

FISHER FUNDS
MANAGEMENT LIMITED

2022 ANNUAL
REPORT

Released under the Official Information Act 1982



Released under the Official Information Act 1982



CONTENTS

| | |
|--------------------------------|----|
| About the Company | 4 |
| Highlights | 5 |
| Our Board | 9 |
| Our Leadership Team | 13 |
| Corporate Governance Statement | 15 |
| Financial Statements | 20 |
| Independent Auditor's Report | 40 |
| Corporate Directory | 42 |

ABOUT THE COMPANY

Fisher Funds Management Limited (Fisher Funds or the company) is a majority New Zealand owned and operated company that was established in 1998 as a specialist investment manager with two primary goals:

- » to deliver great investment returns by investing in good quality companies; and
- » to support and inspire our clients to make better investment decisions.

Fisher Funds is the fourth largest KiwiSaver provider and the fifth largest investment manager in New Zealand, managing over \$14.6 billion for more than 250,000 clients.

Released under the Official Information Act 1982

HIGHLIGHTS 2022

FUNDS UNDER MANAGEMENT GREW



SUPERRATINGS AWARDED BOTH THE FISHER FUNDS KIWISAVER SCHEME AND THE FISHER FUNDS TWO KIWISAVER SCHEME WITH ITS HIGHEST PLATINUM RATING FOR THE 2021/22 YEAR, INDICATING

'BEST VALUE FOR MONEY'



IN DECEMBER 2021 OUR **CHRISTCHURCH** TEAM MOVED INTO OUR NEW BRANDED OFFICE IN **MONTREAL STREET, CHRISTCHURCH**

THE AVERAGE KIWISAVER MEMBER BALANCE GREW FROM **\$27.4K TO \$32.3K** IN THE YEAR



4,590 PEOPLE USED THEIR KIWISAVER MONEY TO SUPPORT THEIR RETIREMENT



2,347 PEOPLE USED THEIR KIWISAVER MONEY TO BUY THEIR FIRST HOME

MORE THAN

250,000

CLIENTS TRUST FISHER FUNDS WITH THEIR SAVINGS

OUR INVESTMENT TEAM WON BOTH THE **INFINZ FUND MANAGER OF THE YEAR - BONDS** AND **INFINZ FUND MANAGER OF THE YEAR - EQUITIES** FOR 2021



OUR TEAM ENGAGED OVER **180,000** TIMES WITH CLIENTS DURING THE YEAR BY PHONE, EMAIL OR CHAT SERVICES

OUR CLIENT SERVICES TEAM IS AWARD WINNING, BRINGING HOME SIX AWARDS AT THE 2021 CONTACT CENTRE AWARDS FOR **DELIVERING EXCELLENT CLIENT SERVICE ACROSS INBOUND, OUTBOUND, EMAIL AND LIVE CHAT**

PROUD RECIPIENTS OF THE **2022 READERS DIGEST MOST TRUSTED BRAND - KIWISAVER AND SUPERANNUATION** FOR THE SECOND YEAR RUNNING



IN NOVEMBER 2021 WE ACQUIRED THE **AON KIWISAVER AND AON MASTER TRUST SCHEMES**, WELCOMING **21,400 MEMBERS** TO FISHER FUNDS



HOW WE MANAGE CLIENTS' MONEY

Looking after the savings of more than 250,000 New Zealanders comes with great responsibility and accountability. Fisher Funds employs a robust, time tested, common sense approach to investing in growth portfolios. We look for quality companies that have sustainable business models, have a history of growing their profits and are well led and governed. Our income portfolios focus on absolute returns, recognising the primary need to preserve capital first.

As our business has grown we have employed investment experts as we have added investment options.

Our 23 strong investment team is one of New Zealand's largest and most experienced.

HOW WE KEEP CLIENTS' INVESTMENTS SAFE

While Fisher Funds' core role is to manage clients' money, it is important to understand we do not actually hold clients' money.

All client monies are held in trust on behalf of clients by an independent supervisor (or their appointed custodian), Trustees Executors Limited (TEL). TEL is New Zealand's oldest and largest trustee supervising over \$170 billion of funds under supervision. Their role is to protect the interests of clients and ensure Fisher Funds is investing in a manner consistent with the relevant investment mandate.

Fisher Funds' assets are completely separated from client assets and also from each of the Funds that we manage. Fisher Funds is paid fees for managing clients' money, from which we pay our staff, operational expenses and meet our financial obligations – this is reflected in the following financial statements.

A separate set of financial statements is prepared for each Fund that is managed by Fisher Funds and these are independently audited and are available on our website.

Our key business partners

Fisher Funds' core competencies are investment management and looking after our clients. We have shaped our business model to focus on these areas and as a result we outsource registry, custody and investment accounting services to Trustees Executors Limited (TEL).

Fisher Funds also has distribution relationships with TSB Bank and The Co-operative Bank to distribute the Fisher Funds KiwiSaver Scheme.

Released under the Official Information Act 1982

INVESTMENT CHOICES

Our range of investment solutions enables us to help most people irrespective of their investing goals.

Retail clients can invest in:



Our range of managed funds – open ended funds providing specific asset class or geographic exposure and diversified investment strategies



KiwiSaver – choice of the Fisher Funds KiwiSaver Scheme or the Fisher Funds TWO KiwiSaver Scheme



LifeSaver – a workplace superannuation scheme

We also manage three investment companies that are listed on the NZX Main Board:



Kingfish Limited – invests in quality New Zealand companies



Barramundi Limited – invests in quality Australian companies



Marlin Global Limited – invests in quality companies outside of New Zealand and Australia

We have teams of advisers based at the Fisher Funds head office in Takapuna and in our new regional offices in Wellington and Christchurch, and are supported by a network of external advisers around the country that can help our clients to select the right investment.

OUR BOARD (as at 31 March 2022)



David Clarke

Appointed 1 January 2016

Chairman and Non-executive Director

Board Committees – Chair of the Nominations Committee and member of the Audit and Risk Committee, Investment Strategy Committee and Remuneration Committee

David has over 35 years' experience in investment banking, funds management, property investment and retail banking where he developed a deep understanding of fiduciary duties to investors and risk considerations. Previous executive roles include Chief Executive of Investec Bank (Australia) Ltd, BT Financial Group, MLC Limited and Lloyds Merchant Bank. David is currently a non-executive director and Chairman of Charter Hall Group, Chairman of AUB Ltd, Chairman of Resolution Life Australia Pty Limited, and was previously a non-executive director of AMP Ltd, and an executive director of Lend Lease Corporation Ltd.

David's principal place of residence is Sydney, Australia.



Margaret Anne Blackburn BA, MA, CFInstD

Appointed 13 June 2013

Non-executive Director

Board Committees – Chair of the Audit and Risk Committee and Remuneration Committee and member of the Nominations Committee.

Anne has a professional banking background, having had earlier careers in journalism and diplomacy. She serves on boards across the capital markets spectrum including retail banking, life insurance, superannuation and funds management.

Previous board roles have included stockbroking and venture investment. As well she has held board seats in a number of infrastructure businesses, and pro bono in the arts sector.

Anne's principal place of residence is Auckland, New Zealand.



Edward Sippel

Appointed 25 August 2017

Non-executive Director

Board Committees – Member of the Audit and Risk Committee, Remuneration Committee and Nominations Committee.

Ed is a Managing Director at TA Associates. He is Co-Head of Asia and manages the Hong Kong office which he opened in 2011. Ed has over 25 years of investment experience in deal sourcing, due diligence, structuring, and portfolio management. On behalf of TA Associates, Ed currently serves on the Board of Directors of BetaShares, Yarra Capital Management (formerly Goldman Sachs Asset Management Australia), and Honan Insurance in Australia; InCorp in Singapore, YeePay in China, MISA in Vietnam, Gong Cha Companies in South Korea, Japan and Taiwan; and was formerly on the Board of Forgame Tech (HKSE:484) in China, Speedcast (ASX:SDA) of Hong Kong and Nintex in Australia.

Previously, Ed was a Partner and Head of Asia at Quadrangle Capital Partners, a global private equity firm. Prior to that, he was a Managing Director and Partner at TVG Capital Partners and worked at The Asian Infrastructure Fund (AIF) private equity firms based in Hong Kong. Prior to moving to Asia in 1997, Ed worked at Morgan Stanley in New York. Ed received a BA degree from Georgetown University.

Edward's principal place of residence is Hong Kong.



Guy Roper BBS, FCAANZ, MInstD

Appointed 31 July 2018

Non-executive Director

Board Committees – Member of the Audit and Risk Committee and Nominations Committee.

Guy is a Chartered Accountant with over 35 years commercial experience in New Zealand business, predominantly in the dairy industry. As an executive with Fonterra Co-operative Group Ltd, Guy held a number of senior commercial and director roles and was involved in the creation of the dairy trading auction platform GlobalDairyTrade. He worked for three years in Switzerland taking the lead role of Global Account Director servicing Fonterra's business with Nestle. In this time he was a Director on Dairy Partners of America a joint venture between Fonterra and Nestle that operated throughout South America. He had eight years' experience as a Trustee for the Dairy Industry Superannuation Fund. Guy joined Port Taranaki Ltd in 2013 and was the Chief Executive between 2015 until his retirement in 2021. He also serves as a Trustee on the TOI Foundation based in New Plymouth and is a Director of TOI Foundation Holdings Limited and TOI Foundation Investments Limited.

Guy's principal place of residence is Taranaki, New Zealand.



Jennifer Moxon BCom

Appointed 31 July 2018

Non-executive Director

Board Committees – Member of the Investment Strategy Committee and Nominations Committee.

Jennifer is a Professional Director and holds a number of governance roles working in both the private and public sectors. She is currently a Director at Port Marlborough, and previously held roles at Transpower, Victoria University, Open Polytechnic and NZTE.

Jennifer currently holds Board advisory roles at MBIE and is an experienced board committee chair in particular health and safety, people and capability, and an experienced board member in audit and risk and investments.

Jennifer previously spent over 20 years working internationally in senior leadership roles at IBM. Working in the technology industry has enabled Jennifer to bring strategic skills to the Board room as companies evaluate and prepare for their future in a rapidly changing business environment. Combined with global leadership experience, and customer and business transformation, Jennifer has practical knowledge and insights regarding customer engagement and experience, market expansion and business model transformation. Jennifer works with STEM graduates as a professional Mentor at Victoria University.

Jennifer's principal place of residence is Marlborough, New Zealand.



Michael Berk Harvard Business School – MBA, Harvard Law School – JD, cum laude, Harvard College – AB, magna cum laude, East Asian Studies

Appointed 21 September 2018

Non-executive Director

Board Committees – Member of the Investment Strategy Committee and Nominations Committee.

Michael co-leads TA's North America Services Group and focuses on investments in business and financial services companies. Michael is a member of TA's Core Investment and Portfolio Committees, and he also has responsibility for supporting TA's Hong Kong office. He joined TA in 2004 and has more than 20 years of experience in the private equity industry. Michael's primary focus is in the business services industry, but he has also sponsored investments in healthcare, telecommunications, consumer and financial services sectors during his career. Michael has partnered with dynamic management teams to drive growth and value creation, both organically and through add-on acquisitions. Michael currently serves on the boards of OMNIA Partners, Towne Park, Truck Hero and Yarra Capital Management. Michael was educated at Harvard, earning undergraduate degrees as well as an MBA from the Business School.

Michael's principal place of residence is Boston, United States of America.



Mark Lazberger

Appointed October 2020

Non-executive Director

Board Committees – Chair of the Investment Strategy Committee and member of the Remuneration Committee and Nominations Committee

Mark is an accomplished investment management executive, with more than 35 years' experience working with large and successful organisations across Australia, Europe and Asia. Mark was most recently global CEO of Colonial First State Global Asset Management (now First Sentier Investors), a Sydney-based role he held for 10 years until December 2018 prior to its acquisition by Japanese bank MUFG in 2019. Mark's prior experience includes 17 years with State Street in a range of senior positions in Australia, Japan, and the UK. Mark holds a Bachelor of Commerce from the University of Western Australia and is a qualified Chartered Financial Analyst®. Mark also currently serves on the boards of Yarra Capital Management and the Children's Cancer Institute Australia.

Mark's principal place of residence is Sydney, Australia.

OUR LEADERSHIP TEAM



Bruce McLachlan

Chief Executive Officer

Bruce McLachlan joined Fisher Funds as Chief Executive in April 2017. Bruce has significant experience in the financial services industry having held multiple senior leadership roles in large banks. Prior to joining Fisher Funds, Bruce was the Chief Executive of The Co-Operative Bank for four years and prior to that spent ten years at Westpac in their business and retail banking units, including a time being accountable for BT Funds Management. Bruce has also previously worked at BNZ and its parent bank, National Australia Bank, in Melbourne.



Cath Lomax

Chief Client Officer

Cath joined Fisher Funds in August 2019 as Chief Client Officer and is responsible for leading the Fisher Funds Advice team. Cath's leadership spans several industries, both within large financial corporations as well as smaller entrepreneurial companies, with roles including GM People and Head of Strategy and Performance. She has proven expertise and success in leading in all aspects of business including large-scale sales leadership, customer experience and optimising operational performance. A passion of Cath's is honouring and respecting diversity and inclusion and making a positive impact for NZ organisations.



Nilesh Mistry

Chief Operating Officer

Nilesh joined Fisher Funds in May 2020 as Chief Operating Officer. Nilesh has extensive experience in the Financial Services and Technology industries, having worked at senior levels for companies across Australia, Asia Pacific and the United States. Prior to joining Fisher Funds, Nilesh was Vice President for World Wide Technology, and Chief Technology Officer for JPMorgan Chase. Nilesh has also previously worked at Westpac and Citigroup.



Sharon Mackay

Head of Third Party Distribution

Sharon joined Fisher Funds in March 2020 as Head of Third Party Distribution. Sharon has had a long career on the product, administration and distribution side of funds management and with KiwiSaver in particular, having been with Tower, ASB (Head of Products), BT Funds Management (Head of Products and Marketing) and most recently at BNZ (Manager Wealth Strategy and Product).



Jody Kaye

Chief Financial Officer

Jody joined Fisher Funds in October 2017 as Chief Financial Officer. In this position Jody is responsible for oversight of the Finance, Risk and Compliance, Product, and Listed Investment Company teams. Jody comes to Fisher Funds from Harbour Asset Management where he was a founding member and their Chief Operating Officer for seven years. Jody has an extensive career in the funds management industry having worked at First NZ Capital, Arcus Investment Management, ING, BT Funds Management and ANZ Funds Management bringing vast experience to Fisher Funds.



Ashley Gardyne

Chief Investment Officer

Ashley joined the Fisher Funds international equities team in 2013 before becoming Senior Portfolio Manager for the international equity strategies in 2017. In 2021 Ashley moved into the Chief Investment Officer role. Ashley has extensive investment banking and funds management experience, including 10 years working in mergers and acquisitions in both New Zealand and London, including time at ABN AMRO New Zealand and the Royal Bank of Scotland.



Marcus Wild

Chief Marketing Officer

Marcus joined Fisher Funds in November 2017 as Chief Marketing Officer. Marcus has responsibility for the brand, marketing and communication functions. Marcus most recently held senior roles at Xero, 90 Seconds and Fairfax Media and has over 20 years experience in marketing. At these leading companies Marcus developed and implemented world class digital and content marketing strategies and campaigns.

Together the senior management team's experience complements each other's skills to ensure that the organisation is well placed to meet its obligations and effectively manage the business. The senior management team is supported by key managers who are responsible for functional areas of the business.

CORPORATE GOVERNANCE

for the year ended 31 March 2022

Fisher Funds' Board and management are committed to ensuring that its employees act ethically, with integrity, and in accordance with the company's conduct principles, policies and values.

Fisher Funds' corporate governance conduct principles, practices and policies are designed to support the ongoing success of the company and ensure the highest standards of ethical conduct. The company's control systems exist to ensure that all fiduciary obligations to clients are met and that the company complies with laws and standards, including the corporate governance principles and guidelines issued by the Financial Markets Authority (FMA).

The Fisher Funds corporate governance conduct principles, policies and procedures, and board and committee charters, are regularly reviewed by the Board against the corporate governance standards set by the FMA, any regulatory changes, and developments in corporate governance practices. The Board also regularly reviews and assesses Fisher Funds' governance policies, processes and practices to identify opportunities for enhancement and to ensure they reflect the company's operations and culture.

Key corporate governance charters and policies referred to in this section are available on the Fisher Funds website (www.fisherfunds.co.nz).

Ethical Standards

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.

Fisher Funds expects its directors and employees to conduct themselves in accordance with the highest ethical and behavioural standards.

Fisher Funds has adopted a **Conduct Management Programme** that sets out governance and operational structures, roles and responsibilities that support the achievement of good client outcomes. The Conduct Management Programme provides employees with a definition of what 'good' looks like and provides the Board with assurance that a positive client-focused culture is embedded within the business.

Fisher Funds also has adopted a **Conduct Principles Policy** which confirms our commitment to good conduct and details the ethical and professional

behavioural standards required of its directors and employees. The Conduct Principles Policy is principles based and includes: clients can be confident we are treating them fairly, clients are offered products whose key features they understand and which perform as they have been led to expect, that clients are provided with clear information to enable them to make informed decisions and are kept appropriately informed before, during and after the point of sale and employees are encouraged and will be supported to speak up when they perceive that people in or outside the business are behaving contrary to our Conduct Principles Policy.

The Conduct Principles Policy is broadly aligned to new standards in the Financial Services Industry including the Conduct of Financial Institutions requirements, the new Code of Professional Conduct for Financial Advice Services, and the new Financial Markets Conduct Act duties on persons giving financial advice.

Training on the Conduct Principles Policy is conducted annually for all employees and is included as part of the induction process for new directors and employees.

The **Conflicts of Interests Policy** is designed to ensure that employees understand their responsibility to identify, avoid and/or manage conflicts of interest. Fisher Funds is committed to acting honestly, fairly and in the best interests of our clients when providing products, services and advice.

Board Composition and Performance

To ensure an effective board, there should be a balance of skills, knowledge, experience, independence and perspectives.

Role of the Board and Responsibility

The Board is appointed by the Fisher Funds shareholders and is responsible for the company's strategy, culture, governance, performance and its compliance with the appropriate laws and standards.

The Board's responsibilities are set out in its **Charter**. The Board has delegated its authority in part to the Chief Executive Officer (CEO) and other executives, who are responsible for the effective day-to-day leadership and management of Fisher Funds. Formal policies and procedures govern the parameters of

these delegations. The Board meets its responsibilities by receiving reports and plans from the CEO and management, and through its annual work programme.

Director Information and Independence

As at 31 March 2022, the Board comprises seven directors with diverse backgrounds, skills, knowledge, experience and perspectives. Information about each director including a profile of experience is available on pages 9 to 12 of this Annual Report and on the Fisher Funds website.

Fisher Funds views diversity as including, but not limited to, skills, qualifications, experience, gender, race, age and cultural background. The Board recognises that having a diverse Board will assist it in effectively carrying out its role.

Fisher Funds is a privately held company and shareholders have rights to appoint directors as their representatives. The Board has determined that any non-executive director, who represents a shareholder or shareholders with less than 10% ownership of the company, may be considered independent (though other factors may cause the Board to determine they are not independent).

All directors must act in the best interests of the company, irrespective of their non-independence.

As at 31 March 2022 all directors were non-executive directors.

Director training

All directors are responsible for ensuring they remain current in understanding their duties as directors. To ensure ongoing education, directors are regularly informed of developments that affect the company's industry and business environment, as well as company and legal issues.

Board Performance Review

The Board conducts a formal review of its performance annually. The Nominations Committee assesses the performance of individual directors, and directors also assess the collective performance of the Board and the performance of the Chair.

Board Committees

The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

The Board uses board committees to address certain matters that require detailed consideration. The Board retains ultimate responsibility for the function of its committees and determines their

responsibilities. The Board has established four standing board committees to assist it in carrying out its responsibilities.

Committees review and analyse policies, strategies and performance, and make recommendations to the Board. The Board appoints the chair of each committee. Members are chosen for their skills, experience and other qualities they bring to the relevant committees. Each committee operates under a charter agreed by the Board, and any recommendations they make are recommendations to the Board.

As at 31 March 2022, the standing board committees are:

- » Audit and Risk Committee
- » Remuneration Committee
- » Nominations Committee
- » Investment Strategy Committee

Audit and Risk Committee

The **Audit and Risk Committee Charter** sets out the objectives of the Audit and Risk Committee which is to provide assistance to the Board in fulfilling its responsibilities in relation to the company's financial reporting, internal controls structure, risk management systems, the external audit function and conduct related policies of the company.

The Audit and Risk Committee is responsible for ensuring oversight of all matters relating to risk management, financial management and controls and the financial accounting, audit and reporting of Fisher Funds and the entities managed by Fisher Funds. In addition, the Committee considers the independence and performance of the external auditor, KPMG, and recommends to the Board which services, other than the statutory audit, may be provided by KPMG as auditor.

As at 31 March 2022, the Audit and Risk Committee comprised directors Anne Blackburn (Chair), Edward Sippel, David Clarke and Guy Roper.

Remuneration Committee

The **Remuneration Committee Charter** sets out the objectives of the Remuneration Committee, which is to provide assistance to the Board in discharging its duties relating to remuneration and executive management and performance.

The Remuneration Committee is responsible for reviewing and making recommendations to the Board on remuneration matters, talent management and succession planning, diversity and inclusion and people strategies and policies.

As at 31 March 2022, the Remuneration Committee comprised Anne Blackburn (Chair), David Clarke, Edward Sippel and Mark Lazberger.

Nominations Committee

The **Nominations Committee Charter** sets out the objectives of the Nominations Committee, which is to ensure a formal and transparent procedure for the appointment of new directors to the Board.

The Nominations Committee is responsible for assessing the skills and competencies required and represented on the Board, establishing processes for the review of director and Board performance and ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and best practice governance standards.

As at 31 March 2022, the Nomination Committee comprised David Clarke (Chair), Anne Blackburn, Edward Sippel, Jennifer Moxon, Guy Roper, Michael Berk and Mark Lazberger.

Investment Strategy Committee

The **Investment Strategy Committee Charter** sets out the objectives of the Investment Strategy Committee, which is to oversee the investment management strategies and key investment policies used by Fisher Funds in managing its investment portfolios, ensuring client assets are managed within appropriate risk boundaries and portfolios meet the long term performance objectives.

The Investment Strategy Committee responsibilities include ensuring that the company's investment approach is appropriate to meet the investment outcomes described to clients, considering changes to key investment policy matters, monitoring the management of portfolios, evaluating the investment performance of portfolios and assessing strategic and tactical asset allocation decisions.

As at 31 March 2022, the Investment Strategy Committee comprised Mark Lazberger (Chair), David Clarke, Jennifer Moxon and Michael Berk.

Board and Board Committee meeting attendance in the year ended 31 March 2022

| | Board | Audit and Risk Committee | Remuneration Committee | Nominations Committee | Investment Strategy Committee |
|-------------------------------|-------|--------------------------|------------------------|-----------------------|-------------------------------|
| Total number of meetings held | 9 | 4 | 2 | 1 | 3 |
| David Clarke | 9 | 4 | 2 | 1 | 3 |
| Anne Blackburn | 9 | 4 | 2 | 1 | 3* |
| Edward Sippel | 9 | 4 | 2 | 1 | 3* |
| Guy Roper | 9 | 4 | 2* | 1 | 3* |
| Jennifer Moxon | 9 | 4* | 2* | 1 | 3 |
| Michael Berk | 8 | | | | 2 |
| Mark Lazberger | 9 | 4* | 2 | 1 | 3 |

* Observer

Reporting and disclosure

The board should demand integrity in financial reporting, and in the timeliness and balance of corporate disclosures.

The Board has overall responsibility for financial reporting. The Directors are committed to preparing financial statements that present a balanced and clear assessment of Fisher Funds' financial position.

The Audit and Risk Committee monitors the effectiveness of the company's internal controls and oversees the quality and integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements. It reviews the annual financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards and legal requirements and the results of the external audit.

For each financial reporting period, management's accountability for the integrity of Fisher Funds' financial statements (that they present a true and fair view) is supported by written certification from the CFO and Head of Finance.

Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

Directors' Remuneration

Non-executive directors' fees are determined by the Board on the recommendation of the Remuneration Committee. Each year the Remuneration Committee reviews the level of directors' remuneration. The Remuneration Committee considers the skills, performance, experience and level of responsibility of directors when undertaking the review, and is authorised to obtain independent advice on market conditions.

Executive Remuneration

Fisher Funds' remuneration structure is designed to attract, reward and retain high performing employees who are able to enhance the company's performance and the performance of the entities managed by Fisher Funds.

Risk Management

Directors should have a sound understanding of the key risks faced by the business, and should regularly verify there are appropriate processes to identify and manage these.

The Board has overall responsibility for ensuring Fisher Funds has an appropriate risk management framework. Fisher Funds has in place policies and procedures to identify areas of significant business risk and implement procedures to manage those risks effectively.

Robust, reliable and consistent risk-based decision-making at all levels is necessary to enable Fisher Funds to sustain business growth; deliver on our brand promise; and achieve good outcomes for our clients.

Fisher Funds has adopted a **Risk Governance Policy** that supports these objectives through the adoption of a 'Three Lines of Defence' model which reflects our belief that risk is everyone's business, with all employees being responsible for identifying and managing risk in their parts of the business.

Key risk management tools used by Fisher Funds include the Audit and Risk Committee function, outsourcing of certain functions to specialist service providers, internal controls, financial and compliance reporting procedures and processes, business continuity planning and insurance.

The Audit and Risk Committee receives and reviews regular reports and on the operation of the risk management framework to assess the systems and procedures that are in place and to ensure that all significant risks and issues are reported to the Board.

Auditors

The board should ensure the quality and independence of the external audit process.

The Audit and Risk Committee makes recommendations to the Board on the appointment and removal of the external auditor and is responsible for overseeing the external audit of the company. Currently, KPMG is the external auditor.

The Audit and Risk Committee meets with the external auditor to approve their terms of engagement, audit partner rotation (at least every seven years) and audit fee, and to review and provide feedback in respect of the annual audit plan. The Audit and Risk Committee routinely has time with the external auditor without management present.

The Audit and Risk Committee considers the independence and effectiveness of the external auditor, and reviews and approves any non-audit services performed by the external auditor. The External Auditor Independence Policy documents the framework of Fisher Funds' relationship with its external auditor.

The Audit and Risk Committee also monitors developments in the areas of audit, and threats to audit independence, to ensure its policies and practices are consistent with emerging best practice in these areas.

Shareholder relations and stakeholder interests

The board should respect the rights of shareholders, and foster constructive relationships with shareholders and stakeholders. Shareholders should be encouraged to engage with the entity.

Fisher Funds' shareholders are represented by directors on the Board. The Board's annual work programme ensures that shareholders have a constructive relationship with the company and receive regular information about Fisher Funds' activities.

Fisher Funds has a wide range of stakeholders as a provider of financial services; including its clients, regulators and the government (due to the Fisher Funds TWO KiwiSaver Scheme being a default KiwiSaver scheme until 1st December 2021).

Fisher Funds recognises the importance of providing stakeholders with comprehensive, timely information about its activities. Fisher Funds sends regular communications to its clients and its website contains information about its investment services and investment products, as well as copies of reports, updates and other communications. The website also contains information about Fisher Funds' directors, staff, copies of key corporate governance documents and general company information.



Released under the Official Information Act 1982

FINANCIAL STATEMENTS CONTENTS

| | |
|--|-------|
| Statutory information | 21 |
| Directors' statement of responsibility | 21 |
| Income statement and Statement of comprehensive income | 22 |
| Statement of changes in equity | 23 |
| Statement of financial position | 24 |
| Statement of cash flows | 25 |
| Notes to the financial statements | 26-39 |
| Independent Auditor's Report | 40-41 |

FISHER FUNDS MANAGEMENT LIMITED

Statutory information

Due to agreement by the shareholders, the company has elected to apply some of the disclosure exemptions per section 211(3) of the Companies Act 1993.

Directors' statement of responsibility For the year ended 31 March 2022

We present the financial statements for Fisher Funds Management Limited for the year ended 31 March 2022.

We have ensured that the financial statements for Fisher Funds Management Limited give a true and fair view of the financial position of the company as at 31 March 2022 and its financial performance and cash flows for the year ended on that date.

We have ensured that the accounting policies used by the company comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime, and believe that proper accounting records have been kept. We have ensured compliance of the financial statements with the Financial Markets Conduct Act 2013.

We also consider that adequate controls are in place to safeguard the company's assets and to prevent and detect fraud and other irregularities.

The Fisher Funds Management Limited Board authorised these financial statements for issue on 20 June 2022.



Director



Director

FISHER FUNDS MANAGEMENT LIMITED

Income statement and Statement of comprehensive income

For the year ended 31 March 2022

| | Note | 2022 \$000 | 2021 \$000 |
|--|------|----------------|----------------|
| Income | | | |
| Fee income | 1 | 199,365 | 125,906 |
| Interest income | | 212 | 46 |
| Net change in fair value of financial assets and liabilities | 7 | - | (1,020) |
| Loss on disposal of derivatives | 7 | (4,783) | (614) |
| Total net income | | 194,794 | 124,318 |
| Expenses | | | |
| Operating expenses | 2 | 56,366 | 48,550 |
| Amortisation | 8,9 | 5,552 | 5,010 |
| Depreciation | | 1,174 | 979 |
| Finance costs | | 768 | 288 |
| Total expenses | | 63,860 | 54,827 |
| Profit before tax expense | | 130,934 | 69,491 |
| Tax expense | 3 | 37,014 | 19,713 |
| Profit after tax expense | | 93,920 | 49,778 |

The accompanying notes are an integral part of these financial statements.



FISHER FUNDS MANAGEMENT LIMITED

Statement of changes in equity

For the year ended 31 March 2022

| | Note | Share capital \$000 | Retained earnings \$000 | Total \$000 |
|---------------------------------|------|------------------------|----------------------------|----------------|
| Balance at 1 April 2020 | | 41,722 | 20,417 | 62,139 |
| Net profit | | - | 49,778 | 49,778 |
| Total comprehensive income | | - | 49,778 | 49,778 |
| Distributions to owners | 4 | - | (51,400) | (51,400) |
| Total changes in equity | | - | (1,622) | (1,622) |
| Balance at 31 March 2021 | | 41,722 | 18,795 | 60,517 |
| Net profit | | - | 93,920 | 93,920 |
| Total comprehensive income | | - | 93,920 | 93,920 |
| Distributions to owners | 4 | - | (85,000) | (85,000) |
| Total changes in equity | | - | 8,920 | 8,920 |
| Balance at 31 March 2022 | | 41,722 | 27,715 | 69,437 |

The accompanying notes are an integral part of these financial statements.



FISHER FUNDS MANAGEMENT LIMITED

Statement of financial position

For the year ended 31 March 2022

| | Note | 2022 \$000 | 2021 \$000 |
|--------------------------------------|-------|----------------|----------------|
| Current assets | | | |
| Cash | 5 | 29,699 | 8,277 |
| Trade and other receivables | 6 | 12,727 | 19,179 |
| Prepayments | | 2,318 | 1,349 |
| Derivative financial instruments | 7 | - | 1,862 |
| Total current assets | | 44,744 | 30,667 |
| Non-current assets | | | |
| Property, plant and equipment | | 2,166 | 1,061 |
| Right-of-use asset | 13 | 2,353 | 1,405 |
| Deferred acquisition costs | 8 | 4,557 | 5,073 |
| Intangible assets | 9 | 96,967 | 68,863 |
| Total non-current assets | | 106,043 | 76,402 |
| Total assets | | 150,787 | 107,069 |
| Current liabilities | | | |
| Trade and other payables | 10 | 21,422 | 14,195 |
| Tax payable | 3 | 3,591 | 7,693 |
| Provisions | 11 | 1,492 | - |
| Lease liability | 13 | 800 | 483 |
| Total current liabilities | | 27,305 | 22,371 |
| Non-current liabilities | | | |
| Borrowings | 12 | 34,313 | 6,000 |
| Deferred tax | 3 | 7,107 | 9,055 |
| Lease liability | 13 | 1,655 | 974 |
| Executive equity plan | 14,15 | 10,970 | 8,152 |
| Total non-current liabilities | | 54,045 | 24,181 |
| Total liabilities | | 81,350 | 46,552 |
| Net assets | | 69,437 | 60,517 |
| Equity | | | |
| Share capital | 4 | 41,722 | 41,722 |
| Retained earnings | 4 | 27,715 | 18,795 |
| Shareholders' equity | | 69,437 | 60,517 |

The accompanying notes are an integral part of these financial statements.

On behalf of the Board



Director

Authorised for issue on 20 June 2022



Director



FISHER FUNDS MANAGEMENT LIMITED

Statement of cash flows

For the year ended 31 March 2022

| | Note | 2022 \$000 | 2021 \$000 |
|---|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 207,268 | 115,299 |
| Interest received | | 212 | 46 |
| Payments to suppliers and employees | | (47,576) | (43,032) |
| Interest paid | | (307) | (276) |
| Income tax paid | 3 | (43,064) | (19,256) |
| Net cash provided by operating activities | | 116,533 | 52,781 |
| Cash flows from investing activities | | | |
| Sale of property, plant and equipment | | 1 | 11 |
| Purchase of property, plant and equipment | | (1,244) | (567) |
| Payment of deferred acquisition costs | 8 | (156) | (199) |
| Purchase of intangible assets | 9 | (33,508) | (497) |
| Net cash used in investing activities | | (34,907) | (1,252) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 12 | 32,000 | 7,000 |
| Repayments of borrowings | 12 | (3,687) | (10,000) |
| Payments for financial assets at fair value through profit and loss | 7 | (2,921) | (3,496) |
| Lease liability payments | 13 | (596) | (563) |
| Dividends paid | 4 | (85,000) | (51,400) |
| Net cash used in financing activities | | (60,204) | (58,459) |
| Net increase/(decrease) in cash and cash equivalents | | 21,422 | (6,930) |
| Cash and cash equivalents at the beginning of the financial year | | 8,277 | 15,207 |
| Cash and cash equivalents at year end | 5 | 29,699 | 8,277 |

The accompanying notes are an integral part of these financial statements.



FISHER FUNDS MANAGEMENT LIMITED

Notes to the financial statements

For the year ended 31 March 2022

Reporting entity and statutory base

Fisher Funds Management Limited (Fisher Funds) and its non-active subsidiaries (together the Company) are incorporated and domiciled in New Zealand. Fisher Funds is a profit oriented company and its primary activity is funds management. Fisher Funds is registered in New Zealand under the Companies Act 1993 and is a FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013 (FMCA).

Basis of preparation

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the FMCA. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR), other New Zealand accounting standards and authoritative support that are applicable to entities that apply NZ IFRS RDR.

Fisher Funds is eligible and has elected to report in accordance with Tier 2 for-profit accounting standards, NZ IFRS on the basis that Fisher Funds is an FMC reporting entity with lower public accountability and is not a large for-profit public sector entity. In applying NZ IFRS RDR, Fisher Funds have applied a number of disclosure concessions.

These financial statements are expressed in New Zealand dollars, which is the functional currency of Fisher Funds. All financial information has been rounded to the nearest thousand, unless otherwise stated.

The measurement basis adopted in the preparation of these financial statements is historical cost, modified by the revaluation of financial instruments as identified in specific accounting policies below and the accompanying notes.

Accounting policies

Accounting policies that summarise the recognition and measurement basis used, and are relevant to the understanding of the financial statements, are provided throughout the accompanying notes.

The accounting policies adopted have been consistently applied to all years presented, unless otherwise stated.

Accounting estimates & judgements

Estimates and judgements are made in applying Fisher Funds' accounting policies. The areas of significant estimation and judgement are:

1. Useful lives, related cashflow estimates, and potential impairment of deferred acquisition costs (refer to note 8) and intangible assets (refer to note 9).
2. The incremental borrowing rate used to calculate the lease liability (refer to note 13).
3. Recognition of performance fee income (refer to note 1).



Note 1

Fee income

Fisher Funds earns management, administration and service fees which are recorded as income as they are earned, stated net of rebates (if any).

Performance fees are recognised as income when the contractual performance criteria have been met and the right to receive the fee has been established. The Performance fee income recognised in 2022 was for the 12 month period ended 30 June 2021 and was recognised on that date when the performance criteria had been met.

| | 2022 \$000 | 2021 \$000 |
|--|----------------|----------------|
| Management fees, net of rebates | 120,004 | 99,044 |
| Performance fees | 77,155 | 23,322 |
| Administration fees | 5,860 | 6,940 |
| Less: Outsourced administration services | (3,784) | (3,547) |
| Service and other fees | 130 | 147 |
| Total fee income | 199,365 | 125,906 |

Note 2

Operating expenses

| | 2022 \$000 | 2021 \$000 |
|-------------------------------------|---------------|---------------|
| Client communications and marketing | 4,393 | 2,944 |
| Commission | 6,290 | 5,700 |
| Directors' fees | 769 | 632 |
| Employee benefits | 31,162 | 30,460 |
| IT expenses and development | 4,146 | 983 |
| Online services | 2,867 | 2,530 |
| Travel expense | 64 | 67 |
| Other expenses | 6,675 | 5,234 |
| Total operating expenses | 56,366 | 48,550 |

Employee benefits

Included within employee benefits is \$536,000 (2021: \$403,500) of employer KiwiSaver contributions, of which a portion is ultimately invested in the Fisher Funds KiwiSaver Scheme or the Fisher Funds TWO KiwiSaver Scheme (which are related parties as disclosed in note 15).

Note 2

Operating expenses (continued)

Auditor's remuneration

Included in other expenses are fees paid to auditors:

| | 2022 \$000 | 2021 \$000 |
|--|---------------|---------------|
| Auditor services - financial statement audit of Fisher Funds Management Limited | 45 | 17 |
| Auditor services - financial statement audit of Fisher Funds Management Limited (prior year) | 14 | - |
| Auditor services - financial statement audit of Aon Saver Limited and Superannuation Management Nominees Limited | 9 | - |
| Auditor services - financial statement audit of Fisher Funds TWO KiwiSaver Scheme Cash Enhanced Fund | 9 | 9 |
| Auditor services - agreed upon procedures | 5 | 5 |
| Total auditor's remuneration | 82 | 31 |

In addition to the financial statement audit, KPMG was engaged to provide agreed upon procedures reporting in relation to the Financial Markets Authority requirement for Fisher Funds as a Managed Investment Scheme Manager (MIS) and Discretionary Investment Manager Services (DIMS) License holder, to have the auditor review its calculation of Net Tangible Assets.

KPMG also provides financial statement audits and annual report reviews to a number of managed investment schemes, KiwiSaver schemes and superannuation schemes managed by Fisher Funds. Total remuneration paid to KPMG in relation to these financial statement audits and supervisor reporting by these entities managed by Fisher Funds was \$341,700 (2021: \$255,500).

Note 3

Income tax

Tax expense comprises current and deferred tax. Tax expense is recognised in the Income statement except when it relates to items recognised directly in the Statement of comprehensive income.

Deferred tax expense is recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for taxation purposes. Deferred tax assets are only recognised to the extent that it is probable that it can be utilised.

Current tax expense

The current tax expense is determined as follows:

| | 2022 \$000 | 2021 \$000 |
|---|----------------|---------------|
| Net profit before income tax | 130,934 | 69,491 |
| Tax at 28% | 36,662 | 19,457 |
| Tax effect of amounts which are non deductible expenditure: | | |
| - Amortisation | 1,184 | 1,059 |
| - Other | 182 | 210 |
| Tax effect of amounts which reduce tax payable: | | |
| - Release of deferred tax liability associated with the recognition of intangible management rights | (859) | (859) |
| - Other | (154) | (154) |
| Income tax expense | 37,014 | 19,713 |



Note 3

Income tax (continued)

Current tax expense (continued)

| | 2022 \$000 | 2021 \$000 |
|------------------------------|---------------|---------------|
| Comprising: | | |
| Prior period under provision | 19 | 28 |
| Current tax expense | 38,944 | 22,499 |
| Deferred tax | (1,949) | (2,814) |
| Income tax expense | 37,014 | 19,713 |

Current tax payable

| | 2022 \$000 | 2021 \$000 |
|---------------------------------------|---------------|---------------|
| Opening balance | 7,693 | 4,431 |
| Prior period under provision | 18 | 19 |
| Current tax expense movement | 38,944 | 22,499 |
| Tax paid | (43,064) | (19,256) |
| Balance at the end of the year | 3,591 | 7,693 |

Deferred tax

Deferred tax assets and liabilities are offset on the face of the Statement of financial position and presented as a net deferred tax liability. The movement in deferred tax assets and liabilities is:

| (Assets)/Liabilities | Management rights \$000 | Deferred acquisition costs \$000 | Trade and other payables \$000 | Executive equity plan \$000 | Total \$000 |
|------------------------------------|-------------------------------|---|---|-----------------------------------|----------------|
| Opening balance 1 April 2020 | 11,157 | 1,551 | (286) | (563) | 11,859 |
| Prior period under provision | - | - | 10 | - | 10 |
| Charge to current tax expense | (859) | (130) | (133) | (1,692) | (2,814) |
| Balance as at 31 March 2021 | 10,298 | 1,421 | (409) | (2,255) | 9,055 |
| Opening balance 1 April 2021 | 10,298 | 1,421 | (409) | (2,255) | 9,055 |
| Prior period under provision | - | - | 1 | - | 1 |
| Charge to current tax expense | (859) | (145) | (156) | (789) | (1,949) |
| Balance as at 31 March 2022 | 9,439 | 1,276 | (564) | (3,044) | 7,107 |

Note 4

Equity

Share capital

Fisher Funds has 15,135 (2021: 15,135) fully paid ordinary shares on issue with no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

There were no share capital movements during the year to 31 March 2022 (2021: Nil).

Dividends

Fully imputed dividends totalling \$85 million (2021: \$51.4 million) were paid to shareholders.

In accordance with the terms of the bank borrowing, there is a restriction on the amount payable by way of a distribution of dividends if certain financial covenants are not met, or if an event of default or review has been triggered. As these ratios are currently being met, the restrictions do not apply.

Note 5

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand, and are carried at amortised cost.

| | 2022 \$000 | 2021 \$000 |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | 29,699 | 8,277 |
| Total cash | 29,699 | 8,277 |

The maximum credit exposure is limited to the carrying value of cash and cash equivalents.

Note 6

Trade and other receivables

Trade receivables are initially recognised at transaction price and subsequently carried at amortised cost less impairment where collection is doubtful.

| | Note | 2022 \$000 | 2021 \$000 |
|--|------|---------------|---------------|
| Accounts receivable | | 1,055 | 956 |
| Related party receivables | 15 | 11,672 | 18,223 |
| Total trade and other receivables | | 12,727 | 19,179 |

Accounts receivable and related party receivables are non-interest bearing and are generally on terms of 30 days or less.



Note 7

Derivative financial instruments

Derivative financial instruments, such as options and warrants, are used to hedge operating income against market risk in the normal course of business. Hedge accounting is not applied, and derivative financial instruments are classified as a financial asset measured at fair value through profit or loss. They were presented as current assets in 2021 as they were settled within the 12 months to 31 March 2022.

Fair value in 2021 was determined using the Bloomberg option pricing model based on inputs that are observable for the asset (a "Level 2" valuation).

Note 8

Deferred acquisition costs

Deferred acquisition costs are incremental costs such as commission and introductory fees, that directly relate to the acquisition of new KiwiSaver scheme members, and historically, new legacy superannuation scheme members and managed investment scheme investors. These costs are recorded as an asset and are amortised over the periods of expected future benefit. A comparison to recoverable value is carried out annually, with any variance below carrying value taken to the profit or loss in that year.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives as follows: 25 years for KiwiSaver scheme members, 15 years for managed investment scheme investors and 12 years for superannuation scheme members. Fisher Funds considers the amortisation periods to be a fair estimate of the period over which future economic benefits will be received.

| | 2022 \$000 | 2021 \$000 |
|--|---------------|---------------|
| Introductory fees and commission | 4,557 | 5,073 |
| Total deferred acquisition costs | 4,557 | 5,073 |
| Deferred acquisition costs movements during the year: | | |
| Balance at the beginning of the year | 5,073 | 5,539 |
| Introductory fees paid | 156 | 199 |
| Amortisation | (672) | (665) |
| Balance at the end of the year | 4,557 | 5,073 |

Note 9

Intangible assets

Acquired management rights

Fisher Funds has treated acquired management rights as intangible assets with finite useful lives. They are measured at cost less accumulated amortisation and any impairment losses.

The acquired management rights are amortised on a straight-line basis over the estimated useful life of the asset, from the date that the asset is available for use as follows: 12 years for closed legacy superannuation scheme members, 15 years for managed investment scheme investors, 25 years for KiwiSaver scheme members, 15 years for workplace savings scheme members and 5 years for other clients from the date of acquisition. Fisher Funds considers the amortisation periods to be a fair estimate of the period over which future economic benefits will be received.

In 2022 Fisher Funds acquired the management rights of the Aon KiwiSaver Scheme and Aon Master Trust for \$32m, as shown in the additions acquired separately.



Note 9

Intangible assets (continued)

Future Trail

Future trail payments relate to the acquisition of future trail commission whereby Fisher Funds has effectively obtained a future economic benefit by reducing future costs. Acquired future trail is an intangible asset which is amortised over the period of expected benefit of 2 years.

Goodwill

Goodwill arose on the acquisition of subsidiaries, and was recognised on the subsequent amalgamation of those subsidiaries. It is measured at cost less accumulated impairment losses (none currently) and is not amortised.

Software

Acquired software is an intangible asset with a finite useful life. It is measured at cost less accumulated amortisation.

Fisher Funds has adopted a new interpretation from the IFRS Interpretations Committee (IFRIC) issued in April 2021 on the International Accounting Standard 38 Intangible Assets (IAS 38). The interpretation considers how an entity accounts for configuration or customisation costs in a cloud computing arrangement. An entity does not recognise an intangible asset in a cloud computing arrangement if the contract does not contain a lease of the underlying software or if the entity has no control of the underlying software. The assessment is done as at commencement of the contract.

Fisher Funds has assessed the impact of the interpretation and recognised \$0.9 million of cloud computing configuration and customisation costs as an expense in the current financial year profit or loss. The identified costs represent up-front costs incurred at the implementation phase of new cloud computing arrangements whereby Fisher Funds has not recognised an intangible asset under IAS 38. Fisher Funds has also assessed the Balance Sheet impact of the interpretation as at 31 March 2021 as not material. The 2021 comparatives are therefore not restated.

| | Management rights \$000 | Future Trail \$000 | Goodwill \$000 | Software \$000 | Total \$000 |
|---------------------------------|----------------------------|-----------------------|-------------------|-------------------|----------------|
| Cost | 94,737 | - | 20,438 | 2,179 | 117,354 |
| Accumulated amortisation | (43,587) | - | - | (1,056) | (44,643) |
| Balance at 1 April 2020 | 51,150 | - | 20,438 | 1,123 | 72,711 |
| Cost | 94,737 | - | 20,438 | 2,676 | 117,851 |
| Accumulated amortisation | (47,368) | - | - | (1,620) | (48,988) |
| Balance at 31 March 2021 | 47,369 | - | 20,438 | 1,056 | 68,863 |

Movements during the year ended 31 March 2022:

| | | | | | |
|--------------------------------------|---------------|------------|---------------|------------|---------------|
| Opening balance 1 April 2021 | 47,369 | - | 20,438 | 1,056 | 68,863 |
| Additions acquired separately | 32,299 | 686 | - | 523 | 33,508 |
| Expensed from Fixed Assets WIP | - | - | - | (395) | (395) |
| Amortisation | (4,229) | (343) | - | (308) | (4,880) |
| Disposals | - | - | - | (129) | (129) |
| Closing balance 31 March 2022 | 75,439 | 343 | 20,438 | 747 | 96,967 |
| Cost | 127,036 | 686 | 20,438 | 2,675 | 150,835 |
| Accumulated amortisation | (51,597) | (343) | - | (1,928) | (53,868) |
| Balance at 31 March 2022 | 75,439 | 343 | 20,438 | 747 | 96,967 |



Note 9

Intangible assets (continued)

Fisher Funds annually assesses whether there is any indication of impairment or change in useful lives of the intangible assets. Objective evidence is considered to determine if an asset is impaired. Objective evidence would include significant decreases in revenues as a result of adverse changes in the levels of funds under management or large numbers of members or investors exiting the funds. Useful lives, future cash flows and related impairment considerations for intangible assets is a key estimate in these financial statements. In making this judgement Fisher Funds uses a cash flow approach that uses management judgement with respect to the assumptions.

Note 10

Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

Employee entitlements relate to employee benefits such as accrued salaries, bonuses and accrued holiday pay. Provision is made for benefits accruing to employees in respect of salaries, bonuses and annual leave at their nominal values when it is probable that settlement will be required in the next 12 months and they are capable of being measured reliably.

Long term employee benefits that are not wholly due to be settled within 12 months after the end of the period in which the employees render the related service, and where the stay period is substantive, are recorded as a liability in line with the substantive period being met and the payment becoming probable.

| | 2022 \$000 | 2021 \$000 |
|---------------------------------------|---------------|---------------|
| Trade payables | 1,378 | 1,581 |
| Related party payables | 1,688 | - |
| Employee entitlements | 12,469 | 8,492 |
| GST payable | 207 | 289 |
| Other accruals | 5,680 | 3,833 |
| Total trade and other payables | 21,422 | 14,195 |

Note 11

Provisions

Provisions are recognised when there is a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

| | 2022 \$000 | 2021 \$000 |
|---|---------------|---------------|
| Management fee adjustment provision | 1,492 | - |
| Total provisions | 1,492 | - |
| Management fee adjustment provision movement | | |
| Balance at the beginning of the year | - | 619 |
| Provision made during the year | 3,155 | - |
| Provision used during the period | (1,663) | - |
| Provision reversed during the period | - | (619) |
| Balance at the end of the year | 1,492 | - |

Fisher Funds receives management fees from Kingfish Limited (KFL), Barramundi Limited (BRM) and Marlin Global Limited (MLN), initially by way of a provisional payment equal to 1.25% per annum of the Gross Asset Value, calculated weekly and payable monthly in arrears. The management fee is reduced by 0.10% for each 1.0% per annum by which the Gross Return achieved on each company's portfolio during each financial year is less than the change in the NZX 90 Day Bank Bill Index over the same period. The management fee calculation is subject to a minimum management fee of 0.75% of the average Gross Asset Value for that period. The annual management fee is calculated at the end of each company's financial year (KFL 31 March, BRM and MLN 30 June), and any amount required to be refunded by Fisher Funds shall be repaid to each company by way of set off against future payments due by each company (until repaid in full).

At 31 March 2022, the Gross Return for Kingfish was below the NZX 90 Day Bank Bill Index by greater than 3% for the 12 month period to that date. As a result, Fisher Funds raised a credit note to Kingfish at 31 March for the amount of \$1,663,000, the full difference between the provisional management fee of 1.25% and the reduced fee of 0.95%.

At 31 March 2022, the Gross Return for both Barramundi and Marlin Global were also below the NZX 90 Day Bank Bill Index. Fisher Funds had estimated at that time, that the amount to be refunded would be the full difference between the provisional management fee of 1.25% and the reduced fee of 0.85% for Barramundi and 0.75% for Marlin Global (total \$1,492,000).



Note 12

Borrowings

Borrowings are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method. Borrowings are non-current liabilities except for those borrowings with maturities less than 12 months from the reporting date, which are classified as current liabilities.

| | 2022 \$000 | 2021 \$000 |
|---------------------------|---------------|---------------|
| Bank borrowings - Westpac | 34,313 | 6,000 |
| Total borrowings | 34,313 | 6,000 |
| Non-current | 34,313 | 6,000 |

Bank borrowings

On 30 November 2021 the loan with Westpac was amended and an additional facility of \$32 million was utilised. The Westpac loan is a long term loan with the original facility due to mature in September 2024 and the new facility due to mature in November 2025. The loan is secured over all the assets of Fisher Funds, and there are financial covenants and event of default triggers, as defined in the loan agreement. The loan is payable on maturity with interest calculated daily on a floating rate.

The finance costs of the borrowings is the interest paid. The weighted average interest charged during the period was 3.80% (2021: 2.78%). The exposure of Fisher Funds' borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are between 1 and 4 years (2021: 1 and 4 years).

During the year, Fisher Funds fully complied with the requirements set out in its loan agreements (2021: full compliance).

Released under the Official Information Act 1982



Note 13

Leases

Fisher Funds leases its office premises at Level 1, 67-73 Hurstmere Road, Takapuna, expiring in February 2024. In July 2021, Fisher Funds entered into an additional lease for the rental of part of the ground floor of its office premises for a period commencing October 2021 and ending February 2024, with an option to renew out to February 2027. This option to renew was also extended to its office premises on level 1. In November 2021 Fisher Funds entered into a three year lease for office premises in Montreal Street, Christchurch, with an option to renew out to November 2027, and entered into a six month agreement to lease office space at the Generator offices in Waring Taylor Street, Wellington. The Wellington agreement was then extended by six months to November 2022.

When measuring lease liabilities, Fisher Funds discounted lease payments for the original lease using its incremental borrowing rate at 1 April 2019, and its incremental borrowing rate at 30 November 2021 for the new leases. The weighted-average rate applied is 3.47% and 4.38% respectively.

| | 2022 \$000 | 2021 \$000 |
|--|---------------|---------------|
| Right-of-use asset (office buildings) | | |
| Balance at 1 April 2021 | 1,405 | 2,303 |
| Depreciation charge for the year, included within Depreciation expense in the Income Statement | (581) | (566) |
| Additions / (reductions) to right-of-use asset | 1,529 | (332) |
| Balance at 31 March 2022 | 2,353 | 1,405 |

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

| | 2022 \$000 | 2021 \$000 |
|------------------------------|---------------|---------------|
| Lease liability | | |
| Current | 800 | 483 |
| Non-current | 1,655 | 974 |
| Total lease liability | 2,455 | 1,457 |

Interest expense relating to the lease liability during the 2022 financial year, included within Finance costs in the Income Statement, was \$92,000 (2021: \$80,000).

Note 14

Executive Equity Plan

Fisher Funds Management Limited Executive Equity Plan

In August 2019, the Board approved the establishment of the Fisher Funds Management Limited Executive Equity Plan (the Plan). The Plan is designed to provide long-term incentives for senior executives to deliver long-term shareholder returns.

The Board granted senior executives rights by way of a grant notice. The rights entitle senior executives to a cash payment after completing a minimum duration of service. This duration of service differs by employee and each tranche of rights issued, however the latest vesting date for rights issued under the Plan is 31 March 2028.

The fair value of the rights were determined by multiplying the number of rights on issue (adjusted to reflect the duration of service completed at valuation date) by the:

- increase in the Company's value per share since 31 March 2018 (as valued by an independent value advisory firm);
- the cumulative dividends paid per share paid by the Company since 31 March 2018.

The amount of the cash payment is determined based on the increase in the share price, and cumulative dividends paid, between the 31 March 2018 and the time of exercise.

In 2022 there was an addition to the plan and 35 rights were granted to a senior executive. The fair value of these rights follow the above calculation with the exception that the increase in Company's value per share and cumulative dividends paid are since 31 March 2021.

| | 2022 \$000 | 2021 \$000 |
|---|---------------|---------------|
| Rights outstanding at the beginning of the period | 672 | 672 |
| Rights granted during the period | 35 | - |
| Rights outstanding at the end of the period | <u>707</u> | <u>672</u> |
| Rights exercisable at the end of the period | - | - |

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of Employee benefits expense (note 2) was \$2.82 million (2021: \$6.14 million).

Note 15

Related parties

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

Equity interests in related parties

The following entities incorporated in New Zealand are wholly owned subsidiaries of Fisher Funds and did not trade during the year to 31 March 2022, therefore the impact of these companies on the financial statements is zero (2021: none traded, impact zero on the financial statements): FF First Limited and TOWER Investments Limited.

As part of the acquisition of the Aon KiwiSaver Scheme and Aon Master Trust management rights in November 2021, Fisher Funds took full ownership of Aon Saver Limited and Superannuation Management Nominees Limited. Both subsidiaries are non-operating and their inclusion did not impact these financial statements.

Transactions with related parties managed by Fisher Funds

Fisher Funds is responsible for managing the following managed investment schemes, KiwiSaver schemes, legacy superannuation and workplace savings schemes, unitised trusts and listed investment companies:

Fisher Funds Managed Funds, Fisher Funds Premium Service, Fisher Funds Investment Series, Fisher Funds KiwiSaver Scheme, Fisher Funds TWO KiwiSaver Scheme, Fisher Funds LifeSaver, FuturePlan, Aon KiwiSaver Scheme (from 30 November 2021) and Aon Master Trust (from 30 November 2021).

Fisher Funds Institutional Funds - comprising:

| | |
|---|--|
| Fisher Institutional Balanced Fund | Fisher Institutional Trans Tasman Equity Fund |
| Fisher Institutional Core International Bond Fund | Fisher Institutional Global Fixed Interest Fund |
| Fisher Institutional International Equity (Hedged) Fund | Fisher Institutional Property & Infrastructure Fund |
| Fisher Institutional Emerging Markets Fund | Fisher Institutional Select Global Equities Fund |
| Fisher Institutional Property Fund | Fisher Institutional Australian Equity Fund ¹ |
| Fisher Institutional New Zealand Cash Fund | Fisher Institutional Inflation Linked Bond Fund ² |
| Fisher Institutional International Bond Fund | Fisher Institutional Global Value Fund ² |
| Fisher Institutional New Zealand Fixed Interest Fund | ¹ commencement date 24 May 2021 |
| Fisher Institutional International Equity Fund | ² commencement date 1 December 2021 |

Listed investment companies (LICs) - comprising: Kingfish Limited, Barramundi Limited and Marlin Global Limited.

Fisher Funds is related to the entities listed by virtue of being Key Management Personnel for these entities.

Fisher Funds earns income (from management fees, performance fees and administration fees) and incurs expenditure on behalf of the entities listed above.

Performance fees are calculated to 30 June of each year for the Fisher Funds Managed Funds (2021: to 31 December and 30 June), the Fisher Funds KiwiSaver Scheme Growth Fund, the Fisher Funds Growth Fund the Fisher Funds Premium Funds, Barramundi Limited and Marlin Global Limited. Performance fees are calculated to 31 March each year for Kingfish Limited.

The total related party management, administration and performance fees earned by Fisher Funds for the year ended 31 March 2022 of \$201.5 million (2021: \$126.2 million) is included in the Income statement. Management fee rebates of \$2.8 million (2021: \$2.4 million) have been paid to related parties during the year and these have been offset against the management fees earned. Included in these fees is an amount receivable at 31 March 2022 of \$11.7 million (2021: \$18.2 million).

Included within trade and other payables at 31 March 2022 is a related party payable of \$1.7m (2021: Nil). This payable represents the management fee rebate and credit note issued to Kingfish Limited for the March 2022 financial year (as disclosed in note 11).



Note 15 Related parties (continued)

Directors and key management personnel

Directors and members of the Senior Executive team form the key management personnel of Fisher Funds. The total remuneration paid to Directors and key management personnel during the year was \$6 million (2021: \$5.4 million).

At 31 March 2022, within the trade and other payables employee entitlements balance, is \$2.3 million (2021: \$1.1 million) which is owed to Directors and key management personnel.

Fisher Funds has \$11.0 million of future commitments to key management personnel in relation to long term employee benefits (2021: \$8.2 million).

At 31 March 2022 the Directors held no shares in Fisher Funds (2021: Nil).

There are no loans made to or received from Directors and key management personnel of Fisher Funds.

Other

TSB Bank Limited is a related party by virtue of its common ownership by TOI Foundation Holdings Limited (previously known as TSB Community Trust), an ultimate shareholder of Fisher Funds. In the year to 31 March 2022 Fisher Funds made payments to TSB Bank Limited for introductory fees \$43,000 (2021: \$55,000) and commission \$994,000 (2021: \$762,000). Commission payable to TSB Bank Limited as at 31 March 2022 was \$262,000 (2021: \$223,000).

Of the fully imputed dividends paid in the year and disclosed in note 4, \$56.1 million was paid to entities associated with the TOI Foundation and \$28.9 million to TA FF Holdco Limited. These entities are deemed related parties of Fisher Funds due to the size of their shareholdings (at 31 March 2022 66.01% and 33.99% respectively).

Note 16 Contingent liabilities

There are no contingent liabilities as at 31 March 2022 (2021: Nil).

Note 17 Subsequent events

On 21 April 2022, the Directors of Fisher Funds agreed to sell Superannuation Management Nominees Limited and the management rights to the Aon Master Trust to a third party for an estimated \$3.7m (carrying value as at 31 March 2022 \$2.5m). The sale will be completed on 30 June 2022 with final price determined on 30 September 2022.

On 20 June 2022, the Directors of Fisher Funds declared to pay a June quarter dividend of \$8.5m to its shareholders.

There have been no other events subsequent to 31 March 2022 which require adjustment to, or disclosure of, in the financial statements (2021: Nil).

Independent Auditor's Report

To the shareholders of Fisher Funds Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Fisher Funds Management Limited (the 'company') on pages 22 to 39:

- i. present fairly in all material respects the company's financial position as at 31 March 2022 and its financial performance and cash flows for the year ended on that date; and
- ii. in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2022;
- the income statement and statement of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

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

We are independent of the company 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 company in relation to its Net Tangible Assets calculation. We also provide financial statement audit services to a number of entities (Unlisted Investment Schemes) managed by the company. Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

Other than in our capacity as auditor we have no relationship with, or interests in, the company.



Other information

The Directors, on behalf of the company, are responsible for the other information included in the company'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 shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the financial statements

The Directors, on behalf of the company, 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 Reduced Disclosure Regime);
- 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-7/>

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



KPMG
Auckland
21 June 2022

CORPORATE DIRECTORY

| | |
|-----------------------------|---|
| Registered Office | Level 1, 67 – 73 Hurstmere Road Takapuna Auckland, 0622 |
| Postal Address | Private Bag 93502 Takapuna Auckland, 0740 |
| Incorporation Number | 903800 |
| Board of Directors | David Clarence Clarke (Chair) Margaret Anne Blackburn Edward Francis Sippel Jennifer Clare Moxon Guy Roper Michael Stuart Berk Mark John Lazberger |
| Auditor | KPMG 18 Viaduct Harbour Avenue Auckland, 1010 |
| Bankers | ASB Bank Limited 12 Jellicoe Street Auckland, 1010 Westpac New Zealand Limited 16 Takutai Square Auckland, 1010 |
| Solicitors | DLA Piper Level 15, PwC Tower, 15 Customs Street West Auckland, 1010 Chapman Tripp 23-29 Albert Street Auckland, 1010 Langton Hudson Butcher Level 6, General Buildings, 33 Shortland Street Auckland, 1010 |
| Insurers | Vero Liability Insurance Limited Level 32, ANZ Centre, 23-29 Albert Street Auckland, 1010 NZI and Lumley, business divisions of IAG New Zealand Limited NZI Centre, 1 Fanshawe Street Auckland, 1010 |

Released under the Official Information Act 1982



fisher funds 