

PILOTS MUTUAL BENEFIT FUND

ANNUAL REPORT

2023

Pilot Trustees:

Pip Schofield (Chairperson)
Matthew Harrington
Hamish Murray

Louise Maihi
Alexis Ruth
Tom Fitzgerald

Air NZ Airbus A320 First Officer
Air NZ Airbus A320 Captain
Air NZ Airbus A320 Captain
(Resigned August 2022)
Air NZ 787 Second Officer
Air NZ Airbus A320 First Officer
Air NZ ATR Captain

Company Trustee:

Craig Tolley

Air NZ GM

Independent Trustees:

Penelope Ryder-Lewis
Paul Kelway

Operations Manager:

Ann Parkinson

Administrator:

Juliette Martin- James
(Resigned February 2023)

Office:

Unit 4, Level 6
204 Thorndon Quay
Wellington

Phone:

(04) 478-3632

Email:

office@pilotsmbf.org.nz

Website:

www.pilotsmbf.org.nz

1972

2023

For the year ended 31 March 2023

Please note the following four important points –

- **A reminder to all members that you must notify the MBF office within 90 days of receiving notification of a loss of licence. The website has a link which makes this very easy and quick to do. You need to attach a scan of the notification. “Loss of licence” includes suspension and disqualification. Refer to the Fund’s rules (rule 1) for the full definition.**
- **Please note that the MBF is a separate organisation from NZ ALPA. Therefore, it is necessary for you to advise the MBF Office of any changes to your employment or contact details. For your convenience you can email office@pilotsmbf.org.nz.**
- **Contributions can be paid monthly, 6 monthly or, if you are a member of the Air New Zealand Group, by fortnightly salary deduction. Members are expected to be up to date with their contributions.**
- **Please remember the MBF is here to help with a return to flying. We may also help with rehabilitation. While we may be able to help with accessing specialists, some testing, consultations, and advice, we are not and cannot be involved with financial support for medically based treatments.**

CHAIRPERSON’S REPORT

2023 seems to be passing at an incredible speed. Most pilots have seen a return to normal or even higher rostered hours as airlines push for market share post covid. Several weather events have added additional strain to life all over NZ. Hopefully, some reprieve is coming, especially for those in the East.

Again, I have been supported by a great group of trustees – Paul Kelway and Penelope Ryder-Lewis as our independent trustees, Craig Tolley as the company representative, and Matt Harrington, Louise Mahi, Alex Ruth, Tom Fitzgerald and we welcome James Brisbane, as pilot trustees.

Last year we farewelled Hamish ‘horse’ Murray, I’d like to thank him for all his time on the Fund! He worked incredibly hard with a few of you to regain medicals and his insights will be sorely missed.

The person you all probably have the most dealings with is our Administration Manager, Ann Parkinson. She has now been with the Fund for over a year, and we appreciate all the work she does for us, and for all members contacting the Fund. She has streamlined many of our processes and gets your information in front of the trustees as quickly as possible.

The below report paints a much-improved picture of the Fund compared to the last couple of years. We are very happy to see a surplus and continue to build on the net asset per member. This is both a combination of market forces, investments rebounding and term deposit rates improving, as well as a robust rule set.

As I have said previously, please advise the office as soon as possible with any changes to your MBF cover – i.e., loss of licence/increases or decreases in cover/returning to work. We are still experiencing some delays with payroll from airlines, get all your information to the office and we can process your claim efficiently.

I, along with the Trustees look forward to seeing in Auckland at the new ALPA house for the AGM July 20th at 1600. If you are unable to attend in person, please RSVP and join via video link.

ADMINISTRATION

Administration services are provided by Mutual Benefit Fund Administration Limited (MBFAL). The MBFAL was set up by the Pilots MBF approximately a decade ago to carry out the administration functions for both the Pilots and ATC Funds.

The ongoing development of the Fund's operations under our Microsoft Teams framework has allowed the office to work remotely when required. Thanks to Matt Harrington for continuing to develop and manage the improvement in our IT capability.

Paul Robinson (trustee of the ATC MBF) continues his role as a Director of the MBFAL. His help in running the MBFAL operating company is vital to the Pilots Fund.

MEDICAL

The Fund uses a number of case managers to facilitate treatment, recovery and, in some cases, contact the regulator. Our case managers are all professional and appropriately qualified.

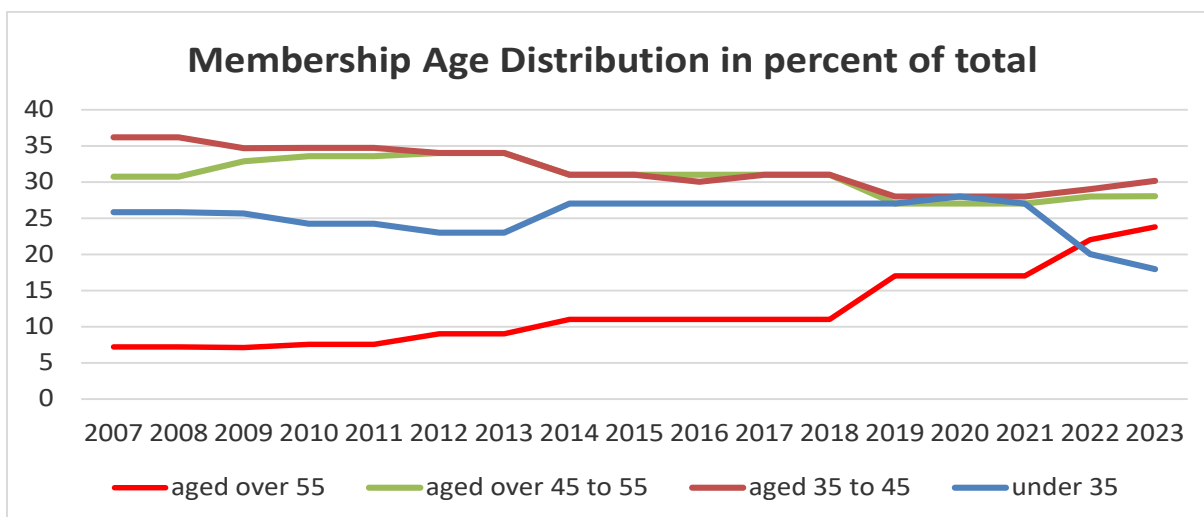
We rely on advice from our medical professionals when it comes to applying, or not, exclusions. Any advice we receive is considered carefully by all the trustees.

Members need to be open when declaring previous injury or illness. When applying for increased cover you must disclose any health issues. If in doubt as to their significance, you should advise on the application. Not all health issues have exclusions. Members should note that even if an exclusion is applied, it will apply only to that portion of cover which is being increased. Exclusions can also be removed when the medical condition is no longer an issue.

MEMBERSHIP

Membership numbers as at 31 March 2023 were 1509, down from 1531 members the previous year.

Some perspectives on membership follow.



Membership groupings by company as at 31 March 2023 are:

	Number of Members	
	FY 2023	FY 2022
Air New Zealand	825	806
Mt Cook	253	257
Air Nelson	194	195
Jet Connect	94	88
Jet Star	32	36
Virgin	1	1
Other	81	70
Redundant (minimum cover)	29	78
Total	1509	1531

FINANCIAL

The Fund had a surplus of \$2,674,095 in the year ended 31 March 2023, a significant improvement from the Covid impacted deficit and small surpluses of the last few years.

The Fund needs to generate ongoing healthy surpluses to meet the needs of younger members in the years ahead. Around 80 percent of claimants on the Fund are from members aged over 45 years of age. Most members in the 45 to 65 year age group have been members for 20 to 30 years and have contributed substantially to the current resources of the Fund. The net financial assets of the Fund are \$14,384 per member.

The Fund continued the process of diversifying its investments to Milford Diversified Income Fund, Milford Balanced Fund and Castlepoint. The Fund has \$6m invested in these funds. The events in the Ukraine have impacted the value of the investments moderately. These are highly

uncertain times. Trustees are cognisant of the need to continue to provide income support for members and hence be prudent over protecting the capital value of the Fund's assets.

The trustees' expect to see the Fund sustain a surplus of around \$2m in the financial year 2024. As trustees, we have a duty first and foremost to make sure the Fund remains financially viable, with a set of rules that allows the trustees to operate effectively and with the members' best interests front and centre.

TAXATION

The Fund continues to enjoy the tax-free status as provided by the sickness, accident and death mutuality Fund provisions of the Income Tax Act. The Trustees are cognisant of this status in considering any changes to the provisions of rules of the Fund.

As the Fund enjoys a tax-free status it does not pay tax on any surplus nor is it liable for GST. Contributions are not subject to GST nor can contributions be claimed back in individual member's tax returns. Any disability or capital payment from the Fund is likewise not subject to any income tax.

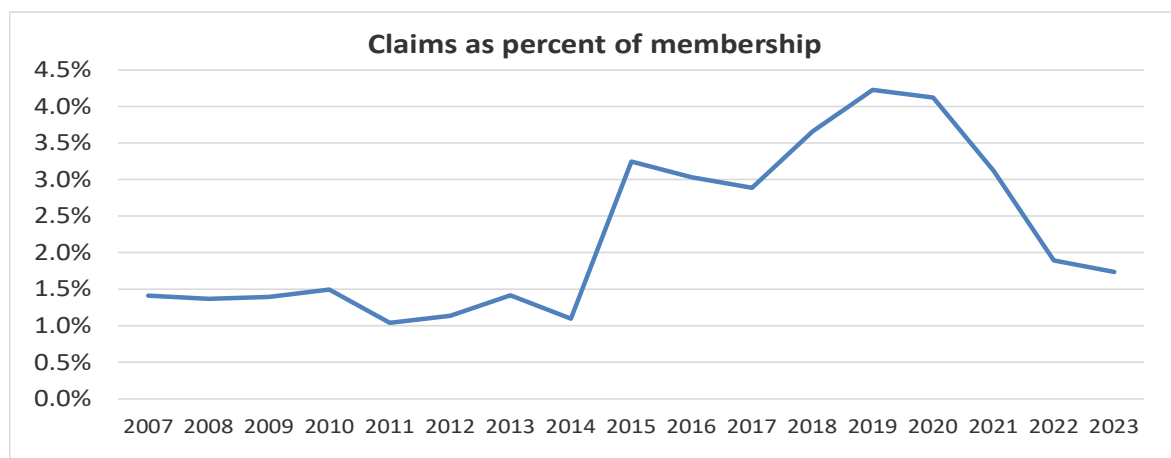
DISABILITY CLAIMS

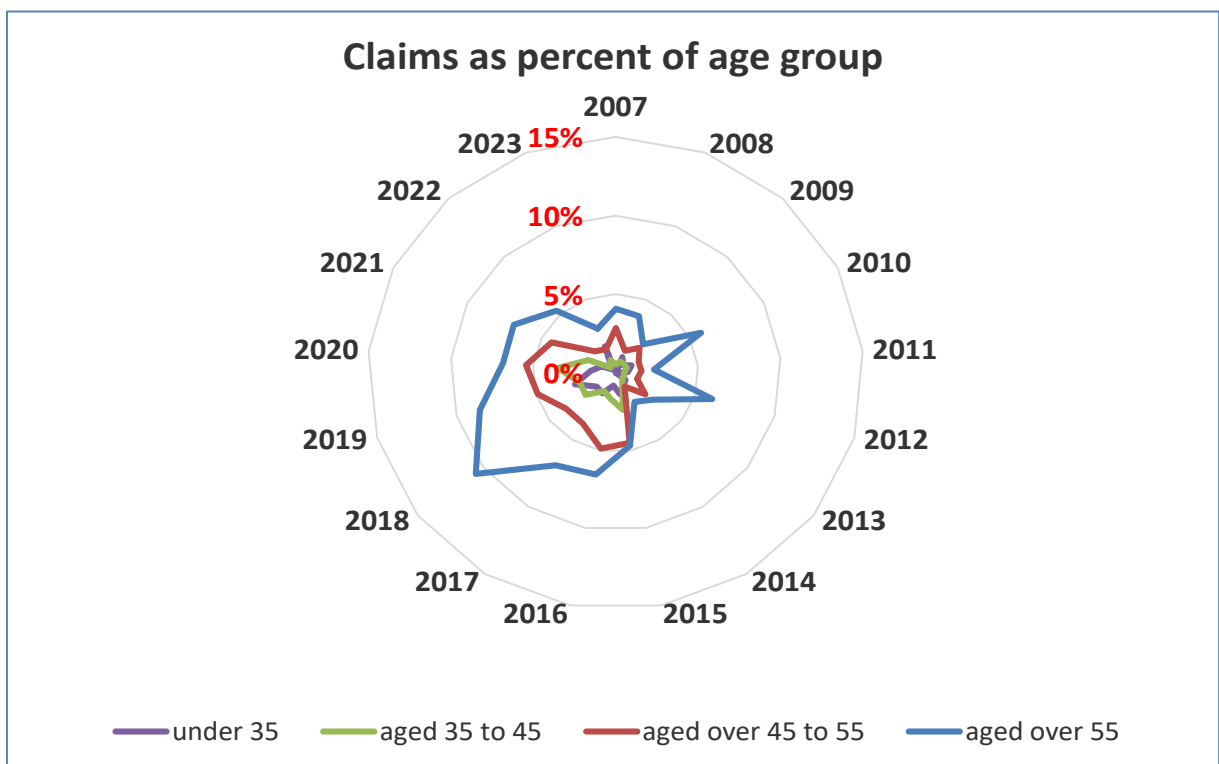
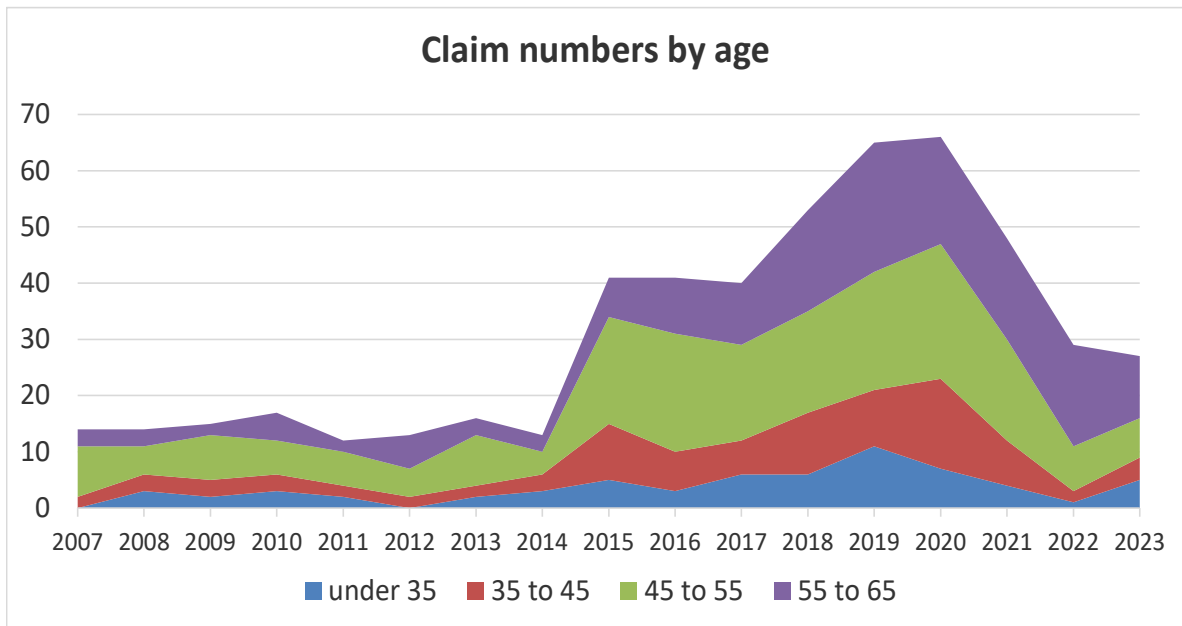
During the financial year to 31 March 2023 financial support payments for 43 members were made. (2022: 54 members)

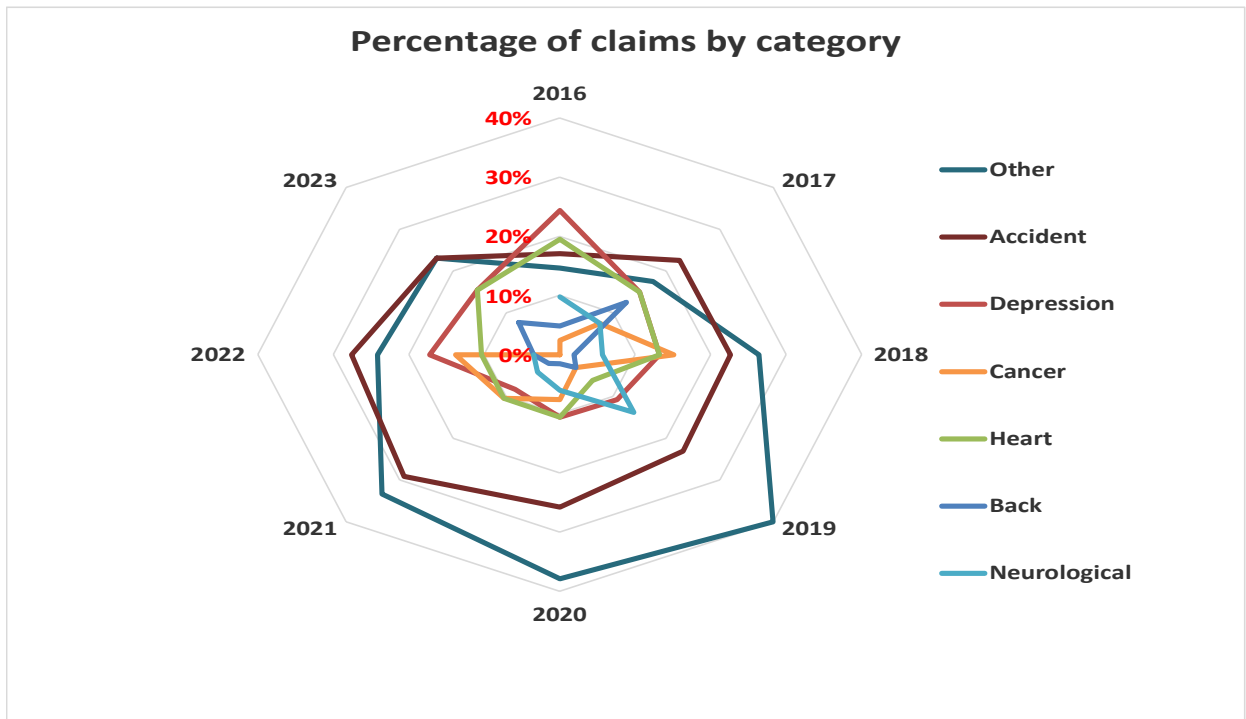
At the end of the year the Fund had 22 members whose claim for assistance had been accepted.

Total membership expenses were \$1,162,436 (2022: \$2,359,541) comprising 28 percent (2022: 58 percent) of the income of the Fund.

Trends in claims







Phil Schofield

Philippa Schofield
Chairperson

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
PERFORMANCE REPORT
FOR THE YEAR ENDED 31 MARCH 2023

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
PERFORMANCE REPORT
FOR THE YEAR ENDED 31 MARCH 2023

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THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
AS AT 31 MARCH 2023
DIRECTORY

Trustees:

Philippa Schofield (Chairperson)
Thomas Fitzgerald
Matthew Harrington
Paul Kelway
Louise Maihi
Alexis Ruth
Penelope Ryder-Lewis
Craig Tolley

Accountants:

Baker Tilly Staples Rodway Wellington
Level 6
95 Customhouse Quay
Wellington

Auditors:

BDO Wellington Audit Limited
Tower Building
50 Customhouse Quay
Wellington

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
AS AT 31 MARCH 2023
ENTITY INFORMATION

Legal Name:	New Zealand Airline Pilots' Mutual Benefit Fund
Type and Legal Basis:	Non Profit Making Tax Free (SAD Status)
Purpose or Mission:	The object of the Mutual Benefit Fund is to provide financial benefits and other assistance to members of the Fund whose earning capacity as a pilot has ceased due to the suspension and/or disqualification of their CAA or CASA Medical Certificates.
Structure:	<p>The Fund has not less than seven or more than ten Trustees with two independent Trustees. Pilot Trustees are elected by ballot. Currently there are six Pilot Trustees. One of the Pilot Trustees is elected as Chairman.</p> <p>The Trustees meet bi-monthly. The administrative office is in Thorndon, Wellington and is staffed by two full-time employees.</p>
Main Source of Cash and Resources:	Member contributions - \$7 per \$1,000 of cover. Contributions are also received from employers who are contractually bound. Investment income is derived also from registered bank term deposits and unit trust investments.
Physical Address:	Level 6 204 Thorndon Quay Pipitea Wellington 6011
Phone:	+64 4 478 3632
Website / Email:	www.pilotsmbf.org.nz office@pilotsmbf.org.nz

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
FOR THE YEAR ENDED 31 MARCH 2023
STATEMENT OF SERVICE PERFORMANCE

Description of Outcomes:

The Fund's goal is to provide support to a pilot to achieve reinstatement of their medical certificate. In the first instance income support is provided by way of 90% of net earnings as a pilot. In addition rehabilitation services are provided where Trustees, in consultation with the Fund's medical advisers and case managers, create a plan that they deem appropriate to facilitate a return to work. Claimants of the Fund are expected to make their best efforts to achieve vocational rehabilitation.

The Fund could provide a Capital Benefit payment of up to \$600,000 where a claimant is permanently unable to gain re-instatement of their Medical Certificate.

There were 1509 members of the Fund as at 31 March 2023 (2022: 1,531 members).

Description of Performance:

In the 2023 financial year, financial support payments were made to 43 claimants (2022: 54 claimants), one of whom was unable to achieve medical certificate reinstatement and received a full capital benefit payment totalling \$549,115 (2022: 5 pilots were unable to regain their medical certificates and were paid capital benefits totalling \$413,707). As at 31 March 2023 the fund had 22 members who had applied for benefits (2022: 23).

The Fund expects to have between 20 and 30 claimants receiving support at any one time, down from recent levels.

A claimant is usually assigned a case manager. Most claimants are highly motivated to return to work and the Fund acts to positively support that process.

Total membership expenses were \$1,162,436 (2022: \$2,359,541) comprising 28% (2022: 58%) of the Fund's income.

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2023

	Note	Group 2023 \$	2022 \$	Parent 2023 \$	2022 \$
INCOME					
Administration Fees - ATC MBF		51,453	62,400	-	-
Interest Received		416,924	221,116	416,924	221,116
Dividends Received		96,752	132,673	96,752	132,673
Investment Gain/(Loss) on Equities and Unit Trusts		(198,463)	(151,598)	(198,463)	(151,598)
Contributions - Company		2,010,662	1,839,068	2,010,662	1,839,068
Contributions - Individual		2,003,287	1,984,790	2,003,287	1,984,790
Total Income		4,380,615	4,088,450	4,329,162	4,026,050
Less Expenses					
Administration Expenses					
Accident Compensation Levy		267	497	-	-
Accounting Fees		14,136	18,651	7,073	10,005
Actuarial Fees		23,000	-	23,000	-
Administration		36,266	43,529	278,036	333,725
Audit Fees		32,621	21,411	28,501	17,341
Bad Debts		8,881	5,100	8,881	5,100
Bank Charges		-	517	-	288
Car Parking Expenses		-	37	-	-
Communications		2,282	2,873	-	-
Computer Expenses		13,373	12,365	11,181	12,365
Depreciation		260	1,815	-	-
Directors' Fees		68,000	76,582	-	-
Electricity		1,054	360	-	-
General Expenses		3,768	11,834	656	6,522
Insurance		6,441	6,371	-	-
Investment Advice		8,280	8,280	8,280	8,280
Legal Expenses		1,840	20,723	-	-
Loss on Sale		-	1,295	-	-
Printing, Postage & Stationery		-	1,305	-	261
Professional and Recruitment Fees		42,218	36,945	41,869	20,795
Repairs and Maintenance		-	217	-	-
Rent & Outgoings		17,896	17,559	-	-
Salaries		157,178	176,998	-	-
Staff Training		1,007	830	-	-
Support Services		5,502	6,607	-	-
Travel		-	1,133	-	-
Total Administration Expenses		444,150	473,834	407,476	414,684
Membership Expenses					
Case Management		57,288	64,944	57,288	64,944
Disability Benefits	2	1,069,939	2,235,708	1,069,939	2,235,708
Legal - Membership expenses		4,442	11,653	4,442	11,653
Medical Fees & Rehabilitation		27,328	46,824	27,328	46,824
Travel - Membership expenses		3,439	412	3,439	412
Total Membership Expenses		1,162,436	2,359,541	1,162,436	2,359,541
Trustee Expenses					
Meetings - Accommodation & Catering		9,125	6,949	9,125	6,949
Meetings - Trustees Allowances and Expense		14,580	14,811	14,580	14,811
Meetings - Professional Trustee Fees		57,474	57,374	57,474	57,374
Travel		17,209	8,438	17,209	8,438
Total Trustee Expenses		98,388	87,572	98,388	87,572
Total Expenses		1,704,974	2,920,946	1,668,300	2,861,797
NET SURPLUS/(DEFICIT)		2,675,641	1,167,504	2,660,862	1,164,253
Tax Provision	5	1,546	-	-	-
NET SURPLUS/(DEFICIT) AFTER TAX		2,674,095	1,167,504	2,660,862	1,164,253

This Statement is to be read in conjunction with the Notes to the Financial Statements.

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS
FOR THE YEAR ENDED 31 MARCH 2023


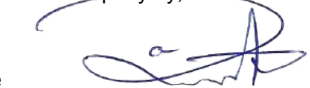
	Note	Group 2023 \$	2022 \$	Parent 2023 \$	2022 \$
ACCUMULATED FUNDS AT START OF YEAR		19,047,036	17,879,532	19,045,304	17,881,051
Net Surplus/(Deficit)		2,674,095	1,167,504	2,660,862	1,164,253
ACCUMULATED FUNDS AT END OF YEAR		<u>21,721,131</u>	<u>19,047,036</u>	<u>21,706,167</u>	<u>19,045,304</u>

This Statement is to be read in conjunction with the Notes to the Financial Statements.

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	Group 2023 \$	2022 \$	Parent 2023 \$	2022 \$
CURRENT ASSETS					
Bank Accounts	8	3,387,293	2,798,308	3,325,723	2,746,589
Term Deposits	8	14,500,000	7,000,000	14,500,000	7,000,000
Contributions Receivable		499,513	399,307	499,513	399,307
Accrued Interest		38,525	25,307	38,525	25,307
Contributions Unpaid - Virgin Pilots		-	7,779	-	7,779
Payments in Advance		4,155	3,615	-	-
Total Current Assets		18,429,486	10,234,316	18,363,761	10,178,982
NON-CURRENT ASSETS					
Non-Current Term Deposits	8	-	5,500,000	-	5,500,000
Loan - MBFAL	7	-	-	10,000	22,500
Plant & Equipment		307	567	-	-
Investments	9	6,008,100	6,785,035	6,014,100	6,791,035
Total Non-Current Assets		6,008,408	12,285,603	6,024,100	12,313,535
TOTAL ASSETS		24,437,894	22,519,919	24,387,861	22,492,517
CURRENT LIABILITIES					
GST Due for Payment		16,463	15,970	-	-
Taxation	5	1,546	-	-	-
Accounts Payable		32,910	33,459	18,899	23,759
Income in Advance		32,764	14,834	32,764	14,834
Credit Cards		7,755	0	4,706	-
Accrued Expenses		25,000	25,000	25,000	25,000
Disability Benefits - Current Portion	2	1,833,830	1,580,210	1,833,830	1,580,210
Total Current Liabilities		1,950,268	1,669,473	1,915,199	1,643,803
NON-CURRENT LIABILITIES					
Disability Benefits - Non-Current Portion	2	766,495	1,803,410	766,495	1,803,410
Total Non-Current Liabilities		766,495	1,803,410	766,495	1,803,410
TOTAL LIABILITIES		2,716,763	3,472,883	2,681,694	3,447,213
NET ASSETS		21,721,131	19,047,036	21,706,167	19,045,304
ACCUMULATED FUNDS					
Retained Earnings		21,721,131	19,047,036	21,706,167	19,045,304
ACCUMULATED FUNDS		21,721,131	19,047,036	21,706,167	19,045,304

These financial statements are signed on behalf of the company by:

Trustee  Trustee 

Date 19/06/2023

This Statement is to be read in conjunction with the Notes to the Financial Statements.

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Group		Parent	
	2023	2022	2023	2022
	\$	\$	\$	\$
CASHFLOWS FROM OPERATING ACTIVITIES				
Cash was received from:				
Receipts from Providing Goods or Services	51,453	62,400	-	-
Contributions	3,972,141	3,935,733	3,972,141	3,935,733
Interest Received	453,180	298,677	453,180	298,677
Net GST	444	-	-	-
Cash was Applied to:				
Payments to Suppliers and Employees	(630,213)	(673,656)	(600,667)	(614,577)
Disability Benefits	(1,883,770)	(2,451,828)	(1,883,770)	(2,451,828)
Net GST	-	(728)	-	-
Taxation	-	(2,940)	-	-
Net Cash Flows from Operating Activities	1,963,235	1,167,658	1,940,884	1,168,005
CASHFLOWS FROM INVESTING AND FINANCING ACTIVITIES				
Cash was received from:				
Receipts from the Sale of Investments	2,625,750	-	2,625,750	-
Term Deposits > 90 days Term	2,000,000	-	2,000,000	-
Loan to Subsidiary	-	-	12,500	10,000
Cash was Applied to:				
Plant and Equipment	-	(930)	-	-
Investments	(2,000,000)	(500,000)	(2,000,000)	(500,000)
Term Deposits > 90 days Term	(4,000,000)	-	(4,000,000)	-
Net Cash Flows from Investing and Financing Activities	(1,374,250)	(500,930)	(1,361,750)	(490,000)
Net Increase/ (Decrease) in Cash	588,985	666,728	579,134	678,005
Opening Cash	2,798,308	2,131,580	2,746,589	2,068,584
Closing Cash	3,387,293	2,798,308	3,325,723	2,746,589
This is represented by:				
ANZ Bank -00 Account	1,314,087	1,355,621	1,314,087	1,355,621
ANZ Bank Call Account	2,073,206	1,442,687	2,011,636	1,390,968
Bank Accounts	3,387,293	2,798,308	3,325,723	2,746,589

This Statement is to be read in conjunction with the Notes to the Financial Statements.

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

1 STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

The New Zealand Airline Pilots' Mutual Benefit Fund Group being a sickness, accident and death benefit fund is not required to use any particular reporting framework but has elected to apply PBE SFR-A (NFP) Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit). All transactions in the Performance Report are reported using the accrual basis of accounting. The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future.

Reporting Entity

For the results for the year ended 31 March 2023 The New Zealand Airline Pilots' Mutual Benefit Fund Group comprises the following entities:

The New Zealand Airline Pilots' Mutual Benefit Fund (Parent)
Mutual Benefit Fund Administration Limited (Subsidiary)

The New Zealand Airline Pilots' Mutual Benefit Fund is a sickness, accident, and death benefit fund as approved by the Inland Revenue Department.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical basis have been used, with the exception of certain items for which specific accounting policies have been identified.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial functional and presentational currency. These financial statements have been rounded to the nearest dollar.

(a) Consolidation of Subsidiaries

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being The New Zealand Airline Pilots' Mutual Benefit Fund (the parent) and its subsidiary as defined in PBE IPSAS 6 (NFP) *Consolidated and Separate Financial Statements (Not-for-profit)*. A list of subsidiaries is above. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such subsidiary.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Group are eliminated in full.

These notes to the financial statements form part of and are to be read in conjunction with these statements

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

(b) Plant and Equipment

The entity has the following classes of fixed assets;

Office Equipment	8.5 - 40% SL
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All plant and equipment is recorded at cost less accumulated depreciation.

Depreciation of plant and equipment has been calculated at the maximum rates permitted by the Income Tax Act 2007.

(c) Goods & Services Tax

Subsidiary financial statements are prepared and have been consolidated on a GST exclusive basis.

(d) Income Tax

The parent is exempt from income tax. The income tax expense charged to the Statement of Financial Performance recognises the current obligations of the subsidiary and all amounts arising from differences between the accounting results and assessable income for the period, calculated using the liability method.

(e) Investments

The carrying value of the Fund's financial assets depends upon the type of investment.

(i) Unit Trusts

Investments in this category are acquired principally for the purpose of selling and include all unit trust investments held through fund managers. They are stated at fair value, with any gain or loss recognised in the Statement of Financial Performance separately from the dividends or interest they may generate.

(ii) Term Deposits and Bank Accounts

Investments in this category have fixed or determinable payments of which the Fund intends to (and is able to) hold to maturity. These are stated at fair value less any impairment (which is recognised in the Statement of Financial Performance).

Investments are assessed for indicators of impairment at each reporting date. Investments are impaired when there is objective evidence that the value of the asset has been impacted as a result of one or more events that occurred after the initial recognition of the financial asset. Where an investment is deemed to be impaired the carrying amount is reduced via an allowance account, against which an uncollectible investment is written off. An investment is deemed to be uncollectible upon notification of insolvency of the company invested in or upon receipt of similar evidence that the Fund will be unable to collect the amount. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

(iii) Shares held by Parent in Subsidiary

The Fund holds 100% of the shares in the company. These shares are stated at cost.

(f) Leased Assets

Operating Leases

Operating leases are those where all the risks and benefits are substantially retained by the lessor. Lease payments are expensed in the periods the amounts are payable.

(g) Disability Benefits

The disability benefit expense includes an accrual which represents the Trustees' best estimate of the amount likely to be paid out to members whose claims have been received and approved and who have not re-licensed as at balance date.

The accrual requires significant judgement and estimation due to the nature of the benefits being paid. All claims are subject to medical review which is continually assessed. In addition the Trustees and employees have significant experience to call upon to exercise judgement on the potential extent of a liability for a member's claim.

These notes to the financial statements form part of and are to be read in conjunction with these statements

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

The assumptions used by the Trustees include:

-Where evidence available gives a relatively clear time period for the member returning to work then this time period is accrued as a liability.

-Where evidence available indicates it is improbable a member will return to work then the full value of the capital benefit is accrued as a liability.

-Where the evidence available means the Trustees are unable to identify a clear date for a potential return to work, or non-return to work, then an accrual is made for the period where there is relative certainty that the member will not return to work. For the period beyond where there is relative certainty, the Trustees have disclosed as a contingent liability the range of possible future disability benefit payments as well as the Trustees' best estimate of the likely liability based on the Trustees' experience and with reference to probabilities developed from historical payouts for the applicable conditions.

(h) Revenue Recognition

Administration Fees

Administration fees are recognised as revenue on an accrual basis.

Contributions Received

Contributions being a primary source of funding are recognised when they become receivable from members and employer contributions are recognised on an accrual basis.

Interest Income

Interest income is recognised using the effective interest method.

Dividend Income

Dividend Income is recognised when the right to receive payment has been established.

(i) Bank Accounts and Cash

Bank and Cash in the Statement of Cash Flows comprise cash balances and bank balances (including short term deposits) with original maturities of 90 days or less.

Changes in Accounting Policies

There have been no changes in accounting policies during the financial year.

2 DISABILITY BENEFITS

As noted in the accounting policy at 1(g) the determination of the amount of liability in respect of member claims is subject to a significant degree of estimation and judgement. The disability accrual has been determined using all available evidence and in light of the Trustees' experience and judgement.

Disability Benefits Accrual

	Group		Parent	
	2023	2022	2023	2022
	\$	\$	\$	\$
Current Portion	1,833,830	1,580,210	1,833,830	1,580,210
Non-Current Portion	766,495	1,803,410	766,495	1,803,410
Total Disability Accrual	<u>2,600,325</u>	<u>3,383,620</u>	<u>2,600,325</u>	<u>3,383,620</u>

During the year disability benefits of \$1,614,628 (2022: \$1,880,856) were paid out for claims where the event leading to the claim had occurred on or before 31 March 2022. This compares to \$1,580,210 (2022: \$2,008,521) which was the Trustees' estimate that was included in the current liabilities as at 31 March 2022.

These notes to the financial statements form part of and are to be read in conjunction with these statements

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Disability Accrual and Expense Reconciliation

	Group		Parent	
	2023	2022	2023	2022
	\$	\$	\$	\$
Opening Disability Accrual	3,383,620	3,563,429	3,383,620	3,563,429
Provision Utilised	(1,614,628)	(1,880,856)	(1,614,628)	(1,880,856)
Increase in Provision	831,333	1,701,047	831,333	1,701,047
Closing Disability Accrual	<u>2,600,325</u>	<u>3,383,620</u>	<u>2,600,325</u>	<u>3,383,620</u>
Disability Benefits Paid or Payable	1,853,234	2,415,517	1,853,234	2,415,517
Less: Provision Utilised	(1,614,628)	(1,880,856)	(1,614,628)	(1,880,856)
Plus: Increase in Provision	831,333	1,701,047	831,333	1,701,047
Recognised Disability Expense	<u>1,069,939</u>	<u>2,235,708</u>	<u>1,069,939</u>	<u>2,235,708</u>

3 CONTINGENT LIABILITIES

The obligation the Fund has in respect to existing claims on the Fund is contingent upon future events over which the Fund has no control. Due to the uncertainty surrounding certain future disability benefit payments the range of possible future disability benefit payments for which a liability has not been recognised has been calculated for claims approved prior to balance date being \$0 to \$3,663,449 (2022: \$0 to \$2,995,254). The Trustees' best estimate of the likely liability based on the Trustees' experience and with reference to probabilities developed from historical payout patterns for the applicable conditions is \$386,920 (2022: \$478,983) as per accounting policy (g). The New Zealand Airline Pilots' Mutual Benefit Fund Group has not granted any securities in respect of liabilities payable by any other party.

Within the contingent liability range are the residual capital benefits of 4 claimants (2022: nil claimants).

4 CAPITAL COMMITMENTS

At balance date there are no known Capital Commitments. (2022: Nil)

5 TAXATION

	Group		Parent	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net Surplus	2,675,641	1,167,504	2,660,862	1,164,253
Less: Parent Income Non-taxable	(2,660,862)	(1,164,253)	(2,660,862)	(1,164,253)
Add: Non-Deductible Expenses	774	782	-	-
Taxable income/(loss)	<u>15,553</u>	<u>4,032</u>	<u>-</u>	<u>-</u>
Taxation Adjustments				
Losses Brought Forward	(10,032)	(14,064)	-	-
Assessable Income/ (Losses Carried Forward)	<u>5,521</u>	<u>(10,032)</u>	<u>-</u>	<u>-</u>
Taxation at Current Rates	1,546	-	-	-
Tax Expense	<u>1,546</u>	<u>-</u>	<u>-</u>	<u>-</u>
Opening Income Tax Balance	-	2,940	-	-
Income Tax Paid	-	(2,940)	-	-
Total Income Tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Tax to pay / (refund)	<u>1,546</u>	<u>-</u>	<u>-</u>	<u>-</u>

There are tax losses to carry forward to reduce potential future taxable income amounting to nil (2022: 10,032).

These notes to the financial statements form part of and are to be read in conjunction with these statements

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

6 COMMITMENTS

The Mutual Benefit Fund Administration Ltd agreed to lease office space from Thorndon 2005 Limited in September 2022 for a period of two years and two months. The lease agreement allows for further rights of renewal at 1 November 2024 and 1 November 2026. The operating lease liabilities are as follows:

	Group		Parent	
	2023	2022	2023	2022
	\$	\$	\$	\$
Current Portion	17,896	10,439	-	-
Non-Current Portion	10,439	-	-	-
Total	28,335	10,439	-	-

7 LOAN - MBFAL

	Group		Parent	
	2023	2022	2023	2022
	\$	\$	\$	\$
Mutual Benefit Fund Administration Ltd	-	-	10,000	22,500

The related party loan is repayable on demand and interest free.

8 BANK ACCOUNTS & TERM DEPOSITS

	Group		Parent	
	2023	2022	2023	2022
	\$	\$	\$	\$
ANZ Bank	7,387,293	6,798,308	7,325,723	6,746,589
ASB Bank	1,000,000	2,000,000	1,000,000	2,000,000
BNZ Bank	5,000,000	2,000,000	5,000,000	2,000,000
Kiwibank Limited	-	1,000,000	-	1,000,000
Westpac Bank	4,500,000	3,500,000	4,500,000	3,500,000
	17,887,293	15,298,308	17,825,723	15,246,589
Current Portion	17,887,293	9,798,308	17,825,723	9,746,589
Non-Current Portion	-	5,500,000	-	5,500,000
	17,887,293	15,298,308	17,825,723	15,246,589

There was no overdraft as at balance date nor was any facility arranged.

9 INVESTMENTS

	Group		Parent	
	2023	2022	2023	2022
	\$	\$	\$	\$
NZ Shares				
Mutual Benefit Fund Admin. Ltd	-	-	6,000	6,000
Total NZ Shares	-	-	6,000	6,000
Unit Trusts				
Castle Point	248,498	-	248,498	-
Milford Asset Management - Balanced Fund	1,441,850	487,324	1,441,850	487,324
Milford Asset Management - Diversified Fund	4,317,752	3,533,223	4,317,752	3,533,223
Mint Asset Management	-	2,764,488	-	2,764,488
Total Fixed Interest	6,008,100	6,785,035	6,008,100	6,785,035
Current Portion	-	-	-	-
Non-Current Portion	6,008,100	6,785,035	6,014,100	6,791,035
Total Investments	6,008,100	6,785,035	6,014,100	6,791,035

These notes to the financial statements form part of and are to be read in conjunction with these statements

THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

10 RELATED PARTIES

Mutual Benefit Fund Administration Limited is a wholly owned subsidiary of The New Zealand Airline Pilots' Mutual Benefit Fund. All transactions with The New Zealand Airline Pilots' Mutual Benefit Fund have been entered into the ordinary course of business, undertaken on commercial terms. There is a loan between the two entities which is interest free and repayable on demand, refer to note 8.

During the period there have been material transactions between The New Zealand Airline Pilots' Mutual Benefit Fund and related parties as follows:

Name of Related Party:

Penelope Ryder-Lewis

Types of transactions:

In addition to being a Trustee of the Fund, Penelope Ryder-Lewis is a principal at Bartlett Law which received fees for legal services provided to the Group. These fees totalled \$13,754 (2022: \$24,072). Of these amounts there was nil (2022: \$3,272) payable and nil (2022: nil) accrued at balance date.

Name of Related Party:

Dr Simon Ryder-Lewis (brother of Trustee Penelope Ryder-Lewis)

Types of transactions:

In addition to being a brother of a Trustee of the Fund, Dr Simon Ryder-Lewis is a director and shareholder at Work Health Solutions Limited which received fees for case management services provided to the Group. These fees totalled \$20,498 (2022: \$32,501). Of these amounts there was \$694 (2022: \$2,619) payable at balance date.

Name of Related Party:

Matthew Harrington

Types of transactions:

In addition to being a Trustee of the Fund, Matthew Harrington is a director and shareholder at Expand I.T. Limited which received fees for I.T. services provided to the Group. These fees totalled \$13,995 (2022: \$11,797). Of these amounts there was nil (2022: \$169) payable at balance date.

Name of Related Party:

Paul Kelway

Types of transactions:

In addition to being a Trustee of the Fund, Paul Kelway is a director and shareholder at Paulkelwayconsulting Limited which received fees for financial and management services provided to the Group. These fees totalled \$29,995 (2022: \$20,795). Of these amounts there was \$4,025 payable at balance date.

11 SUBSEQUENT EVENTS

The Trustees have 1 disability benefit application for benefits received prior to balance date with a sum total capital benefit cover of \$400,000 that has yet to be approved (2022: The Trustees approved 2 disability benefit applications which related to applications for benefits received prior to balance date, both of which have re-licenced since, with a sum total capital benefit cover of \$887,806 and a best estimate of payments expected of nil).

These notes to the financial statements form part of and are to be read in conjunction with these statements

**INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF THE NEW ZEALAND AIRLINE PILOTS' MUTUAL BENEFIT FUND GROUP**

Opinion

We have audited the performance report of The New Zealand Airline Pilots' Mutual Benefit Fund ("the Parent"), and the consolidated financial statements of the Parent and its subsidiaries (together, the "Group") which comprises the entity information, the statement of service performance, the Parent and consolidated statement of financial performance and Parent and consolidated statement of cash flows for the year ended 31 March 2023, the Parent and consolidated statement of financial position as at 31 March 2023, and the statement of accounting policies and other explanatory information.

In our opinion:

- a) the reported outcomes and outputs, and quantification of the outputs to the extent practicable, in the statement of service performance are suitable;
- b) the accompanying performance report presents fairly, in all material respects:
 - the entity information for the year ended 31 March 2023;
 - the service performance for the year then ended; and
 - the Parent and consolidated financial position as at 31 March 2023, Parent and consolidated financial performance, and Parent and consolidated cash flows for the year then ended

in accordance with Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit) issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit of the Parent and consolidated statement of financial performance, Parent and consolidated statement of financial position, Parent and consolidated statement of cash flows, Parent and consolidated statement of accounting policies and notes to the performance report in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"), and the audit of the entity information and statement of service performance in accordance with the International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ("ISAE (NZ) 3000 (Revised)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Performance Report* section of our report. We are independent of the Group 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Responsibilities of the Trustees for the Performance Report

The trustees are responsible for:

- a) Identifying outcomes and outputs, and quantifying the outputs to the extent practicable, that are relevant, reliable, comparable and understandable, to report in the statement of service performance;
- b) the preparation and fair presentation of the performance report on behalf of the Group which comprises:
 - the entity information;
 - the statement of service performance; and
 - the Parent and consolidated statement of financial performance, Parent and consolidated statement of financial position, Parent and consolidated statement of cash flows, statement of accounting policies and notes to the performance report in accordance with Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit) issued by the New Zealand Accounting Standards Board; and
- c) such internal control as the trustees determine is necessary to enable the preparation of the performance report that is free from material misstatement, whether due to fraud or error.

In preparing the performance report, the trustees are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Performance Report

Our objectives are to obtain reasonable assurance about whether the performance report is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAE (NZ) 3000 (Revised) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this performance report.

As part of an audit in accordance with ISAs (NZ) and ISAE (NZ) 3000 (Revised), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the performance report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represents the underlying transactions and events in a manner that achieves fair presentation.
- Perform procedures to obtain evidence about and evaluate whether the reported outcomes and outputs, and quantification of the outputs to the extent practicable, are relevant, reliable, comparable and understandable.

We communicate with the trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Who we Report to

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

BDO Wellington Audit Limited

BDO WELLINGTON AUDIT LIMITED

Wellington
New Zealand
19 June 2023