

Heartland Cash and Term PIE Fund

ANNUAL REPORT

For the year ended 30 June 2023

Heartland Cash and Term PIE Fund
Financial Statements
For the year ended 30 June 2023

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Heartland Cash and Term PIE Fund
Management Statement
For the year ended 30 June 2023

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 2022 and 30 June 2023, 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: 24 October 2023



Director
Date: 24 October 2023

Heartland Cash and Term PIE Fund
Statement of Comprehensive Income
For the year ended 30 June 2023

\$000's	Note	June 2023	Restated June 2022
Investment revenue			
Interest income on Heartland Bank Limited deposits	6	5,614	1,781
Total investment revenue		5,614	1,781
Finance costs			
Interest expense - distribution to unit holders		(5,614)	(1,781)
Total finance costs		(5,614)	(1,781)
Total profit		-	-
Total comprehensive income		-	-

Statement of Changes in Funds Attributable to Unit Holders
For the year ended 30 June 2023

\$000's	Note	June 2023	Restated June 2022
Net assets attributable to Unit Holders at beginning of the year	9	149,823	153,244
Transactions with Unit Holders			
Interest earned by Unit Holders		7,659	2,425
Contributions		181,158	74,230
Redemptions		(92,337)	(79,432)
PIE tax deductions on behalf of Unit Holders		(2,045)	(644)
Movements in net assets attributable to Unit Holders for the year		94,435	(3,421)
Net assets attributable to Unit Holders at end of the year	9	244,258	149,823

The Fund units are classified as a liability under New Zealand Equivalents to International Accounting Standards 32 Financial Instruments: Presentation (**NZ IAS 32**). As such the Fund has no equity, and the information provided above is solely for information purposes.

The accounting policies and notes on pages 7 to 12 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 2023

\$000's	Note	June 2023	Restated June 2022
Assets			
Cash and cash equivalents ¹		12,567	1,441
Term deposits with Heartland Bank Limited	8	231,691	148,382
Other receivables		73	25
Total assets		244,331	149,848
Liabilities			
PIE tax payable		73	25
Total liabilities (excluding Net assets attributable to Unit Holders)		73	25
Net assets attributable to Unit Holders	9	244,258	149,823

¹ Cash and cash equivalents represent the Fund investments in the form of Heartland Bank Limited Call Deposits.

The accounting policies and notes on pages 7 to 12 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 24 October 2023.



Director



Director

Heartland Cash and Term PIE Fund
Statement of Cash Flows
For the year ended 30 June 2023

\$000's	June 2023	Restated June 2022
Cash flows from operating activities		
Interest received on Heartland Bank Limited deposits	3,879	1,358
Proceeds from sales of term deposits	88,458	78,074
Purchase of term deposits	(170,032)	(75,368)
Net cash flows (applied to)/from operating activities	(77,695)	4,064
Cash flows from financing activities		
Unit Holders' contributions received	181,158	74,230
Total cash provided from financing activities	181,158	74,230
Cash was applied to:		
Payment of Unit Holders' redemptions	92,337	79,432
Total cash applied to financing activities	92,337	79,432
Net cash flows applied to financing activities	88,821	(5,202)
Net increase/(decrease) in cash held	11,126	(1,138)
Opening cash and cash equivalents	1,441	2,579
Closing cash and cash equivalents	12,567	1,441

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

\$000's	June 2023	Restated June 2022
Net profit after taxation	-	-
Non-cash items:		
Less: accrued interest	(2,365)	(576)
Add: resident withholding tax	630	153
	(1,735)	(423)
Net (increase)/decrease in term deposits	(75,960)	4,487
Net cash flows (applied to)/from operating activities	(77,695)	4,064

The accounting policies and notes on pages 7 to 12 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 2023

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 Call and Term 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 the following types of account:

Heartland Cash PIE Account (**Cash PIE Account**)
Heartland Term PIE Account (**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 financial statements also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board. 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.

Changes in comparatives

Certain comparative balances have been reclassified to align with the presentation used in the current financial year.

The Fund has revised the presentation of its financial statements in accordance with the requirements of NZ IAS 32. The Fund issues units that are redeemable at the unit holders' option and has an obligation to deliver cash upon maturity and redemption to the unit holders. Therefore, units do not meet the equity exemption requirements for a puttable financial instrument under NZ IAS 32. As such, they are classified as a financial liability and disclosed as Net assets attributable to unit holders in the Statement of financial position. Comparative information in these financial statements has been revised where appropriate to conform to changes in presentation in the current year financial statements and to enhance comparability as follows:

Statement of Comprehensive Income

Total comprehensive income attributable to unit holders of \$1,781,000 has been reclassified to Interest expense - distribution to unit holders within Finance costs with the additional line items presented to disclose Total profit and Total comprehensive income for the year.

Statement of Changes in Funds Attributable to Unit Holders

Total comprehensive income has been reclassified to the additional line items being Interest earned by unit holders of \$2,425,000 and PIE tax deductions of \$644,000 on behalf of unit holders within Transactions with unit holders.

Statement of Financial Position

Heartland Bank Limited Call Deposits of \$1,441,000, previously classified as part of current investment in Heartland Bank Limited deposits, have been reclassified to Cash and cash equivalents.

Statement of Cashflows

Cash flows from investing activities have been reclassified to Cash flows from operating activities as Proceeds from sales of term deposits of \$78,074,000 and Purchase of term deposits of \$75,368,000, being primary activities of the Fund.

Heartland Bank Limited Call Deposits have been classified as Closing cash and cash equivalents in the Statement of cashflows, consistent with the classification in the Statement of financial position, where June 2022 Opening cash and cash equivalents represent the Heartland Bank Limited Call Deposits balance as at 30 June 2021.

Basis of reporting (continued)

3 Changes in accounting policies

There have been no changes in accounting policies for the year ended 30 June 2023.

4 Estimates and judgements

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

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.

Heartland Cash and Term PIE Fund
Notes to the Financial Statements
For the year ended 30 June 2023

Financial position

8 Investments

The valuation of investments in Heartland Bank's Term 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 2023	Restated June 2022
0-6 months	120,388	99,537
6-12 months	100,052	41,314
1-2 years	5,076	4,399
2-5 years	6,175	3,132
Total	231,691	148,382

The effective weighted interest rate of these investments as at 30 June 2023 is 5.40% p.a (June 2022: 2.39%).

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 IAS 32.

\$000's	June 2023	June 2022
Units on issue		
Units on issue at beginning of the year	149,823	153,244
Units issued during the year	186,772	76,011
Units redeemed during the year	(92,337)	(79,432)
Total movements for the year	94,435	(3,421)
Units on issue at end of year	244,258	149,823

As discussed in Note 13 - Liquidity risk and Note 14 - Interest rate risk, 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 - Investments.

Heartland Cash and Term PIE Fund

Notes to the Financial Statements

For the year ended 30 June 2023

10 Related party transactions

The Fund is managed by Heartland PIE Fund Limited.

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

- a) 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, and interest is received on these deposits. Transactions outside of these operations with Heartland Bank are disclosed in Note 10 b) and c).
- b) 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 PwC (2022: KPMG), on behalf of the Fund without reimbursement, \$9,500 (2022: \$9,500) for the audit of the financial statements, \$10,500 (2022: \$12,000) for the registrar reasonable assurance: and \$3,000 (2022: \$3,000) for the trust deed reporting to the Supervisor.
- c) 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 2023	June 2022
Related party Unit Holders' investing		
Closing balance	1	1
Interest	-	-
Contributions	-	-
Redemptions	-	-

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

11 Fair Value

The Fund's financial instruments are stated at amortised cost in the statement of financial position which approximates their fair value due to the predominantly short-term nature of the instruments.

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 make. 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.

Cash PIE Account

The units within the Cash PIE Account have no contractual maturities and are redeemable on demand by unit holders. The Cash PIE Account's underlying investments in Heartland Bank are also callable on demand.

Term PIE Account

The Term PIE Account is able to manage its liquidity requirements as the underlying deposits in Heartland Bank are matched with the same contractual terms and maturity periods as the Term PIE Account's units. In the event the unit holders redeem their units in the Term PIE Account, the Term PIE Account also has the ability to withdraw its underlying investments with Heartland Bank.

The following table presents the maturity analysis on the Fund's financial liabilities based on the contractual maturity date. The amounts disclosed in the table represent contractual undiscounted cash flows and will therefore not agree to the carrying values on the statement of financial position.

\$000's	June 2023	June 2022
On demand	12,567	1,441
0-6 months	122,727	100,332
6-12 months	105,234	42,439
1-2 years	5,401	4,599
2-5 years	7,679	3,391
Total	253,608	152,202

14 Interest rate risk

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

In the Term PIE Account, 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 Cash PIE Account, 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 2023

Other disclosures

15 Contingent liabilities and commitments

At 30 June 2023 there were no material contingent liabilities or commitments (2022: 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

Manager

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

Registrar

Heartland Bank Limited
Heartland House
35 Teed Street
Newmarket
Auckland 1023

Auditor

PricewaterhouseCoopers
PwC Tower, Level 27
15 Customs Street West
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
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Independent auditor's report

To the unit holders of Heartland Cash and Term PIE Fund (the Fund)

Our opinion

In our opinion, the accompanying financial statements of the Fund present fairly, in all material respects, the financial position of the Fund as at 30 June 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 30 June 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in funds attributable to unit holders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We are independent of the Fund. We are the auditor of Heartland PIE Fund Limited, the Manager. We have provided the following services to the Manager in respect of the Fund: registry compliance assurance reporting and reporting to the supervisor over compliance with certain matters in the Trust Deed. Subject to certain restrictions, employees of our firm may invest in the Fund on normal terms within the ordinary course of trading activities of the Fund. These services and relationships have not impaired our independence as auditor of the Fund.

Other information

The Manager is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines 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 for assessing the Fund'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 intends to liquidate the Fund or to cease operations, or has 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) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

A handwritten signature in black ink, appearing to read 'Karen Shires', is written over a horizontal line.

Chartered Accountants
24 October 2023

Auckland