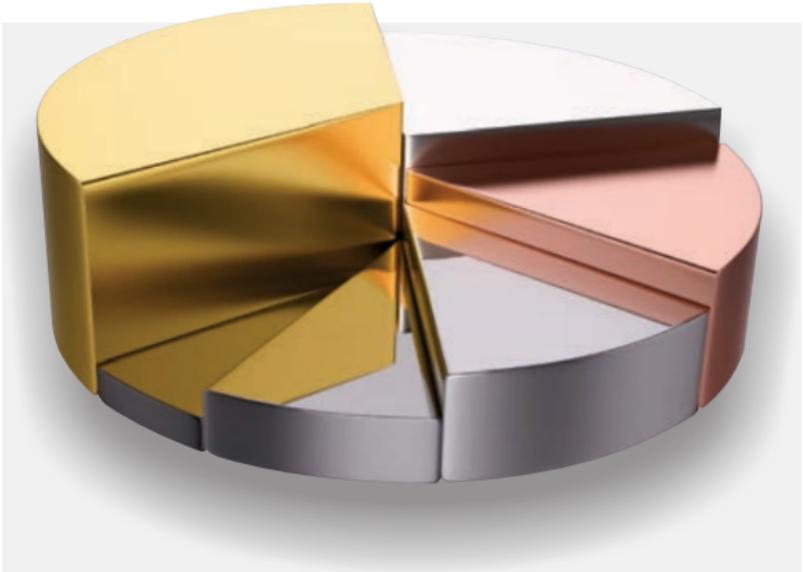


2020

FINANCIAL STATEMENTS

For the year ending 31 March 2020



FIRST MORTGAGE **PIE** TRUST

INVESTMENTS | PROPERTY FINANCE



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For and on behalf of the Manager, First Mortgage Managers Limited.

Director

Date: 23 June 2020

Director

Date: 23 June 2020



FIRST MORTGAGE PIE TRUST

INVESTMENTS | PROPERTY FINANCE

DIRECTORY

The Manager

First Mortgage Managers Limited
First Mortgage Trust
First Mortgage PIE Trust
15 First Avenue
Tauranga
PO Box 13083
Tauranga 3141
New Zealand
Telephone 07 578 0754
Freephone 0800 321 113
E-mail team@fmt.co.nz
www.fmt.co.nz

Directors of the Manager

Michael John Smith (*Chairman*)
Jonathan Shane Marshall
Ian James Farrelly
Craig Norman Haycock
Greig Anthony Allison
Phillip Graeme Bell
Peter Anthony Treacy

The Supervisor

Public Trust
Level 9
34 Shortland Street
PO Box 1598
Auckland

The Auditors

KPMG
Level 2
247 Cameron Road
Tauranga



FIRST MORTGAGE PIE TRUST

INVESTMENTS | PROPERTY FINANCE

CHAIRMAN'S REPORT FIRST MORTGAGE PIE TRUST

First Mortgage PIE Trust was established to provide a PIE option for those First Mortgage Trust investors who benefit from Portfolio Investment Entity (PIE) Tax rules.

First Mortgage PIE Trust invests in units in First Mortgage Trust. This structure allows investors to take advantage of the PIE Tax benefits and at the same time receive the same returns and security provided from First Mortgage Trust's portfolio of bank deposits and loans secured by first registered mortgages.

We recommend that the Financial Statements of First Mortgage Trust are read in conjunction with these Financial Statements.

Please read my Chairman's Report which is attached to those Financial Statements.

Yours faithfully

MJ Smith
Chairman of Directors
First Mortgage Managers Limited

FIRST MORTGAGE PIE TRUST
FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020

STATEMENT OF FINANCIAL POSITION

As at 31 March

	Note	2020 \$000's	2019 \$000's
Assets			
Cash and cash equivalents		945	2
Distribution receivable		-	3,204
Investment – Units in First Mortgage Trust Group Investment Fund	7	304,913	249,020
Total current assets		305,858	252,226
Liabilities			
PIE tax payable		945	787
Distribution payable		-	2,418
Total current liabilities		945	3,205
Net Assets		304,913	249,021
Equity			
Investors' funds	8	304,913	249,020
Retained earnings	9	-	1
Total Investors' Equity		304,913	249,021

The notes on pages 8 to 16 are an integral part of these financial statements.

FIRST MORTGAGE PIE TRUST
FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March

	Note	2020 \$000's	2019 \$000's
Distribution income – First Mortgage Trust Group Investment Fund		14,330	12,348
Interest Income – Bank Deposits		-	1
Net interest income		14,330	12,349
Expenses	6	(1)	-
Total expenses		(1)	-
Net profit for the year before tax		14,329	12,349
Income tax expense		-	-
Net profit for the year and total comprehensive income		14,329	12,349

The notes on pages 8 to 16 are an integral part of these financial statements.

FIRST MORTGAGE PIE TRUST
FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March

	Investors' funds \$000's	Retained earnings \$000's	Total equity \$000's
Balance at 1 April 2018	199,428	-	199,428
Total comprehensive income	-	12,349	12,349
Contributions by and distributions to investors			
Distributions to investors	-	(12,348)	(12,348)
Units issued during the year	99,893	-	99,893
Units redeemed during the year	(50,301)	-	(50,301)
Total contributions by and distributions to investors	49,592	(12,348)	37,224
Balance at 31 March 2019	249,020	1	249,021
Balance at 1 April 2019	249,020	1	249,021
Total comprehensive income	-	14,329	14,329
Contributions by and distributions to investors			
Distributions to investors	-	(14,330)	(14,330)
Units issued during the year	118,094	-	118,094
Units redeemed during the year	(62,201)	-	(62,201)
Total contributions by and distributions to investors	55,893	(14,330)	41,563
Balance at 31 March 2020	304,913	-	304,913

The notes on pages 8 to 16 are an integral part of these financial statements.

FIRST MORTGAGE PIE TRUST
FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020

STATEMENT OF CASH FLOWS

For the year ended 31 March

	Note	2020 \$000's	2019 \$000's
Cash flows from operating activities			
Distributions received		17,534	11,687
Interest Income - Bank deposits		-	1
Cash paid to suppliers		(1)	-
Net cash from operating activities	11	17,533	11,688
Cash flows from investing activities			
Investments made		(107,459)	(90,111)
Investments redeemed		54,391	41,276
Net cash used in investing activities		(53,068)	(48,835)
Cash flows from financing activities			
Proceeds from issue of units		101,649	86,564
Distributions to investors		(10,780)	(8,140)
Redemption of units		(54,391)	(41,276)
Net cash from financing activities		36,478	37,148
Net increase in cash and cash equivalents		943	1
Cash and cash equivalents at beginning of year		2	1
Cash and cash equivalents at end of year		945	2

The notes on pages 8 to 16 are an integral part of these financial statements.

FIRST MORTGAGE PIE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1. REPORTING ENTITY

First Mortgage PIE Trust (the “PIE Fund”) is an unlisted open end Unit Trust domiciled in New Zealand.

First Mortgage Managers Limited (the “Manager”) in its capacity as manager of the PIE Fund is an FMC reporting entity in terms of the Financial Markets Conduct Act 2013.

Public Trust (the “Supervisor”) is the trustee and supervisor of the PIE Fund.

The PIE Fund was established by a master trust deed and an establishment deed both dated 28 November 2007 between the Supervisor and the Manager as varied by deed dated 20 September 2010 and deeds of amendment and restatement dated 14 September 2015 (“Trust Deed”). The PIE Fund commenced trading on 1 January 2008.

The financial statements of the PIE Fund have been prepared for the year ended 31 March 2020.

The financial statements of the PIE Fund have been prepared by the Manager in accordance with the Financial Reporting Act 2013, the Financial Markets Conduct Act 2013 and with the provisions of the Trust Deed.

The PIE Fund is primarily involved in investment in units in First Mortgage Trust Group Investment Fund (the “FMT Fund”). The FMT Fund is primarily involved in facilitating the collective investment in first ranking mortgage backed securities and cash investments.

Readers of these financial statements should also refer to the financial statements of the FMT Fund.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with New Zealand Equivalents to International Financial Reporting Standards (“NZ IFRS”), and other applicable Financial Reporting Standards, as appropriate for tier 1 profit-oriented entities. The financial statements also comply with the requirements of International Financial Reporting Standards (“IFRS”).

The financial statements were approved by the Directors of the Manager on 23 June 2020.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except in relation to investment in the FMT Fund units as outlined in 3(a) below.

The methods used to measure fair values for disclosure purposes are discussed further in note 3(a).

(c) Functional and presentation currency

The PIE Fund only holds investments in New Zealand which are denominated in New Zealand dollars.

These financial statements are presented in New Zealand dollars (\$), which is the PIE Fund’s functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

FIRST MORTGAGE PIE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements made by management in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 3(b). This relates specifically to the classification of units issued.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in the FMT Fund, other receivables, cash and cash equivalents and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

A financial instrument is recognised if the PIE Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the PIE Fund's contractual rights to the cash flows from the financial assets expire or if the PIE Fund transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at settlement date, i.e., the date that the PIE Fund commits itself to purchase or sell the asset. Financial liabilities are derecognised if the PIE Fund's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances, call and short term deposits with a remaining term to maturity of three months or less.

Investments in the FMT Fund's units are recorded at the redemption value per unit as reported by the Manager of FMT Fund. They are classified as fair value through profit and loss. Due to the nature of the FMT Fund, its units are consistently valued at \$1 as determined by the unit valuation methodology prescribed in the FMT Fund's trust deed and therefore there have been no movements in fair value in the profit and loss.

FMT Fund's units are considered to fall within Level 2 of the fair value hierarchy as defined in NZ IFRS 13 Fair Value Measurement.

FIRST MORTGAGE PIE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investors' funds

The PIE Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The PIE Fund units are puttable instruments and meet the criteria required under NZ IAS 32 Financial Instruments to be classified as equity.

A puttable financial instrument that includes a contractual obligation for the PIE Fund to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

- It entitles the holder to a pro rata share of the PIE Fund's net assets in the event of the PIE Fund's liquidation;
- It is in the class of instruments that is subordinate to all other classes of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the PIE Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the PIE Fund over the life of the instrument.

(c) Impairment

The carrying amounts of the PIE Fund's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the profit and loss.

(d) Distribution income

Distribution income comprises returns on units in the FMT Fund. Distribution income is recognised as it accrues, using the effective interest method.

(e) Income tax

The PIE Fund as a Unit Trust elected to become a Portfolio Investment Entity (PIE) from the commencement date of the Fund. The PIE Fund is required to allocate income to investors under one of the options available under the PIE rules, daily or quarterly, and then deduct tax at the investors prescribed investor rate of either 0%, 10.5%, 17.5% or 28%. The tax rate is capped at 28%. The tax deducted is a debt due to the crown and is paid directly to Inland Revenue on the investors behalf.

Any income not allocated to investors is liable for tax at 28%. The PIE Fund allocates 100% of net income to investors and as a result the PIE Fund has no undistributed surplus that would be liable for tax.

FIRST MORTGAGE PIE TRUST
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) New standards and interpretations not yet effective

There are a number of other standards and interpretations which are not yet effective and management consider they will have no impact on the PIE Fund.

4. MANAGEMENT FEES

The current Product Disclosure Statement for the PIE Fund states that the Manager will not charge a fee (see note 12).

5. SUPERVISOR FEES

The Trust Deed entitles the Supervisor to receive an amount not greater than 0.1% per annum calculated on the average daily balance of the PIE Fund. In addition, the Supervisor is permitted to be reimbursed out of the PIE Fund for all costs, expenses and liabilities incurred whilst acting for the PIE Fund.

The current Product Disclosure Statement states that the Manager will pay the Supervisor fees from their own resources.

6. OTHER EXPENSES

Under terms of the PIE Fund's Product Disclosure Statement the Manager meets the expenses of the PIE Fund, including audit fees. The Manager is entitled to be reimbursed for expenses by an amount equal to the interest earned on cash on hand due to timing differences between the date of distributions and the due date for the payment of tax in relation to those distributions to Inland Revenue. During the year \$1,320 of expenses were reimbursed (2019: Nil).

7. INVESTMENTS – FIRST MORTGAGE TRUST GROUP INVESTMENT FUND

	As at 31 Mar 2020 \$000's	As at 31 Mar 2019 \$000's
Current investments:		
Units in the FMT Fund at \$1 per unit	304,913	249,020
Total units and amount of investment	<u>304,913</u>	<u>249,020</u>

8. INVESTORS' FUNDS

	Year to 31 Mar 2020 Number of Units / \$000's	Year to 31 Mar 2019 Number of Units / \$000's
On issue at beginning of year at \$1 per unit	249,020	199,428
Units issued during the year at \$1 per unit	118,094	99,893
Units redeemed during the year at \$1 per unit	<u>(62,201)</u>	<u>(50,301)</u>
On issue at end of year at \$1 per unit	<u>304,913</u>	<u>249,020</u>

The investors receive quarterly distributions within 3 working days of being declared. Distributions of \$14,329,930 were declared and paid by the PIE Fund during the year ended 31 March 2020 (2019: \$12,348,470).

FIRST MORTGAGE PIE TRUST
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020

9. RETAINED EARNINGS

	Year to 31 Mar 2020 \$000's	Year to 31 Mar 2019 \$000's
Balance at beginning of year	1	-
Profit for the year	14,329	12,349
Distributions to investors	<u>(14,330)</u>	<u>(12,348)</u>
Balance at end of year	<u>-</u>	<u>1</u>

Retained earnings represent the net proceeds from the PIE Fund's investment activities for the year which have not yet been distributed or credited to investors. The current policy of the PIE Fund is to distribute 100% of net proceeds from investment activities.

10. FINANCIAL INSTRUMENTS

Financial Risk Management

The PIE Fund's investment portfolio consists only of investments in units of the FMT Fund that it intends to hold for an indefinite period of time. In addition, the PIE Fund has financial instruments in the form of cash and cash equivalents and accounts payable and receivable which arise directly from its daily operations.

Through the holding of these investments, the PIE Fund is exposed directly and also indirectly to a variety of financial risks including: credit, market (interest rate), and liquidity risks. Therefore, the PIE Fund relies on the credit, liquidity and market risk policies of the FMT Fund to manage the PIE Fund's risk exposure. Readers of these financial statements should refer to the financial statements of the FMT Fund for information on the FMT Fund's exposure to the above risks.

The risk management policies employed by the PIE Fund are discussed in the notes below.

Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

The maximum credit risk is considered to be the carrying value of the assets set out in the statement of financial position.

The PIE Fund's investment policy is to invest in units in the FMT Fund. Accordingly the PIE Fund will have credit exposure to the FMT Fund equal to 100% of equity of the PIE Fund at all times.

The investment policy of the FMT Fund is to establish and maintain a broad range of loan investments secured by first registered mortgage over land and buildings. The PIE Fund relies on the investment policy of the FMT Fund to manage exposure to credit risk.

As at 31 March 2020 there are no other aggregate exposures to individual counterparties which equalled or exceeded 10% of the PIE Fund's Equity (2019: Nil).

The credit risk disclosures have been prepared on the basis of the PIE Fund's direct investments and not on a look through basis for investments held indirectly through the FMT Fund's units. Consequently the disclosure of credit risk in the note only represents the direct credit risk profile of the PIE Fund.

For a better understanding of credit risk users of these financial statements should read the FMT Fund's financial statements.

FIRST MORTGAGE PIE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

10. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the PIE Fund will encounter difficulty in meeting obligations associated with financial liabilities. The PIE Fund is exposed to daily cash redemptions of units, which are accounted for as equity. The PIE Fund invests the majority of its assets in investments in the FMT Fund, which under normal market conditions are readily convertible to cash. Investments in the FMT Fund are redeemable on demand, but under the terms of investment, the Manager can take up to 90 business days to settle redemptions. Payment of investor withdrawals are met by redeeming the equivalent units in the FMT Fund. For this financial structure to be viable, a high level of confidence must be preserved that the PIE Fund and the FMT Fund investor funds will be maintained.

The Manager monitors the funds' liquidity positions through the review of daily cash flow information which highlights current and known future levels of redemptions. The FMT Fund maintains a portion of the fund in liquid assets to provide for withdrawals and running expenses. The PIE Fund's approach to managing liquidity is to rely on the liquidity management of the FMT Fund.

The PIE Fund is exposed to the same liquidity risk as the FMT Fund. The PIE Fund relies on the ability to redeem a portion of any investment in the FMT Fund to meet withdrawal requests.

The liquidity risk disclosures have been prepared on the basis of the PIE Fund's direct investments and not on a look through basis for investments held in the FMT Fund. Consequently the disclosure of liquidity risk in the note only represents the direct liquidity risk profile of the PIE Fund.

For a better understanding of liquidity risk users of these financial statements should read the FMT Fund's financial statements.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The investments in units in the FMT Fund provide a floating rate return. As a result, the PIE Fund is directly subject to risk due to fluctuations in the prevailing levels of market interest rates. The distribution rate on investment in these units as at 31 March 2020 was 4.90% (2019: 5.20%). Cash and cash equivalents are held in a call account on a floating rate. The weighted average interest rate on cash and cash equivalents as at 31 March 2020 was 0.09% (2019: 0.33%).

The interest rate risk disclosures have been prepared on the basis of the PIE Fund's direct investments and not on a look through basis for investments held in the FMT Fund. Consequently the disclosure of interest rate risk in the note only represents the direct interest rate risk profile of the PIE Fund.

For a better understanding of interest rate risk users of these financial statements should read the FMT Fund's financial statements.

FIRST MORTGAGE PIE TRUST
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2020

10. FINANCIAL INSTRUMENTS (continued)

Capital management

The PIE Fund's capital consists of investors' funds, and is not subject to any externally imposed capital requirements. See discussion on liquidity risk above for capital management techniques for investors' funds.

Sensitivity analysis

The quarterly distribution to investors is the quarterly net profit arising from operations, after allowing for expenses, bad debts, and taxes.

The key driver of this distribution is income from the investment in the FMT Fund. A 1% increase/(decrease) in the distribution rates received from the FMT Fund and bank deposits would normally drive a corresponding 1% increase/(decrease) in the distribution to investors.

Estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in note 3. The PIE Fund's investments are carried at fair value on the statement of financial position. For certain other financial instruments (including accounts payable) the carrying amounts approximate fair value due to their immediate or short-term nature.

11. RECONCILIATION OF THE PROFIT FOR THE YEAR WITH THE NET CASH FROM OPERATING ACTIVITIES

	Year to 31 Mar 2020 \$000's	Year to 31 Mar 2019 \$000's
Profit for the year	14,329	12,349
<i>Adjustments for:</i>		
Change in distributions receivable	<u>3,204</u>	<u>(661)</u>
Net cash from operating activities	<u>17,553</u>	<u>11,688</u>

12. RELATED PARTIES

(a) Nature of relationship

The PIE Fund is managed by the Manager as outlined in the Product Disclosure Statement. The Manager makes all decisions relating to administration, investment management, investment applications, and the management of the PIE Fund's investment portfolio. The Manager's responsibilities are set out in detail in the registered Trust Deed between the Manager and the Supervisor. The Manager does not hold or own any of the assets of the PIE Fund. The Manager does not guarantee the return of principal or income to investors.

The Supervisor is the appointed trustee and supervisor of the PIE Fund. The role of the Supervisor is to hold all of the assets of the PIE Fund on behalf of investors and to monitor compliance by the Manager with the requirements of the Trust Deed. The Supervisor's responsibilities are set out in detail in the Trust Deed. The Supervisor is required to exercise reasonable diligence to ascertain whether or not a breach of the terms of the Trust Deed or the offer of units has occurred. The Supervisor does not guarantee the return of principal or income to investors.

FIRST MORTGAGE PIE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

12. RELATED PARTIES (continued)

(a) Nature of relationship (continued)

The Supervisor and Manager are indemnified by the PIE Fund on the terms set out in clause 25.2 of the Trust Deed. The Supervisor and Manager are entitled to be reimbursed out of the PIE Fund for all expenses, costs or liabilities incurred by them acting as supervisor or manager. General expenses and supervisor fees in relation to the PIE Fund are met by the Manager in the first instance. The Manager is reimbursed for these expenses to the extent of interest earned on cash on hand in the PIE Fund due to timing differences between the payment of distributions from the PIE Fund and the due date for payment of tax in relation to those distributions to Inland Revenue.

The FMT Fund is also managed by the Manager and the PIE Fund invests in the FMT Fund.

Directors of the Manager are also considered related parties of the PIE Fund.

Directors of the Manager may be trustees in their professional capacity as solicitors of trusts that borrow from the FMT Fund or invest in the PIE Fund or the FMT Fund. In these cases the director is not a named beneficiary of the trust.

Except for loans where a director of the Manager is a trustee in a professional capacity there are no loans to related parties by the FMT Fund as at balance date.

(b) Transactions and balances

As at 31 March 2020 directors and key management personnel of the Manager, either individually or through related interests, held units to the value of \$829,089 in the PIE Fund which invests in the FMT Fund and received \$65,934 of distributions during the year (2019: \$969,952 units held and \$33,958 of distributions received for the year).

The Manager as manager of the PIE Fund receives a fee on funds invested by the PIE Fund in the FMT Fund direct from the FMT Fund. The Manager is entitled to a management fee of 1.5% plus GST (if any) per annum calculated on the average daily balance of the FMT Fund. The Manager charged the full management fee during the year ending 31 March 2020. To reimburse the Manager for expenses incurred in collecting overdue mortgages, the Manager may charge the FMT Fund an amount equal to half of the penalty interest (if any) received on those loans. During the year this amount was charged in some instances when penalty interest was recovered. In addition, the Manager is permitted to be reimbursed out of the FMT Fund for all costs, expenses and liabilities incurred whilst acting for the FMT Fund. Management fees paid to the Manager as manager of the FMT Fund during the year were \$13,398,000 (2019: \$10,939,000), of which \$4,455,696 (2019: \$3,539,429) related to the PIE Fund investment.

In addition, during the year Borrowers of the FMT Fund have paid loan processing fees direct to the Manager of \$7,493,453 (2019: \$6,108,747). The fees are loan establishment fees which are generally paid by the FMT Fund across to the Manager from loan advances made to the Borrower.

Supervisor fees paid to the Supervisor are detailed in note 5.

As at 31 March 2020 the PIE Fund held units to the value of \$304,913,252 (2019: \$249,020,278) in the FMT Fund and received \$14,329,948 of distributions during the year (2019: \$12,348,481). The value of units issued by the FMT Fund to the PIE Fund during the year was \$118,093,647 (2019: \$99,893,278) and the value of the units redeemed by the FMT Fund to the PIE Fund during the year was \$62,200,674 (2019: \$50,300,756).

FIRST MORTGAGE PIE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

13. SUBSEQUENT EVENTS

At the date of signing these financial statements the pandemic virus COVID-19 is impacting the global and NZ economies. The main source of income for the PIE Fund is distribution income from its investments in units in the FMT Fund. At the date of signing these Financial Statements, the PIE Fund has not seen any disruption in these activities.



FIRST MORTGAGE PIE TRUST

INVESTMENTS | PROPERTY FINANCE



Independent Auditor's Report

To the investors of First Mortgage PIE Trust

Report on the audit of the financial statements

Opinion

In our opinion, the accompanying financial statements of First Mortgage PIE Trust (the 'PIE Fund') on pages 4 to 16:

- i. Present fairly in all material respects the PIE Fund's financial position as at 31 March 2020 and its financial performance and cash flows for the year ended on that date; and
- ii. Comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- The statement of financial position as at 31 March 2020;
- The statements 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 PIE Fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('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.

Other than in our capacity as auditor we have no relationship with, or interest in, the PIE Fund.

Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the PIE Fund, the financial reporting systems, processes and controls, and the industry in which it operates.

The context for our audit is set by the major activities in the financial year ended 31 March 2020. The PIE Fund had a continued focus on processes and controls pertaining to the contribution and withdrawal of funds by investors.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$1.5 million determined with reference to a benchmark of PIE Fund Total Assets. We chose the benchmark because, in our view, this is a key measure of the PIE Fund's performance.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. Due to the simple nature of the PIE Fund's operations, it was determined that there were no key audit matters to report.

Other information

The Directors of the Manager, on behalf of the PIE Fund, are responsible for the other information included in the entity's financial statements. Other information may include the Chairman's Report and Directory. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Chairman's Report and Directory are expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Chairman's Report and Directory when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors of the Manager.



Use of this independent auditor's report

This independent auditor's report is made solely to the Investors as a body. Our audit work has been undertaken so that we might state to the Investors 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 Investors as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors of the Manager for the financial statements

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

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



Auditor's responsibilities for the audit of the financial statements

Our objective is:

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

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

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

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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-2/>

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

A handwritten signature of the KPMG logo in black ink.

KPMG
Tauranga

23 June 2020



FIRST MORTGAGE TRUST

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