

SUPEREASY KIWISAVER SUPERANNUATION SCHEME

Financial Statements for the Year Ended 31 March 2022



**FINANCIAL
STATEMENTS
2022**

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TO THE READERS OF SUPEREASY KIWISAVER SUPERANNUATION SCHEME'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

The Auditor-General is the auditor of the SuperEasy KiwiSaver Superannuation Scheme (the 'Scheme'). The Auditor-General has appointed me, Hamish Anton, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the Scheme on his behalf.

OPINION

We have audited the financial statements of the Scheme on pages 5 to 15, that comprise the statement of net assets as at 31 March 2022, the statement of changes in net assets and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Scheme:

- present fairly, in all material respects:
 - its financial position as at 31 March 2022; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our audit was completed on 10 June 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements, we comment on other information and we explain our independence.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

RESPONSIBILITIES OF THE TRUSTEES FOR THE FINANCIAL STATEMENTS

The Trustees are responsible on behalf of the Scheme for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible on behalf of the Scheme for assessing the Scheme's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the Trustees intend to wind up the Scheme or to cease operations, or have no realistic alternative but to do so.

The Trustees' responsibilities arise from the Financial Market Conduct Act 2013.

RESPONSIBILITIES OF THE AUDITOR 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

TO THE READERS OF SUPEREASY KIWISAVER SUPERANNUATION SCHEME'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Trustees are 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.

Our opinion on the financial statements does not cover the other information and we do 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. In doing so, we 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. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of the Scheme in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, and our assurance engagement in relation to the maintenance of the Register of Members, we have no relationship with, or interests in, the Scheme.



**Hamish Anton, Partner
for Deloitte Limited**

On behalf of the Auditor-General
Wellington, New Zealand
10 June 2022

	Notes	TOTAL	
		2022 \$	2021 \$
INVESTMENT ACTIVITIES			
Investment Income			
Gain/(Loss) on Assets held at fair value through profit or loss	7	10,010,407	61,962,716
Interest		2,311	2,506
		10,012,718	61,965,222
Investment Expenses			
Investment Management Fees	12	1,815,795	1,730,797
Net Investment Income		8,196,923	60,234,425
OTHER EXPENSES			
Administration Fees	12	489,522	484,468
Total Other Expenses		489,522	484,468
Change in Net Assets before Taxation and Membership Activities		7,707,401	59,749,957
MEMBERSHIP ACTIVITIES			
Contributions			
Member Contributions	5	32,090,787	28,638,820
Employer Contributions		11,462,973	11,840,908
Crown Contributions		3,218,822	3,161,175
Late Opt-Out		(14,411)	(19,718)
Transfers In from Other KiwiSaver Schemes		4,370,549	1,821,413
Transfers In from Other Superannuation Schemes		238,196	1,182,272
Trans Tasman Portability Transfers In		774,255	842,249
Total Contributions		52,141,171	47,467,119
Benefits Paid			
Benefits Paid	6	14,815,604	11,212,292
Transfers Out to Other KiwiSaver Schemes		14,225,685	10,582,537
Total Benefits Paid		29,041,289	21,794,829
Net Membership Activities		23,099,882	25,672,290
Change in Net Assets Before Taxation		30,807,283	85,422,247
PIE Tax (Benefit) / Expense	9	(550,973)	2,299,103
Net Increase in Net Assets During Year		31,358,256	83,123,144
Net Assets Available for Benefits at Beginning of Year		380,290,512	297,167,368
Net Assets Available for Benefits at End of Year		411,648,768	380,290,512

This statement is to be read in conjunction with the notes on pages 8 to 15.

	Notes	TOTAL	
		2022 \$	2021 \$
ASSETS			
Cash & Cash Equivalents		408,715	1,398,809
AMP Capital Investors (NZ) Ltd		-	295,581,838
ANZ Investments Ltd		302,934,839	85,996,804
Harbour Asset Management Ltd		107,763,388	-
PIE Tax Receivable	9	1,459,816	-
Total Assets		412,566,758	382,977,451
Less LIABILITIES			
Benefits Payable		521,761	405,761
PIE Tax Payable	9	-	1,863,484
Other Payables		396,229	417,694
Total Liabilities		917,990	2,686,939
NET ASSETS AVAILABLE FOR BENEFITS		411,648,768	380,290,512
LIABILITY FOR ACCRUED BENEFITS			
<i>Represented By:</i>			
Members' Accounts	3	411,648,768	380,290,512
		411,648,768	380,290,512

Signed on behalf of the Trustee, Local Government Superannuation Trustee Limited, who authorised the issue of these financial statements on 10 June 2022.

Director of Trustee



BASIL MORRISON

Director of Trustee
Licensed Independent Trustee



GRAEME MITCHELL

This statement is to be read in conjunction with the notes on pages 8 to 15.

	Note	TOTAL	
		2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash provided from</i>			
Member Contributions		32,090,787	28,638,820
Employer Contributions		11,462,973	11,840,908
Crown Contributions		3,218,822	3,161,175
Transfers in from Other Schemes		5,383,000	3,865,463
Interest Received		2,311	2,506
		52,157,893	47,508,872
<i>Cash applied to</i>			
Benefits Paid		(14,699,604)	(11,394,177)
Transfers Out to Other KiwiSaver Schemes		(14,225,685)	(10,582,537)
KiwiSaver Late Opt-Outs		(14,411)	(19,718)
Other Expenses		(487,958)	(483,037)
Withholding Tax Paid		(693)	(751)
PIE Tax Paid		(2,771,634)	(1,124,100)
		(32,199,985)	(23,604,320)
Net Cash Flows from Operating Activities	8	19,957,908	23,904,552
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash provided from</i>			
Sale of Investments		321,182,791	-
<i>Cash applied to</i>			
Investment purchases (Including Investment Fees)		(342,130,793)	(25,090,734)
Net Cash Flows (Applied To) Investing Activities		(20,948,002)	(25,090,734)
Net (Decrease) in Cash Held		(990,094)	(1,186,182)
Cash & Cash Equivalents at Beginning of the Year		1,398,809	2,584,991
Cash & Cash Equivalents at End of the Year		408,715	1,398,809

This statement is to be read in conjunction with the notes on pages 8 to 15.

1. NATURE OF BUSINESS

Scheme description

The SuperEasy KiwiSaver Superannuation Scheme (the "Scheme") was established under an umbrella trust with the Local Government Superannuation Scheme in accordance with Section 148 of the KiwiSaver Act 2006. The Scheme is a superannuation scheme with the principal purpose of providing members with benefits on retirement. It also provides benefits payable on death and other permitted withdrawals in accordance with the KiwiSaver Act 2006.

The Scheme was registered in New Zealand under the Financial Markets Conduct Act (FMCA) 2013 (reference SCH10494) on 15 March 2016. Under the KiwiSaver Act 2006, the Scheme is required to have a 31 March balance date.

The Scheme is a restricted KiwiSaver scheme. The Scheme is open to employees of New Zealand local authorities and certain other persons as described in the sections 9–23, 33–36, 53 and 116(A) 2-3 of the KiwiSaver Act 2006, and in clause 15.1.2 of the Trust Deed. There is only one class of member. There were no members receiving benefits other than those paid on transfer to another KiwiSaver scheme and other permitted withdrawals.

Funding arrangements

The Scheme is a defined contribution scheme. Under the Trust Deed each member and their employer shall pay contributions at a rate expressed as a percentage of salary, or at the amount specified in the KiwiSaver Act 2006. Contributions in the form of the Kick Start payment (up until May 2015) and Member Tax Credits are received from the Crown via Inland Revenue, the amounts and timing of which are specified in the KiwiSaver Act 2006.

Retirement benefits

The retirement benefits are determined by contributions to the Scheme together with investment earnings on these contributions over the period of membership. The timing of the retirement benefits are determined by the requirements of the KiwiSaver Act 2006.

Termination terms

The Trust Deed sets out the basis on which the Scheme can be terminated.

Investment Policies

The Trustee made the decision to divest of the funds previously managed by AMP Capital Investors (New Zealand) Ltd. These were replaced by funds managed by Harbour Asset Management Ltd in relation to the Schemes' investment exposure to New Zealand equities and listed property asset classes, and by funds managed by ANZ New Zealand Investments Limited (ANZI) in relation to the Schemes' investment exposure to international equities and international fixed interest. ANZI also retain the New Zealand fixed interest and cash asset classes. The divestment and reinvestment took place in three tranches during August 2021.

The **Automatic Fund** invests in products offered by Harbour Asset Management Ltd and ANZ Investments Limited. The objective of this Fund is to achieve the optimum long-term outcome by accepting a higher investment risk in the early stages of a member's working life as a trade for higher returns. So when a member is young the Automatic Fund provides greater exposure to investments with the potential for growth such as overseas and New Zealand equities. Each month as the member gets older the Automatic Fund will automatically and smoothly change their investments to a more conservative mix by increasing the member's exposure to income assets such as fixed interest securities and cash.

The **Aggressive Fund** invests in products offered by Harbour Asset Management Ltd and ANZ Investments Limited. The objective of this Fund is to achieve a high level of real returns over the medium to long-term through substantial investment in equities, accepting that the returns may be subject to significant short-term variations.

The **Growth Fund** invests in products offered by Harbour Asset Management Ltd and ANZ Investments Limited. The objective of this Fund is to achieve positive real returns through investment in growth assets, while controlling volatility through full diversification of the Fund's assets.

The **Balanced Fund** invests in products offered by Harbour Asset Management Ltd and ANZ Investments Limited. The objective of this Fund is to reduce the chance of negative returns over the short to medium term through higher proportions of investment in defensive assets, such as cash and bonds, while still providing an opportunity for positive real returns over the long-term by investing a proportion of the Fund in growth assets such as equities and property.

The **Conservative Fund** invests in products offered by Harbour Asset Management Ltd and ANZ Investments Limited. The objective of this Fund is to reduce the chance of negative returns over the short-term through higher proportions of investment in defensive assets, such as cash and bonds, while still providing an opportunity for positive real returns over the long-term by investing a proportion of the Fund in growth assets such as equities and property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), Financial Reporting Act 2013 and the requirements of the FMCA. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

Presentation currency

These financial statements are presented in New Zealand dollars because that is the currency of the economic environment in which the Scheme operates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Classification of assets and liabilities

The SuperEasy KiwiSaver Superannuation Scheme operates as a superannuation scheme. As such, the assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

Critical accounting estimates and judgements

There are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing material misstatement to the financial statements.

Accounting Policies

The following are the significant accounting policies which have been adopted in the preparation of the financial statements:

(a) Investment Income

Interest, dividends and distributions from unitised investments are taken to income on a due and receivable basis.

Net realised and unrealised gains and losses are recognised in the Statement of Changes in Net Assets in the period in which they occur.

(b) Expenses

All expenses are accounted for on an accruals basis. Investment management fees are charged by the administration manager based on the underlying funds under management. The investment management fees are 0.40% per annum expressed as a percentage of the total funds under management in the respective funds plus in fund costs charged by the underlying fund managers which are deducted prior to unit pricing.

(c) Taxation

The PIE tax expense represents the sum of the tax paid and payable.

The Scheme is a Portfolio Investment Entity (PIE) under the Income Tax Act 2007. Under current legislation regarding the taxation of PIEs, the Scheme pays tax on behalf of members. PIE tax payable to Inland Revenue on behalf of members is recognised as a liability and is measured based on Prescribed Investor Rates (PIR) applicable to the individual members that have been enacted or substantively enacted during the year and by the balance date.

(d) Financial Instruments

Financial assets and financial liabilities are recognised on the Scheme's Statement of Net Assets when the Scheme becomes a party to the contractual provisions of the instrument. The Scheme shall offset financial assets and financial liabilities if the Scheme has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

(e) Financial Assets

Financial assets at fair value through profit or loss

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

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

The fair value hierarchy of financial instruments are categorised into 3 levels:

- **Level 1** fair value measurements are those derived from quoted market prices (unadjusted) in active markets for identical assets and liabilities;
- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments disclosed in these Financial Statements are categorised as Level 2 for both the 2021 and 2022 financial periods.

The Scheme invests in managed funds. The fair value is based upon unit prices calculated by the Manager of the fund.

The fair value of units is based upon a Net Asset Valuation using observable inputs of quoted security prices in active share markets and/or interest rates or yield curves which are observable at specific time intervals. The Net Asset Valuation of the fund may also include securities or derivatives which have inputs such as foreign exchange spot and forward rates and interest rate curves derived from quoted bond prices. The Net Asset Valuation may also have adjustments to reflect fees associated with the fund.

For unit prices, significant inputs into the calculation are market observable and are included within Level 2.

(f) Other Receivables

Other receivables are stated at amortised cost. As these do not carry any interest and are short-term in nature, amortised cost equals their nominal value as reduced by appropriate allowances for expected credit loss.

(g) Other Payables

Other payables are not interest-bearing and are stated at amortised cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Accounting Policies continued

(h) Goods and Services Tax (GST)

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

(i) Cash Flow Statement

The cash flows of the Scheme do not include those of the fund managers. The following are definitions of the terms used in the Cash Flow Statement:

Cash & Cash Equivalents – comprises cash balances held with banks in New Zealand.

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

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

(j) Accrued Benefits

The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and beneficiaries.

It has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities as at balance date. Accrued benefits include amounts allocated to members' accounts and reserves.

(k) Contributions

Contributions are accounted for on a cash basis when received from the employer, member or the Crown.

(l) Benefits

Benefits are accounted for on an accruals basis.

	TOTAL	
	2022	2021
	\$	\$

3. LIABILITY FOR ACCRUED BENEFITS

Liability for accrued benefits as at 31 March:

Members' Accounts

Opening Balance 1 April	380,290,512	297,167,368
Contributions	52,141,171	47,467,119
Benefits Paid and Transfers Out	(29,041,289)	(21,794,829)
Change in Net Assets Before Tax	7,707,401	59,749,957
PIE Tax Benefit / (Expense)	550,973	(2,299,103)
Balance 31 March	411,648,768	380,290,512

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for accrued benefits (2021: nil).

4. VESTED BENEFITS

Vested Benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Scheme at balance date. The Vested Benefits as at 31 March 2022 were \$411,648,768 (31 March 2021: \$380,290,512).

	TOTAL	
	2022	2021
	\$	\$

5. CONTRIBUTIONS

Contributions by type

Member Contributions	22,294,950	22,167,040
Voluntary Member Contributions	9,795,837	6,471,780
Employer Contributions	11,462,973	11,840,908
Crown Contributions:		
IRD Interest	444	6,088
Member Tax Credits	3,218,378	3,155,087
Late Opt-Out	(14,411)	(19,718)
Transfers In from Other KiwiSaver Schemes	4,370,549	1,821,413
Transfers In from Other Superannuation Schemes	238,196	1,182,272
Trans Tasman Portability Transfers In	774,255	842,249

Total Contributions Received	52,141,171	47,467,119
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Contributions from members and employers who were:

Existing members	44,451,247	42,631,950
Members who joined the Scheme during the year	1,018,386	919,271
Lump sum contributions	6,671,538	3,915,898

Total Contributions Received	52,141,171	47,467,119
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6. BENEFITS PAID

Retirement	10,316,510	6,622,644
First Home Withdrawal	2,725,910	3,520,715
Serious Illness Withdrawal	176,995	206,699
Significant Financial Hardship Withdrawal	478,408	386,875
Trans Tasman Portability Transfers Out	155,178	42,429
Permanent Emigration	120,423	102,829
Death	770,290	330,101
Other	71,890	-

Total Benefits Paid	14,815,604	11,212,292
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7. GAIN ON ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

AMP Capital Investors (NZ) Ltd	23,135,180	60,815,295
ANZ Investments Ltd	(8,323,190)	1,147,421
Harbour Asset Management Ltd	(4,801,583)	-

Total Gain / (Loss) on Financial Assets Held at Fair Value Through Profit or Loss	10,010,407	61,962,716
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	TOTAL	
	2022 \$	2021 \$
8. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO INCREASE IN NET ASSETS DURING THE YEAR		
Increase in net assets during the year	31,358,256	83,123,144
Less non cash and investing items:		
Changes in fair value of financial assets through profit or loss after investment expenses	(8,196,923)	(60,234,426)
Non cash movement in investment manager fees	25,341	(14,886)
Movements in other working capital items:		
Decrease in other receivables	(0)	19,529
Increase in benefits payables	116,000	(181,885)
Increase in other payables	(21,465)	18,826
Increase / (Decrease) in PIE tax payable	(3,323,301)	1,174,251
Net Cash Inflow from Operating Activities	19,957,908	23,904,552

9. PIE TAX

The Scheme calculates and pays tax on members' behalf at the members' Prescribed Investor Rate (PIR) as follows:

- Members PIR were either 10.5%, 17.5% or 28% respectively.

	TOTAL	
	2022 \$	2021 \$
Changes in net assets before tax and membership activities	7,707,401	59,749,957
<i>Less permanent differences:</i>		
Non taxable income	6,177,944	47,436,070
Taxable income	1,529,457	12,313,887
Tax thereon at members PIR	390,108	3,099,870
Tax effect of allocated PIE credits	(941,081)	(800,767)
Total tax expense	(550,973)	2,299,103
Current tax		
Opening balance	1,863,484	689,232
PIE Tax paid in respect of prior year	(1,864,007)	(689,756)
PIE tax in respect of current year	(550,973)	2,299,103
PIE tax expense paid on members behalf	(907,627)	(434,344)
Withholding tax paid	(693)	(751)
PIE Tax (Receivable) / Payable	(1,459,816)	1,863,484

10. FINANCIAL INSTRUMENTS

The Scheme is involved with a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

The Trustee has established the investment portfolio objectives and target asset allocations. Performance against these targets is reviewed regularly by the Trustee and asset reallocations undertaken as required.

(a) Fair Value

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

(b) Capital Management

The Scheme's capital is represented by net assets attributable to members and is reflected in the Statement of Net Assets as "Net Assets Available for Benefits". The Scheme invests contributions received in appropriate investments in order to provide returns to its members and to maximise the Scheme's members' value whilst maintaining sufficient liquidity to meet any withdrawal requests. The Scheme's management review the performance of the Scheme on a regular basis to monitor the capital management.

(c) Market Risks

(i) Liquidity Risk

All financial assets at fair value through profit and loss can be realised within 12 months. Other than the liability for accrued benefits, there are no significant financial liabilities. To manage liquidity risk the Scheme invests in financial instruments which are highly liquid. The Scheme also invests within established limits to ensure there is no concentration of risk. Due to the nature of a KiwiSaver scheme, it is unlikely that a significant number of members would exit at the same time. Financial liabilities of the Scheme consist of Net Assets Available for Benefits and Payables. Net Assets Available for Benefits are payable on demand, provided certain KiwiSaver withdrawal requirements are met, and Payables are typically paid within 30 days.

(ii) Credit Risk

Financial instruments which potentially expose the Scheme to credit risk consist of cash and cash equivalents, fixed interest securities and receivables and, indirectly, investments in unithised products which invest in cash and fixed interest investments. The Scheme does not require collateral or other security to support instruments with credit risk and as such, no collateral exists for any of the investments held by the Scheme. The maximum credit exposure is the carrying amount of the individual investments. All investments entered into are required to meet the credit rating parameters as set forth by the Trustee.

The significant counterparties of the Scheme are its fund managers Harbour Asset Management Ltd and ANZ Investments Limited. The investments are held in trust by the Trustee for the benefit of the Scheme.

The managers maintain diversified investment portfolios in accordance with the portfolio mix adopted by the Trustee. There are no specific industry related concentrations of credit risk.

(iii) Currency Risk

The Scheme is indirectly exposed to currency risk in that future currency movements will affect the valuation of investments in unithised products which invest in foreign currency denominated investments.

Each of the five Funds may include investments in Australasian Shares, Global Shares, Global Fixed Interest and Global Property Shares asset classes. To reduce the impact of currency movements, the fund managers may currency hedge to New Zealand dollars from time to time in respect of the international investments.

Risk management activities are undertaken by the Scheme's investment managers to operate within the guidelines provided by the Trustee.

(iv) Interest Rate Risk

The Scheme is exposed to interest rate risk in that future interest rate movements will affect cash flows and fair values of fixed interest assets and, indirectly, the valuation of investments in unithised products which invest in cash and fixed interest investments.

As at balance date the Scheme's direct exposure to interest rate risk was in respect of the cash and cash equivalent balances of each Fund. The average interest rate for the year was 0.23% (2021: 0.20%).

Interest rate risk management activities are undertaken by the investment manager in accordance with the investment mandate set by the Trustee.

(v) Market Price Risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments of a specific type traded in the market. Market price risk is controlled by ensuring a diverse range of investments, limits on counterparty exposure and restrictions on types of instruments.

Had the market price of the underlying instruments increased or decreased by 10% with all other variables held constant, the increase or decrease respectively in income and the net assets attributable to members would amount to the following:

10. FINANCIAL INSTRUMENTS CONTINUED

(c) Market Risks continued

(v) Market Price Risk continued

	2022	2021
Aggressive Fund	\$2,342,146	\$2,030,437
Growth Fund	\$2,723,037	\$2,398,978
Balanced Fund	\$1,552,594	\$1,306,318
Conservative Fund	\$1,080,451	\$1,176,073
Automatic Fund	\$33,371,595	\$31,246,058
TOTAL	\$41,069,823	\$38,157,864

Financial assets were negatively impacted in the March 2022 year as the Covid19 virus continued to have an impact on global economies. The Russian invasion of Ukraine also saw share markets fall dramatically with widespread market uncertainty as to how things would play out. This is highlighted when comparing the Investment Income for the year to 31 March 2022 with the prior year which was far more stable and was in rebound mode from the initial Covid19 impact.

A variable of 10% was selected for market price risk sensitivity as this is a reasonably expected movement based on historic rate trends.

The table below shows categories of the Scheme's Financial Instruments for 2021 and 2022:

	Financial assets at fair value through profit and loss		Financial assets at amortised costs		Financial liabilities at amortised costs		TOTAL	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Cash and cash equivalents			408,715	1,398,809			408,715	1,398,809
AMP Capital Investors (NZ) Ltd		- 295,581,838						- 295,581,838
ANZ Investments Ltd	302,934,839	85,996,804					302,934,839	85,996,804
Harbour Asset Management	107,763,388	-					107,763,388	-
LIABILITIES								
Benefits payable					521,761	405,761	521,761	405,761
Other payables					396,229	417,694	396,229	417,694

11. COMMITMENTS AND CONTINGENT LIABILITIES

There were no commitments or contingent liabilities outstanding as at 31 March 2022 (2021: nil).

12. RELATED PARTIES

Civic Financial Services Limited has been appointed the administration manager of the Scheme by the Scheme's Trustee, Local Government Superannuation Trustee Limited. Civic Financial Services Ltd is the parent entity of Local Government Superannuation Trustee Limited.

The Scheme holds no investments in any of the employer companies or any of its related parties.

Civic Financial Services Ltd is charged a Trustee fee of \$41,373 (2021: \$37,449) and an audit fee of \$41,044 (2021: \$36,250) on behalf of the Scheme and re-charged through the Scheme administration fee of \$2,142,582 (2021: \$2,017,203), which is split between administration and investment management fees.

13. NEW AND AMENDED STANDARDS ADOPTED BY THE SCHEME

There are no new standards or amendments in the current period which have a material impact on the financial statements.

14. EVENTS AFTER BALANCE DATE

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



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