

**Heartland Cash and Term PIE Fund**

**ANNUAL REPORT**

For the year ended 30 June 2021

**Heartland Cash and Term PIE Fund**  
Financial Statements  
For the year ended 30 June 2021

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**Heartland Cash and Term PIE Fund**  
Management Statement  
For the year ended 30 June 2021

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**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 2020 and 30 June 2021, 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



**Bruce Irvine**  
Director  
HEARTLAND BANK LIMITED  
Date: 22 October 2021



**Jeff Greenslade**  
Director  
HEARTLAND BANK LIMITED  
Date: 22 October 2021

**Heartland Cash and Term PIE Fund**  
Statement of Comprehensive Income  
For the year ended 30 June 2021

\$000		June 2021	June 2020
<b>Investment revenue</b>			
Interest revenue on Heartland Bank Limited deposits	7	2,662	4,044
<b>Total investment revenue</b>		<b>2,662</b>	<b>4,044</b>
<b>Total operating income</b>		<b>2,662</b>	<b>4,044</b>
<b>Profit for the year attributable to Unit Holders</b>		<b>2,662</b>	<b>4,044</b>
<b>Total comprehensive income attributable to Unit Holders</b>		<b>2,662</b>	<b>4,044</b>

Statement of Changes in Funds Attributable to Unit Holders  
For the year ended 30 June 2021

\$000	Note	June 2021	June 2020
<b>Funds attributable to Unit Holders at beginning of the year</b>	10	<b>166,670</b>	<b>146,093</b>
Total comprehensive income		2,662	4,044
<b>Transactions with Unit Holders</b>			
Contributions		74,018	97,316
Redemptions		(90,106)	(80,783)
<b>Movements in funds attributable to Unit Holders for the year</b>		<b>(16,088)</b>	<b>16,533</b>
<b>Funds attributable to Unit Holders at end of the year</b>	10	<b>153,244</b>	<b>166,670</b>

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 2021

<b>\$000</b>	<b>Note</b>	<b>June 2021</b>	<b>June 2020</b>
<b>Assets</b>			
Current investment in Heartland Bank Limited deposits	9	153,244	166,670
Other receivables		30	30
<b>Total assets</b>		<b>153,274</b>	<b>166,700</b>
<b>Liabilities</b>			
Other liabilities		30	30
<b>Total liabilities (excluding funds attributable to Unit Holders)</b>		<b>30</b>	<b>30</b>
<b>Funds attributable to Unit Holders</b>	10	<b>153,244</b>	<b>166,670</b>

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 22 October 2021.



**Bruce Irvine**  
Director  
HEARTLAND BANK LIMITED  
Date: 22 October 2021



**Jeff Greenslade**  
Director  
HEARTLAND BANK LIMITED  
Date: 22 October 2021

**Heartland Cash and Term PIE Fund**  
Statement of Cashflows  
For the year ended 30 June 2021

<b>\$000</b>	<b>June 2021</b>	<b>June 2020</b>
<b>Cash flows from operating activities</b>		
Cash was provided from:		
Interest received on Heartland Bank Limited deposits	2,290	3,242
<b>Net cash flows from operating activities</b>	<b>2,290</b>	<b>3,242</b>
<b>Cash flows from investing activities</b>		
Cash was provided from:		
Redemption of Heartland Bank Limited deposits	87,816	77,541
<b>Total cash provided from investing activities</b>	<b>87,816</b>	<b>77,541</b>
Cash was applied to:		
Heartland Bank Limited deposits	74,018	97,316
<b>Total cash applied to investing activities</b>	<b>74,018</b>	<b>97,316</b>
<b>Net cash flows applied from/(to) investing activities</b>	<b>13,798</b>	<b>(19,775)</b>
<b>Cash flows from financing activities</b>		
Cash was provided from:		
Unit Holders' contributions received	74,018	97,316
<b>Total cash provided from financing activities</b>	<b>74,018</b>	<b>97,316</b>
Cash was applied to:		
Payment of Unit Holders' redemptions	90,106	80,783
<b>Total cash applied to financing activities</b>	<b>90,106</b>	<b>80,783</b>
<b>Net cash flows from/(to) financing activities</b>	<b>(16,088)</b>	<b>16,533</b>
<b>Net increase in cash held</b>	<b>-</b>	<b>-</b>
Add opening cash	-	-
<b>Ending cash carried forward<sup>1</sup></b>	<b>-</b>	<b>-</b>

<sup>1</sup> 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**

<b>\$000</b>	<b>June 2021</b>	<b>June 2020</b>
Net profit after taxation and before Unit Holder activities	2,662	4,044
Less: accrued interest	506	1,096
Add: resident withholding tax	(134)	(294)
	<b>372</b>	<b>802</b>
<b>Net cash flows from operating activities</b>	<b>2,290</b>	<b>3,242</b>

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 2021

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### 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 operational 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 11 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 Comparative information

Certain comparatives have been restated to comply with current year presentation.

#### 4 Changes in accounting policies

There have been no changes in accounting policies for the period ending 30 June 2021.

#### 5 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 2021

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### Performance

#### 6 Segmental information

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

#### 7 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Fund and that investment 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.

#### 8 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

#### 9 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.

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<b>\$000</b>	<b>June 2021</b>	<b>June 2020</b>
On demand	2,907	3,000
0-6 months	85,039	81,145
6-12 months	36,533	63,885
1-2 years	24,229	12,017
2-5 years	4,536	6,623
<b>Total</b>	<b>153,244</b>	<b>166,670</b>

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The effective weighted interest rate of these investments as at 30 June 2021 is 1.51% p.a (June 2020: 2.99%).

## Heartland Cash and Term PIE Fund

### Notes to the Financial Statements

For the year ended 30 June 2021

#### 10 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*.

<b>\$000</b>	<b>June 2021</b>	<b>June 2020</b>
<b>Units on issue</b>		
<b>Units on issue at beginning of the year</b>	<b>166,670</b>	<b>146,093</b>
Units issued during the year	76,680	101,360
Units redeemed during the year	(90,106)	(80,783)
<b>Total movements for the year</b>	<b>(13,426)</b>	<b>20,577</b>
<b>Units on issue at end of year</b>	<b>153,244</b>	<b>166,670</b>

As discussed in Notes 14 and 15, 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 9.

#### 11 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 11 b) and c).
- Fees and expenses, are made up of audit fees which 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 (2020: \$9,500) for the audit of the financial statements, \$12,000 (2020: \$12,000) for the audit of the registry; and \$3,000 (2020: \$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:

<b>\$000</b>	<b>June 2021</b>	<b>June 2020</b>
<b>Related party Unit Holders' investing</b>		
Closing balance	1	25
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 2021

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#### 12 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 2021 (June 2020: 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

##### 13 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.

##### 14 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.

##### 15 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 2021

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### **Other disclosures**

#### **16 Contingent liabilities and commitments**

At 30 June 2021 there were no material contingent liabilities or commitments (2020: nil).

#### **17 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

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#### Supervisor

The New Zealand Guardian Trust Company Limited  
Level 14  
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](mailto:invest@heartland.co.nz)  
W [www.heartland.co.nz](http://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 which comprise:

- the statement of financial position as at 30 June 2021;
- the income statement, statements of other comprehensive income, changes in net assets 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 Heartland Cash and Term PIE Fund (the "Fund") on pages 4 to 11:

- present fairly in all material respects the Fund's financial position as at 30 June 2021 and its financial performance and cash flows for the year ended on that date; and
- comply 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.



### 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

26 October 2021