



MAS Retirement Savings Scheme Financial Statements

For the year ended
31 March 2022

Signatory of:



MAS RETIREMENT SAVINGS SCHEME

Financial Statements

For the year ended 31 March 2022

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Independent Auditor's Report

To the Members of MAS Retirement Savings Scheme

Opinion

We have audited the financial statements of MAS Retirement Savings Scheme ("the Scheme") on pages 4 to 18, which comprise the statement of net assets of the Scheme as at 31 March 2022, the statement of changes in net assets and statement of cash flows for the year then ended of the Scheme, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 18 present fairly, in all material respects, the financial position of the Scheme as at 31 March 2022 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Scheme in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We provide assurance services in relation to the register of members for the Scheme. We have no other relationship with, or interest in, the Scheme. Partners and employees of our firm may deal with the Scheme on normal terms within the ordinary course of trading activities of the business of the Scheme.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the

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performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Investments

Why significant	How our audit addressed the key audit matter
<ul style="list-style-type: none"> ▶ The Scheme's portfolio of investments represents almost 100% of its assets. ▶ These financial assets are recognised at fair value through profit or loss in accordance with NZ IFRS 9: <i>Financial Instruments</i>. The Scheme's accounting policy for financial assets is described in Note 2. ▶ Volatility and other market drivers can have a significant impact on the value of these financial assets and the financial statements as a whole, therefore the recognition and measurement of the investment portfolio is considered a key area of audit focus. ▶ Disclosures regarding the Scheme's investments are included in Note 5 to the financial statements. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ▶ Gaining an understanding of the processes used to record investment transactions and the revaluation of the investment portfolio. ▶ Obtaining and reviewing the Independent Assurance Reports on Controls relevant to the entities responsible for the custody and pricing of the Scheme's investments. We have considered the implications of any control deficiencies for our audit. We relied on these controls over the recognition and valuation of the investment balances as well as monitoring controls used by the Scheme. ▶ Receiving confirmation directly, from the custody and pricing entities, of the number of securities held by the Scheme and their exit prices at balance date and agreeing the confirmed amounts to the Scheme's accounting records. ▶ Verifying a sample of exit prices at balance date to independent pricing sources. ▶ Assessing whether the disclosures in the financial statements appropriately reflect the requirements of NZ IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i> and NZ IFRS 7 <i>Financial Instruments: Disclosures</i>.

Those charged with governance responsibilities for the financial statements

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

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



Auditor's responsibilities for the audit of the financial statements

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

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

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

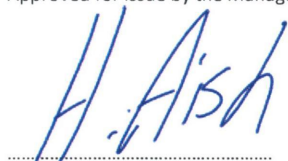
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Chartered Accountants
Wellington
29 June 2022

MAS RETIREMENT SAVINGS SCHEME
Statement of Net Assets
As at 31 March 2022

	Notes	2022	2021
		NZ\$	NZ\$
Assets			
Cash and Cash Equivalents	6	30,091,654	23,020,045
Wholesale Cash Fund	5	25,279,437	34,938,146
Investments at Fair Value through Profit or Loss	5	1,092,013,121	1,026,774,491
Total Assets		1,147,384,212	1,084,732,682
Liabilities			
Accounts Payable		(976,374)	(973,621)
PIE Tax Payable		(1,403,948)	(16,948,175)
Total Liabilities		(2,380,322)	(17,921,796)
Net Assets Available to pay Benefits		1,145,003,890	1,066,810,886
Represented by:			
Member Accounts	3	1,145,003,890	1,066,810,886
		1,145,003,890	1,066,810,886

Approved for issue by the Manager, Medical Funds Management Limited



29/06/2022

..... Date



29/06/2022

..... Date

This statement is to be read in conjunction with the notes on pages 7 to 18.

MAS RETIREMENT SAVINGS SCHEME
Statement of Changes in Net Assets
For the year ended 31 March 2022

	Notes	2022 NZ\$	2021 NZ\$
Investment Activities			
Investment Revenues			
Dividend Income		8,873,315	8,940,910
Interest Income		145,083	924,669
Gain on Investments at Fair Value	7,8	23,950,209	211,623,766
Total Investment Revenue		32,968,607	221,489,345
Other Revenues			
Bank Interest Received		3,022	491
Fee Rebate		404,050	374,399
Total Other Revenue		407,072	374,890
Expenses			
Administration Expenses		(69,706)	(271,285)
MFIM Management Fee		(10,971,929)	(9,747,768)
Audit Fee - Financial Statements - EY		(20,813)	(17,141)
Other Assurance Procedures - Registry Audit - EY		(1,610)	(1,495)
Trustee Fees		(3,556)	(15,450)
Total Expenses		(11,067,614)	(10,053,139)
Change in Net Assets before Taxation and Membership Activities	3	22,308,066	211,811,095
Membership Activities			
Member Contributions		107,346,592	89,235,830
Withdrawals		(50,039,651)	(55,346,399)
PIE Tax Paid		(1,422,005)	(17,233,024)
Net Membership Activities		55,884,937	16,656,407
Net Increase in Net Assets During Year		78,193,004	228,467,502
Net Assets Available for Benefits at Beginning of Year		1,066,810,886	838,343,384
Net Assets Available for Benefits at End of Year		1,145,003,890	1,066,810,886

This statement is to be read in conjunction with the notes on pages 7 to 18.

MAS RETIREMENT SAVINGS SCHEME
Statement of Cash Flows
For the year ended 31 March 2022

	Notes	2022 NZ\$	2021 NZ\$
Cash Flows from Operating Activities			
Cash provided from:			
Contributions		107,346,592	89,235,830
Sundry Income		3,022	491
PIE Tax Refund		-	3,884,192
		107,349,614	93,120,513
Cash applied to:			
Benefits Paid		(50,039,653)	(55,346,402)
Expenses		(10,821,776)	(9,659,821)
PIE Tax Paid		(16,966,232)	-
		(77,827,660)	(65,006,223)
Net Cash Inflow from Operating Activities	8	29,521,954	28,114,290
Cash Flows from Investing Activities			
Cash provided from:			
Proceeds from Sale of Investment Assets		88,157,207	80,780,243
Proceeds from Sale of Cash Investment Assets		29,715,471	366,315
less: Cash applied to:			
Purchase of Investment Assets		(118,626,137)	(107,385,223)
Purchase of Cash Investment Assets		(21,696,887)	(80,851,598)
Net Cash Outflow from Investing Activities		(22,450,346)	(107,090,262)
Net Increase/(Decrease) in Cash Held		7,071,609	(78,975,974)
Add Cash at start of Year		23,020,045	101,996,019
Balance at end of Year		30,091,654	23,020,045

This statement is to be read in conjunction with the notes on pages 7 to 18.

MAS RETIREMENT SAVINGS SCHEME

Notes to the Financial Statements For the year ended 31 March 2022

1. Scheme Description

These financial statements are for the MAS Retirement Savings Scheme (the "Scheme") for the year ended 31 March 2022. The Scheme was established under a Trust Deed dated 18 June 2021 and is a registered superannuation scheme and workplace savings scheme under the Financial Markets Conduct Act 2013 ("FMCA").

Medical Funds Management Limited ("the Manager") is the Manager of the Scheme, whose address is 19-21 Broderick Road, Johnsonville, Wellington, New Zealand.

The Supervisor of the Scheme is Public Trust, who were appointed in June 2021.

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

There is only one class of Member. There were no Members receiving benefits other than those paid on exit. During the year 310 Members received benefits from the Scheme (2021: 789 Members).

Funding Arrangements

Members' contributions are discretionary. No additional payments to acquire additional benefits were made by entrants or existing Members during the year. Employer contributions are discretionary. Participating employer contributions are made on behalf of members in accordance with the Employer's Participating Agreement. These funding arrangements are consistent with those of the previous year.

Retirement Benefits

Retirement benefits are determined by contributions to the Scheme together with investment earnings on these contributions over the period of membership.

Termination Terms

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

Changes to the Scheme

On 18 June 2021, the Scheme became a non-restricted superannuation scheme and workplace savings scheme, when the Trustees of the Plan retired as Manager of the Plan and Medical Assurance Society New Zealand Limited retired as Founder. Medical Funds Management Limited (MFM) was appointed manager of the Scheme. The Scheme has been renamed the MAS Retirement Savings Scheme.

Public Trust has been appointed as Supervisor for the Scheme. A new trust deed was executed 18 June 2021 by the retiring parties and the new parties. MFM applied to the Financial Markets Authority ("FMA") and the FMA directed the removal of the "restricted" status of the Scheme. This opens investment in the Scheme up to the wider public. A new 'Superannuation Scheme' section has been opened to the general public, which offers withdrawal benefits in line with the superannuation scheme rules under the Financial Markets Conduct Regulations 2014. The Workplace Savings Section will remain open, however will no longer be open to any other Members at the discretion of the manager.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

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

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

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

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

Measurement Base

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

MAS RETIREMENT SAVINGS SCHEME

Notes to the Financial Statements For the year ended 31 March 2022

2. Summary of Significant Accounting Policies (Continued)

Presentation and Functional Currency

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

Classification of Assets and Liabilities

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

New and amended standards and interpretations

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

Standards issued but not effective

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

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

Investment Income

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

Foreign Currencies

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

Income and Expenses

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

Investments

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

Financial Instruments

(i) Classification

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

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

(ii) Recognition/derecognition

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

MAS RETIREMENT SAVINGS SCHEME

Notes to the Financial Statements For the year ended 31 March 2022

2. Summary of Significant Accounting Policies (Continued)

(iii) Measurement

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

The fair value of unitised funds is determined using the price as calculated by the fund manager at balance date.

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

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

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

Taxation

The Scheme is a Portfolio Investment Entity ("PIE") under the Income Tax Act 2007. Under the PIE regime, income earned by the Scheme is attributed to all Members in accordance with the proportion of their interest in the overall Scheme. The income attributed to each Member is taxed at the Member's prescribed investor rate ("PIR") which is similar to an individual's marginal tax rate, however, it is capped at a maximum rate of 28%. The Scheme deducts tax from each Member's allocation and pays the tax to Inland Revenue on behalf of the Member.

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

Receivables

Receivables do not carry any interest and are short-term in nature and are accordingly stated at their amortised cost.

Payables

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

Derivative Financial Instruments

During the year the Scheme invested in a range of pooled investment vehicles by way of pooled units that were managed by JBWere. During the normal course of business the Scheme enters into foreign exchange contracts, financial futures, swaps and options. These instruments are for economic hedging purposes only and accounted for at fair value. The Scheme does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Scheme's Statement of Investment Policy and Objectives ("SIPO").

Changes in the fair value of derivative financial instruments are recognised in the Statement of Changes in Net Assets as they arise.

Goods and Services Tax ("GST")

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

MAS RETIREMENT SAVINGS SCHEME

Notes to the Financial Statements For the year ended 31 March 2022

2. Summary of Significant Accounting Policies (Continued)

Scheme Benefits

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

Statement of Cash Flows

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

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

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

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

Contributions and Benefits

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

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

Member Funds

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

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

Critical Accounting Estimates and Judgements

The Manager has applied their judgement in selecting the accounting policy to designate financial assets and liabilities at fair value through profit or loss. This policy has a significant impact on the amounts disclosed in the financial statements. With the exception of investments classified in Level 3 of the fair value hierarchy (see Note 10), which are not considered material, it is possible to determine the fair values of all financial assets as unit, bond and derivative prices are readily available from fund managers. Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of making material adjustments to the carrying value of assets and liabilities at year end. However, as with all investments their value is subject to variation due to market fluctuations. For the purposes of the fair value hierarchy of financial assets at fair value through profit or loss, the Manager has to apply their judgement as to what constitutes "observable prices". For further details refer to note 10 (Fair Value).

MAS RETIREMENT SAVINGS SCHEME

Notes to the Financial Statements For the year ended 31 March 2022

3. Net assets available to pay Benefits

	2022 NZ\$	2021 NZ\$
Movements in Members' Accounts - Per Members' Registry System		
Balance at beginning of year	1,065,713,309	839,557,835
Contributions received	108,274,048	87,986,620
Investment earnings allocated to members	22,313,968	210,633,970
PIE tax	(1,385,216)	(17,233,400)
Withdrawals paid	(50,463,710)	(55,231,716)
Balance at end of year	1,144,452,400	1,065,713,309
Movements in Members' Accounts - Timing Variances		
Balance at beginning of year	1,097,576	(1,214,451)
Investment earnings for year	22,308,066	211,811,095
Investment earnings allocated to members	(22,313,968)	(210,633,970)
Other variances due to timing differences	(540,184)	1,134,903
Balance at end of year - to be allocated to Member's accounts in 2022 (2021)	551,490	1,097,576
Total balance at end of year	1,145,003,890	1,066,810,886

Guaranteed Benefits

No guarantees have been made in respect of any part of the net assets available to pay benefits (2021: Nil).

4. Vested Benefits

Vested Benefits are benefits payable to Members, under the conditions of the Scheme, on the basis of all Members ceasing to be members of the Scheme at balance date. Vested Benefits as at 31 March 2022 were the net assets available to pay benefits less wind up costs (2021: same).

5. Investments

	2022 NZ\$	2021 NZ\$
The funds were invested by the Fund Manager in the following asset classes:		
Domestic Fixed Interest	87,369,948	89,280,592
International Fixed Interest	212,796,396	209,189,173
Australasian Equities	242,380,486	216,632,238
International Equities	545,454,901	507,296,918
Alternative Investments	4,011,391	4,375,569
Cash Investments	25,279,437	34,938,146
	1,117,292,558	1,061,712,637
Cash	27,667,364	20,577,629
Total Investments	1,144,959,922	1,082,290,266

The majority of funds invested are invested into unitised products or pooled vehicles.

MAS RETIREMENT SAVINGS SCHEME

**Notes to the Financial Statements
For the year ended 31 March 2022**

5. Investments (Continued)

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

	%	2022 NZ\$	%	2021 NZ\$
International Equities				
MAS Wholesale International Equities Fund	48	545,454,902	48	507,296,919
Australasian Equities				
MAS Wholesale Australasian Equities Fund	21	242,380,486	20	216,632,238
New Zealand Fixed Interest				
MAS Wholesale New Zealand Fixed Interest Fund	8	87,369,948	100	89,280,593
International Fixed Interest				
Hunter Global Fixed Interest Fund	19	212,796,396	20	209,189,173

(b) Trading Securities exceeding 5% of security class

Australasian Equities				
MAS Wholesale Australasian Equities Fund	100	242,380,486	100	216,632,238
International Equities				
MAS Wholesale International Equities Fund	100	545,454,902	100	507,296,919
Domestic Fixed Interest				
MAS Wholesale New Zealand Fixed Interest Fund	100	87,369,948	100	89,280,593
Alternative Investments				
Maui Capital Aqua Fund	92	3,687,733	84	3,687,733
Pencarrow IV Fund	6	225,123	13	586,404
International Fixed Interest				
Hunter Global Fixed Interest Fund	100	212,796,396	100	209,189,173
Cash Investments				
MAS Wholesale Cash Fund (NZD)	47	25,279,437	63	34,938,146
Cash and Cash Equivalents				
Westpac	53	29,051,339	36	19,879,998

MAS RETIREMENT SAVINGS SCHEME

Notes to the Financial Statements For the year ended 31 March 2022

6. Cash and Cash Equivalents

	2022 NZ\$	2021 NZ\$
ANZ Bank Current Account	2,424,290	2,442,416
JBWere Cash Account	27,667,364	20,577,629
	<u>30,091,654</u>	<u>23,020,045</u>

7. Changes in Net Market Value

	2022 NZ\$	2021 NZ\$
Cash - foreign denominated	336,288	(994,055)
Domestic fixed interest	(2,699,258)	4,020,726
International fixed interest	(19,423,658)	6,032,966
Domestic equities	17,607	21,958,289
International equities	45,719,230	157,753,131
Derivative financial instruments	-	22,852,707
	<u>23,950,209</u>	<u>211,623,766</u>

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

	2022 NZ\$	2021 NZ\$
Increase in Net Assets	78,193,004	228,467,502
Add/(less) non-cash items:		
Dividends received	(8,873,315)	(8,940,910)
Interest received	(145,085)	(924,669)
Administration expenses	243,085	213,434
Fee rebate	(404,051)	(374,399)
Gain on investments at fair value	(23,950,209)	(211,623,766)
Add/(less) movement in other working capital items:		
(Decrease)/Increase in accounts payable	2,752	179,882
(Decrease)/Increase in PIE tax payable/refundable	(15,544,226)	21,117,217
Net cash inflow from operating activities	<u>29,521,954</u>	<u>28,114,290</u>

MAS RETIREMENT SAVINGS SCHEME

Notes to the Financial Statements For the year ended 31 March 2022

9. Financial Instruments and Risk Management

The Scheme's risk management is carried out in accordance with policies set by the Manager. These policies provide clear structure for managing key financial risks. Whilst their review of risk is ongoing, the Manager formally review the major risks faced by the Scheme on a six monthly basis.

The Scheme's fund manager enters into currency derivatives, principally to protect the value of investments against adverse currency movements. They are prevented by policy guidelines established by the Manager from entering into such contracts for speculative purposes.

The Manager has approved a Statement of Investment Policy and Objectives which establishes investment fund objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Manager and asset reallocations undertaken as required.

The majority of the total sum invested, is in the name of the investing entity (MAS Retirement Savings Scheme), via a custodian. The funds are primarily invested into unitised or pooled vehicles.

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

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Scheme is exposed directly, as well as indirectly through investments in unit trusts, to foreign exchange risk, interest rate risk and other price risks through its investments. The investments in unit trusts are unitised and the underlying securities comprise cash, domestic and international equity instruments and domestic and international fixed interest securities.

Market risk management is carried out in accordance with policies set by the Manager. These policies provide clear structure for managing market risks. While the review is ongoing, the Manager formally reviews market risks faced by the Scheme on a quarterly basis.

Liquidity Risk

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

Liquidity Profile of Financial Liabilities

	0-6 Months	6-12 Months	Total
31 March 2022	\$	\$	\$
Financial Liabilities			
Other Liabilities	976,374	-	976,374
	<u>976,374</u>	<u>-</u>	<u>976,374</u>
31 March 2021	\$	\$	\$
Financial Liabilities			
Other liabilities	973,621	-	973,621
	<u>973,621</u>	<u>-</u>	<u>973,621</u>

MAS RETIREMENT SAVINGS SCHEME

Notes to the Financial Statements For the year ended 31 March 2022

9. Financial Instruments and Risk Management (Continued)

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, resulting in a financial loss to the Scheme. The financial instruments that potentially expose the Scheme to credit risk consist of cash and short term deposits, fixed interest securities and receivables and, indirectly, investments in unitised products which invest in cash and fixed interest investments. The maximum exposure to credit risk is the carrying value of these financial instruments. The Fund Managers of the Scheme are JBWere and Bancorp Treasury Services Limited ("Bancorp"), which the Manager considers to be financial institutions of high quality. The Fund Managers maintain a diversified investment fund in accordance with the fund mix adopted by the Manager. The credit risk on liquid funds and derivatives is minimised by restricting transactions to rated banks.

There are no financial assets past due or impaired at balance date (2021: Nil).

Statement of Net Asset Credit Exposures

	2022 NZ\$	2021 NZ\$
Cash and cash equivalents	30,091,654	23,020,045
	<u>30,091,654</u>	<u>23,020,045</u>

The following table provides information on the credit risk exposure for financial assets with external credit ratings of the Scheme. Investment grade financial assets are classified within the range of AAA to BBB, with AAA being the highest possible rating.

	AAA	AA	A	BBB	Not Rated	Carrying Value
31 March 2022						
Cash	-	100.00%	-	-	-	30,091,654
31 March 2021						
Cash	-	100.00%	-	-	-	23,020,045

Currency Risk

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

At 31 March 2022, 0% of the foreign currency exposure is hedged (2021: 0%), which is due to the funds being invested into unitised or pooled vehicles.

MAS RETIREMENT SAVINGS SCHEME

Notes to the Financial Statements For the year ended 31 March 2022

9. Financial Instruments and Risk Management (Continued)

Interest Rate Risk

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

Sensitivity Analysis

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

	Change in Net Assets after Taxation Higher/(Lower)	
	2022 NZ\$	2021 NZ\$
50bp Decrease in Interest Rates		
Cash and Cash Equivalents	275,832	278,215
50bp Increase in Interest Rates		
Cash and Cash Equivalents	(275,832)	(278,215)

Other Price Risk

The Scheme manages risk through investing in diversified unitised funds.

Other Price Risk

Sensitivity Analysis

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

	Change in Net Assets after Taxation Higher/(Lower)	
	2022 NZ\$	2021 NZ\$
Prices Increase by 10%	111,729,256	106,171,264
Prices Decrease by 10%	(111,729,256)	(106,171,264)
Classification of Financial Instruments	2022 NZ\$	2021 NZ\$
Financial Assets carried at fair value through profit or loss	1,092,013,121	1,026,774,491
Financial assets measured at amortised cost (including cash and cash equivalents)	30,091,654	23,020,045
Financial Liabilities held at amortised cost	(976,374)	(973,621)

Capital Management

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

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

MAS RETIREMENT SAVINGS SCHEME

Notes to the Financial Statements For the year ended 31 March 2022

10. Fair Value

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

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

	NZ\$	NZ\$	NZ\$	NZ\$
	Level 1	Level 2	Level 3	Total Balance
31 March 2022:				
Assets				
MAS Wholesale Investments	-	1,113,281,167	-	1,113,281,167
Alternative Investments	-	-	4,011,391	4,011,391
Total Assets	-	1,113,281,167	4,011,391	1,117,292,558
	NZ\$	NZ\$	NZ\$	NZ\$
	Level 1	Level 2	Level 3	Total Balance
31 March 2021:				
Assets				
MAS Wholesale Investments	-	1,057,337,067	-	1,057,337,067
Alternative Investments	-	-	4,375,569	4,375,570
Total Assets	-	1,057,337,067	4,375,569	1,061,712,637

There were no transfers between levels during the year (2021: Nil).

The financial assets carried at fair value through profit or loss level 2, held with JBWere were not traded in an active market. The investments are determined by reference to quoted prices in active markets.

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

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

MAS RETIREMENT SAVINGS SCHEME

Notes to the Financial Statements For the year ended 31 March 2022

10. Fair Value (Continued)

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

Reconciliation of level 3 fair value movements

	2022 NZ\$	2021 NZ\$
Opening Balance	4,375,569	4,257,587
Capital Investment/(Withdrawal)	(381,786)	(676,504)
Total Gains	17,607	794,486
Closing Balances	4,011,391	4,375,569

The financial assets carried at fair value through profit or loss level 3 were valued using valuation techniques which were consistent with last year. The fair value used for the Maui Capital Indigo Fund, Maui Capital Aqua Fund and Pencarrow IV Fund are determined with reference to valuations based on prices at balance date provided by the Fund Manager. The potential change in the relevant input by 10% would have the effect of impacting the fair value by \$401,139 (2021: \$437,557).

Derivative Financial Instruments Valuation

Derivative financial instruments are measured at fair value. The fair value of derivatives has been determined by reference to approximate price valuations received from registered banks. Valuations take account of relevant market conditions.

11. Related Parties

Medical Funds Management Limited ("MFM") provides management services to the Scheme. MFM charged a management fee to the Scheme. MFM charged a management fee to the Scheme of \$10,971,929 (2021: \$9,747,768). The fee charged ranges from 0.50% - 1.00% per annum of the funds under management and \$910,107.56 (2021: \$956,607.43) has been accrued at balance date. Management fees are calculated daily and paid monthly. MFM is responsible for paying JBWere and Bancorp investment management fees relative to the management of those funds. MFM is also responsible for paying Link for administration costs and paying Supervisor's costs. All related party transactions are at arms length. No related party debts have been written off or forgiven during the year (2021: Nil).

12. Commitments and Contingent Liabilities

	2022 NZ\$	2021 NZ\$
Maui Capital Aqua Fund	809,502	1,101,531
Maui Capital Indigo Fund	17,388	17,900
Pencarrow IV Fund	6,963	18,136
Total Capital Commitments	833,853	1,137,567

Capital commitments represent the uncalled capital contracted for at balance date but not yet paid to Maui Capital Aqua Fund, Maui Capital Indigo Fund, and Pencarrow IV Fund. No significant contingent liabilities exist as at 31 March 2022.

13. Events after Balance Date

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

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