

Simplicity Investment Funds  
Financial Statements  
For the year ended 31 March 2022

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## Statements of Comprehensive Income

\$		Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund		
		Note	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	<b>For the year ended 31 March</b>											
	<b>Income</b>											
	Interest income	11	19,130	12,379	63,623	20,799	118,472	31,231	12,718,011	10,497,192	43,674	18,612
	Dividend and distribution income		4,741,416	3,763,273	10,694,031	5,452,160	16,542,017	7,463,828	-	-	20,767,357	9,474,945
	Net foreign currency losses on cash and cash equivalents		(754)	(1,326)	(27,103)	6,780	(103,122)	26,506	-	-	-	-
	Net gain/(loss) on financial assets and liabilities at fair value through profit or loss		(9,381,338)	1,663,084	(12,809,834)	22,890,653	(6,824,358)	61,203,698	(47,730,099)	(23,106,017)	(57,226,439)	69,366,802
	Management fee rebates		312,514	232,815	886,820	382,673	1,477,260	609,942	-	-	-	-
	Other income		53	-	-	-	-	-	47,643	-	-	-
	<b>Total income/(loss)</b>		<b>(4,308,979)</b>	<b>5,670,225</b>	<b>(1,192,463)</b>	<b>28,753,065</b>	<b>11,210,269</b>	<b>69,335,205</b>	<b>(34,964,445)</b>	<b>(12,608,825)</b>	<b>(36,415,408)</b>	<b>78,860,359</b>
	<b>Expenses</b>											
	Management fees	8	510,912	379,996	1,384,174	600,902	2,331,798	967,911	478,837	345,097	788,555	440,262
	Transaction costs		-	-	-	-	-	-	-	-	186,099	126,174
	Custody expenses		-	-	-	26	-	26	147	68	1,204	461
	Other expenses		265	1,713	563	2,485	626	2,333	349	715	2,167	3,478
	<b>Total operating expenses</b>		<b>511,177</b>	<b>381,709</b>	<b>1,384,737</b>	<b>603,413</b>	<b>2,332,424</b>	<b>970,270</b>	<b>479,333</b>	<b>345,880</b>	<b>978,025</b>	<b>570,375</b>
	<b>Operating profit/(loss)</b>		<b>(4,820,156)</b>	<b>5,288,516</b>	<b>(2,577,200)</b>	<b>28,149,652</b>	<b>8,877,845</b>	<b>68,364,935</b>	<b>(35,443,778)</b>	<b>(12,954,705)</b>	<b>(37,393,433)</b>	<b>78,289,984</b>
	<b>Profit/(loss) for the year attributable to Unitholders</b>		<b>(4,820,156)</b>	<b>5,288,516</b>	<b>(2,577,200)</b>	<b>28,149,652</b>	<b>8,877,845</b>	<b>68,364,935</b>	<b>(35,443,778)</b>	<b>(12,954,705)</b>	<b>(37,393,433)</b>	<b>78,289,984</b>
	<b>Total comprehensive income/(loss) for the year attributable to Unitholders</b>		<b>(4,820,156)</b>	<b>5,288,516</b>	<b>(2,577,200)</b>	<b>28,149,652</b>	<b>8,877,845</b>	<b>68,364,935</b>	<b>(35,443,778)</b>	<b>(12,954,705)</b>	<b>(37,393,433)</b>	<b>78,289,984</b>

These statements are to be read in conjunction with the accompanying notes.

## Statements of Changes in Net Assets Attributable to Unitholders

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>For the year ended 31 March</b>										
<b>Net assets attributable to Unitholders at the beginning of the year</b>	<b>157,451,041</b>	81,314,973	<b>309,654,850</b>	117,091,025	<b>478,859,271</b>	199,822,486	<b>400,868,776</b>	247,729,425	<b>590,130,775</b>	284,461,470
Proceeds from units issued	126,108,234	145,953,021	322,220,114	218,995,352	594,981,377	289,184,994	231,134,782	236,829,325	392,715,557	282,300,183
Redemption of units	(119,703,083)	(75,435,830)	(122,655,022)	(54,260,900)	(177,541,905)	(76,930,548)	(92,620,080)	(71,279,074)	(63,346,941)	(54,921,379)
Unitholders tax liabilities	624,893	330,361	(302,673)	(320,279)	(2,589,406)	(1,582,596)	613,164	543,805	24,934	517
<b>Net increase from transaction in units</b>	<b>7,030,044</b>	70,847,552	<b>199,262,419</b>	164,414,173	<b>414,850,066</b>	210,671,850	<b>139,127,866</b>	166,094,056	<b>329,393,550</b>	227,379,321
Total comprehensive income/(loss) for the year attributable to Unitholders	(4,820,156)	5,288,516	(2,577,200)	28,149,652	8,877,845	68,364,935	(35,443,778)	(12,954,705)	(37,393,433)	78,289,984
<b>Net assets attributable to Unitholders at the end of the year</b>	<b>159,660,929</b>	157,451,041	<b>506,340,069</b>	309,654,850	<b>902,587,182</b>	478,859,271	<b>504,552,864</b>	400,868,776	<b>882,130,892</b>	590,130,775

Units on issue	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>For the year ended 31 March</b>										
Units on issue at the beginning of the year	129,007,555	71,453,853	226,047,820	102,436,175	322,173,944	172,567,376	361,167,937	218,661,789	395,192,579	239,863,060
Units issued	104,414,157	119,531,966	228,123,825	164,828,648	380,389,839	206,230,510	212,331,399	204,397,341	260,911,348	193,199,709
Units redeemed	(97,859,507)	(61,978,264)	(86,763,593)	(41,217,003)	(114,492,612)	(56,623,942)	(85,246,164)	(61,891,193)	(42,431,741)	(37,870,190)
<b>Units on issue at the end of the year</b>	<b>135,562,205</b>	129,007,555	<b>367,408,052</b>	226,047,820	<b>588,071,171</b>	322,173,944	<b>488,253,172</b>	361,167,937	<b>613,672,186</b>	395,192,579

These statements are to be read in conjunction with the accompanying notes.

## Statements of Financial Position

\$		Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund		
		Note	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>												
<b>Assets</b>												
	Cash and cash equivalents		232,620	1,912,694	6,872,026	13,316,588	19,937,642	19,943,693	3,194,221	1,918,262	5,491,811	11,662,233
	Trade and other receivables	9	587,931	193,455	3,659,764	122,171	3,654,942	444,438	5,842,199	5,555,412	4,687,610	2,424,734
	Financial assets at fair value through profit or loss	6	157,664,915	154,717,763	495,722,442	296,120,605	880,952,880	459,691,394	495,020,865	393,129,471	872,085,554	576,197,036
	Tax receivable on behalf of unitholders		1,274,405	844,849	836,943	420,593	150,963	82,715	619,705	600,505	102,112	51,037
<b>Total assets</b>			<b>159,759,871</b>	<b>157,668,761</b>	<b>507,091,175</b>	<b>309,979,957</b>	<b>904,696,427</b>	<b>480,162,240</b>	<b>504,676,990</b>	<b>401,203,650</b>	<b>882,367,087</b>	<b>590,335,040</b>
<b>Liabilities</b>												
	Other payables	10	31,944	169,381	613,184	130,587	812,193	327,136	80,279	292,735	84,402	101,464
	Management fees payable	8	41,776	43,472	129,598	81,731	227,974	124,952	43,731	36,017	75,465	52,880
	Tax payable on behalf of unitholders		25,222	4,867	8,324	112,789	1,069,078	850,881	116	6,122	76,328	49,921
<b>Total liabilities</b>			<b>98,942</b>	<b>217,720</b>	<b>751,106</b>	<b>325,107</b>	<b>2,109,245</b>	<b>1,302,969</b>	<b>124,126</b>	<b>334,874</b>	<b>236,195</b>	<b>204,265</b>
<b>Net assets attributable to Unitholders</b>			<b>159,660,929</b>	<b>157,451,041</b>	<b>506,340,069</b>	<b>309,654,850</b>	<b>902,587,182</b>	<b>478,859,271</b>	<b>504,552,864</b>	<b>400,868,776</b>	<b>882,130,892</b>	<b>590,130,775</b>

These statements are to be read in conjunction with the accompanying notes.

The Directors of Simplicity NZ Limited authorised these Financial Statements for issue on 27 July 2022.

Director Joy Marstin (Jul 29, 2022 16:46 GMT+12) Date 28 July 2022

Director [Signature] Date 28 July 2022

## Statements of Cash Flows

\$	Note	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>For the year ended 31 March</b>											
<b>Cash flows from operating activities</b>											
Proceeds from sale of financial instruments at fair value through profit or loss		24,579,565	5,845,130	31,886,285	5,954,160	26,987,245	8,303,200	51,057,000	18,891,135	22,162,189	18,921,952
Purchase of financial instruments at fair value through profit or loss		(32,720,333)	(75,229,363)	(234,656,948)	(158,428,276)	(439,997,743)	(203,416,054)	(200,678,485)	(193,634,863)	(367,730,663)	(241,152,603)
Net settlement of forward currency contracts		24,424	(101,225)	(56,670)	(479,094)	(202,381)	-	-	-	-	-
Dividends and distributions received		529,272	440,815	1,109,693	618,090	1,669,036	812,482	-	-	10,673,268	6,883,880
Interest income received		19,130	12,379	63,623	20,799	118,472	31,231	12,105,525	8,916,134	43,674	18,612
Other income		53	-	-	-	-	-	47,643	-	-	-
Transaction costs		-	-	-	-	-	-	-	-	(186,099)	(126,174)
Management fee rebates received		310,763	198,223	785,652	317,739	1,273,288	520,793	-	-	-	-
Management fees paid		(512,608)	(357,787)	(1,336,307)	(552,335)	(2,228,776)	(898,369)	(471,123)	(331,351)	(765,970)	(412,722)
Other expenses paid		(265)	(1,713)	(563)	(2,511)	(626)	(2,359)	(496)	(783)	(3,371)	(3,939)
<b>Net cash outflow from operating activities</b>	<b>12</b>	<b>(7,769,999)</b>	<b>(69,193,541)</b>	<b>(202,205,235)</b>	<b>(152,551,428)</b>	<b>(412,381,485)</b>	<b>(194,649,076)</b>	<b>(137,939,936)</b>	<b>(166,159,728)</b>	<b>(335,806,972)</b>	<b>(215,870,994)</b>
<b>Cash flows from financing activities</b>											
Proceeds from units issued		125,715,508	147,480,174	318,783,690	221,494,949	591,974,861	290,635,970	231,460,473	236,748,104	393,000,286	282,564,417
Redemptions of units		(119,840,521)	(75,778,626)	(122,172,425)	(54,977,571)	(177,056,848)	(77,410,673)	(92,832,536)	(71,241,882)	(63,364,002)	(55,337,583)
Unitholders tax liabilities		215,692	(723,594)	(823,489)	(1,142,855)	(2,439,457)	(1,913,386)	587,958	(299,959)	266	(8,570)
<b>Net cash inflow from financing activities</b>		<b>6,090,679</b>	<b>70,977,954</b>	<b>195,787,776</b>	<b>165,374,523</b>	<b>412,478,556</b>	<b>211,311,911</b>	<b>139,215,895</b>	<b>165,206,263</b>	<b>329,636,550</b>	<b>227,218,264</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,679,320)</b>	<b>1,784,413</b>	<b>(6,417,459)</b>	<b>12,823,095</b>	<b>97,071</b>	<b>16,662,835</b>	<b>1,275,959</b>	<b>(953,465)</b>	<b>(6,170,422)</b>	<b>11,347,270</b>
Cash and cash equivalents at the beginning of the financial year		1,912,694	129,607	13,316,588	486,713	19,943,693	3,254,352	1,918,262	2,871,727	11,662,233	314,963
Foreign exchange losses on cash denominated in foreign currencies		(754)	(1,326)	(27,103)	6,780	(103,122)	26,506	-	-	-	-
<b>Cash and cash equivalents at the end of the financial year</b>		<b>232,620</b>	<b>1,912,694</b>	<b>6,872,026</b>	<b>13,316,588</b>	<b>19,937,642</b>	<b>19,943,693</b>	<b>3,194,221</b>	<b>1,918,262</b>	<b>5,491,811</b>	<b>11,662,233</b>
<b>The cash balances of the Funds comprise of:</b>											
Cash and cash equivalents		232,620	1,912,694	6,872,026	13,316,588	19,937,642	19,943,693	3,194,221	1,918,262	5,491,811	11,662,233
		232,620	1,912,694	6,872,026	13,316,588	19,937,642	19,943,693	3,194,221	1,918,262	5,491,811	11,662,233

These statements are to be read in conjunction with the accompanying notes.

# Notes to the Financial Statements for the year ended 31 March 2022

## 1. General information

### Reporting Entities

These Financial Statements are for the year ended 31 March 2022 and have been prepared for the Funds which have been registered as the Simplicity Investment Funds Managed Investment Scheme (the 'Scheme'). The Simplicity Investment Scheme comprises of five Funds (together the 'Funds', individually the 'Fund') and is registered as a Managed Investment Scheme in accordance with the Financial Markets Conduct Act 2013 on 3 March 2017. These Funds are the Simplicity Conservative Investment Fund, the Simplicity Balanced Investment Fund, the Simplicity Growth Investment Fund, the Simplicity NZ Bond Index Fund and the Simplicity NZ Share Index Fund. The Funds are FMC reporting entities with public accountability.

The Funds, which are separate legal entities, are open-ended investment funds domiciled in New Zealand and established in Auckland under the Simplicity Investment Funds Trust Deed (the 'Trust Deed'), dated 3 March 2017. Each Fund was established by an establishment deed on the date of registration and will terminate in accordance with the provisions of the Trust Deed. The Simplicity Conservative Investment Fund, the Simplicity Balanced Investment Fund and the Simplicity Growth Investment Fund commenced operations on 3 April 2017. The Simplicity NZ Bond Index Fund and the Simplicity NZ Share Index Fund commenced operations on 3 April 2018.

The principal activity of the Funds is investment.

### Descriptions of the Funds are as follows:

- \* The Simplicity Conservative Investment Fund: To achieve positive real returns over the short to medium term, while managing volatility through diversification of the Fund's assets. It provides investors with a limited exposure to growth assets such as stocks and shares, but most of its investments are in income assets such as cash and bonds.
- \* The Simplicity Balanced Investment Fund: To achieve positive real returns over the medium term, while managing volatility through diversification of the Fund's assets. It provides investors with an exposure to a mix of growth and income assets.
- \* The Simplicity Growth Investment Fund: To achieve positive real returns over the medium to long term, while managing volatility through diversification of the Fund's assets. It provides investors with a limited exposure to income assets but most of its investments are in growth assets.
- \* The Simplicity NZ Bond Fund: To generate a return similar to the performance of the NZ government bond market.
- \* The Simplicity NZ Share Fund: To generate a return similar to the performance of the NZ share market.

### Nature of the Funds are as follows:

- \* The Simplicity Conservative Investment Fund provides investors with a limited exposure to growth assets, but most of its investments are in income assets.
- \* The Simplicity Balanced Investment Fund provides investors with an exposure to a mix of growth and income assets.
- \* The Simplicity Growth Investment Fund provides investors with a limited exposure to income assets, but most of its investments are in growth assets.
- \* The Simplicity NZ Bond Fund invests in New Zealand government bonds and investment grade, liquid bonds issued in New Zealand dollars, designed to be the New Zealand bond component of a diversified investment portfolio.
- \* The Simplicity NZ Share Fund invests in securities listed on the New Zealand stock exchange (NZX), designed to be the New Zealand share component of a diversified investment portfolio.

The Funds' investment activities are managed by Simplicity NZ Limited (the 'Manager'). The registered office for Simplicity NZ Limited is AJK Stubbs, Level 16, 5-7 Byron Avenue, Takapuna, 0622, New Zealand.

### Statutory Base

The Funds are a Managed Investment Scheme as defined by the Financial Markets Conduct Act 2013 and are subject to the provisions of that Act.

The Financial Statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Trust Deed.

## 2. Summary of significant accounting policies

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

### 2.1 Basis of preparation

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). For the purposes of complying with NZ GAAP, the Funds are profit-oriented entities. These Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). These Financial Statements have been prepared under the historical cost method, except for financial assets and liabilities held at fair value through profit or loss.

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

The Financial Statements are for the year ended 31 March 2022. Comparatives are for the year ended 31 March 2021.

The Manager has assessed the Scheme's ability to continue as a going concern in light of the impact of COVID-19. There are no indicators that the Scheme will not continue to operate as a going concern.

# Notes to the Financial Statements for the year ended 31 March 2022

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

### Standards and amendments to existing standards effective 1 April 2021 impacting the scheme

There are no new standards, amendments to standards or interpretations that are effective for the year beginning on 1 April 2021 which have a material effect on the Financial Statements of the Funds.

### 2.2 Financial instruments

#### (a) Classification

##### Financial assets

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

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

**Financial assets at fair value through profit or loss** can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Funds are primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. All financial assets measured at fair value are those mandatorily measured at fair value. The contractual cash flows of the Funds' fixed interest securities are solely principal and interest, however they are not held for the purpose of collecting contractual cash flows. The collection of contractual cash flows is only incidental in achieving the Funds' business model. As a result these fixed interest securities are classified as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss comprise of equities, fixed interest securities, unlisted trusts and forward foreign exchange contracts.

##### (ii) Financial assets at amortised cost

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

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

##### Financial liabilities

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

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

##### (ii) Financial liabilities at amortised cost

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

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

#### (b) Recognition, derecognition and measurement

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

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

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

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

##### (ii) Financial assets and liabilities at amortised cost

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

# Notes to the Financial Statements for the year ended 31 March 2022

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

### (c) Fair value measurement

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

#### *Fair value in an active market*

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

#### *Fair value in an inactive or unquoted market*

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

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

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

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

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

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

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

### 2.3 Offsetting

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

### 2.4 Revenue recognition

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

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

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

(d) Foreign exchange gains and losses on cash and financial instruments at fair value through profit or loss are recognised in the Statements of Comprehensive Income as disclosed in Note 2.10.

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

### 2.5 Expenses

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

# Notes to the Financial Statements for the year ended 31 March 2022

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

### 2.6 Taxation

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

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

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

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

### 2.7 Net assets attributable to Unitholders

The Funds issue units that are redeemable at the Unitholders' option and have identical features and are therefore classified as equity. Redemption may take place at the redemption price on any business day after appropriate notice. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if Unitholders exercised their right to put the units back to the Funds.

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds and any initial service fee (if any). Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the holder's option at prices based on the Funds' net asset value per unit at the time of issue or redemption for the respective Funds. The margin spreads on applications and redemptions are to cover costs associated with the transactions. The Funds' net asset value per unit is calculated by dividing the net assets attributable to the holders of the Fund with the total number of outstanding units of the Fund. In accordance with the provisions of the offering documents, investment positions are valued based at the appropriate market value for the purpose of determining the net asset value per unit for subscriptions and redemptions.

### 2.8 Goods and services tax (GST)

The Funds are not registered for GST. All items in the Statements of Comprehensive Income and the Statements of Net Assets are stated inclusive of GST.

### 2.9 Statements of Cash Flows

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

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

### 2.10 Foreign currencies

#### (a) Functional and presentation currency

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

All financial information presented has been rounded to the nearest dollar.

#### (b) Transactions and balances

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

### 2.11 Related parties

A party is related to the Funds if:

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

All dealings with related parties are conducted on standard business terms

## Notes to the Financial Statements for the year ended 31 March 2022

### 3. Accounting estimates and judgements

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

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

The Manager has assessed the impact of COVID-19 and there has been no impact on the measurement and of the fair value hierarchy of investments.

Management considers that COVID-19 did not have a significant negative impact on the business operations, financial performance, for the financial position of the Fund for the period ended 31 March 2022. Management has made this judgement by looking at a range of indicators - and has not seen any material negative impacts on the following key indicators:

- \* buy/sell spreads for financial instruments
- \* liquidity of the financial markets
- \* volatility of the financial markets

While the pandemic is largely under control in New Zealand, management continues to monitor the progress of the New Zealand government in keeping COVID-19 out of New Zealand, and will continue to assess any impact on the business operations, financial performance, and financial position of either Simplicity KiwiSaver Scheme or Simplicity Investment Funds respectively in the event of any resurgences in New Zealand. At this stage, management does not consider there to be any significant risk to either the Simplicity KiwiSaver Scheme or Simplicity Investment Funds respectively. The factors which management considered in forming this judgement are as follows:

- \* the Simplicity NZ limited operations are always ready to operate with minimal interruption upon enactment of our Business Continuity Plan (BCP).
- \* the Supervisor, the Custodian and other counterparties of the (either Simplicity KiwiSaver Scheme or Simplicity Investment Funds respectively) are able to operate with minimal disruption based on experience from the first outbreak and lockdown period.
- \* the (either Simplicity KiwiSaver Scheme or Simplicity Investment Funds respectively) is yet to see and does not anticipate seeing deferral of payments (based on experience from the first outbreak and lockdown period).

### 4. Derivative financial instruments

#### 4.1 Forward foreign currency contracts

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

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										
<b>Forward exchange contracts (notional value in NZ\$)</b>										
Sell AUD/Buy NZD	2,599,000	2,465,500	19,580,900	11,685,300	49,920,400	24,880,600	-	-	-	-
<b>Forward exchange contracts (fair value in NZ\$)</b>										
Sell AUD/Buy NZD	6,920	9,167	53,955	43,449	128,098	92,513	-	-	-	-

### 5. Financial risk management

#### 5.1 Financial risk factors

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

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

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

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

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

## Notes to the Financial Statements for the year ended 31 March 2022

### 5. Financial risk management (continued)

#### 5.1.1 Market risk

##### (a) Price risk

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

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

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

##### Sensitivity Analysis

The variable of 5%, 10% and 20% has been applied. If investments in financial instruments subject to price risk at that date increased/decreased by this variable, with all other variables held constant, this would have had the following impact on the Statements of Comprehensive Income.

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										
5% increase in prices	7,882,900	7,735,430	24,783,424	14,803,858	44,041,239	22,979,944	-	-	43,604,278	28,809,852
5% decrease in prices	(7,882,900)	(7,735,430)	(24,783,424)	(14,803,858)	(44,041,239)	(22,979,944)	-	-	(43,604,278)	(28,809,852)
\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										
10% increase in prices	15,765,800	15,470,860	49,566,849	29,607,716	88,082,478	45,959,888	-	-	87,208,555	57,619,704
10% decrease in prices	(15,765,800)	(15,470,860)	(49,566,849)	(29,607,716)	(88,082,478)	(45,959,888)	-	-	(87,208,555)	(57,619,704)
\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										
20% increase in prices	31,531,599	30,941,719	99,133,697	59,215,431	176,164,956	91,919,776	-	-	174,417,111	115,239,407
20% decrease in prices	(31,531,599)	(30,941,719)	(99,133,697)	(59,215,431)	(176,164,956)	(91,919,776)	-	-	(174,417,111)	(115,239,407)

## Notes to the Financial Statements for the year ended 31 March 2022

### 5. Financial Risk Management (continued)

#### (b) Foreign exchange risk

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

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

The Funds are also exposed indirectly to currency risk through its holdings in unlisted trusts.

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

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										

#### Monetary assets/(liabilities)

Australian Dollar (AUD)	(2,391,083)	(2,455,799)	(17,323,096)	(11,639,335)	(47,763,574)	(24,782,730)	-	-	-	-
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The tables below summarises the impact on the Statements of Comprehensive Income on monetary assets and liabilities at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5%, 10% and 20% with all other variables held constant.

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										

#### Monetary assets/(liabilities)

Exchange rates increased by 5%	113,861	116,943	824,909	554,254	2,274,456	1,180,130	-	-	-	-
Exchange rates decreased by 5%	(125,846)	(129,253)	(911,742)	(612,597)	(2,513,872)	(1,304,354)	-	-	-	-

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										

#### Monetary assets/(liabilities)

Exchange rates increased by 10%	217,371	223,254	1,574,827	1,058,121	4,342,143	2,252,975	-	-	-	-
Exchange rates decreased by 10%	(265,676)	(272,867)	(1,924,788)	(1,293,259)	(5,307,064)	(2,753,637)	-	-	-	-

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										

#### Monetary assets/(liabilities)

Exchange rates increased by 20%	398,514	409,300	2,887,183	1,939,889	7,960,596	4,130,455	-	-	-	-
Exchange rates decreased by 20%	(597,771)	(613,950)	(4,330,774)	(2,909,834)	(11,940,894)	(6,195,683)	-	-	-	-

## Notes to the Financial Statements for the year ended 31 March 2022

### 5. Financial Risk Management (continued)

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

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021

#### As at 31 March

<b>Non monetary assets/(liabilities)</b>										
Australian Dollar (AUD)	11,340,526	10,870,054	93,370,514	54,738,434	229,403,519	118,220,852	-	-	-	-

The tables below summarises the impact on the Statements of Changes in Net Assets on non-monetary assets and liabilities at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5%, 10% and 20% with all other variables held constant.

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021

#### As at 31 March

<b>Non monetary assets/(liabilities)</b>										
Exchange rates increased by 5%	(540,025)	(517,622)	(4,446,215)	(2,606,592)	(10,923,977)	(5,629,564)	-	-	-	-
Exchange rates decreased by 5%	596,870	572,108	4,914,238	2,880,970	12,073,869	6,222,150	-	-	-	-

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021

#### As at 31 March

<b>Non monetary assets/(liabilities)</b>										
Exchange rates increased by 10%	(1,030,957)	(988,187)	(8,488,229)	(4,976,221)	(20,854,865)	(10,747,350)	-	-	-	-
Exchange rates decreased by 10%	1,260,058	1,207,784	10,374,502	6,082,048	25,489,280	13,135,650	-	-	-	-

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021

#### As at 31 March

<b>Non monetary assets/(liabilities)</b>										
Exchange rates increased by 20%	(1,890,088)	(1,811,676)	(15,561,752)	(9,123,072)	(38,233,920)	(19,703,475)	-	-	-	-
Exchange rates decreased by 20%	2,835,132	2,717,514	23,342,629	13,684,609	57,350,880	29,555,213	-	-	-	-

#### (c) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The Funds hold fixed interest securities that expose that Funds of the Scheme to fair value interest rate risk. The Funds hold cash and cash equivalents that expose the Funds to cash flow interest rate risk.

The following table represents the maturity profile of financial instruments subject to interest rate risk at 31 March:

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										
<b>Fixed interest securities</b>										
Less than one year	-	-	-	-	-	-	702,826	36,341,251	-	-
1-2 years	-	-	-	-	-	-	51,602,805	726,698	-	-
2-5 years	-	-	-	-	-	-	155,890,376	127,418,570	-	-
Over 5 years	-	-	-	-	-	-	286,824,858	228,642,952	-	-
	-	-	-	-	-	-	495,020,865	393,129,471	-	-
<b>Financial assets at amortised cost</b>										
Cash and cash equivalents	232,620	1,912,694	6,872,026	13,316,588	19,937,642	19,943,693	3,194,221	1,918,262	5,491,811	11,662,233
	232,620	1,912,694	6,872,026	13,316,588	19,937,642	19,943,693	3,194,221	1,918,262	5,491,811	11,662,233

## Notes to the Financial Statements for the year ended 31 March 2022

### 5.1 Financial risk factors (continued)

#### (d) Cashflow interest rate risk

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

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

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund		
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
<b>As at 31 March</b>											
Increase of 1%	2,326	19,127	68,720	133,166	199,376	199,437	31,942	19,183	54,918	116,622	
Decrease of 1%	(2,326)	(19,127)	(68,720)	(133,166)	(199,376)	(199,437)	(31,942)	(19,183)	(54,918)	(116,622)	

#### (e) Fair value interest rate risk

At the balance date, had the interest rate increased or decreased by 1% (which is the Manager's assessment of a reasonable movement with regard to historical volatility) with all other variables held constant, the impact on the fair value of the fixed interest portfolio in the respective Funds and the related change in total comprehensive income/(loss) would have been as follows:

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund		
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
<b>As at 31 March</b>											
Increase of 1%	-	-	-	-	-	-	(28,672,064)	(24,601,700)	-	-	
Decrease of 1%	-	-	-	-	-	-	31,899,425	26,740,405	-	-	

In addition to the Funds' direct exposure to interest rate changes on the fair value of financial asset and liabilities and on the cash flows of cash and cash equivalents shown above, the Funds are indirectly affected by the impact of interest rate changes on the earnings of their investments in unlisted trusts, which forms part of the Price Risk sensitivity (see above). Therefore, the above sensitivity analysis may not fully indicate the total effect on the Funds' net assets attributable to Unitholders of future movements in interest rates.

#### 5.1.2 Credit risk

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

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

The maximum credit risk of financial instruments is considered to be the carrying amount on the Statements of Net Assets. The risk of non recovery of monetary assets is considered by the Manager to be minimal due to the quality of counterparties dealt with. The Funds do not require collateral or other security to support financial instruments with credit risk. The Funds invest cash with banks registered in New Zealand and Australia which carry a minimum short term credit rating of AA- (Standard & Poor's). The forward foreign exchange contracts as disclosed in Note 4.1 are with ANZ. All New Zealand Registered Banks maintain a short term a AA- Standard and Poor's credit rating.

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

The following table sets out the equivalent Standard and Poor's credit rating for cash and cash equivalents held by the Funds.

\$		Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>											
<b>Cash and cash equivalents</b>											
High Grade	AA-	232,620	1,912,694	6,872,026	13,316,588	19,937,642	19,943,693	3,194,221	1,918,262	5,491,811	11,662,233
		<b>232,620</b>	<b>1,912,694</b>	<b>6,872,026</b>	<b>13,316,588</b>	<b>19,937,642</b>	<b>19,943,693</b>	<b>3,194,221</b>	<b>1,918,262</b>	<b>5,491,811</b>	<b>11,662,233</b>
<b>Fixed Interest Securities</b>											
Prime	AAA	-	-	-	-	-	-	475,866,004	386,192,023	-	-
High Grade	AA+ /AA /AA-	-	-	-	-	-	-	1,278,861	2,825,813	-	-
Unrated		-	-	-	-	-	-	17,876,000	4,111,635	-	-
		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>495,020,865</b>	<b>393,129,471</b>	<b>-</b>	<b>-</b>

As at 31 March 2022 and 31 March 2021, there were no financial assets past due or impaired.

## Notes to the Financial Statements for the year ended 31 March 2022

### 5. Financial risk management (continued)

#### 5.1.3 Liquidity risk

Liquidity risk is the risk that the Funds will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Liquidity risk is managed by holding liquid investments to enable the Scheme to meet liabilities as they fall due and withdrawals when requested. The Funds invests in various unlisted trusts, which in turn, maintain sufficient liquidity in their portfolios to cover reasonably foreseeable redemptions under normal market conditions. The Funds also hold securities that are listed on the NZX and are saleable. Whilst the Simplicity Growth Investment Fund has an investment in Simplicity Private Equity Fund which holds illiquid securities, this does not impact the Manager's ability to cover foreseeable redemptions due to the value of such holding being less than 0.70% of the net assets of the Fund.

The Funds are exposed to daily redemptions of units. The Funds' financial liabilities consist of trade and other payables and derivatives (forward foreign exchange contracts) which are short term in nature and classified as a current liability at reporting date. Current liabilities of financial derivative instruments consist of the fair value of forward foreign exchange contracts at year end. The current fair value represents the estimated cash flow that may be required to dispose of the positions. Future cash flows of the Funds and realised liabilities may differ from current liabilities based on future changes in market conditions.

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

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

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund		
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
<b>As at 31 March</b>											
<b>Management fees payable</b>											
7 days to 1 month	41,776	43,472	129,598	81,731	227,974	124,952	43,731	36,017	75,465	52,880	
<b>Other payables</b>											
7 days to 1 month	31,944	169,381	613,184	130,587	812,193	327,136	80,279	292,735	84,402	101,464	

#### 5.2 Capital risk management

The Funds' capital is represented by the net assets attributable to Unitholders. The Funds' objective when managing capital is to provide returns for Unitholders through investing and to employ an established Investment Manager who manages a diversified portfolios of funds.

The minimum initial investment amount in any Fund for an individual or joint is \$1,000; the minimum is \$50,000 for trust, companies or other eligible entities. There is no minimum subsequent investment or withdrawal amount. Withdrawal requests will be processed each business day and the payments will be made within 30 business dates of receiving the redemption notice.

The Manager may suspend redemptions for up to 60 business days (or longer if agreed by the Supervisor) if the Manager determine that the withdrawal is not desirable, and the Manager in good faith determines that it is in the general interest of all Unitholders in such a Fund to defer immediate redemption or repurchase of the total units requested.

The Funds do not have any externally imposed capital requirements. Units may be redeemed at any month-end subject to the receipt of the redemption request.

Neither the Supervisor, the Manager, or any other party guarantee the units offered by the Funds, the performance or returns of the Funds or the repayment of capital.

## Notes to the Financial Statements for the year ended 31 March 2022

### 5. Financial risk management (continued)

#### 5.3 Fair value estimation

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

##### Level one - fair value in an active market

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

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

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

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

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

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

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										
<b>Level 1 Assets</b>										
<i>Financial assets at fair value through profit and loss</i>										
Listed equities	-	-	-	-	-	-	-	-	872,085,554	576,197,036
Fixed interest securities	-	-	-	-	-	-	456,255,018	373,748,668	-	-
<b>Total Level 1 Assets</b>	-	-	-	-	-	-	456,255,018	373,748,668	872,085,554	576,197,036
<b>Level 2 Assets</b>										
<i>Financial assets at fair value through profit and loss</i>										
Unlisted trusts	157,657,995	154,708,596	495,668,487	296,077,156	874,999,814	458,331,492	-	-	-	-
Forward foreign exchange contracts	6,920	9,167	53,955	43,449	128,098	92,513	-	-	-	-
Fixed interest securities	-	-	-	-	-	-	38,765,847	19,380,803	-	-
<b>Total Level 2 Assets</b>	157,664,915	154,717,763	495,722,442	296,120,605	875,127,912	458,424,005	38,765,847	19,380,803	-	-
<b>Level 3 Assets</b>										
<i>Financial assets at fair value through profit and loss</i>										
Unlisted trusts	-	-	-	-	5,824,968	1,267,389	-	-	-	-
<b>Total Level 3 Assets</b>	-	-	-	-	5,824,968	1,267,389	-	-	-	-
<b>Total assets at fair value through profit or loss</b>	157,664,915	154,717,763	495,722,442	296,120,605	880,952,880	459,691,394	495,020,865	393,129,471	872,085,554	576,197,036
<b>\$</b>										
<b>As at 31 March</b>										
<b>Level 2 Liabilities</b>										
<i>Financial liabilities at fair value through profit or loss</i>										
Forward foreign exchange contracts	-	-	-	-	-	-	-	-	-	-
<b>Total Level 2 Liabilities</b>	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities at fair value through profit or loss</b>	-	-	-	-	-	-	-	-	-	-

## Notes to the Financial Statements for the year ended 31 March 2022

### 5. Financial risk management (continued)

#### 5.3 Fair value estimation (continued)

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

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

The Funds also hold investments in listed and unlisted fixed income securities. The fair values of these instruments are determined by using a valuation model for which the inputs are directly observable and are therefore classified in Level 2. Fixed income securities are calculated using market accepted formulas. The yields are derived from either credit spreads sourced from the New Zealand Financial Markets Association, direct sourcing such as New Zealand government bonds, relative value against like securities where there are a small number of quotes available and matrix yield curves.

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

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

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

The level 3 investments in the Simplicity Growth Investment Fund is in the Simplicity Private Equity Fund. The Simplicity Private Equity Fund invests in securities issued by private companies. This is classified as level 3 as there is no active market and the valuations are determined using valuation techniques that are not based on observable market data.

The Manager has assessed the impact of COVID-19 and there has been no impact on the measurement and of the fair value hierarchy of investments.

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

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

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										
<b>Financial assets at fair value through profit or loss</b>										
Listed equities	-	-	-	-	-	-	-	-	872,085,554	576,197,036
Fixed interest securities	-	-	-	-	-	-	495,020,865	393,129,471	-	-
Unlisted funds/trusts	157,657,995	154,708,596	495,668,487	296,077,156	880,824,782	459,598,881	-	-	-	-
Forward foreign exchange contracts	6,920	9,167	53,955	43,449	128,098	92,513	-	-	-	-
<b>Total financial assets at fair value through profit or loss</b>	<b>157,664,915</b>	<b>154,717,763</b>	<b>495,722,442</b>	<b>296,120,605</b>	<b>880,952,880</b>	<b>459,691,394</b>	<b>495,020,865</b>	<b>393,129,471</b>	<b>872,085,554</b>	<b>576,197,036</b>

The forward currency contracts as disclosed in Note 4 are all held with ANZ New Zealand.

## Notes to the Financial Statements for the year ended 31 March 2022

### 7. Financial instruments by category

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										
<b>Financial assets at fair value through profit or loss</b>										
Financial assets mandatorily measured at fair value through profit or loss	157,664,915	154,717,763	495,722,442	296,120,605	880,952,880	459,691,394	495,020,865	393,129,471	872,085,554	576,197,036
<b>Total financial assets at fair value through the profit or loss</b>	<b>157,664,915</b>	<b>154,717,763</b>	<b>495,722,442</b>	<b>296,120,605</b>	<b>880,952,880</b>	<b>459,691,394</b>	<b>495,020,865</b>	<b>393,129,471</b>	<b>872,085,554</b>	<b>576,197,036</b>
<b>Financial assets at amortised cost</b>										
Cash and cash equivalents	232,620	1,912,694	6,872,026	13,316,588	19,937,642	19,943,693	3,194,221	1,918,262	5,491,811	11,662,233
Accrued Interest	-	-	-	-	-	-	5,842,091	5,229,612	-	-
Due from brokers	499,475	-	3,394,236	-	2,994,775	-	-	250,000	-	250,000
Contributions receivable	23,769	130,519	42,693	504	270,231	258,474	108	75,800	114	34,843
Dividends receivable	-	-	-	-	-	-	-	-	4,687,496	2,139,891
Management fee rebates receivable	64,687	62,936	222,835	121,667	389,936	185,964	-	-	-	-
<b>Total financial assets at amortised cost</b>	<b>820,551</b>	<b>2,106,149</b>	<b>10,531,790</b>	<b>13,438,759</b>	<b>23,592,584</b>	<b>20,388,131</b>	<b>9,036,420</b>	<b>7,473,674</b>	<b>10,179,421</b>	<b>14,086,967</b>
<b>Total financial assets</b>	<b>158,485,466</b>	<b>156,823,912</b>	<b>506,254,232</b>	<b>309,559,364</b>	<b>904,545,464</b>	<b>480,079,525</b>	<b>504,057,285</b>	<b>400,603,145</b>	<b>882,264,975</b>	<b>590,284,003</b>
<b>\$</b>										
	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
<b>As at 31 March</b>	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Financial liabilities at amortised cost</b>										
Management fees payable	41,776	43,472	129,598	81,731	227,974	124,952	43,731	36,017	75,465	52,880
Other payables	31,944	169,381	613,184	130,587	812,193	327,136	80,279	292,735	84,402	101,464
<b>Total financial liabilities at amortised cost</b>	<b>73,720</b>	<b>212,853</b>	<b>742,782</b>	<b>212,318</b>	<b>1,040,167</b>	<b>452,088</b>	<b>124,010</b>	<b>328,752</b>	<b>159,867</b>	<b>154,344</b>
<b>Total financial liabilities</b>	<b>73,720</b>	<b>212,853</b>	<b>742,782</b>	<b>212,318</b>	<b>1,040,167</b>	<b>452,088</b>	<b>124,010</b>	<b>328,752</b>	<b>159,867</b>	<b>154,344</b>

## Notes to the Financial Statements for the year ended 31 March 2022

### 8. Related parties

#### 8.1 Manager and Supervisor

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

Simplicity Conservative Investment Fund	- 0.31% of the net asset value per annum (comprising of 0.30% Manager's basic fee and 0.01% Other management and administration charges)
Simplicity Balanced Investment Fund	- 0.31% of the net asset value per annum (comprising of 0.30% Manager's basic fee and 0.01% Other management and administration charges)
Simplicity Growth Investment Fund	- 0.31% of the net asset value per annum (comprising of 0.30% Manager's basic fee and 0.01% Other management and administration charges)
Simplicity NZ Bond Index Fund	- 0.10% of the net asset value per annum
Simplicity NZ Share Index Fund	- 0.10% of the net asset value per annum

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

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>For the year ended 31 March</b>										
<b>Included in the Statements of Comprehensive Income</b>										
Management fees charged during the year	510,912	379,996	1,384,174	600,902	2,331,798	967,911	478,837	345,097	788,555	440,262
Management fee rebates earned during the year	312,514	232,815	886,820	382,673	1,477,260	609,942	-	-	-	-
<b>Included in the Statements of Financial Position</b>										
Management fees payable to the Manager	41,776	43,472	129,598	81,731	227,974	124,952	43,731	36,017	75,465	52,880

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

The Manager also paid administration and custody expenses on behalf of the Funds to non-related parties. A monthly \$1.67 administration fee was deducted from each unit holder by way of unit redemption and was payable to the Manager. (The monthly fee was reduced from \$2.50 per member in the prior year). This was accounted for as a withdrawal and did not impact net profit before Unitholder activities. Deduction of the monthly administration fee ceased from 1 December 2021. During the year, administration fees paid to the Manager totalled \$200,023 (2021: \$172,670). MMC Limited maintain the Unitholders' accounts and register of the Scheme and receives a fee for this service, paid by the Manager.

Directors of the Manager held units in the Funds in the following proportions:

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										
Holdings	0.00%	0.00%	0.00%	0.00%	0.01%	0.01%	0.00%	0.00%	0.00%	0.00%

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

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										
<b>Funds managed by Simplicity NZ Limited</b>										
Simplicity NZ Bond Fund	48,935,240	53,823,023	66,557,837	46,419,751	55,114,799	31,959,084	-	-	-	-
Simplicity NZ Share Fund	11,258,124	11,017,531	75,000,951	44,639,415	180,698,658	97,491,185	-	-	-	-
Simplicity First Home Mortgage Fund	8,912,838	3,204,160	16,536,910	3,193,234	12,378,570	3,037,675	-	-	-	-
Simplicity Private Equity Fund	-	-	-	-	5,824,968	1,267,389	-	-	-	-
Simplicity Property Fund	-	-	506,670	-	1,334,558	-	-	-	-	-

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

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>For the year ended 31 March</b>										
<b>Funds managed by Simplicity NZ Limited</b>										
Simplicity NZ Bond Fund	(3,777,782)	(1,994,147)	(5,061,914)	(1,611,998)	(3,894,285)	(1,007,378)	-	-	-	-
Simplicity NZ Share Fund	(409,407)	1,557,351	(3,338,464)	4,694,384	(8,092,526)	11,205,550	-	-	-	-
Simplicity First Home Mortgage Fund	137,677	24,597	201,675	23,167	173,895	22,745	-	-	-	-
Simplicity Private Equity Fund	-	-	-	-	553,217	5,175	-	-	-	-
Simplicity Property Fund	-	-	6,670	-	17,558	-	-	-	-	-

## Notes to the Financial Statements for the year ended 31 March 2022

### 9. Trade and other receivables

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										
Accrued interest	-	-	-	-	-	-	5,842,091	5,229,612	-	-
Fee rebates receivable from external fund managers	64,687	62,936	222,835	121,667	389,936	185,964	-	-	-	-
Dividends and distributions receivable	-	-	-	-	-	-	-	-	4,687,496	2,139,891
Due from brokers	499,475	-	3,394,236	-	2,994,775	-	-	250,000	-	250,000
Contributions receivable	23,769	130,519	42,693	504	270,231	258,474	108	75,800	114	34,843
<b>Total trade and other receivables</b>	<b>587,931</b>	<b>193,455</b>	<b>3,659,764</b>	<b>122,171</b>	<b>3,654,942</b>	<b>444,438</b>	<b>5,842,199</b>	<b>5,555,412</b>	<b>4,687,610</b>	<b>2,424,734</b>

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

### 10. Other payables

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>As at 31 March</b>										
Redemptions payable	31,944	169,381	613,184	130,587	812,193	327,136	80,279	292,735	84,402	101,464
<b>Total other payables</b>	<b>31,944</b>	<b>169,381</b>	<b>613,184</b>	<b>130,587</b>	<b>812,193</b>	<b>327,136</b>	<b>80,279</b>	<b>292,735</b>	<b>84,402</b>	<b>101,464</b>

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

### 11. Interest income

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>For the year ended 31 March</b>										
Interest on financial assets at amortised cost	19,130	12,379	63,623	20,799	118,472	31,231	78,505	21,604	43,674	18,612
Interest on financial assets and liabilities at fair value through profit or loss	-	-	-	-	-	-	12,639,506	10,475,588	-	-
<b>Total interest income</b>	<b>19,130</b>	<b>12,379</b>	<b>63,623</b>	<b>20,799</b>	<b>118,472</b>	<b>31,231</b>	<b>12,718,011</b>	<b>10,497,192</b>	<b>43,674</b>	<b>18,612</b>

## Notes to the Financial Statements for the year ended 31 March 2022

### 12. Reconciliation of profit for the year attributable to Unitholders to net cash outflow from operating activities

\$	Simplicity Conservative Investment Fund		Simplicity Balanced Investment Fund		Simplicity Growth Investment Fund		Simplicity NZ Bond Index Fund		Simplicity NZ Share Index Fund	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>For the year ended 31 March</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Profit for the year attributable to Scheme Participants</b>	<b>(4,820,156)</b>	5,288,516	<b>(2,577,200)</b>	28,149,652	<b>8,877,845</b>	68,364,935	<b>(35,443,778)</b>	(12,954,705)	<b>(37,393,433)</b>	78,289,984
<b>Adjustments for non-cash items</b>										
Net unrealised changes in the fair value of financial instruments	9,566,891	(1,457,396)	13,040,649	(23,468,406)	7,535,530	(61,913,598)	44,603,077	23,027,782	57,490,535	(71,221,669)
Net foreign currency gains or losses on cash and cash equivalents	754	1,326	27,103	(6,780)	103,122	(26,506)	-	-	-	-
Distributions and dividends re-invested	(4,212,144)	(3,322,458)	(9,584,338)	(4,834,070)	(14,872,981)	(6,651,346)	-	-	(7,546,481)	(2,302,235)
	<b>5,355,501</b>	(4,778,528)	<b>3,483,414</b>	(28,309,256)	<b>(7,234,329)</b>	(68,591,450)	<b>44,603,077</b>	23,027,782	<b>49,944,054</b>	(73,523,904)
<b>Movements in working capital items</b>										
(Increase)/decrease in trade and other receivables	(1,751)	(34,592)	(101,168)	(64,934)	(203,972)	(89,149)	(612,486)	(1,581,058)	(2,547,608)	(288,830)
Increase/(decrease) in trade and other payables	(1,696)	22,209	47,867	48,567	103,022	69,542	7,714	13,746	22,585	27,540
(Increase)/decrease in net cost of investments	(8,301,897)	(69,691,146)	(203,058,148)	(152,375,457)	(413,924,051)	(194,402,954)	(146,494,463)	(174,665,493)	(345,832,570)	(220,375,784)
	<b>(8,305,344)</b>	(69,703,529)	<b>(203,111,449)</b>	(152,391,824)	<b>(414,025,001)</b>	(194,422,561)	<b>(147,099,235)</b>	(176,232,805)	<b>(348,357,593)</b>	(220,637,074)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(7,769,999)</b>	(69,193,541)	<b>(202,205,235)</b>	(152,551,428)	<b>(412,381,485)</b>	(194,649,076)	<b>(137,939,936)</b>	(166,159,728)	<b>(335,806,972)</b>	(215,870,994)

### 13. Commitments and contingent liabilities

There are no material commitments or contingencies as at 31 March 2022 (31 March 2021: nil).

### 14. Events occurring after balance date

No significant events have occurred since balance date which would impact on the financial position of the Funds disclosed in the Statements of Financial Position as at 31 March 2022 or on the results and cash flows of the Funds for the year ended on that date.

## Independent Auditor's Report

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### To the Scheme Participants of each Fund comprising the Simplicity Investment Funds Managed Investment Scheme (the "Scheme") Report on the Audit of the Financial Statements

#### Opinion

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

- Simplicity Conservative Investment Fund
- Simplicity Balanced Investment Fund
- Simplicity Growth Investment Fund
- Simplicity NZ Bond Index Fund
- Simplicity NZ Share Index Fund

The financial statements of each Fund and the Scheme on pages 2 to 21 comprise the statement of financial position of each Fund and the Scheme as at 31 March 2022, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and the statement of cash flows for the year then ended of each Fund and the Scheme, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 2 to 21 present fairly, in all material respects, the financial position of each Fund and the Scheme as at 31 March 2022 and their financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

#### Basis for Opinion

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

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the audit matter is significant	How our audit addressed the key audit matter
<p><b>Valuation and Existence of Financial Assets at Fair Value through Profit or Loss</b></p> <p>As at 31 March 2022, the Funds hold significant financial assets. As detailed in Note 6 and accounting policies Note 2.2, the majority of financial asset investments are recognised at fair value through profit or loss in accordance with <i>NZ IFRS 9: Financial Instruments</i>.</p> <p>While these financial asset investments were not assessed to be at a significant risk of misstatement or subject to significant levels of judgement, due to their materiality in the context of the Funds as a whole, these were considered to be an area which had the greatest impact on our overall audit strategy and the allocation of resources in planning and completing our audit.</p> <p>Market volatility can have a significant impact on the value of these financial assets and the financial statements; therefore, the recognition and valuation of these investments is considered a key audit matter.</p> <p>At and subsequent to 31 March 2022 financial markets continue to be impacted by the COVID-19 pandemic and other global macro-economic factors where during this period they have experienced greater volatility than is usual. Disclosures are included in Note 5 to the financial statements regarding the sensitivity of impact of market volatility on investments and financial risk management.</p>	<p>Our audit procedures assessed the processes undertaken by the Manager for recording and valuing the financial assets at fair value through profit and loss, including the processes and controls undertaken by the third-party service organisations; being the Administrator and the Custodian.</p> <p>To address the risk associated with financial asset valuation and existence, the following audit procedures were carried out:</p> <p><b>Valuation</b></p> <ul style="list-style-type: none"> <li>Documented and understood the controls in place for recording investment transactions and valuing the portfolio by evaluating the control environment of the Manager.</li> <li>Obtained and read the reports issued by the independent auditors of the third-party service organisations on the design and operation of the controls of those investments.</li> <li>Confirmed the independent auditor of the administrator reviewed the net (loss)/gain on financial instruments through profit and loss and were being correctly calculated and recorded.</li> </ul> <p><b>Existence</b></p> <ul style="list-style-type: none"> <li>Agreed the 31 March 2022 investment holdings to confirmations received from the Custodian of those investments.</li> </ul> <p>We also assessed whether the disclosures in the financial statements appropriately reflected the Fund's exposure to financial instrument risk with reference to <i>NZ IFRS 7 Financial Instruments: Disclosures</i>.</p>

### Other Information

The Manager is responsible for the other information. The other information comprises the Manager's Statement 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 and will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially

inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to report that fact. We have nothing to report in this regard.

#### Manager's responsibilities for the Financial Statements

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

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

#### Auditor's responsibilities for the Audit of the Financial Statements

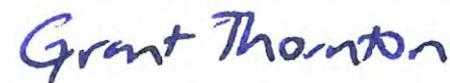
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee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

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

#### Restriction on use of our report

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

**Grant Thornton New Zealand Audit Limited**



**VJ Black**

**Partner**

**Auckland**

**29 July 2022**

# Simplicity Investment Funds Annual Financial Statements - 31 March 2022

Final Audit Report

2022-07-29

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