

# **QuayStreet KiwiSaver Scheme**

**Financial Statements  
For the year ended 31 March 2021**

# QuayStreet KiwiSaver Scheme

## Statement of Changes in Net Assets

for the year ended 31 March 2021

|   | Note | 2021               | 2020               |
|---|------|--------------------|--------------------|
| <b>INVESTMENT ACTIVITIES</b>                                    |      |                    |                    |
| <b>Investment Income</b>  |      |                    |                    |
| Distribution income   |      | 43,684             | 38,759             |
| Net changes in fair value of investment assets                  |      | 34,329,438         | 510,389            |
| <b>Net investment income</b>                                    |      | <b>34,373,122</b>  | <b>549,148</b>     |
| <b>Expenses</b>   |      |                    |                    |
| Administration fees   | 8(d) | 159,317            | 151,839            |
| Audit fees - audit of financial statements                      | 8(e) | 9,056              | 9,056              |
| - other assurance services (register audit)                     | 8(e) | 2,174              | 2,113              |
| Other operating expenses  | 8(e) | 22,416             | 19,748             |
| <b>Total expenses</b>   |      | <b>192,963</b>     | <b>182,756</b>     |
| <b>Net profit before Membership activities</b>                  |      | <b>34,180,159</b>  | <b>366,392</b>     |
| Taxation expense  | 2(g) | -                  | -                  |
| <b>Net profit before membership activities after tax</b>        |      | <b>34,180,159</b>  | <b>366,392</b>     |
| <b>MEMBERSHIP ACTIVITIES</b>                                    |      |                    |                    |
| <b>Contributions received</b>                                   |      |                    |                    |
| Member contributions from Members                               |      | 17,456,608         | 14,837,735         |
| Member contributions from Employers                             |      | 6,188,105          | 4,985,864          |
| Member contributions from the Crown                             |      | 2,195,430          | 2,109,452          |
| Transfers in from other KiwiSaver Schemes                       |      | 8,712,534          | 14,144,170         |
| <b>Total contributions</b>                                      |      | <b>34,552,677</b>  | <b>36,077,221</b>  |
| <b>Payments to Members</b>                                      |      |                    |                    |
| Entitlement withdrawals   |      | 5,084,503          | 5,828,962          |
| Transfers to other Schemes                                      |      | 8,220,408          | 5,301,961          |
| Transfers to Australian Superannuation                          |      | 9,013              | 152,746            |
| Hardship claims   |      | 53,396             | 58,312             |
| Court order   |      | 170,363            | -                  |
| First home withdrawals  |      | 2,415,374          | 1,738,508          |
| Death   |      | 284,062            | 173,185            |
| Emigration  |      | 70,445             | 70,321             |
| Serious illness   |      | 128,401            | 72,196             |
| PIE Taxation  |      | 1,702,223          | 379,432            |
| <b>Total payments</b>   |      | <b>18,138,188</b>  | <b>13,775,623</b>  |
| <b>Net membership activities</b>                                |      | <b>16,414,489</b>  | <b>22,301,598</b>  |
| <b>Net increase in Net Assets during the year</b>               |      | <b>50,594,648</b>  | <b>22,667,990</b>  |
| Net assets available for benefits at the beginning of the year  |      | 187,417,553        | 164,749,563        |
| <b>Net assets available for benefits at the end of the year</b> |      | <b>238,012,201</b> | <b>187,417,553</b> |

Please read in conjunction with the attached notes set out on pages 5 to 11.

# QuayStreet KiwiSaver Scheme

## Statement of Net Assets

as at 31 March 2021

|  | Note | 2021               | 2020               |
|--|------|--------------------|--------------------|
| <b>Assets</b>                            |      |                    |                    |
| Cash and cash equivalents                | 7    | 996,508            | 430,351            |
| Accounts receivable                      | 8(b) | 306                | 370                |
| Investment assets                        | 3    | 238,769,573        | 187,404,210        |
| <b>Total assets</b>                      |      | <b>239,766,387</b> | <b>187,834,931</b> |
| <b>Liabilities</b>                       |      |                    |                    |
| Related party payable                    | 8    | 112,225            | 105,072            |
| PIE tax payable on behalf of Members     | 8(b) | 1,641,961          | 312,306            |
| <b>Total liabilities</b>                 |      | <b>1,754,186</b>   | <b>417,378</b>     |
| <b>Net assets available for benefits</b> |      | <b>238,012,201</b> | <b>187,417,553</b> |
| <b>Members' funds</b>                    | 5    | <b>238,012,201</b> | <b>187,417,553</b> |

On behalf of QuayStreet Asset Management Limited who authorised the issue of these financial statements on 17 June 2021.



Director:

Date:

17 June 2021



Director:

Date:

17 June 2021

Please read in conjunction with the attached notes set out on pages 5 to 11.

# QuayStreet KiwiSaver Scheme

## Statement of Cash Flows

for the year ended 31 March 2021

|   | Note | 2021         | 2020         |
|---|------|--------------|--------------|
| <b>Cash flows from operating activities</b>             |      |              |              |
| Distributions received                                  |      | 43,684       | 38,759       |
| Purchases of investment assets                          |      | (40,975,092) | (40,833,683) |
| Sales of investment assets                              |      | 23,939,167   | 18,472,940   |
| Other operating expenses                                |      | (185,746)    | (176,893)    |
| <b>Net cash flows from operating activities</b>         | 6    | (17,177,987) | (22,498,877) |
| <b>Cash flows from financing activities</b>             |      |              |              |
| Proceeds from contributions by Members                  |      | 34,552,677   | 36,077,221   |
| Payments for withdrawals by Members                     |      | (16,435,965) | (13,396,191) |
| Tax paid on behalf of Members                           |      | (372,568)    | (423,547)    |
| <b>Net cash flows from financing activities</b>         |      | 17,744,144   | 22,257,483   |
| <b>Net movement in cash and cash equivalents</b>        |      | 566,157      | (241,394)    |
| Cash and cash equivalents at the beginning of the year  |      | 430,351      | 671,745      |
| <b>Cash and cash equivalents at the end of the year</b> |      | 996,508      | 430,351      |

Please read in conjunction with the attached notes set out on pages 5 to 11.

# QuayStreet KiwiSaver Scheme

## Notes to the Financial Statements

for the year ended 31 March 2021

### 1. General Information

#### (a) Reporting Entity

These financial statements are for the QuayStreet KiwiSaver Scheme (previously named Craigs Investment Partners kiwiSTART Defined Scheme), (the 'Scheme').

The QuayStreet KiwiSaver Scheme was established under a Trust Deed dated 16 August 2007 and was then known as the ABN AMRO Craigs START KiwiSaver Scheme 2. The Scheme was renamed the Craigs Investment Partners kiwiSTART Defined Scheme on 31 August 2009 and was renamed the QuayStreet KiwiSaver Scheme with effect from 12 September 2016. The Scheme is governed by an amended and restated Trust Deed dated 29 August 2016 but effective from 12 September 2016. The Scheme is a defined contribution scheme.

The Scheme is registered under the KiwiSaver Act 2006 under the registration number KSS/10054. The financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The Scheme invests into a variety of unlisted unit trusts (all managed by QuayStreet Asset Management Limited (see Note 8(a))) in order to gain indirect exposure to cash, bonds, equity and property markets. The retirement benefits are determined by contributions to the Scheme together with investment earnings on these contributions over the period of the membership.

The QuayStreet Funds, in which the Scheme invests, are governed by a consolidated and amended Master Trust Deed dated 1 June 2016. A Product Disclosure Statement lodged on the Disclose Register was issued 15 March 2021 by the QuayStreet Funds.

The Product Disclosure Statement for the Scheme was registered with the Companies Office on 15 March 2021.

The investment and administration activities of the Scheme are managed by QuayStreet Asset Management Limited (previously Craigs Investment Partners Superannuation Management Limited) (the 'Manager').

The New Zealand Guardian Trust Company Limited (the statutory trustee) is licenced under the Securities Trustees and Statutory Supervisors Act 2011.

The registered office of the Manager of the Scheme is 158 Cameron Road, Tauranga, New Zealand. The Scheme is domiciled in New Zealand.

#### (b) Statement of compliance

The financial statements have been prepared by the Manager in accordance with the Trust Deed, the Financial Reporting Act 2013, The Financial Markets Conduct Act 2013, the Superannuation Schemes Act 1989, the KiwiSaver Act 2006 and New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). 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 also comply with International Financial Reporting Standards ("IFRS").

The financial statements are prepared for the year ended 31 March 2021.

The financial statements were authorised for issue by the directors of QuayStreet Asset Management Limited, the Manager on 17 June 2021.

# QuayStreet KiwiSaver Scheme

## Notes to the Financial Statements

for the year ended 31 March 2021

### 1. General Information (continued)

#### (c) Basis of preparation

The financial statements are presented in New Zealand dollars, which is the Scheme's functional currency. All values are rounded to the nearest dollar.

The impacts of COVID-19 were assessed during the preparation of the financial statements. These included assessing whether there were any indicators effecting the Scheme's ability to operate as a going concern. No such indicators were identified that would negatively influence the Scheme as a going concern.

Except where noted in specific accounting policies below, the financial statements are prepared on a fair value basis.

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, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of COVID-19 and the resulting estimates due to these uncertainties are mainly related to fair value measurement (refer notes 3 and 4).

There are no other significant estimates and judgements used in preparing these financial statements.

Accounting policies have been applied consistently across all the financial periods presented in these financial statements.

### 2. Summary of significant accounting policies

#### (a) Investments

##### **Recognition and derecognition**

Investment assets are recognised on the date that the Scheme becomes party to the contractual agreement (trade date). Investment assets are derecognised when the contractual rights to the cash flows expire or the Scheme has transferred substantially all risks and rewards of ownership.

##### **Measurement**

The Scheme measures investment assets on a fair value basis, and carries them at their fair value, with changes recognised in the Statement of Changes in Net Assets. Investment assets are designated as fair value through profit or loss on initial recognition.

Investments in unlisted unit trusts are recorded at the dollar value per unit as reported by the managers of such funds redemption price.

#### (b) Other financial assets and liabilities

Other financial assets and liabilities, which may include cash and cash equivalents, receivables and payables, are initially recognised at fair value and subsequently carried at their amortised cost using the effective interest rate method. Their carrying value closely approximates their fair value.

For cash flow statement presentation purposes, cash and cash equivalents comprise Member Funds held by the Trustee. Cash equivalents are subject to an insignificant risk of changes in value, and are held short-term for the purpose of investment into unit trusts.

Other financial assets are classified as loans and receivables.

Other financial liabilities are classified as financial liabilities at amortised cost.

# QuayStreet KiwiSaver Scheme

## Notes to the Financial Statements

for the year ended 31 March 2021

### 2. Summary of significant accounting policies (continued)

#### (c) Investment income

Income distributions from unit trusts are recognised in the Statement of Changes in Net Assets as distribution income on an entitlement basis. Net changes in fair value of investment assets are recognised in the Statement of Changes in Net Assets.

#### (d) Investment expenses

Expenses are recognised on an accrual basis.

#### (e) Net assets available for benefits

The net assets available for benefits is the Scheme's present obligation to pay benefits to Members and has been calculated as the difference between the fair value of the assets and the fair value of the liabilities as at balance date.

Issued units provide Members with the right to require redemption for cash at the value proportionate to the Members' share in the Scheme's net assets. These units are puttable instruments and are classified as equity as they meet all of the following criteria: (i) Members are entitled to a pro rata share of the Scheme's net assets in the event of the Scheme's liquidation, (ii) apart from the contractual obligation of the issuer to redeem the instrument for cash or another financial asset, the instrument does not include contractual obligations to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under potentially unfavourable conditions to the entity and (iii) the total expected cash flows attributable to the instrument over its life is based substantially on the profit or loss and changes in the recognised net assets or the change in fair value of the recognised and unrecognised net assets of the entity over the life of the instrument.

As Members' contributions are received, they are held in trust by The New Zealand Guardian Trust Company Limited until the next trading day when they are transferred into the Scheme (refer note 7).

#### (f) New Standards and pronouncements relevant to the Scheme

There have been no new standards or pronouncements which have impacted the financial statements during the reporting period.

#### (g) Taxation

The Scheme qualifies as, and has elected to be, a 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.

Under the PIE regime, the Manager attributes the net taxable income of the Scheme on a portfolio basis to Members in accordance with their proportionate interest in a relevant portfolio. Income attributed to each Member is taxed at the Member's prescribed investor rate ("PIR"), which is capped at 30% (33% prior to 1 April 2008). The Manager accounts for tax on behalf of natural persons and certain other Members and adjusts the Members' interests in the Scheme to reflect that the Scheme pays tax at varying rates on behalf of Members.

#### (h) Goods and Services Tax ("GST")

The Scheme is not registered for GST. The Statement of Changes in Net Assets and the Statement of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Statement of Net Assets are stated inclusive of GST.

# QuayStreet KiwiSaver Scheme

## Notes to the Financial Statements

for the year ended 31 March 2021

### 3. Investment assets

|   | 2021        | 2020        |
|---|-------------|-------------|
| Total investment assets – unlisted NZ unit trusts | 238,769,573 | 187,404,210 |

The following direct investments exceeded 5% of the net assets available for benefits by the funds at 31 March:

|  |                     |                     |
|--|---------------------|---------------------|
| QuayStreet Funds - Balanced Fund             | 68,692,434<br>28.9% | 56,086,711<br>29.9% |
| QuayStreet Funds - Conservative Fund         | 15,456,903<br>6.5%  | 14,742,841<br>7.9%  |
| QuayStreet Funds - Growth Fund               | 98,448,701<br>41.4% | 76,250,861<br>40.7% |
| QuayStreet Funds - International Equity Fund | 13,407,002<br>5.6%  | 10,250,785<br>5.5%  |
| QuayStreet Funds - NZ Equity Fund            | 21,117,408<br>8.9%  | 11,603,417<br>6.2%  |

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| 31 March 2021   | Level 1 | Level 2     | Level 3 | Total       |
|---|---------|-------------|---------|-------------|
| Financial assets designated at fair value through profit or loss: |         |             |         |             |
| Unlisted NZ unit trusts   | -       | 238,769,573 | -       | 238,769,573 |
| 31 March 2020   | Level 1 | Level 2     | Level 3 | Total       |
| Financial assets designated at fair value through profit or loss: |         |             |         |             |
| Unlisted NZ unit trusts   | -       | 187,404,210 | -       | 187,404,210 |

There have been no changes to the fair value hierarchy classification of investments as a result of the impact of COVID-19 and the level remains as disclosed above.

# QuayStreet KiwiSaver Scheme

## Notes to the Financial Statements

for the year ended 31 March 2021

### 4. Financial risk management

The Scheme's investment portfolio consists of investments in unlisted unit trusts that it intends to hold for an indefinite period of time. Through the holding of these investments, the Scheme is exposed indirectly to a variety of financial risks including: credit, foreign exchange, interest rate, market price and liquidity risks. The risk disclosures have been prepared on the basis of the Scheme's direct investments and not on a look through basis for investments held indirectly through unit trusts. Consequently the disclosure of risk in the notes does not fully represent the true risk profile of the Scheme.

The Scheme is directly exposed to market price and liquidity risk. The risk management policies employed by the Scheme are discussed in the notes below.

Financial instruments of the Scheme comprise investments in financial assets for the purpose of generating a return on investment made by Members. In addition, the Scheme may have financial assets and liabilities in the form of Members funds held by the trustee and accounts payable and accrued expenses, which arise directly from its daily operations.

The Trust Deed requires the Manager to invest the Scheme's assets in accordance with Member investment directions.

#### (a) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations associated with financial liabilities. The Scheme is exposed to daily cash redemptions of Members' funds, subject to the restrictions imposed by the KiwiSaver Act 2006. Accordingly, all material investments are readily convertible to cash in normal market conditions. Investments in unit trusts are redeemable on demand. The redemption amount is set at the net tangible asset value of each unit, which is set regularly.

Accounts payable and accrued expenses have no contractual maturity date, but are typically settled within 30 days or within the timeframe as set out in the Trust Deed.

In accordance with the Scheme's investment policy, the Manager monitors the Scheme's liquidity positions through the regular review of cash flow information, which highlights current and known future levels of redemptions.

The Scheme has not experienced a higher number of client withdrawals as a result of COVID-19 nor have further withdrawal restrictions been imposed on Members, other than those which continue to be required under the KiwiSaver Act 2006. The Scheme remains appropriately liquid, having considered the liquidity of the underlying investments and level of potential withdrawals.

#### (b) Market price risk

Market price risk is the risk that the value of a Scheme's investment portfolio will fluctuate as a result of changes in market prices.

The Scheme holds investments in unlisted unit trusts managed by the related party entity QuayStreet Asset Management Limited. These unit trusts invest in financial instruments, taking positions in traded and over-the-counter instruments to take advantage of short-term market movements in the bond, equity and property markets.

The effect on the Statement of Changes in Net Assets and increase/(decrease) on the net asset value of the Members funds with a 1% change in the prices of the underlying unit trusts will have a 1% increase/(decrease) on the fair value of those investments, with all other variables held constant.

Following the impact of COVID-19 and the resulting volatility in financial markets the Manager has reviewed this price risk sensitivity analysis and at the date of this report believe the price range sensitivity remains appropriate.

# QuayStreet KiwiSaver Scheme

## Notes to the Financial Statements

for the year ended 31 March 2021

### 5. Members' funds

The Scheme's capital is represented by Members' funds. The Scheme's objectives when managing capital are to provide returns for Members through both capital growth and income. The Scheme does this by investing in accordance with its investment policy. Investment decisions are guided by the respective mandate included in the governing and offer documents, including the Statement of Investment Policy Objectives.

The Scheme strives to invest the Members' funds in investments that meet the Scheme's objectives while maintaining sufficient liquidity to meet Members' redemptions.

The Scheme does not have any externally imposed capital requirements. Members' funds may be redeemed on dates as the Manager shall from time to time determine, subject to the strict restrictions imposed by the KiwiSaver Act 2006.

Expected cash outflow cannot be reliably estimated given that the Scheme does not have sufficient historical redemption rates to predict the expected outflow profile.

### 6. Reconciliation of net profit to net cash flows from operating activities

|   | 2021                | 2020                |
|---|---------------------|---------------------|
| <b>Net profit/(loss) before membership activities</b> | 34,180,159          | 366,392             |
| <i>Non-cash items</i>                                 |                     |                     |
| Unrealised change in fair value                       | (29,928,263)        | 4,142,813           |
| <i>Movement in operating balances:</i>                |                     |                     |
| Accounts payable and accruals                         | 7,153               | 6,066               |
| Accounts receivable                                   | 64                  | (203)               |
| Investment assets                                     | (21,437,100)        | (27,013,945)        |
| <b>Net cash flows from operating activities</b>       | <u>(17,177,987)</u> | <u>(22,498,877)</u> |

### 7. Cash and cash equivalents

These balances represent Member contributions and withdrawals which are being held by the trustee in a separate trust account until the next trading day. At balance date the funds have not yet been invested into a unit trust.

### 8. Related party transactions

#### (a) Nature of Relationships

QuayStreet Asset Management Limited is the Manager of the Scheme.

Craigs Investment Partners Limited, parent company of the Manager, effects trades on behalf of the Scheme along with other brokers.

The Scheme invests into the QuayStreet Funds (referred to as the "underlying investment entities or unit trusts"). The Manager of the Funds is QuayStreet Asset Management Limited. The Manager receives fees from the underlying investment entities, however the fees received from the Scheme are reduced by the fees received from the underlying investment entities, to ensure there is no cumulative fees. The trustee of the Scheme is also trustee of the QuayStreet Funds. The trustee receives fees from the Manager.

# QuayStreet KiwiSaver Scheme

## Notes to the Financial Statements

for the year ended 31 March 2021

### 8. Related party transactions (continued)

#### (b) Transactions with the Manager

All related party transactions are conducted on standard commercial terms and conditions.

The Manager reimburses the Scheme for bank charges. For the year ended 31 March 2021 this was \$3,637 (2020: \$3,051). As at 31 March 2021, \$306 remained outstanding (2020: \$370).

The Manager pays PIE tax on behalf of Members and recovers these amounts from clients at year end, 31 March 2021. As at 31 March 2021, PIE tax payable has been calculated and accrued as \$1,641,961 and included in the Statement of Net Assets (2020: \$312,306).

#### (c) Management fees

Under the terms of the Trust Deed, the Manager is entitled to receive management fees, calculated by reference to the daily gross asset value of the Scheme and is inclusive of the trustee fee. The Scheme invests solely in unit trusts managed by QuayStreet Asset Management Limited. The management fee is not charged in the Scheme as this is paid at the unit trust level, and is reflected in the value of units held (i.e. an indirect cost).

Craigs Investment Partners Limited, the parent company of the Manager, received fees of \$2,414,127 (2020: \$2,104,836) via the QuayStreet Funds from Members of this Scheme. Fees are deducted by the cancellation of investment units in the underlying unit trusts. Included in this fee was a \$130,505 (2020: \$111,730) trustee fee.

#### (d) Administration fees

Under the terms of the Trust Deed, the Manager is entitled to receive administration fees of up to \$30 per annum, per Member. Administration fees are disclosed in the Statement of Changes in Net Assets as \$159,317 (2020: \$151,839) and are shown net of any rebates. As at 31 March 2021 \$78,924 was recognised as payable to the Manager in the Statement of Net Assets (2020: \$76,458).

#### (e) Reimbursement of expenses

Under the terms of the Trust Deed, the Manager and the trustee are entitled to be reimbursed for expenses such as audit fees, legal fees and postage expenses. For the year ended 31 March 2021 these were \$33,646 (2020: \$30,917). As at 31 March 2021 the Scheme has a payable to the Manager for expenses and other payables of \$33,301 (2020: \$28,614).

Where the actual expenses paid by the Manager are higher than those charged to the Scheme, the Manager is able to carry amounts forward to be recovered in future periods. As at 31 March 2021, there was no carry-forward amount owing to the Manager (2020: Nil).

#### (f) Directors interests

Directors and key management personnel of the Manager, QuayStreet Asset Management Limited, along with their families and other prescribed interests have investment holdings of \$714,528 at 31 March 2021 (2020: \$537,674), with transactions during the year consisting of contributions of \$75,286 and withdrawals of \$1,302 from the Scheme. These related party transactions are conducted on standard commercial terms and conditions.

### 9. Subsequent Events

No significant events have occurred since the end of the reporting period which would impact on the Statement of Net Assets as at 31 March 2021 or on the results and cash flows of the Scheme for the year ended on that date.



# Independent Auditor's Report

To the members of QuayStreet KiwiSaver Scheme

## Report on the audit of the financial statements

### Opinion

In our opinion, the accompanying financial statements of QuayStreet KiwiSaver Scheme (the 'scheme') on pages 2 to 11:

- i. present fairly in all material respects the scheme's financial position as at 31 March 2021 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of net assets as at 31 March 2021;
- the statement of changes in net assets and cash flows for the year then ended; and
- notes, including a summary of 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)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the scheme in relation to taxation and other assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the scheme on normal terms within the ordinary course of trading activities of the business of the scheme. These matters have not impaired our independence as auditor of the scheme. The firm has no other relationship with, or interest 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 in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements

## The key audit matter

## How the matter was addressed in our audit

### Existence and valuation of investments

As disclosed in Note 3 of the Financial Statements, the Scheme has investment assets of \$238.8 million.

Investments are the Scheme's main assets, and existence and valuation of these investments is the most important aspect of preparing the financial statements.

As described in Note 3, the Schemes investments include unlisted NZ unit trusts ('QuayStreet Funds').

The investment portfolio in total, due to its materiality in the context of the financial statements as a whole, is our most significant area of audit focus.

Our audit procedures included:

- Documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the investment accounting provider for the investee by obtaining and reading the service organisation reports issued by an independent auditor on the design and operation of those controls throughout the period;
- Agreeing the valuation of unlisted unit trusts to the redemption value per unit as reported by the individual Funds' Manager;
- For cash accounts, agreeing the closing book value to bank confirmations; and
- Consideration of the fair value hierarchy level assigned to each investment and the appropriateness of the valuation information available.

We did not identify any material differences from our procedures.



### Use of this independent auditor's report

This independent auditor's report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the independent 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 members as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



### Responsibilities of the Manager for the financial statements

The Manager, on behalf of the scheme, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



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## Auditor's responsibilities for the audit of the financial statements

Our objective is:

- 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 independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our independent auditor's report.

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

For and on behalf of



Tauranga

17<sup>th</sup> June 2021