

Heartland Cash and Term PIE Fund

ANNUAL REPORT

For the year ended 30 June 2022

Heartland Cash and Term PIE Fund
Financial Statements
For the year ended 30 June 2022

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Heartland Cash and Term PIE Fund

Management Statement

For the year ended 30 June 2022

Statutory Base

The Heartland Cash and Term PIE Fund (the **Fund**) was established under a Master Trust Deed dated 1 December 2008 (as amended and restated on 26 November 2012 and 1 December 2014). Each of these Deeds are between The New Zealand Guardian Trust Company Limited (the **Supervisor**) and Heartland PIE Fund Limited (the **Manager**).

Statement by the Manager

After due enquiry by us in relation to the period between 1 July 2021 and 30 June 2022, being the date of the accompanying financial statements there have not, in our opinion, been any material or adverse changes to the value of the Fund's assets relative to its liabilities (including contingent liabilities) and the ability of the Fund to pay its debts as they become due in the normal course of business.

For and on behalf of the Manager
Heartland PIE Fund Limited



Director

Date: 17 October 2022



Director

Date: 17 October 2022

Heartland Cash and Term PIE Fund
Statement of Comprehensive Income
For the year ended 30 June 2022

\$000's		June 2022	June 2021
Investment revenue			
Interest revenue on Heartland Bank Limited deposits	6	1,781	2,662
Total investment revenue		1,781	2,662
Total operating income		1,781	2,662
Profit for the year attributable to Unit Holders		1,781	2,662
Total comprehensive income attributable to Unit Holders		1,781	2,662

Statement of Changes in Funds Attributable to Unit Holders
For the year ended 30 June 2022

\$000's	Note	June 2022	June 2021
Funds attributable to Unit Holders at beginning of the year	9	153,244	166,670
Total comprehensive income		1,781	2,662
Transactions with Unit Holders			
Contributions		74,230	74,018
Redemptions		(79,432)	(90,106)
Movements in funds attributable to Unit Holders for the year		(5,202)	(16,088)
Funds attributable to Unit Holders at end of the year	9	149,823	153,244

The accounting policies and notes on pages 7 to 11 form part of, and should be read in conjunction with, these financial statements.

Heartland Cash and Term PIE Fund


Statement of Financial Position

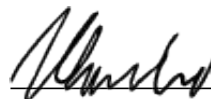
As at June 2022

\$000's	Note	June 2022	June 2021
Assets			
Current investment in Heartland Bank Limited deposits	8	149,823	153,244
Other receivables		25	30
Total assets		149,848	153,274
Liabilities			
Other liabilities		25	30
Total liabilities (excluding Funds attributable to Unit Holders)		25	30
Funds attributable for Unit Holders	9	149,823	153,244

The accounting policies and notes on pages 7 to 11 form part of, and should be read in conjunction with, these financial statements.

For and on behalf of the Directors of Heartland PIE Fund Limited as Manager who authorised these financial statements for issue on 17 October 2022.



Director

Director

Heartland Cash and Term PIE Fund

Statement of Cashflows

For the year ended 30 June 2022

\$000's	June 2022	June 2021
Cash flows from operating activities		
Cash was provided from:		
Interest received on Heartland Bank Limited deposits	1,358	2,290
Net cash flows from operating activities	1,358	2,290
Cash flows from investing activities		
Cash was provided from:		
Redemption of Heartland Bank Limited deposits	78,074	87,816
Total cash provided from investing activities	78,074	87,816
Cash was applied to:		
Heartland Bank Limited deposits	74,230	74,018
Total cash applied to investing activities	74,230	74,018
Net cash flows from investing activities	3,844	13,798
Cash flows from financing activities		
Cash was provided from:		
Unit Holders' contributions received	74,230	74,018
Total cash provided from financing activities	74,230	74,018
Cash was applied to:		
Payment of Unit Holders' redemptions	79,432	90,106
Total cash applied to financing activities	79,432	90,106
Net cash flows applied to financing activities	(5,202)	(16,088)
Net increase in cash held	-	-
Add opening cash	-	-
Ending cash carried forward¹	-	-

¹ Cash reflects the balance of cash and liquid assets used in the day-to-day cash management of the fund.

Reconciliation of net profit after taxation and before Unit Holder activities to net cash flows from operating activities

\$000's	June 2022	June 2021
Net profit after taxation and before Unit Holder activities	1,781	2,662
Less: accrued interest	576	506
Add: resident withholding tax	(153)	(134)
	423	372
Net cash flows from operating activities	1,358	2,290

The accounting policies and notes on pages 7 to 11 form part of, and should be read in conjunction with, these financial statements.



Heartland Cash and Term PIE Fund

Notes to the Financial Statements

For the year ended 30 June 2022

Basis of reporting

1 Reporting entity

The Fund is constituted by a Master Trust Deed (the **Trust Deed**) dated 1 December 2008 (as amended and restated on 26 November 2012 and 1 December 2014) between The New Zealand Guardian Trust Company Limited (the **Supervisor**) and Heartland PIE Fund Limited (the **Manager**). The Manager is a controlled entity of Heartland Bank Limited (**Heartland Bank**) and has appointed Heartland Bank as Registrar in accordance with the Registry Management Agreement dated 26 November 2012. The Registrar provides all services to, or for, the Manager. Refer to Directory Information for contact details.

The Fund holds investments with the Registrar in the form of Heartland Bank Term and Call Deposits (**deposits**) and receives interest income from these, which is attributable to unit holders. Transactions outside of these normal operations are disclosed in Note 10 Related party transactions.

The Fund is domiciled in New Zealand and its registered office is Heartland House, 35 Teed Street, Newmarket, Auckland 1023, New Zealand.

The financial statements for the Fund comprise of the following types of account:

Heartland Cash PIE Account
Heartland Term PIE Account

2 Basis of preparation

These financial statements have been prepared by the Registrar in accordance with the Trust Deed and Generally Accepted Accounting Practice in New Zealand (**NZ GAAP**). They comply with New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**), and other applicable financial reporting standards as appropriate to profit-oriented entities. The Fund is a profit-oriented entity.

These financial statements are presented in New Zealand dollars which is the Fund's functional currency. Unless otherwise indicated amounts are rounded to the nearest thousand.

The financial statements have been prepared on the basis of historical cost, unless otherwise stated.

3 Changes in accounting policies

There have been no changes in accounting policies for the period ending 30 June 2022.

4 Estimates and judgements

The preparation of these financial statements does not require any significant management judgement, estimates and assumptions that affect reported amounts.



Heartland Cash and Term PIE Fund

Notes to the Financial Statements

For the year ended 30 June 2022

Performance

5 Segmental information

The Fund operates in one industry segment, being the financial services sector, and in one geographic segment, being New Zealand.

6 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Fund and that revenue can be reliably measured. The principal source of revenue is interest income from Heartland Bank which is attributable to unit holders. For financial instruments measured at amortised cost, the effective interest rate method is used to measure the interest income recognised in profit or loss.

7 Income tax

The Fund qualifies as and has elected to be a Portfolio Investment Entity (**PIE**) for tax purposes. Under the PIE regime, income is effectively taxed in the hands of the Unit Holder and therefore the Fund has no tax expense or deferred tax assets or liabilities. Accordingly, no income tax expense is recognised in profit or loss.

As a PIE, each Fund allocates all of its taxable income (or losses) between its unit holders based on the number of units held by each unit holder. Consequently the Fund has no liability for income tax in its own right. The Registrar has calculated tax payable on income allocated to each unit holder at their nominated Prescribed Investor Rate (**PIR**) by deducting the amount of tax from their number of units held in the Fund.

Financial position

8 Investments

The valuation of investments in Heartland Bank's Term and Call Deposits takes into account the accrual of interest.

Repricing and maturity profile of investments

The interest rate risk profile of investments that follows has been prepared on the basis of maturity which is the repricing date.

\$000's	June 2022	June 2021
On demand	3,063	2,907
0-6 months	97,915	85,039
6-12 months	41,314	36,533
1-2 years	4,399	24,229
2-5 years	3,132	4,536
Total	149,823	153,244

The effective weighted interest rate of these investments as at 30 June 2022 is 2.37% p.a (June 2021: 1.51%).

Heartland Cash and Term PIE Fund

Notes to the Financial Statements

For the year ended 30 June 2022

9 Unit Holders' Funds

Unit Holders' funds are classified as liabilities as they do not have identical features and therefore do not meet the definition of a puttable financial instrument under *NZ IFRS 7 Financial Instruments: Disclosure*.

\$000's	June 2022	June 2021
Units on issue		
Units on issue at beginning of the year	153,244	166,670
Units issued during the year	76,011	76,680
Units redeemed during the year	(79,432)	(90,106)
Total movements for the year	(3,421)	(13,426)
Units on issue at end of year	149,823	153,244

As discussed in Notes 13 and 14, the Fund matches the term of its investments in Heartland Bank deposits with the term of the units on issue. Accordingly, the maturity profile of the Unit Holders' funds mirrors that of the investments in Note 8.

10 Related party transactions

The Fund is managed by Heartland PIE Fund Limited.

The following disclosure of related party transactions and balances is made:

- The Fund deals with Heartland Bank in the normal course of business, in its capacity as Registrar of the Fund and also invests in Heartland Bank deposits. Transactions outside of these operations with Heartland Bank are disclosed in Note 10 b) and c)
- Fees and expenses, including audit fees are paid on behalf of the Fund by Heartland Bank, in its capacity as the Registrar of the Fund. Heartland Bank has paid the Fund's auditor, on behalf of the Fund without reimbursement, \$9,500 (2021: \$9,500) for the audit of the financial statements, \$12,000 (2021: \$12,000) for the audit of the registry; and \$3,000 (2021: \$3,000) for other assurance services comprising compliance reporting to the Supervisor.
- Key management personnel include Directors, Executives and their immediate relatives. Key management personnel of the Manager and Heartland Bank have transacted with the Fund during the year as follows:

\$000's	June 2022	June 2021
Related party Unit Holders' investing		
Closing balance	1	1
Interest	-	-
Contributions	-	-
Redemptions	-	(24)

- No amounts owed to the Fund by related parties have been written off or forgiven during the year.

Heartland Cash and Term PIE Fund

Notes to the Financial Statements

For the year ended 30 June 2022

11 Fair Value

The Fund measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

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

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

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

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred. There were no transfers between any fair value hierarchy levels in the year ended 30 June 2022 (June 2021: nil).

Investments in Heartland Bank deposits

The fair value of all investments in Heartland Bank deposits are considered equivalent to their carrying value (Level 1 in the fair value hierarchy).

Other receivables and other liabilities

The Fund has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values (Level 3 in the fair value hierarchy).

Risk management

12 Credit risk

Credit risk is the risk that a borrower will default on any type of debt by failing to make payments which it is obligated to do so. The Fund invests only in deposits with Heartland Bank and the Fund's maximum credit risk is considered to be the carrying value of this investment. Heartland Bank has an external credit rating of BBB (Outlook Stable) by Fitch Ratings.

13 Liquidity risk

The Fund manages liquidity risk by matching the term of its investments in Heartland Bank deposits with the term of the units issued. In the event the Unit Holders redeem their investments in the Fund, the Fund also has the ability to withdraw its underlying investments in Heartland Bank. The Fund is reliant on Heartland Bank repaying the Fund at the required time.

14 Interest rate risk

Interest rate risk is the risk that market interest rates will change and impact on the Fund's financial results by affecting the margin between interest earning assets and interest bearing liabilities.

In the Heartland Term PIE Fund, the interest rates on Unit Holders' contributions are determined at the time of contribution. The agreed rate is locked in by Heartland Bank as Registrar through simultaneous investment in Heartland Bank deposits. No interest rate fluctuations can occur on this account during its term.

In the Heartland Cash PIE Fund, interest rates are effectively matched between the deposits the Fund holds with Heartland Bank and the investments the Unit Holders hold in the Fund. Therefore, the Fund is not exposed to interest rate risk and sensitivity analysis is not presented.



Heartland Cash and Term PIE Fund

Notes to the Financial Statements

For the year ended 30 June 2022

Other disclosures

15 Contingent liabilities and commitments

At 30 June 2022 there were no material contingent liabilities or commitments (2021: nil).

16 Events after reporting date

There have been no material events subsequent to reporting date that would affect the interpretation of the financial statements or the performance of the Fund.



Heartland Cash and Term PIE Fund

Directory Information

Supervisor

The New Zealand Guardian Trust Company Limited
Level 6
191 Queen Street
Auckland 1010

Registrar

Heartland Bank Limited
Heartland House
35 Teed Street
Newmarket
Auckland 1023

Manager

Heartland PIE Fund Limited
Heartland House
35 Teed Street
Newmarket
Auckland 1023

Auditor

KPMG
KPMG Centre
18 Viaduct Harbour Avenue
Auckland 1010

Correspondence specifically for the Supervisor may be sent to:

Relationship Manager, Corporate Trusts
The New Zealand Guardian Trust Company Limited
PO Box 1934
Auckland 1140
T +64 9 909 5100
F +64 9 969 3731

All correspondence from Unit Holders may be sent to:

The Manager
Heartland PIE Fund
PO Box 9919
Newmarket
Auckland 1149
T 0800 85 20 20
F +64 9 927 9321

Investment Enquiries

T 0800 85 20 20
F +64 9 927 9321
E invest@heartland.co.nz
W www.heartland.co.nz



Independent Auditor's Report

To the unit holders of Heartland Cash and Term PIE Fund

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Heartland Cash and Term PIE Fund (the "Fund") which comprise:

- the statement of financial position as at 30 June 2022;
- the statement of comprehensive income, changes in funds attributable to unit holders and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Fund on pages 4 to 11:

- present fairly in all material respects the Fund's financial position as at 30 June 2022 and its financial performance and cash flows for the year ended on that date 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)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Our firm has also provided other services to the Fund in relation to supervisor reporting and registry assurance. Subject to certain restrictions, partners and employees of our firm may also deal with the Fund on normal terms within the ordinary course of trading activities of the business of the Fund. These matters have not impaired our independence as auditor of the Fund. The firm has no other relationship with, or interest in, the Fund.



Other information

The Directors, on behalf of the Company, are responsible for the other information included in the entity's annual report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this independent auditor's report

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



Responsibilities of the Manager for the financial statements

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

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



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

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

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

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



KPMG
Auckland

17 October 2022