Kiwi Wealth Super Scheme
Financial Statements
For the year ended 31 March 2021

Kiwi Wealth Super Scheme
Table of Contents
For the year ended 31 March 2021

Kiwi Wealth Super Scheme

Statement of Changes in Net Assets

For the year ended 31 March 2021

	Notes	Year Ended 31 March 2021 $000	Year Ended 31 March 2020 $000
Investment activities			
Investment income			
Dividend and distribution income		-	3
Net gains/(losses) on financial instruments at fair value through profit or loss	4	14,640	(322)
Interest income on cash and cash equivalents	5	5	18
Net Income		**14,645**	**(301)**
Expenses			
Management and administration fees	6	(755)	(744)
Total expenses		**(755)**	**(744)**
Net increase/(decrease) in net assets before membership activities		**13,890**	**(1,045)**
Membership activities			
Contributions / transfers in			
Employer contributions		794	828
Employee contributions		2,906	2,622
Benefits paid / transfers out / PIE tax			
Retirement withdrawals		(5,996)	(3,460)
Other withdrawals		(2,545)	(2,452)
PIE tax paid and payable		(723)	(195)
Net membership activities		**(5,564)**	**(2,657)**
Benefits accrued to members' accounts		**8,326**	**(3,702)**
Net assets attributable to members at the beginning of the year		**61,080**	**64,782**
Net assets attributable to members		**69,406**	**61,080**

This Statement of Changes in Net Assets should be read in conjunction with the accompanying notes.

Kiwi Wealth Super Scheme
Statement of Net Assets
As at 31 March 2021

	Notes	As At 31 March 2021 $000	As At 31 March 2020 $000
Assets			
Cash and cash equivalents	11	1,086	520
Investments	7	69,010	61,678
PIE tax receivable		110	117
Total assets		**70,206**	**62,315**
Liabilities			
Management and administration fees payable	13	(66)	(58)
Withdrawals payable	13	(550)	(530)
Unallocated Contributions	13	-	(232)
Derivative liabilities held for risk management	7	(184)	(415)
Total liabilities (excluding net assets attributable to members)		**(800)**	**(1,235)**
Net assets attributable to members		**69,406**	**61,080**

Represented by:			
Member funds		**69,406**	**61,080**

This Statement of Net Assets should be read in conjunction with the accompanying notes.

The directors of the Board of Kiwi Wealth Investments General Partner Limited, as the general partner of the Kiwi Wealth Investments Limited Partnership authorised these financial statements for issue on 15 July 2021:

Director ______________________

Director ______________________

Kiwi Wealth Super Scheme
Statement of Cash Flows
For the year ended 31 March 2021

	Year Ended 31 March 2021 $000	Year Ended 31 March 2020 $000
Cash flows from operating activities		
Cash was provided from:		
Sale of investments	12,724	10,129
Interest received	5	18
Dividends and distributions received	-	3
Realisation of derivatives, net	909	(755)
Cash was applied to:		
Purchase of investments	(6,557)	(8,243)
Payment of management and administration fees	(747)	(748)
Net cash flows from operating activities	**6,334**	**404**
Cash flows from financing activities		
Cash was provided from:		
Employer contributions	794	828
Employee contributions	2,683	2,622
Unallocated Contributions	-	232
Cash was applied to:		
Withdrawals	(8,528)	(5,963)
PIE tax paid	(717)	(546)
Net cash flows from financing activities	**(5,768)**	**(2,827)**
Net increase / (decrease) in cash and cash equivalents	566	(2,423)
Add: opening cash and cash equivalents	520	2,943
Closing cash and cash equivalents	**1,086**	**520**

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Kiwi Wealth Super Scheme
Statement of Cash Flows (continued)
For the year ended 31 March 2021

Reconciliation of net increase in net assets before membership activities to cash flow from operating activities

	Year Ended 31 March 2021 $000	Year Ended 31 March 2020 $000
Net increase/(decrease) in net assets before membership activities	**13,890**	**(1,045)**
Adjusted for:		
Sale of investments	9,903	8,010
Purchase of investments	(6,557)	(8,243)
Net unrealised change in fair value of investments	(10,910)	1,686
Changes in assets and liabilities:		
Increase/(Decrease) in payables	8	(4)
Net cash flow from operating activities	**6,334**	**404**

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Reporting Entity

The financial statements are for the reporting entity Kiwi Wealth Super Scheme (the "**Scheme**") which is domiciled in New Zealand.
The Scheme was established and is governed by a Trust Deed dated 18 December 2008 as amended on 21 April 2011, 8 September 2011, 4 April 2012, 30 August 2016 and 28 January 2021 ("**Trust Deed**") to amend and consolidate the provisions of the existing Trust Deed to comply with the Financial Markets Conduct Act 2013 ("**FMCA**") and make a number of other amendments that the Supervisor and the Manager considered appropriate in connection with the Scheme being registered under the FMCA. On 7 September 2017 an amendment was made to change the name of GMI Superannuation Scheme to Kiwi Wealth Super Scheme and a further amendment was made on 8 December 2017 to enable the Scheme to re-gain Qualifying Recognised Overseas Pension Scheme (QROPS) status. The Scheme received contributions and started investing from 1 April 2009.

Under the Trust Deed, members may choose how often they make contributions and the amount (subject to any minimum the Supervisor may set), except where the member's employer also contributes to the member's account as part of a participation agreement with the Supervisor. In such cases, the contribution rates of the employer and member are prescribed in the relevant participation agreement.

The financial statements represent the operating result for the year ended 31 March 2021, and the comparative period for the year ended 31 March 2020.

The Supervisor and Trustee of the Scheme is Public Trust (the "**Supervisor**"), the administration manager and the investment manager of the Scheme is Kiwi Wealth Investments Limited Partnership (the "**Manager**"). The Manager's registered office is Level 13, 20 Ballance Street, Wellington, 6011, New Zealand. KWILP is owned by Kiwi Wealth Management Limited, which is a wholly owned subsidiary of Kiwi Group Holdings Limited. The ultimate holding companies are New Zealand Post Limited ("**NZ Post**"), Accident Compensation Corporation ("**ACC**") and the Guardians of the NZ Superannuation Fund ("**NZSF**").

The Scheme comprises the investment funds (each an "Investment Fund") listed below. Notwithstanding the division of the Scheme into the Investment Funds, in accordance with the Trust Deed, the Scheme is a single trust fund which acquires assets and incurs liabilities on a whole of fund basis. Each member has an account with the Scheme. The value of each member's interest in the Scheme is determined by amounts held in the relevant member's member account.

Investment Funds	Date of establishment
- Conservative	1 April 2009
- Balanced	1 April 2009
- Growth	1 April 2009

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with the Trust Deed, the FMCA and New Zealand Generally Accepted Accounting Practice ("**NZ GAAP**"). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("**NZ IFRS**"), and other applicable financial reporting standards and authoritative notices, as appropriate for for-profit entities. The financial statements comply with International Financial Reporting Standards ("**IFRS**"). The Scheme is a for-profit entity.

2. Basis of Preparation (continued)

Measurement Base

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts, except for the revaluation of financial instruments held at fair value through profit or loss (FVTPL) measured at fair value.

The methods used to measure fair values are discussed further in note 3(d).

The impact of the ongoing coronavirus pandemic (COVID-19) has been considered as part of the preparation of the financial statements and it remains appropriate that these are prepared on a going concern basis.

Functional and Presentational Currency

These financial statements are presented in New Zealand dollars ($), items included in the financial statements are measured using the currency of the primary economic environment in which the Scheme operates ('functional currency'). All financial information is presented in thousands of dollars (unless otherwise stated).

Use of Assumptions, Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 9.

3. Significant Accounting Policies

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

(a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term investments in an active market with original maturities of 90 days or less.

(b) Statement of Cash Flows

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

- operating activities - are those relating to the principal revenue-producing activities of the entity and other activities that are not financing activities. These include those cash flows relating to the acquisition, holding and disposal of investments, which include investments in securities not falling within the definition of cash.
- financing activities - are those activities that result in changes in the size and composition of members' funds.

3. Significant Accounting Policies (continued)

(c) Foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in profit or loss, except foreign exchange differences arising on financial instruments held at FVTPL which are recognised together with net gains/(losses) on financial instruments at FVTPL in the Statement of Changes in Net Assets.

(d) Financial instruments
(i) Classification

(a) Assets

The Scheme classifies its instruments based on both the Scheme's business model for managing those financial assets and contractual cash flow characteristics of the financial assets. The Scheme's financial assets are managed and their performance evaluated on a fair value basis. The Scheme is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Scheme's investments in equity instruments are held for trading, and the Scheme has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Scheme's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Scheme's business model's objective. Consequently, all investments are measured at FVTPL. Derivative contracts that have a positive fair value are presented as assets at FVTPL.

(b) Liabilities

The Scheme does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, nor does it make use of short sales for various arbitrage transactions. The Scheme holds derivative financial instruments. Derivative contracts that have a negative fair value are presented as liabilities at FVTPL.

As such the Scheme classifies all of its investment securities as financial assets or liabilities at FVTPL.

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

(ii) Recognition, Derecognition and Measurement

Regular purchases and sales of investments and derivatives are recognised on the trade date - the date on which the Scheme commits to purchase or sell the investment or derivatives. Financial instruments designated at FVTPL are initially recognised at fair value. Transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments and derivatives have expired or the Scheme has transferred substantially all risks and rewards of ownership. Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value.

Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at a FVTPL' category are presented in profit or loss in the Statement of Changes in Net Assets within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

3. Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(iii) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the closing trading on the reporting date.

The Scheme's investments in other funds are subject to the terms and conditions of the respective funds' governing 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 Manager reviews the details of the reported information obtained from the other funds and considers: 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' administrators.

The rights of the Scheme to request redemption of its 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.

If necessary, the Scheme makes 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 on financial assets and financial liabilities at fair value through profit or loss in the Statements of Comprehensive Income include the change in fair value of each other fund.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Net Assets 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Scheme or the counterparty.

(e) Financial Assets and Financial Liabilities at Amortised Cost

Financial assets at amortised cost comprise cash and cash equivalents and receivables. These include cash balances and call deposits, accrued interest and dividends, and proceeds expected from sale transactions where the trade date and settlement date spanned the reporting date. The carrying value closely approximates their fair value. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method less any impairment losses (refer to note 3(g) for more information). The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability so as to achieve a constant yield on the financial asset or liability.

3. Significant Accounting Policies (continued)

(e) Financial Assets and Financial Liabilities at Amortised Cost (continued)

(i) Receivables

Receivables include amounts where settlement has not yet occurred and include outstanding settlements on the sale of investments. Amounts are generally received within 30 days of being recorded as receivables. With the short time period and the high credit quality of the financial assets, investment income receivables and due from brokers measured at amortised cost, the Scheme does not anticipate any expected credit losses to be applicable for these assets.

(ii) Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Scheme, and include outstanding settlements on the purchase of investments. Payables are measured initially at fair value and subsequently at amortised cost. Amounts are generally paid within 30 days of being recorded as payables. Given the short-term nature of most payables, the carrying amount approximates their fair value.

(f) Taxation

The Scheme qualifies as, and has elected to be, a multi-rate portfolio investment entity ("**PIE**") for tax purposes. Under the PIE regime, income is effectively taxed in the hands of the members and therefore the Scheme has no tax expense or deferred tax assets or liabilities.

PIE tax in the Statements of Net Assets represents tax payable/receivable on behalf of the Members under the PIE regime. Under the PIE regime, the Manager attributes the income of the Scheme to Members in accordance with their proportionate interest in the Scheme during the period. Taxable income attributed to each Member is taxed at the Member's prescribed investor rate. The Manager adjusts the Members' interests in the Scheme to reflect that the Scheme pays tax at varying rates on behalf of members.

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

(g) Impairment of Assets Carried at Amortised cost

At the reporting date, the Scheme measures the loss allowance on financial assets, other than those at FVTPL, 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 Scheme measures the loss allowance at an amount equal to 12-month expected credit losses. 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's credit rating has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired. Significant financial difficulties of the debtor, probability that a debtor will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that a financial asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

3. Significant Accounting Policies (continued)

(h) Income recognition

Income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Scheme and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(i) Interest

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(ii) Dividends and distributions

Dividend and distribution income are recognised on the date that the Scheme's right to receive payment is established.

(iii) Changes in fair value of investments

Net gains or losses on investments at FVTPL are calculated as the difference between the fair value at sale, or at period end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest, dividend and distribution income.

(i) Payables

All payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(j) Member funds

Members' interests in the Scheme provide members with the right to request redemption for cash of their interest at the value at which their investments can be realised provided that they meet certain requirements of the Trust Deed. All members' interests qualify as "puttable instruments". On acceptance of a request of members eligible to realise their interest, the Manager sells the relevant investments to market or to members joining the Scheme at market prices for payment to such members. The expected cash outflow on realisation will depend on when each member is eligible to request and does request the realisation of such interest. The net assets attributable to each member depends on that member's interest in the Scheme and each relevant Investment Portfolio, and the relevant investment direction. Members do not have identical rights to the net assets of the Scheme and, as a result, member funds are classified as financial liabilities.

Member funds are carried at the redemption amount that is payable at the Statement of Net Assets date if all members exercised their rights to redeem their interests. Member funds are measured at amortised cost.

(k) New standards and amendments

There are no standards, amendments to standards or interpretations that are not yet effective for annual periods beginning on or after 1 April 2020, which have not been adopted, that will have a material effect on the financial statements of the Funds.

(l) Issued but not yet effective accounting standards

A number of new accounting standards and amendments to existing standards are issued or revised that are not yet effective as at 31 March 2021, they have been identified as not applicable or relevant to the Funds. Therefore, they are not included in the financial statements.

3. Significant Accounting Policies (continued)

(m) Restatement of Comparatives

In the prior year, Realised gains/(losses) on investments had been incorrectly presented as part of Net unrealised change in value of investments in the Statement of Cashflows. Realised gains/(losses) on investments are considered cash items. The Statements of Cashflows has been restated to reflect this for the year ended 31 March 2020. Below is a table showing Financial Statements line items that have been restated.

		As restated
Reconciliation of net increase in net assets before membership activities to cash flow from operating activities	**Year Ended 31 March 2020** $000	**Year Ended 31 March 2020** $000
Sale of investments	10,129	8,010
Net unrealised change in value of investments	(433)	1,686

The above restatements had no impact on Net Cash flows from Operating activities for year ended 31 March 2020 or on opening balances for year ended 31 March 2021.

4. Net gains/(losses) on financial instruments at FVTPL

	Year Ended 31 March 2021 $000	Year Ended 31 March 2020 $000
Net gains/(losses) from derivatives	1,140	(1,147)
Net gains/(losses) from investments	13,500	825
Total net gains/(losses) on financial instruments at FVTPL	**14,640**	**(322)**

5. Interest Income

	Year Ended 31 March 2021 $000	Year Ended 31 March 2020 $000
Interest income on cash and cash equivalents	5	18
Total interest income	**5**	**18**

6. Management and Administration Fees

The fee charged to each member for the management and administration of the Scheme is currently up to 1.5% per annum of the member's account balance (subject to a minimum of $120 per annum), calculated and deducted monthly by the Manager. The fee covers charges for Supervisor services, administration services, investment management services (among others) but does not cover third party costs incurred in the buying, selling or holding of investments, such as brokerage or any third-party charges incurred in investing in unit trusts.

Management and administration fees for the year ended 31 March 2021 totalled $755,000 (2020: $744,000).

The fee charged by the Auditor and paid by the Manager for the audit of the financial statements was $22,050 (2020: $19,898). The Auditor also performs Supervisor reporting and registry compliance services for $3,374 (2020: $3,308). These audit fees are exclusive of GST.

7. Financial Assets and Liabilities held at Fair Value through Profit or Loss

The Scheme holds investment assets in the Kiwi Wealth Fixed Interest Fund and Kiwi Wealth Growth Fund (both of which are related to the Manager). As at 31 March 2021 the funds of the Scheme were invested in derivatives not related to the Manager or the Supervisor.

Forward foreign exchange contracts are the only derivatives used by the Scheme during the year. Please see note 11 for more detail.

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7. Financial Assets and Liabilities held at Fair Value through Profit or Loss (continued)

A summary of the main instruments held by the Scheme as at 31 March 2021 and 31 March 2020 are:

	As At 31 March 2021 $000	As At 31 March 2020 $000
Investments		
Unlisted unit trusts	69,010	61,678
Derivatives		
Derivative liabilities held for risk management	(184)	(415)
Total financial instruments measured at fair value	**68,826**	**61,263**

The underlying investments that exceeded 5% of total investments held by the Scheme or 5% of each financial instrument type are:

		As At 31 March 2021			As At 31 March 2020		
Investment securities that exceed 5% of net assets or instrument type	**Instrument Type**	**Fair Value $000**	**% of investments**	**% of Instrument Type**	**Fair Value $000**	**% of investments**	**% of Instrument Type**
Kiwi Wealth Growth Fund	Unlisted unit trust	45,499	65%	66%	37,311	60%	60%
Kiwi Wealth Fixed Interest Fund	Unlisted unit trust	23,511	34%	34%	24,366	39%	40%

8. Members' Benefits

(a) Net assets available to pay benefits

All available funds are allocated to member accounts. The Scheme does not have separate employer accounts and does not have any reserve funds.

(b) Vested benefits

Vested benefits are benefits which, under the conditions of the Scheme, are not conditional on continued membership. Under the Trust Deed all benefits are fully vested. The value of vested member benefits as at 31 March 2021 is $69.4 million (2020: $61.1 million).

(c) Guaranteed benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

9. Fair Value of Financial Instruments

These disclosures supplement the commentary on financial risk management in note 11.

Key sources of estimation uncertainty

Determining fair values

The determination of fair values for financial assets and liabilities for which there is no observable market prices requires the use of valuation techniques described below. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Valuation of financial instruments

The Scheme's accounting policy on fair value measurements is explained in note 3(d).

The Scheme measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation, as well as instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price and yield quotations. For all other financial instruments, the Scheme determines fair values using valuation techniques. For investments with no active market, fair values are determined using valuation techniques that may make use of recent arm's length transactions of comparable instruments, reference to current market data of comparable instruments, discounted cash flow analysis, and use as much available and supportable market data as possible with judgemental inputs kept to a minimum. There have been no transfers between the levels during the year.

	As At 31 March 2021				As At 31 March 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Instrument Hierarchy	$000	$000	$000	$000	$000	$000	$000	$000
Unlisted unit trusts	-	69,010	-	69,010	-	61,678	-	61,678
Forward foreign exchange contracts	-	(184)	-	(184)	-	(415)	-	(415)
	-	68,826	-	68,826	-	61,263	-	61,263

10. Funding Policy

In accordance with the Trust Deed, members may contribute to the Scheme at varying designated rates linked to their salaries or in lump sum payments. Members may pay additional contributions to the Scheme in excess of any salary linked contributions. These contributions do not affect the level of employer contributions in respect of that member. Employee contribution rates depend on the contribution rate chosen by the member at rates ranging from 1% to 6% of their salary (after the deduction of withholding tax and certain other benefits accrued).

11. Financial Risk Management

The Scheme may be exposed to credit risk, settlement risk, liquidity risk, market price risk, interest rate risk and foreign currency risk through the financial instruments it holds. This note presents information about the Scheme's exposure to each of these risks, the Scheme's policies and processes for managing such risks and the Scheme's management of capital. The risk disclosures have been prepared on the Scheme's direct holdings and not on a full look-through to account for investments held indirectly through other managed funds (such as certain listed and unlisted unit-trusts). Compliance reports are provided to the Supervisor and to the Investment Governance Committee ("**IGC**") on a regular basis. The IGC's role is to provide governance oversight on investment related risk taking activities.

Risk management framework

The investment of the Scheme is determined by the members' investment directions, asset allocation limits, and investment guidelines. The asset allocation limits determine the extent to which the Scheme can invest in certain asset groups. The investment guidelines establish target bands for each asset group within each Investment Portfolio and guide the extent to which an Investment Portfolio can be invested in single issuers, issuer types and third party investment managers. Compliance with the asset allocation limits and the composition of each Investment Portfolio is monitored by the Manager on a regular basis. Should an Investment Portfolio exceed an asset allocation limit, the Scheme's Investment Manager is obliged to take actions to rebalance that Investment Portfolio to ensure compliance with the limit.

a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument in which the Scheme has an interest will fail to discharge an obligation or commitment that it has entered, resulting in a financial loss to the Scheme. It arises from fixed interest securities, derivative financial instruments, cash and cash equivalents, and receivables held by or on behalf of the Scheme. For risk management reporting purposes, the Scheme considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The investment policies applying to the Scheme only allow fixed interest investments in liquid securities at purchase, meaning that there is a secondary market available where these assets are readily traded. In addition, the Investment Manager has established an approval process for establishing new counterparts or derivatives.

The Scheme measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward-looking information in determining any expected credit loss. At 31 March 2021, all amounts due and cash held are with counterparties with a credit rating of AA/AAa or higher and are due to be settled within 1 week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Scheme.

11. Financial Risk Management (continued)

a) Credit risk (continued)

The following investment guidelines apply to the Scheme. Given the range of assets and issuers and in some cases the complex relationships that exist in financial markets, it is important to see the below as guidelines rather than rigid rules.

- Direct exposure to a single commonly recognised investment manager, excluding the Manager, is limited to 50% of the assets of each investment portfolio.
- Direct exposure to any one underlying financial product excluding interests in a managed investment scheme issued by the Manager or any entity which is wholly owned by the Manager, is limited to 7.5% of the assets of each investment fund. Cash and derivatives are excluded but remain subject to the diversification principle.
- Direct exposure to fixed interest securities of any one underlying issuer (e.g. bank or corporate) is limited to 15% of the Scheme's assets, unless the issuer is either of:
  - i) The New Zealand Government; or
  - ii) The New Zealand Local Government Funding Agency Limited (or its successor, or an entity issuing financial products on its behalf); or
- Direct exposure to fixed interest investments issued by either (i) or (ii) is limited to 50% of the assets of each investment fund.
- Limit total exposure to non-investment grade credit to no more than 25% of the Scheme's assets.
- Broader exposure (i.e. including cash and derivatives) to any one underlying issuer (excluding specified related party investments to which the Supervisor has agreed these limits do not apply to) is limited to 50% of the assets of an investment fund.

Exposure to credit risk

The carrying amount of the Scheme's investments represent the Scheme's maximum credit exposure. The Scheme's maximum exposure to credit risk for cash and cash equivalents by significant counterparty is as follows:

	As At		As At	
	31 March 2021		31 March 2020	
	$000	% of Scheme	$000	% of Scheme
ASB Bank Limited - cash and cash equivalents	720	1%	470	1%
Westpac Limited - cash and cash equivalents	366	1%	50	-
Total cash related credit risk exposure	**1,086**	**2%**	**520**	**1%**

The Manager monitors the financial position of each bank on an on-going basis. At balance date, the Scheme had cash and cash equivalents related credit exposure to ASB Bank Limited and Westpac Limited which have Standard & Poor's credit ratings of AA- (2020: AA-) equal to the amount stated in the Statement of Net Assets.

Investments in fixed interest securities

For fixed interest assets, the Manager and the Investment Manager take reasonable care to limit total underlying exposure to non-investment grade credit to no more than 25% of an investment fund. The Manager reviews investment performance regularly and rebalances the Investment Portfolios where necessary. At balance date, the Scheme had not invested directly in any fixed interest securities. As at 31 March 2021 there were no material financial assets past due or impaired (2020: nil).

11. Financial Risk Management (continued)

a) Credit risk (continued)

Derivative financial instruments

The Scheme uses over the counter ("**OTC**") derivatives. OTC derivatives expose the Scheme to the risk that the counterparties to the derivative financial instruments might default on their obligations to the Scheme. Derivative profit and loss positions are monitored on a regular basis and the counterparty risk is managed within the Scheme's investment guidelines. Such guidelines permit entry by the Scheme into certain OTC derivatives where the Manager (or its delegate) considers it in the best interests of the Scheme and its members, provided that the Manager (or its delegate) neither enters any OTC derivatives that give rise to obligations beyond the value of the Scheme's assets, nor exceeds any limit agreed from time to time by the Supervisor and Manager on the size of a OTC derivatives contract.

Derivative financial instruments are principally transacted with counterparties that have a credit rating of at least AA-, as determined by Standard & Poor's, and with whom the Manager has netting arrangements. The netting arrangements provide for the net settlement of certain contracts with the same counterparty in the event of default. As a result of such netting arrangements, at 31 March 2021, the Scheme would be entitled to offset derivative assets against derivative liabilities or portions of them in the event of counterparty defaults.

For the purposes of reporting in the Statement of Net Assets, where applicable, outstanding derivative financial assets and liabilities have been netted. The net exposure to credit risk may change significantly within a short period of time due to the highly volatile nature of the fair value of the derivatives underlying the arrangements.

Offsetting and amounts subject to netting arrangements and similar agreements

As at 31 March 2021, the Scheme was subject to an International Swaps and Derivatives Association (ISDA) arrangement with Bank of New Zealand. According to the terms of the ISDA arrangement all the derivatives are settled net. The following tables present the Scheme's financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements. The tables are presented by type of financial instrument.

	Gross amounts of recognised financial assets set-off in Statement of Net Assets	Gross amounts of recognised financial liabilities set-off in the Statement of Net Assets	Net amounts of financial assets presented in the Statement of Net Assets	Related amounts not set-off in the Statement of Net Assets		
				Financial instruments	Cash collateral received	Net amount
Description	$000	$000	$000	$000	$000	$000
Forward foreign exchange contracts as at 31 March 2021	-	-	-	(184)	-	(184)
Forward foreign exchange contracts as at 31 March 2020	-	(415)	(415)	-	-	(415)

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
- bankruptcy.

11. Financial Risk Management (continued)

a) Credit risk (continued)

Concentration of risk

At balance date, the Scheme's securities exposures were concentrated into Kiwi Wealth Growth Fund and Kiwi Wealth Fixed Interest Fund according to their respective investment mandates.

b) Settlement risk

The Scheme's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

With the majority of transactions being related party investments into the Kiwi Wealth Growth Fund and Kiwi Wealth Fixed Interest Fund the settlement risk is reduced.

c) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or a financial instrument, or that such obligations will have to be settled in a manner disadvantageous to the Scheme.

Management of liquidity risk

The Scheme is not unitised. Withdrawals are managed by each member having their share of the Scheme assets sold at the prevailing market price.
Order of liquidity is determined by the average time it takes to liquidate the Scheme's assets. Cash deposits can be held at any bank and in normal circumstances may be withdrawn within 24 hours. Equities are more liquid than fixed interest securities as they are exchange traded. The Manager favours liquid and transparent investments so that the underlying sources of risk and return are clear, and investments are able to be exited at reasonable prices, in times of stress. The Manager reviews the Scheme's investments on a regular basis to ensure their liquidity and provides oversight for risk management and derivative activities.

Maturity analysis for financial liabilities

Financial liabilities of the Scheme comprise payables for withdrawals, management and administration fees payable, and member funds.

	As At 31 March 2021		As At 31 March 2020	
Financial Liabilities	Carrying amount $000	Less than 2 months $000	Carrying amount $000	Less than 2 months $000
Withdrawals payable	(550)	(550)	(530)	(530)
Derivative liabilities held for risk management	(184)	(184)	(415)	(415)
Management and administration fees payable	(66)	(66)	(58)	(58)
Unallocated Contributions	-	-	(232)	(232)
Member funds	(69,406)	(69,406)	(61,080)	(61,080)
Total	**(70,206)**	**(70,206)**	**(62,315)**	**(62,315)**

11. Financial Risk Management (continued)

c) Liquidity risk (continued)

Member funds can be redeemed or transferred on demand at the relevant member's option provided the member meets certain requirements of the Trust Deed. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as members holding these instruments typically retain them for the medium to long term. At 31 March 2021, no individual member held more than 10% of the member funds (2020: nil).

d) Market price risk

Market price risk is the risk that the Scheme's income or the value of its holdings of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual financial instrument or by factors affecting all instruments of a specific type trading in a market. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The table below summarises the sensitivity of the Scheme's net assets attributable to members to movements in prices including the effect of movements in foreign currency exchange rates, as at 31 March. A variable of 20% (2020: 20% and 10%) was selected for market price risk sensitivity as this is a reasonably expected movement taking into account historical volatility. If prices for the Scheme's' investments had increased or decreased by 20% (2020: 20% and 10%) with all other variables held constant, this would have had the following impact on the Statement of Comprehensive Income and Net Assets Attributable to members.

	Year Ended 31 March 2021 *Sensitivity @ 20%*	**Year Ended 31 March 2020** *Sensitivity @ 20%*	**Year Ended 31 March 2020** *Sensitivity @ 10%*
Increase/decrease in income/net assets	$000	$000	$000
Unlisted Unit Trusts	13,802	12,336	6,168

Management of market price risk
The Scheme's strategy for the management of market price risk is driven by the Scheme's investment objectives. The investment objective is to deliver investment returns, over the relevant investment timeframe and after taking account of all fees, costs and taxes, which exceed the relevant benchmark. The Investment Manager aims to deliver those returns with lower volatility (i.e. less risk) than the benchmark. It looks to achieve this, as an active investment manager, by exercising the discretion to change the asset allocation between shares, fixed interest, cash and other financial instruments and to actively choose individual securities and investments.

The Scheme's market risk is managed on a regular basis by the Investment Manager in accordance with the investment guidelines and other policies and procedures in place. Investment guidelines apply that guide the extent to which the Scheme invests in financial instruments to help ensure diversity and the use of forward foreign exchange contracts to mitigate fluctuations in foreign currency exchange rates. The Scheme's market positions are monitored on a regular basis by the Investment Manager. The Investment Manager also ensures the Scheme is well diversified across a number of financial instruments and investment themes. The Manager may invest directly into the asset group or gain exposure to the asset class indirectly through other investment vehicles (e.g. through a managed fund or other type of managed fund).

The Scheme may use derivatives to manage its exposure to foreign currency and interest rate risks.

11. Financial Risk Management (continued)

e) Interest rate risk

Interest rate risk affects the Scheme in two ways - the value of a financial instrument may fluctuate due to a change in market interest rates, and a change in market interest rates may cause the cash flows received to fluctuate. The Investment Manager manages interest rate risk by actively managing the average maturity date of the Scheme's fixed interest instruments in response to changes in the Investment Manager's interest rate view. Additionally, the Investment Manager manages the interest rate risk associated with cash holdings of the Scheme by actively managing its exposure to cash and the currencies it holds.

Cash and cash equivalents and fixed interest instruments that are interest bearing assets and recognised at FVTPL are reported in the following tables.

Interest rate sensitivities

The Scheme's interest bearing financial assets and liabilities expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their fair values and cash flow.

Cashflow sensitivity analysis

A change in interest rates impacts the cash flow of the Scheme's cash and cash equivalents and floating rate notes (FRN's) by increasing or decreasing the amount of interest received.

The following table shows the impact on the Statement of Changes in Net Assets and Net Assets attributable to members had the relevant interest rates increased or decreased by 1% (2020: 1%) at balance date with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in interest rates with regard to historical volatility.

		As At 31 March 2021	As At 31 March 2020
		$000	$000
Cash and cash equivalents	Carrying amount	1,086	520
Impact of a +1% change in interest rates		11	5
Impact of a -1% change in interest rates		(11)	(5)

These movements arise substantially from the cash flow variability from cash and cash equivalents. In addition to the Scheme's direct exposure to interest rate changes on the fair value of financial asset and liabilities and on the cash flows of cash and cash equivalents shown above, the Scheme is indirectly affected by the impact of interest rate changes on the earnings of its investments in the Kiwi Wealth Fixed Interest Fund and the Kiwi Wealth Growth Fund, which forms part of the market price risk. 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.

Fair Value Sensitivity Analysis

The Scheme does not have any direct holdings in fixed interest securities.

11. Financial Risk Management (continued)

f) Foreign Currency risk

Foreign currency risk is the risk that the value of a financial instrument or foreign cash will fluctuate due to changes in foreign exchange rates.

The Scheme is exposed to foreign currency risk through cash and cash equivalents, trade and other receivables, trade and other payables and forward foreign exchange contracts. The Investment Manager will attempt to offset currency exchange risks by entering into a currency hedge to minimise risks associated with currency exchange rate fluctuations. The Scheme is exposed to currency risk to the extent that these currency hedge transactions are not effective.

The Investment Manager continuously monitors the Scheme's exposure to currency risk. An impact of 15% (2020: 15% and 10%) change in exchange rates is summarised as this is a reasonably expected movement taking into account the historical volatility.

	As At 31 March 2021							As At 31 March 2020								
	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Scheme	+15% change in exchange rate	-15% change in exchange rate	Monetary financial assets and liabilities	Non-monetary assets	Forward foreign exchange contracts	Net exposure	% of Scheme	+15% change in exchange rate	-15% change in exchange rate	+10% change in exchange rate	-10% change in exchange rate
	$000	$000	$000	$000		$000	$000	$000	$000	$000	$000		$000	$000	$000	$000
Australian dollar	-	-	(171)	(171)	-	(22)	30	-	-	(148)	(148)	-	(19)	26	(13)	16
Canadian dollar	-	-	(260)	(260)	-	(34)	46	-	-	(227)	(227)	-	(30)	40	(21)	25
Swiss franc	-	-	(219)	(219)	-	(29)	39	-	-	(232)	(232)	-	(30)	41	(21)	26
Danish krone	-	-	(56)	(56)	-	(7)	10	-	-	(47)	(47)	-	(6)	8	(4)	5
Euro dollar	-	-	(789)	(789)	(1%)	(103)	139	-	-	(719)	(719)	(1%)	(94)	127	(65)	80
Pound sterling	-	-	(349)	(349)	(1%)	(45)	62	-	-	(344)	(344)	(1%)	(45)	61	(31)	38
Hong Kong dollar	-	-	(390)	(390)	(1%)	(51)	69	-	-	(367)	(367)	(1%)	(48)	65	(33)	41
Japanese yen	-	-	(592)	(592)	(1%)	(77)	105	-	-	(583)	(583)	(1%)	(76)	103	(53)	65
Norwegian krone	-	-	(15)	(15)	-	(2)	3	-	-	(12)	(12)	-	(2)	2	(1)	1
Swedish krona	-	-	(85)	(85)	-	(11)	15	-	-	-	-	-	-	-	-	-
Singapore dollar	-	-	(26)	(26)	-	(3)	5	-	-	(30)	(30)	-	(4)	5	(3)	3
US dollar	-	-	(6,118)	(6,118)	(9%)	(798)	1,080	-	-	(5,539)	(5,539)	(9%)	(722)	977	(504)	615
Total Foreign Currency risk	-	-	**(9,070)**	**(9,070)**	**(13%)**	**(1,182)**	**1,603**	-	-	**(8,248)**	**(8,248)**	**(13%)**	**(1,076)**	**1,455**	**(749)**	**915**

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12. Capital Management

The Scheme's capital is represented by the market value of the underlying net assets held by the Scheme on behalf of its members and is reflected in the Statement of Net Assets. The Scheme is not subject to any 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 to maximise the Scheme's value as well as ensuring its net assets are sufficient to meet all present and future obligations. In order to meet its objectives for capital management, the Manager reviews the Scheme's performance on a regular basis.

13. Financial Assets and Liabilities

Accounting classifications and fair values

The table below provides reconciliation of the line items in the Scheme's Statement of Net Assets to various categories of financial instruments.

	As At 31 March 2021				As At 31 March 2020			
	Financial instruments at FVTPL	Amortised cost	Other financial liabilities	Total carrying amount	Financial instruments at FVTPL	Amortised cost	Other financial liabilities	Total carrying amount
	$000	$000	$000	$000	$000	$000	$000	$000
Assets								
Investments	69,010	-	-	69,010	61,678	-	-	61,678
Cash and cash equivalents	-	1,086	-	1,086	-	520	-	520
Total assets	**69,010**	**1,086**	**-**	**70,096**	**61,678**	**520**	**-**	**62,198**
Liabilities								
Withdrawals payable	-	-	(550)	(550)	-	-	(530)	(530)
Unallocated Contributions	-	-	-	-	-	-	(232)	(232)
Management and administration fees payable	-	-	(66)	(66)	-	-	(58)	(58)
Member funds	-	-	(69,406)	(69,406)	-	-	(61,080)	(61,080)
Derivative liabilities	(184)	-	-	(184)	(415)	-	-	(415)
Total liabilities	**(184)**	**-**	**(70,022)**	**(70,206)**	**(415)**	**-**	**(61,900)**	**(62,315)**

The financial instruments not accounted for at FVTPL are short-term financial assets and liabilities whose carrying amounts approximate fair value.

14. Derivative Assets and Liabilities

Forward currency contracts are primarily used by the Scheme to economically hedge against foreign currency exchange rate risks on its non New Zealand denominated securities. The open forward positions as at balance date are outlined below:

	As At 31 March 2021		As At 31 March 2020	
	$ 000s		$ 000s	
	Notional	Net Asset/(Liability)	Notional	Net Asset/(Liability)
Forward Contracts Open Positions	8,886	(184)	7,895	(415)

15. Related Party Holdings and Transactions

Related parties comprise the Supervisor, the Manager and the shareholders of the Manager and other entities directly or indirectly controlled by the ultimate parent entity of the Manager as detailed in note 1. As at 31 March 2021, the Scheme held interests in financial instruments issued by related parties. The following table specifies the relevant related party financial instruments and their fair values.

		As At 31 March 2021		As At 31 March 2020	
Related party issuer	**Security type**	Units 000	Fair value $000	Units 000	Fair value $000
Kiwi Wealth Growth Fund	Unlisted Unit Trust	25,637	45,499	28,894	37,311
Kiwi Wealth Fixed Interest Fund	Unlisted Unit Trust	17,420	23,511	18,459	24,366

In accordance with the Trust Deed and FMCA, the above related party transactions were affected on commercial arm's length terms.

	As At 31 March 2021	As At 31 March 2020
	$000	$000
Purchase of financial instruments at fair value through profit or loss	6,557	8,243
Sale of financial assets at fair value through profit or loss	(12,724)	(10,129)

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15. Related Party Holdings and Transactions (continued)

The fee deducted monthly by the Manager covers supervisor, audit and investment management charges (among others) as described in note 6. Such charges are invoiced to and paid by the Manager out of the fee it receives. There are no other related party charges.

Management and administration fees charged to and payable by the Scheme to the Manager were:

	As At 31 March 2021	As At 31 March 2020
	$000	$000
Balance due at the beginning of the year	58	62
Current year management fees	755	744
Payment made during the year	(747)	(748)
Balance due at the end of the year	**66**	**58**

Outstanding balances to related parties are due within a month of balance date and are not interest bearing.

16. Contingent Liabilities and Commitments

The Scheme had no material commitments or contingencies at 31 March 2021 (2020: none)

17. Events Subsequent to Balance Date

There were no significant events subsequent to balance date which require adjustment to or disclosure in these financial statements.

Independent auditor's report

To the members of Kiwi Wealth Super Scheme (the "Scheme")

Our opinion

In our opinion, the accompanying financial statements of the Scheme present fairly, in all material respects, the financial position of the Scheme as at 31 March 2021, its financial performance and their cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Scheme's financial statements comprise:

- the statement of net assets as at 31 March 2021;
- the statement of changes in net assets for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

We have provided the following services to Kiwi Wealth Investment Limited Partnership (the Manager): statutory audit on behalf of the Auditor General, supervisor reporting, registry compliance assurance services. and net tangible asset agreed upon procedures. These services have not impaired our independence as auditor of the Scheme. Other than in our capacity as auditor, we have no other relationships 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Valuation and existence of financial assets held at fair value through profit or loss (FVTPL) Financial assets held at FVTPL are valued at $69,010,000 at 31 March 2021 (31 March 2020: $61,678,000). Financial assets held at FVTPL are included in note 7 of the financial statements. This was an area of focus as it represents the substantial majority of net assets of the Scheme. As at 31 March 2021, the majority of the financial assets held by the Scheme comprise investments in unlisted unit trusts. The fair values of the unlisted unit trusts are based on the redemption prices established by the respective investment fund administrators and categorised as level 2 in the fair value hierarchy. In assessing the fair value, the Manager uses information provided by the investment fund administrators including the financial statements of the underlying funds. All financial assets at FVTPL are held by the Custodian on behalf of the Scheme.	We assessed the processes employed by the Manager for recording and valuing the financial assets at FVTPL including the relevant controls operated by JBWere (the "Custodian"). Our assessment of the business processes included: • Updating our understanding of the business processes over classification, recognition and measurement of financial assets held at FVTPL. • Obtaining the Custodian's internal controls reports over custody services for the year ended 30 September 2020 and an accompanying bridging letter until 31 March 2021. We evaluated the sufficiency and appropriateness of the evidence provided by the controls reports over the design and operating effectiveness of the key controls operated by the Custodian and considered additional controls in place at the Manager to cover the period of the bridging letter. **Valuation** For valuation of investments in unlisted unit trusts we evaluated whether the redemption price represents fair value by comparing the valuation of the investments in unlisted unit trusts to the net asset value per unit calculated based on the 31 March 2021 audited financial statements of the unlisted unit trusts. For valuation of derivatives we used our valuation experts to test the fair value using independent valuation methods and third party pricing sources. **Existence** For existence of the investments in unlisted unit trusts, we agreed the investment holdings to a confirmation obtained directly from the Custodian. For existence of the forward foreign exchange contracts, we have agreed all of the derivative positions to counterparty confirmations.

Our audit approach

Overview

Materiality	We determined Overall materiality for the Scheme to be $694,000, which represents approximately 1% of net assets. We chose net assets as the benchmark because, in our view, the objective of the Scheme is to provide members with a total return on the Scheme's net assets, taking into account both capital and income returns.
Key audit matters	As reported above, because of the significance of the investments to the financial statements, we have determined that there is one key audit matter: the valuation and existence of investments at fair value through profit or loss.

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

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

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

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

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

In completing our audit, we considered the control environment of the Manager and the Custodian to support our audit conclusions.

Other information

The Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Manager for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants — Wellington
16 July 2021