the Scheme will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Liquidity risk is managed by holding liquid investments to enable the Scheme to meet liabilities as they fall due and withdrawals when requested. The Scheme invests in various unlisted trusts, which in turn, maintain sufficient liquidity in their portfolios to cover reasonably foreseeable redemptions under normal market conditions. The Scheme also holds securities that are listed on the NZX and are saleable. Whilst the Growth Fund has an investment in Simplicity Private Equity Fund which holds illiquid securities, this does not impact the Manager's ability to cover foreseeable redemptions due to the value of such holding being less than 1.42% of the net assets of the Fund. Monies received from Member contributions may be used to offset withdrawals and the Manager may in certain circumstances suspend withdrawals from the Scheme.

The Scheme's investment policies do not state a minimum required level of investment in liquid investments. The Scheme's financial liabilities consist of trade and other payables and derivatives (forward foreign exchange contracts) which are short term in nature and classified as a current liability at reporting date. Current liabilities of financial derivative instruments consist of the fair value of forward foreign exchange contracts at year end. The current fair value represents the estimated cash flows that may be required to dispose of the positions. Future cash flows of the Scheme and realised liabilities may differ from current liabilities based on future changes in market conditions.

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

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
Financial liabilities held at fair value through profit or loss										
7 days to 2 months	1,568	-	15,979	-	82,905	-	13,094		113,546	-
Related party payables										
7 days to 2 months	35,037	35,714	123,168	112,839	486,116	423,208	97,780	90,806	742,101	662,567
Other payables										
Less than 7 days	894,907	209,062	331,638	347,083	834,684	843,102	322,729	347,348	2,383,958	1,746,595

5.2 Capital risk management

Net assets available to pay benefits are considered to be the Scheme's capital for the purposes of capital management not withstanding net assets available to pay benefits is classified as a liability for accounting. The Scheme does not have to comply with externally imposed capital requirements. The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its Members and maximise the Members' values as well as ensuring its net assets available to pay benefits are sufficient to meet all present and future obligations. In order to meet its objectives for capital management the Scheme's management monitors the Scheme's performance on a regular basis.

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

5.2.1 Units on Issue

Units	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
Units on issue at the start of the year	116,589,928	107,233,412	313,964,953	223,908,168	1,037,100,040	766,728,507	385,388,536	-	1,853,043,457	1,097,870,087
Total contributions for the year	61,046,978	88,992,934	92,295,075	154,790,325	275,328,287	352,132,546	100,952,494	403,763,635	529,622,834	999,679,440
Total withdrawals for the year	(57,302,229)	(79,636,418)	(48,657,178)	(64,733,540)	(77,501,701)	(81,761,013)	(38,551,071)	(18,375,099)	(222,012,179)	(244,506,070)
Units on issue at the end of the year	120,334,677	116,589,928	357,602,850	313,964,953	1,234,926,626	1,037,100,040	447,789,959	385,388,536	2,160,654,112	1,853,043,457

Notes to the Financial Statements for the year ended 31 March 2023

5. Financial Risk Management (continued)

5.3 Fair value estimation

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

Level one - fair value in an active market

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

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

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

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

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

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
Level 2										
<i>Financial assets at fair value through profit and loss</i>										
Unlisted funds/trusts	137,406,293	137,900,280	483,327,391	439,476,537	1,887,009,770	1,644,325,310	397,382,076	354,809,553	2,905,125,530	2,576,511,680
Forward foreign exchange contracts	-	5,629	-	43,842	-	238,233	-	37,170	-	324,874
Total Level 2 financial assets at fair value through profit or loss	137,406,293	137,905,909	483,327,391	439,520,379	1,887,009,770	1,644,563,543	397,382,076	354,846,723	2,905,125,530	2,576,836,554
Level 3										
<i>Financial assets at fair value through profit and loss</i>										
Unlisted funds/trusts	-	-	-	-	27,820,387	14,764,358	-	-	27,820,387	14,764,358
Total Level 3 financial assets at fair value through profit or loss	-	-	-	-	27,820,387	14,764,358	-	-	27,820,387	14,764,358
Total financial assets at fair value through profit or loss	137,406,293	137,905,909	483,327,391	439,520,379	1,914,830,157	1,659,327,901	397,382,076	354,846,723	2,932,945,917	2,591,600,912
Level 2										
<i>Financial liabilities at fair value through profit or loss</i>										
Forward foreign exchange contracts	1,568	-	15,979	-	82,905	-	13,094	-	113,546	-
Total financial liabilities at fair value through profit or loss	1,568	-	15,979	-	82,905	-	13,094	-	113,546	-

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

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

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

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

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

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

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

Notes to the Financial Statements for the year ended 31 March 2023

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
Financial assets at fair value through profit or loss										
Unlisted funds/trusts	137,406,293	137,900,280	483,327,391	439,476,537	1,914,830,157	1,659,089,668	397,382,076	354,809,553	2,932,945,917	2,591,276,038
Forward foreign exchange contracts	-	5,629	-	43,842	-	238,233	-	37,170	-	324,874
Total financial assets at fair value through profit or loss	137,406,293	137,905,909	483,327,391	439,520,379	1,914,830,157	1,659,327,901	397,382,076	354,846,723	2,932,945,917	2,591,600,912
Financial liabilities at fair value through profit or loss										
Forward foreign exchange contracts	1,568	-	15,979	-	82,905	-	13,094	-	113,546	-
Total financial liabilities at fair value through profit or loss	1,568	-	15,979	-	82,905	-	13,094	-	113,546	-

7. Financial instruments

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

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value
As at 31 March 2023										
List of Securities										
Simplicity NZ Bond Fund	36,373,709	25.81%	58,582,098	11.82%	110,604,617	5.65%	48,646,871	11.94%	254,207,295	8.47%
Simplicity NZ Share Fund	8,533,530	6.06%	75,392,305	15.22%	375,676,773	19.20%	62,709,284	15.39%	522,311,892	17.41%
Simplicity First Home Mortgage Fund	9,642,107	6.84%								
Vanguard Ethically Conscious Global Index Bond Fund	58,431,651	41.46%	108,218,955	21.84%	198,794,669	10.16%	89,148,919	21.88%	454,594,194	15.15%
Vanguard Ethically Conscious Australian Share Fund					112,531,415	5.75%			154,121,733	5.14%
Vanguard Ethically Conscious Int Shares Index Fund NZD	14,516,443	10.30%	128,224,316	25.88%	686,672,819	35.09%	105,570,668	25.91%	934,984,246	31.16%
Vanguard Ethically Conscious Int Shares Index Fund AUD	7,780,672	5.52%	69,028,796	13.93%	365,200,864	18.66%	56,673,845	13.91%	498,684,177	16.62%

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value	\$	% of net asset value
As at 31 March 2022										
List of Securities										
Simplicity NZ Bond Fund	43,374,893	30.64%	58,894,622	13.06%	98,427,083	5.78%	54,214,262	14.90%	254,910,860	9.59%
Simplicity NZ Share Fund	9,792,052	6.92%	66,184,289	14.68%	336,822,071	19.79%	53,894,512	14.82%	466,692,924	17.56%
Simplicity First Home Mortgage Fund	7,346,356	5.19%								
Vanguard Ethically Conscious Global Index Bond Fund	55,879,592	39.47%	113,125,562	25.09%	210,322,231	12.36%	91,607,040	25.18%	470,934,425	17.72%
Vanguard Ethically Conscious Australian Share Fund			27,768,483	6.16%	145,967,373	8.58%	21,901,408	6.02%	199,202,772	7.49%
Vanguard Ethically Conscious Int Shares Index Fund NZD	11,654,770	8.23%	102,422,060	22.72%	537,467,578	31.58%	82,309,964	22.63%	733,854,372	27.61%
Vanguard Ethically Conscious Int Shares Index Fund AUD			55,810,272	12.38%	287,313,145	16.88%	44,887,270	12.34%	394,297,796	14.83%

Notes to the Financial Statements for the year ended 31 March 2023

7. Financial instruments (continued)

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
Financial assets at fair value through profit and loss										
Financial assets measured at fair value through profit or loss	137,406,293	137,905,909	483,327,391	439,520,379	1,914,830,157	1,659,327,901	397,382,076	354,846,723	2,932,945,917	2,591,600,912
Financial assets at amortised cost										
Cash and cash equivalents	3,909,567	2,719,960	12,200,953	10,147,134	51,611,139	40,353,673	10,709,353	5,894,942	78,431,012	59,115,709
Trade and other receivables	152,280	333,812	1,109,212	1,105,599	1,143,670	6,017,005	170,165	2,173,177	2,575,327	9,629,593
Total financial assets at amortised cost	4,061,847	3,053,772	13,310,165	11,252,733	52,754,809	46,370,678	10,879,518	8,068,119	81,006,339	68,745,302
Total financial assets	141,468,140	140,959,681	496,637,556	450,773,112	1,967,584,966	1,705,698,579	408,261,594	362,914,842	3,013,952,256	2,660,346,214
Liabilities at fair value through profit and loss										
Financial liabilities at fair value through profit or loss	1,568	-	15,979	-	82,905	-	13,094	-	113,546	-
Financial liabilities at amortised cost										
Other payables	894,907	209,062	331,638	347,083	834,684	843,102	322,729	347,348	2,383,958	1,746,595
Manager fees payable	35,037	35,714	123,168	112,839	486,116	423,208	97,780	90,806	742,101	662,567
Total financial liabilities at amortised cost	929,944	244,776	454,806	459,922	1,320,800	1,266,310	420,509	438,154	3,126,059	2,409,162
Total financial liabilities	931,512	244,776	470,785	459,922	1,403,705	1,266,310	433,603	438,154	3,239,605	2,409,162

Offsetting and amounts subject to master netting arrangements and similar agreements

As at 31 March 2023, the Scheme was subject to an International Swaps and Derivatives Association (ISDA) arrangement with ANZ, the derivative counterparty (31 March 2022: ANZ). According to the terms of the ISDA arrangement with the counterparty, all the derivatives are settled net.

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
<i>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</i>										
Gross amounts of recognised financial assets	-	5,629	-	43,842	-	238,233	-	37,170	-	324,874
Gross amounts of recognised financial liabilities	1,568	-	15,979	-	82,905	-	13,094	-	113,546	-
Net amounts presented in the Statements of Financial Position	1,568	5,629	15,979	43,842	82,905	238,233	13,094	37,170	113,546	324,874
<i>Related amounts not set-off in the Statement of Financial Position</i>	-	-	-	-	-	-	-	-	-	-
Net amount	1,568	5,629	15,979	43,842	82,905	238,233	13,094	37,170	113,546	324,874

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

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

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

* bankruptcy

Notes to the Financial Statements for the year ended 31 March 2023

8. Related parties

8.1 Manager and Supervisor

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

- Simplicity KiwiSaver Conservative Fund	- 0.31% of the net asset value per annum (comprising of 0.30% Manager's basic fee and 0.01% Other management and administration charges)
- Simplicity KiwiSaver Balanced Fund	- 0.31% of the net asset value per annum (comprising of 0.30% Manager's basic fee and 0.01% Other management and administration charges)
- Simplicity KiwiSaver Growth Fund	- 0.31% of the net asset value per annum (comprising of 0.30% Manager's basic fee and 0.01% Other management and administration charges)
- Simplicity KiwiSaver Default Fund	- 0.30% of the net asset value per annum (comprising of 0.29% Manager's basic fee and 0.01% Other management and administration charges)

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	4 months ended 31 March 2022	2023	2022
Included in the Statements of Changes in Net Assets										
Management fees charged during the year	414,996	394,247	1,363,529	1,212,825	5,248,686	4,617,083	1,067,248	316,420	8,094,459	6,540,575
Management fee rebates earned during the year from the Manager	261,893	244,275	877,823	785,833	3,373,394	2,979,899	711,657	213,550	5,224,767	4,223,557
Included in the Statements of Net Assets										
Management fees payable to the Manager	35,037	35,714	123,168	112,839	486,116	423,208	97,780	90,806	742,101	662,567

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

The Manager also paid administration and custody expenses on behalf of the Funds to non-related parties. Until December 2021, a monthly \$1.67 administration fee was deducted from each Member by way of unit redemption and is payable to the Manager. This was accounted for as a withdrawal and did not impact net profit before membership activities. During the year ended 31 March 2023, no administration fees were paid to the Manager (31 March 2022: \$627,118). Apex Investment Administration (NZ) Limited maintain the Members' accounts and register of the Scheme and receives a fee for this service, paid by the Manager.

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
Holdings	0.00%	0.00%	0.00%	0.00%	0.05%	0.06%	0.00%	0.00%	0.03%	0.04%

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Funds managed by Simplicity NZ Limited:										
Simplicity NZ Bond Fund	36,373,709	43,374,893	58,582,098	58,894,622	110,604,617	98,427,083	48,646,871	54,214,262	254,207,295	254,910,860
Simplicity NZ Share Fund	8,533,530	9,792,052	75,392,305	66,184,289	375,676,773	336,822,071	62,709,284	53,894,512	522,311,892	466,692,924
Simplicity First Home Mortgage Fund	9,642,107	7,346,356	21,231,089	14,834,503	32,057,929	25,530,257	16,859,011	5,995,097	79,790,136	53,706,213
Simplicity Private Equity Fund	-	-	-	-	27,820,387	14,764,358	-	-	27,820,387	14,764,358
Simplicity Property Fund	-	-	961,173	436,746	5,470,684	2,475,572	-	-	6,431,857	2,912,318

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	4 months ended 31 March 2022	2023	2022
Funds managed by Simplicity NZ Limited:										
Simplicity NZ Bond Fund	(951,184)	(2,947,800)	(1,312,524)	(4,275,513)	(2,122,466)	(7,130,558)	(1,167,391)	(2,385,738)	(5,553,565)	(16,739,609)
Simplicity NZ Share Fund	(158,522)	(324,233)	(391,984)	(2,566,353)	(3,145,298)	(13,507,078)	(335,228)	(3,405,488)	(4,031,032)	(19,803,152)
Simplicity First Home Mortgage Fund	379,751	119,469	795,586	195,718	1,265,672	402,523	608,314	21,653	3,049,323	739,363
Simplicity Private Equity Fund	-	-	-	-	4,429,029	1,511,410	-	-	4,429,029	1,511,410
Simplicity Property Fund	-	-	71,872	5,746	407,184	32,572	-	-	479,056	38,318

Notes to the Financial Statements for the year ended 31 March 2023

9. Trade and other receivables

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
Fee rebates receivable from external fund managers	58,285	52,751	208,532	192,144	827,764	727,347	170,414	159,205	1,264,995	1,131,447
Due from brokers	-	-	-	600,000	-	4,992,139	-	1,997,380	-	7,589,519
Contributions receivable	93,995	281,061	900,680	313,455	315,906	297,519	(249)	16,592	1,310,332	908,627
Total trade and other receivables	152,280	333,812	1,109,212	1,105,599	1,143,670	6,017,005	170,165	2,173,177	2,575,327	9,629,593

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

10. Other payables

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March										
Redemptions payable	894,907	209,062	331,638	347,083	834,684	843,102	322,729	347,348	2,383,958	1,746,595
Total other payables	894,907	209,062	331,638	347,083	834,684	843,102	322,729	347,348	2,383,958	1,746,595

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

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

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	4 months ended 31 March 2022	2023	2022
For the year ended 31 March										
Net profit/(loss) after tax and before membership activities	(4,624,836)	(3,700,955)	(14,440,556)	692,165	(48,594,696)	37,942,618	(11,523,289)	(19,999,661)	(79,183,377)	14,934,167
Adjustments for non cash items:										
Net unrealised changes in the fair value of financial instruments	4,927,080	8,221,044	15,918,283	10,405,135	62,646,192	2,989,589	12,072,413	19,461,856	95,563,968	41,077,624
Net foreign currency gains or losses on cash and cash equivalents	3,789	(2,206)	21,042	(478)	73,319	30,133	24,526	(51,022)	122,676	(23,573)
Distributions and dividends re-invested	(1,117,020)	(3,470,968)	(4,303,959)	(9,540,609)	(17,384,314)	(35,367,948)	(3,451,499)	(618,417)	(26,256,792)	(48,997,942)
	3,813,849	4,747,870	11,635,366	864,048	45,335,197	(32,348,226)	8,645,440	18,792,417	69,429,852	(7,943,891)
Movements in working capital items:										
(Increase)/decrease in trade and other receivables	(5,534)	1,803	(16,388)	(63,773)	(100,417)	(224,004)	(11,209)	(159,205)	(133,548)	(445,179)
Increase/(decrease) in trade and other payables	(677)	(488)	10,329	29,882	62,908	101,633	6,974	90,806	79,534	221,833
Increase in net cost of investments	(3,305,187)	(12,008,625)	(55,399,253)	(132,103,167)	(300,644,593)	(442,635,016)	(51,143,173)	(373,690,162)	(410,492,206)	(960,436,970)
	(3,311,398)	(12,007,310)	(55,405,312)	(132,137,058)	(300,682,102)	(442,757,387)	(51,147,408)	(373,758,561)	(410,546,220)	(960,660,316)
Net cash outflow from operating activities	(4,122,385)	(10,960,395)	(58,210,502)	(130,580,845)	(303,941,601)	(437,162,995)	(54,025,257)	(374,965,805)	(420,299,745)	(953,670,040)

12. Interest income

\$	Conservative Fund		Balanced Fund		Growth Fund		Default Fund		Scheme Total	
	2023	2022	2023	2022	2023	2022	2023	4 months ended 31 March 2022	2023	2022
For the year ended 31 March										
Interest on financial assets at amortised cost	87,372	16,397	330,446	57,443	1,399,899	204,791	275,975	28,593	2,093,692	307,224
Total Interest income	87,372	16,397	330,446	57,443	1,399,899	204,791	275,975	28,593	2,093,692	307,224

13. Contingent liabilities

There were no contingent liabilities as at 31 March 2023 (31 March 2022: nil).

14. Capital commitments

There were no capital commitments as at 31 March 2023 (31 March 2022: nil).

15. Events after balance date

No significant events have occurred since balance date which would impact on the financial position of the Scheme disclosed in the Statements of Financial Position as at 31 March 2023 or on the results and cash flows of the Scheme for the year ended on that date.

Independent Auditor's Report

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To the Scheme Participants of each Fund comprising the Simplicity KiwiSaver Scheme (the "Scheme") Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the following funds (each a "Fund" collectively "the Funds") which together comprise the Scheme:

- Conservative Fund
- Balanced Fund
- Growth Fund
- Default Fund

The financial statements of each Fund and the Scheme on pages 4 to 19 comprise the statement of net assets of each Fund and the Scheme as at 31 March 2023, and the statement of changes in net assets and the statement of cash flows for the year then ended of each Fund and 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 each Fund and the Scheme as at 31 March 2023 and their 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.

Basis for Opinion

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

Other than in our capacity as auditor and the provision of other assurance services we have no relationship with, or interests in, the Scheme.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the

financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the audit matter is significant	How our audit addressed the key audit matter
<p>Accuracy and Existence of Financial Assets at Fair Value through Profit or Loss</p> <p>As at 31 March 2023, the Funds hold significant financial assets. As detailed in Note 6 and accounting policies Note 2.2, the majority of financial asset investments are recognised at fair value through profit or loss in accordance with <i>NZ IFRS 9: Financial Instruments</i>.</p> <p>While these financial asset investments were not assessed to be at a significant risk of misstatement or subject to significant levels of judgement, due to their materiality in the context of the Funds as a whole, these were considered to be an area which had the greatest impact on our overall audit strategy and the allocation of resources in planning and completing our audit.</p> <p>Market volatility can have a significant impact on the value of these financial assets and the financial statements; therefore, the recognition and accuracy of these investments is considered a key audit matter.</p> <p>At 31 March 2023 financial markets continue to be impacted by global macro-economic factors and during this period they have experienced greater volatility than is usual. Disclosures are included in Note 5 to the financial statements regarding the sensitivity of impact of market volatility on investments and financial risk management.</p>	<p>Our audit procedures assessed the processes undertaken by the Manager for recording and valuing the financial assets at fair value through profit and loss, including the processes and controls undertaken by the third-party service organisations; being the Administrator and the Custodian.</p> <p>To address the risk associated with financial asset accuracy and existence, the following audit procedures were carried out:</p> <p>Accuracy</p> <ul style="list-style-type: none"> Documented and understood the controls in place for recording investment transactions and valuing the portfolio by evaluating the control environment of the Manager. Obtained and read the reports issued by the independent auditors of the third-party service organisations on the design and operation of the controls of those investments. Confirmed the independence of the auditor of the administrator and reviewed the net (loss)/gain on financial instruments through profit and loss ensuring correctly calculated and recorded. <p>Existence</p> <ul style="list-style-type: none"> Agreed the 31 March 2023 investment holdings to confirmations received from the Custodian of those investments. <p>We also assessed whether the disclosures in the financial statements appropriately reflected the Fund's exposure to financial instrument risk with reference to <i>NZ IFRS 7 Financial Instruments: Disclosures</i>.</p>

Manager's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the Audit of the Financial Statements

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

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

Restriction on use of our report

This report is made solely to each Fund's Scheme Participants, as separate bodies. Our audit has been undertaken so that we might state to each Fund's Scheme Participants 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 each Fund and each Fund's Scheme Participants, as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton New Zealand Audit Limited



VJ Black

Partner

Auckland

31 July 2023