

**BNZ KiwiSaver Scheme  
Financial Statements  
For The Year Ended 31 March 2017**

BNZ KiwiSaver Scheme  
Statement of Changes in Net Assets  
For the year ended 31 March 2017

	Cash Fund						First Home Buyer Fund						Conservative Fund						Moderate Fund						Balanced Fund						Growth Fund						Total BNZ KiwiSaver Scheme	
	Year ended 31 March 2017		Year ended 31 March 2016		Year ended 31 March 2017		Year ended 31 March 2016		Year ended 31 March 2017		Year ended 31 March 2016		Year ended 31 March 2017		Year ended 31 March 2016		Year ended 31 March 2017		Year ended 31 March 2016		Year ended 31 March 2017		Year ended 31 March 2016		Year ended 31 March 2017		Year ended 31 March 2016		Year ended 31 March 2017									
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017									
Investment income	29	1,617	10	98	1,485	78	322	63	123	52	92	328	3,649	5	1,880	11,135	11,890	12,711	123	123	52	92	328	3,649	5	1,880	11,135	11,890	12,711									
Interest income	-	-	641	13,484	10,500	15,166	14,046	12,680	12,711	12,711	11,135	53,116	49,156	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Dividends and distribution income	-	-	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	2,951	789	591	3,732	(4,151)	2,162	(8,192)	2,844	(9,048)	(9,048)	4,667	(9,591)	(31,033)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Net foreign currency gains or losses on cash and cash equivalents	-	-	-	(2)	-	(2)	-	-	-	-	(2)	(9)	-	-	-	-	-	-	-	-	-	(9)	(9)	-	-	-	-	-	-	-								
Net investment income	2,980	2,416	1,242	17,320	7,334	17,404	5,166	15,665	3,786	15,851	2,351	70,462	21,771	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Expenses	311	244	132	1,848	1,246	2,034	1,460	1,687	1,177	1,480	971	5,112	5	1,188	(643)	(617)	(894)	(617)	(617)	(617)	1,480	(4,009)	7,492	5,112	1,188	(643)	(617)	(894)	(617)									
Management fees	-	-	(82)	(1,301)	(876)	(1,188)	(844)	(894)	(617)	(894)	(409)	(2,752)	-	-	-	-	-	-	-	-	-	15	52	-	-	-	-	-	-	-								
Management fee rebates	-	-	-	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Transaction costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Total expenses	311	244	71	557	370	859	616	806	560	852	562	2,300	2,300	2,969	2,172	1,171	16,545	14,679	3,226	14,898	1,829	87,028	19,411	2,969	2,172	1,171	16,545	14,679	3,226									
Profit attributable to members	96,910	11,751	1,071	148,997	120,926	84,203	76,924	66,473	56,550	65,010	47,304	351,133	35,817	36,951	11,751	148,997	120,926	84,203	76,924	66,473	56,550	65,010	47,304	351,133	35,817	36,951	11,751	148,997	120,926	84,203								
Membership activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Opening net assets available for benefits	11,480	10,298	4,444	47,889	36,518	28,227	23,369	20,463	16,697	16,467	12,520	99,911	11,480	10,298	4,444	47,889	36,518	28,227	23,369	20,463	16,697	16,467	12,520	99,911	11,480	10,298	4,444	47,889	36,518									
Contributions	6,995	5,967	2,616	28,175	20,905	14,550	10,493	8,358	6,073	8,358	6,073	53,834	6,995	5,967	2,616	28,175	20,905	14,550	10,493	8,358	6,073	8,358	6,073	53,834	6,995	5,967	2,616	28,175	20,905									
Employer contributions	14	309	18	68	4,359	27	768	9	504	2	138	6,761	14	309	18	68	4,359	27	768	9	504	2	138	6,761	14	309	18	68	4,359									
Crown contributions	13,279	13,246	23,378	58,222	47,799	30,991	31,623	25,493	22,467	23,334	18,609	142,077	13,279	13,246	23,378	58,222	47,799	30,991	31,623	25,493	22,467	23,334	18,609	142,077	13,279	13,246	23,378	58,222										
Transfers in from other scheme providers	3,150	2,892	826	10,560	7,543	6,500	5,097	4,050	3,363	3,143	2,373	21,220	3,150	2,892	826	10,560	7,543	6,500	5,097	4,050	3,363	3,143	2,373	21,220	3,150	2,892	826	10,560										
Member tax credits	3,280	4,158	4,296	4,784	3,802	4,358	4,015	5,965	4,900	13,706	7,098	27,321	3,280	4,158	4,296	4,784	3,802	4,358	4,015	5,965	4,900	13,706	7,098	27,321	3,280	4,158	4,296	4,784	3,802									
Switches in from other BNZ KiwiSaver Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-									
Total contributions in the Scheme	(5,678)	(4,621)	(1,674)	(20,934)	(13,233)	(10,324)	(7,783)	(6,411)	(5,648)	(9,769)	(4,882)	(56,790)	(5,678)	(4,621)	(1,674)	(20,934)	(13,233)	(10,324)	(7,783)	(6,411)	(5,648)	(9,769)	(4,882)	(56,790)	(5,678)	(4,621)	(1,674)	(20,934)										
Benefits paid	(2,983)	(1,331)	(48)	(3,186)	(447)	(937)	(543)	(447)	(280)	(148)	(80)	(36,362)	(2,983)	(1,331)	(48)	(3,186)	(447)	(937)	(543)	(447)	(280)	(148)	(80)	(36,362)	(2,983)	(1,331)	(48)	(3,186)										
Retirement	(322)	(246)	(4)	(700)	(415)	(464)	(166)	(130)	(190)	(96)	(72)	(1,092)	(322)	(246)	(4)	(700)	(415)	(464)	(166)	(130)	(190)	(96)	(72)	(1,092)	(322)	(246)	(4)	(700)										
Death and disability	(3,661)	(3,160)	(3,177)	(8,588)	(6,339)	(5,898)	(4,371)	(4,910)	(2,725)	(2,732)	(2,142)	(28,410)	(3,661)	(3,160)	(3,177)	(8,588)	(6,339)	(5,898)	(4,371)	(4,910)	(2,725)	(2,732)	(2,142)	(28,410)	(3,661)	(3,160)	(3,177)	(8,588)										
First home	(679)	(284)	(261)	(1,284)	(580)	(768)	(290)	(659)	(181)	(434)	(145)	(1,464)	(679)	(284)	(261)	(1,284)	(580)	(768)	(290)	(659)	(181)	(434)	(145)	(1,464)	(679)	(284)	(261)	(1,284)										
Switches out to other BNZ KiwiSaver Funds	(3,867)	(3,243)	(1,076)	(11,077)	(7,521)	(6,364)	(6,739)	(7,719)	(5,621)	(4,178)	(3,855)	(36,398)	(3,867)	(3,243)	(1,076)	(11,077)	(7,521)	(6,364)	(6,739)	(7,719)	(5,621)	(4,178)	(3,855)	(36,398)	(3,867)	(3,243)	(1,076)	(11,077)										
Other permitted withdrawals	(122)	(81)	(10)	(436)	(457)	(154)	(82)	(221)	(62)	(200)	(64)	(746)	(122)	(81)	(10)	(436)	(457)	(154)	(82)	(221)	(62)	(200)	(64)	(746)	(122)	(81)	(10)	(436)										
Total benefits paid from the Scheme	(17,348)	(13,069)	(6,790)	(45,967)	(30,071)	(26,927)	(19,974)	(21,397)	(14,707)	(17,555)	(11,240)	(138,164)	(17,348)	(13,069)	(6,790)	(45,967)	(30,071)	(26,927)	(19,974)	(21,397)	(14,707)	(17,555)	(11,240)	(138,164)	(17,348)	(13,069)	(6,790)	(45,967)										
Other member movements	(260)	(245)	(80)	(800)	(688)	(442)	(393)	(298)	(260)	(282)	(231)	(1,528)	(260)	(245)	(80)	(800)	(688)	(442)	(393)	(298)	(260)	(282)	(231)	(1,528)	(260)	(245)	(80)	(800)										
Members' administration fee	(476)	(382)	(103)	(1,521)	(1,507)	(1,057)	(1,195)	(728)	(937)	(429)	(554)	(4,467)	(476)	(382)	(103)	(1,521)	(1,507)	(1,057)	(1,195)	(728)	(937)	(429)	(554)	(4,467)	(476)	(382)	(103)	(1,521)										
Members' PIE tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Net benefits accrued to Members	21,402	25,428	26,774	118,072	96,124	72,322	59,942	58,728	43,972	61,743	37,108	274,323	21,402	25,428	26,774	118,072	96,124	72,322	59,942	58,728	43,972	61,743	37,108	274,323	21,402	25,428	26,774	118,072										
Closing net assets available for benefits	113,638	92,236	41,525	379,563	261,491	262,536	190,514	188,016	139,250	167,982	106,239	801,521	113,638	92,236	41,525	379,563	261,491	262,536	190,514	188,016	139,250	167,982	106,239	801,521	113,638	92,236	41,525	379,563										
Units on issue (units in thousands)	84,085	62,564	11,529	223,995	145,979	158,044	111,013	112,175	78,564	83,246	55,113	453,153	84,085	62,564	11,529	223,995	145,979	158,044	111,013	112,175	78,564	83,246	55,113	453,153	84,085	62,564	11,529	223,995										
Balance at the beginning of the period	33,342	34,369	34,246	124,964	106,485	67,863	48,381	51,562	48,620	48,381	36,051	303,898	33,342	34,369	34,246	124,964	106,485	67,863	48,381	51,562	48,620	48,381	36,051	303,898	33,342	34,369	34,246	124,964										
Contributions - units	(16,469)	(12,848)	(6,826)	(40,866)	(28,769)	(23,026)	(18,228)	(17,730)	(13,228)	(13,228)	(9,516)	(61,167)	(16,469)	(12,848)	(6,826)	(40,866)	(28,769)	(23,026)	(18,228)	(17,730)	(13,228)	(9,516)	(61,167)	(16,469)	(12,848)	(6,826)	(40,866)											
Withdrawals - units	100,939	84,085	38,848	307,713	223,595	202,981	156,044	146,007	112,175	117,988	83,246	672,674	100,939	84,085	38,848	307,713	223,595	202,981	156,044	146,007	112,175	117,988	83,246	672,674	100,939	84,085	38,848	307,713										
Balance at the end of the period	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521	801,521										

The accounting policies and other notes form part of, and should be read in conjunction with, these Financial Statements.

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016
<b>Current assets</b>														
Cash and cash equivalents	340	956	421	251	3,689	2,461	2,463	1,481	1,971	1,534	1,534	773	11,018	6,845
Financial assets at fair value through profit or loss	113,372	91,576	40,965	11,162	376,680	260,037	261,101	190,063	196,576	139,151	166,446	105,840	1,155,020	797,649
Management fee receivable	-	-	8	2	126	91	115	86	87	63	67	42	403	284
Contributions receivable	226	164	329	363	1,167	686	690	514	554	283	632	391	3,698	2,601
Other receivables	4	34	30	-	-	-	-	-	-	-	-	-	34	34
<b>Total assets</b>	<b>114,242</b>	<b>92,730</b>	<b>41,783</b>	<b>11,708</b>	<b>361,642</b>	<b>263,475</b>	<b>264,369</b>	<b>192,144</b>	<b>199,189</b>	<b>140,420</b>	<b>166,879</b>	<b>107,046</b>	<b>1,170,073</b>	<b>807,613</b>
<b>Current liabilities</b>														
Management fees payable	29	23	17	5	184	127	198	144	168	117	153	97	747	513
Due to brokers	134	117	121	21	706	409	370	338	343	207	158	182	1,832	1,274
Redemptions payable	441	354	80	21	1,389	1,448	965	1,148	661	806	388	528	3,832	4,205
PIE tax payable on behalf of Members	804	494	228	47	2,279	1,984	1,533	1,630	1,170	1,130	887	807	8,511	6,092
<b>Total liabilities (excluding net assets attributable to members)</b>	<b>113,638</b>	<b>92,238</b>	<b>41,525</b>	<b>11,751</b>	<b>379,563</b>	<b>261,491</b>	<b>262,836</b>	<b>190,514</b>	<b>199,018</b>	<b>139,290</b>	<b>167,982</b>	<b>106,239</b>	<b>1,163,862</b>	<b>801,521</b>
<b>Net assets available for benefits</b>	<b>113,638</b>	<b>92,236</b>	<b>41,525</b>	<b>11,751</b>	<b>379,583</b>	<b>261,491</b>	<b>262,836</b>	<b>190,514</b>	<b>199,018</b>	<b>139,290</b>	<b>167,982</b>	<b>106,239</b>	<b>1,163,862</b>	<b>801,521</b>
Represented by:														
Net assets attributable to Members	113,638	92,236	41,525	11,751	379,583	261,491	262,836	190,514	199,018	139,290	167,982	106,239	1,163,862	801,521

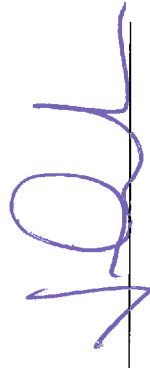
The accounting policies and other notes form part of, and should be read in conjunction with, these Financial Statements.

The Board of Directors of BNZ Investment Services Limited authorised these Financial Statements for issue on 12 July 2017.

For and on behalf of the Manager



Director



Director

BNZ KiwiSaver Scheme  
Cash Flow Statement  
For the year ended 31 March 2017

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016
Dollars in thousands														
<b>Cash flows to/from operating activities</b>														
Cash was provided from:														
Proceeds from sale of financial instruments at fair value through profit or loss	1,734	437	4,178	38	58,020	121	80,455	356	78,583	721	86,253	1,509	309,233	3,162
Interest income	29	1,647	10	10	98	1,510	78	327	63	125	52	93	328	3,712
Cash was applied to:														
Purchase of financial instruments at fair value through profit or loss	(20,250)	(91,248)	(32,728)	(11,069)	(167,026)	(144,584)	(133,685)	(65,927)	(119,989)	(44,275)	(130,782)	(36,621)	(694,440)	(395,734)
Operating expenses	(305)	(238)	(83)	(8)	(1,128)	(659)	(1,315)	(813)	(1,186)	(773)	(1,116)	(654)	(5,143)	(3,315)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(18,792)</b>	<b>(89,402)</b>	<b>(28,633)</b>	<b>(11,029)</b>	<b>(100,038)</b>	<b>(143,852)</b>	<b>(54,457)</b>	<b>(66,157)</b>	<b>(42,519)</b>	<b>(44,202)</b>	<b>(45,573)</b>	<b>(37,713)</b>	<b>(290,022)</b>	<b>(392,155)</b>
<b>Cash flows from financing activities</b>														
Cash was provided from:														
Contributions	36,756	37,195	35,609	12,115	149,417	121,010	84,028	77,431	65,202	56,808	64,770	47,389	436,782	351,946
Cash was applied to:														
Benefits paid	(17,590)	(13,335)	(6,771)	(634)	(46,570)	(30,570)	(27,338)	(20,161)	(21,798)	(14,842)	(17,862)	(11,338)	(137,689)	(91,080)
Members' PIE tax	(390)	(303)	(35)	(1)	(1,579)	(1,408)	(1,239)	(1,293)	(875)	(852)	(971)	(436)	(4,689)	(4,294)
<b>Net cash inflow from financing activities</b>	<b>18,776</b>	<b>23,557</b>	<b>28,803</b>	<b>11,280</b>	<b>101,268</b>	<b>89,031</b>	<b>55,451</b>	<b>55,977</b>	<b>43,569</b>	<b>41,114</b>	<b>46,337</b>	<b>35,615</b>	<b>284,204</b>	<b>256,574</b>
<b>Net increase in cash and cash equivalents</b>	<b>(16)</b>	<b>(65,845)</b>	<b>170</b>	<b>251</b>	<b>1,230</b>	<b>(54,621)</b>	<b>984</b>	<b>(10,180)</b>	<b>1,050</b>	<b>(3,088)</b>	<b>784</b>	<b>(2,098)</b>	<b>4,182</b>	<b>(135,581)</b>
Cash and cash equivalents at the beginning of the period	956	68,801	251	-	2,461	57,082	1,481	11,651	923	4,011	773	2,871	6,845	142,425
Effect of exchange rate fluctuations	-	-	-	-	(2)	-	(2)	-	(2)	-	(3)	-	(9)	-
<b>Cash and cash equivalents at the end of the period</b>	<b>940</b>	<b>956</b>	<b>421</b>	<b>251</b>	<b>3,689</b>	<b>2,461</b>	<b>2,483</b>	<b>1,481</b>	<b>1,971</b>	<b>923</b>	<b>1,534</b>	<b>773</b>	<b>11,018</b>	<b>6,845</b>

Notes

9 Cash flows to/from operating activities  
Cash was provided from:  
Proceeds from sale of financial instruments at fair value through profit or loss  
Interest income  
Cash was applied to:  
Purchase of financial instruments at fair value through profit or loss  
Operating expenses

9 Net cash inflow/(outflow) from operating activities

9 Cash flows from financing activities

Cash was provided from:  
Contributions  
Cash was applied to:  
Benefits paid  
Members' PIE tax

9 Net cash inflow from financing activities

9 Net increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the period  
Effect of exchange rate fluctuations

9 Cash and cash equivalents at the end of the period

The accounting policies and other notes form part of, and should be read in conjunction with, these Financial Statements.

## 1. General information

### 1.1 Reporting entities

These financial statements are for the BNZ KiwiSaver Scheme (the "Scheme"), which comprises the following six funds (each a "Fund", together the "Funds"):

- \* Cash Fund;
- \* First-Home Buyer Fund;
- \* Conservative Fund;
- \* Moderate Fund;
- \* Balanced Fund; and
- \* Growth Fund.

Each Member of the Scheme owns units in the Fund or Funds chosen by them.

The Scheme was established and initially governed by a Trust Deed between BNZ Investment Services Limited (the "Manager") and The New Zealand Guardian Trust Company Limited, dated 8 January 2013. The Scheme was registered under the KiwiSaver Act 2008 (the "KiwiSaver Act") on 16 January 2013. The Scheme began accepting Members on 11 February 2013. The First-Home Buyer Fund was established on 16 September 2015, and began accepting Members on 17 September 2015. On 19 August 2016 the governing Trust Deed was substituted with a new governing Trust Deed in order to comply with the requirements of the Financial Markets Conduct Act 2013 ("FMCA"), the KiwiSaver Act and all other relevant legislation and to make a number of other minor amendments to the Trust Deed as a consequence of the introduction of the FMCA and the amendments to other legislation or for more efficient operation of the Scheme. The Scheme is designed to help members save for their retirement. The Scheme enables members to invest into one of the six available Funds, or to spread their contributions among several Funds. With the exception of the Cash Fund, each Fund invests across a number of investment sectors, countries and companies, primarily through other unit trusts operated by Russell Investment Group Limited, MLC Investments Limited ("MLC") or Nikko Asset Management NZ Limited. Each Fund offers a different investment mix and different levels of potential return. The principal activity of the Scheme is investment. The Scheme is domiciled in New Zealand.

The Financial Statements have been prepared for the year ended 31 March 2017. The comparative period is for the year ended 31 March 2016. With the exception of the First-Home Buyer Funds comparative period which has been prepared for the period from 17 September 2015, ended 31 March 2016.

The Scheme's investment activities are managed by the Manager. The Manager is a wholly owned subsidiary of Bank of New Zealand ("BNZ"), incorporated in New Zealand, who in turn is wholly owned by National Australia Bank Limited, a licensed bank in Australia. The registered office of the Manager is Level 4, 80 Queen Street, Auckland. The Manager is the issuer of Membership interests in the Scheme for the purposes of the FMCA and is responsible to Members for managing and administering the Scheme.

The supervisor of the Scheme is The New Zealand Guardian Trust Company Limited (the "Supervisor"). The registered office of the Supervisor is Level 13, 191 Queen Street, Auckland.

The Supervisor is the external supervisor of the Scheme, responsible for supervising the performance of the Manager and for the custody of Scheme assets as well as assessing financial hardship and serious illness based withdrawal applications.

The Manager may terminate, close or alter any Funds, or amalgamate any two or more Funds on such terms and conditions as it deems fit, subject to providing prior written notice to the Supervisor.

### 1.2 Statutory base

The Scheme is a KiwiSaver Scheme registered under the FMCA and is subject to the provisions of this Act.

Contributions are made by Members on a voluntary basis. The Funds are unlisted products. Unit prices are calculated each business day. As a registered KiwiSaver Scheme units in the Scheme are offered under a product disclosure statement.

These Financial Statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013 and the provisions of the Governing Document.

The Financial Statements were authorised for issue by the Directors of the Manager on 12 July 2017

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied, unless otherwise stated.

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). For the purposes of complying with NZ GAAP, the Scheme is a profit-oriented entity. These Financial Statements have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"). The Financial Statements also comply with International Financial Reporting Standards ("IFRS"). These Financial Statements have been prepared under the historical cost method except for financial assets and liabilities measured at fair value through profit or loss.

The preparation of Financial Statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Directors of the Manager to exercise their judgement in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 3.

#### (a) Presentation

The financial statements of the Scheme are presented in New Zealand dollars, which is the Scheme's functional currency. All amounts are rounded to the nearest thousand unless otherwise stated.

(b) Standards and amendments to existing standards effective 1 April 2016 impacting the Scheme

Amendments to NZ IAS 1 'Presentation of financial statements' (effective for periods commencing on or after 1 January 2016). The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosures of accounting policies. The amendments form part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. Upon adopting the new amendment for the year commencing 1 April 2016, the Manager reviewed the Scheme's financial statements and made some changes to the notes to improve the disclosures.

Amendments to NZ IFRS 10 'Consolidated financial statements' and NZ IAS 28 'Investments in associates' on investment entities (effective for periods commencing on or after 1 January 2016). It confirms that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment related services to the parent or to third parties. The Manager of the Scheme is satisfied that the Scheme applied the approach on a consistent basis.

(c) The following new standards and amendments to existing standards are not a comprehensive list of standards and amendments not yet effective but are only those that are considered relevant to the Fund. NZ IFRS 9 financial instruments (NZ IFRS 9) (effective for annual periods beginning on or after 1 January 2018). NZ IFRS 9 requires financial assets to be classified on the basis of the business model for managing the financial assets, and subsequently measures the financial assets as either at amortised cost or fair value. The requirements for classifying and measuring financial liabilities have been added to the standard and were carried forward largely unchanged from NZ IAS 39 Financial Instruments: Recognition and Measurement. However, the requirements relate to the fair value option for financial liabilities were changed to address the issue of own credit risk. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating impairment of financial assets. The impact of adopting NZ IFRS 9, has not yet been fully assessed, however it is not expected to have a significant impact on the Scheme's reported result or financial position. The Scheme intends to adopt NZ IFRS 9 for its financial period commencing 1 April 2018.

### 2.2 Interest income

Interest income on assets at fair value through profit or loss is included as interest in the Statement of Changes in Net Assets on an accruals basis. Changes in fair value of such instruments are recorded in accordance with the policies described in Note 2.8.

### 2.3 Dividend and distribution income

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded in the Statements of Changes in Net Assets Available for Benefits within Members' FIE tax. Unit trust distributions are recognised on a present entitlement basis.

### 2.4 Investment gains and losses

Realised and unrealised gains and losses are reflected in the Statement of Changes in Net Assets Available as net gain/(loss) on financial instruments at fair value through profit or loss.

Unrealised gains or losses include the change in fair value of investments held as at the reporting date. Realised gains or losses are calculated based on the gross sale proceeds and the weighted average cost of the investments sold.

## 2. Summary of significant accounting policies (continued)

### 2.5 Expenses

All expenses are recognised in the Statement of Changes in Net Assets on an accrual basis.

### 2.6 Income tax

The Scheme qualifies as and has elected to be a Portfolio Investment Entity ("PIE") for tax purposes. Under the PIE regime, detailed in the Income Tax Act 2007, income is effectively taxed in the hands of the Members, and therefore, the Scheme has no income tax expense. Accordingly, no income tax expense is recognised in the Statement of Changes in Net Assets. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in Members' PIE tax in the Statement of Changes in Net Assets.

Under the PIE regime, the Manager attributes the taxable income of each Fund to Members in accordance with the proportion of their interest in the Fund. The income attributed to each Member is taxed at the Member's "prescribed investor rate" on redemption and annually on or around 31 March each year.

Member PIE tax disclosed in the Statement of Changes in Net Assets consist of withdrawals to meet Member tax liabilities (or contributions from Member rebates) under the PIE regime and any resident and foreign withholding taxes deducted at source.

### 2.7 Goods and services tax (GST)

The Scheme is not registered for GST. The Statement of Changes in Net Assets and Cash Flow Statement have been stated inclusive of GST. All items in the Statement of Changes in Net Assets are stated inclusive of any GST.

### 2.8 Financial Instruments

#### (a) Classification

The Scheme's financial instruments are classified as financial assets or financial liabilities at fair value through profit or loss, loans and receivables and other financial liabilities.

#### Financial assets or financial liabilities at fair value through profit or loss

This category has two sub-categories: financial assets or financial liabilities held for trading and those designated at fair value through profit or loss at inception.

#### Financial instruments held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are categorised as held for trading. These include forward currency contracts, interest rate futures and interest rate swaps. Derivatives are carried as assets (liabilities) when the fair value is positive (negative). The Scheme does not designate any derivatives as hedges in a hedging instruments for hedge accounting purposes.

#### Financial instruments designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's policy is for the Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information. These are investments in Australia and New Zealand unlisted unit trusts.

The designation of financial instruments at fair value through profit or loss is consistent with the Scheme's risk management and investment strategy.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and may include cash and cash equivalents, rebates on management fees, amounts receivable for dividends, interest and trust distributions, amounts due from brokers for securities sold that have been contracted for but not yet delivered at the end of the accounting period and contributions receivable.

Cash and cash equivalents include cash in hand and deposits held at call with banks. Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Scheme's main income generating activity.

#### Other financial liabilities

These amounts represent liabilities and accrued expenses owed by the Scheme at period end and may include amounts due to brokers for securities purchased that have been contracted for but not yet delivered at period end, withdrawals owed to Members and Net Assets attributable to Members. These amounts are recognised initially at fair value and subsequently stated at amortised cost.

#### Net assets attributable to members

The Net assets attributable to Members represent the liability for promised retirement benefits and is the Scheme's present obligation to pay benefits to Members. This is calculated as the difference between carrying amounts of the liabilities at the reporting date. The Funds issue units that are redeemable subject to the requirements of the KiwiSaver Act at the Members' option, and do not have identical features and are therefore classified as financial liabilities. The units can be put back to the Funds at any time for purposes of permitted withdrawals (such as reaching the retirement age of 65 or significant financial hardship), transfer to another Fund within the BNZ KiwiSaver Scheme or to a separate KiwiSaver Scheme and which are equal to a proportionate share of the respective Funds' net asset value which is the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the period end date if Members exercise their right to put the units back to the Funds.

As stipulated in the Governing Document, each unit represents a right to an individual share in the respective Fund and does not extend to a right in the underlying assets of the respective Fund. There are no separate classes of units within each Fund and each unit has the same rights attaching to it as all other units in the respective Fund.

Contributions received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed subject to the requirements of the KiwiSaver Act at the holder's option at prices based on the Funds' net asset value per unit at the time of issue or redemption. The Funds' net asset value per unit is calculated by dividing the net assets attributable to the holders of each Fund with the total number of outstanding units of each Fund. There are currently no entry or exit fees payable.

2. Summary of significant accounting policies (continued)

2.8 Financial Instruments (continued)

(b) Recognition, derecognition and measurement

The Scheme recognises financial assets on the date it becomes party to the contractual agreement (trade date). Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Changes in Net Assets.

Financial assets are derecognised when the right to receive cash flows from the investments have expired or the Scheme has transferred substantially all of the risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the financial instruments designated at fair value through profit or loss are presented in the Statement of Changes in Net Assets within net gain/(loss) on financial instruments at fair value through profit or loss in the period in which they arise.

Loans and receivables are initially recognised at fair value, being the amounts receivable. They are subsequently measured at amortised cost, reduced for impairment as appropriate. Any impairment charge is recognised in the Statement of Changes in Net Assets.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

(c) Fair value estimation

The Scheme measures its financial assets and liabilities at fair value at the reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants without any deductions for transaction costs at the reporting date.

*- Fair value of derivative financial instruments*

The Scheme may, from time to time, hold financial instruments that are not quoted in active markets, such as over the counter derivatives. Fair values for such instruments are determined by using valuation techniques, including models, use observable data to the extent possible. However, assets such as credit risk, volatilities and correlations require management to make estimates. Changes or assumptions about these factors could affect the reported fair value of financial instruments.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Funds would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

*- Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Manager uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of recent arm's length market transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Investments in other unlisted unit trusts, including any investments in unconsolidated funds that are controlled by the Scheme, are recorded at the redemption value per unit as reported by the managers of such funds. Where the units of the other funds are not publicly traded, redemption can only be made by the Funds on the redemption dates and subject to the required notice periods specified in the offering documents of the other funds. The rights of the Scheme to request redemption of its investments in other funds may vary in frequency from daily to annual redemptions. As a result, the carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Scheme may be materially affected by the actions of other investors who have invested in other funds in which the Scheme has invested.

3. Critical accounting estimates and judgements

The Manager of the Scheme makes estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience amongst other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Classification as an investment entity

The Scheme meets the definition of an investment entity as defined by NZ IFRS 10, because of the following characteristics:

- \* It obtains funds from one or more unit holders for the purpose of providing those unit holders with a managed investment product;
- \* It has committed to its investors via its documented investment strategy that its business purpose is to invest funds solely for returns from capital appreciation, investment income or a combination of both; and
- \* The Scheme measures the performance of its investments on a fair value basis.

The Scheme also displays all four typical characteristics that are associated with an investment entity:

- \* It holds more than one investment;
- \* It has more than one investor;
- \* It has investors that are not related to the Scheme; and
- \* Ownership interest in the Scheme is represented by units of members' interests.

4. Commitments and contingent liabilities

There were no material contingent liabilities or capital commitments as at 31 March 2017 (31 March 2016: nil).

5. Related parties

The Manager is responsible for the administration of the Scheme. The Manager is ultimately owned by BNZ. At least one Director of the Manager was invested in the Scheme during the period.

Management fees are a related party expense paid to the Manager and are shown in the Statement of Changes in Net Assets under "Management fees". Where the Funds have invested into other funds, the management fees and other in-fund costs charged to these funds are rebated and are shown under "Management fee rebates" in the Statement of Changes in Net Assets. Management fee rebates are mainly settled by the allocation of additional units in the underlying investments. Management fees payable and management fee rebates receivable are shown in the Statement of Net Assets.

The Manager incurs the ordinary administrative expenses of the Scheme which it pays from the management fee it receives from the Scheme. The Manager also incurs the costs in relation to the audit and Supervisor fees of the Scheme.

Each Fund operates a bank account with BNZ on normal commercial terms.

Contributions receivable and redemptions payable are held in client monies bank accounts with BNZ.

The Supervisor is considered a related party.

The Funds invest in on-call Treasury bank deposits with BNZ. Both BNZ and MLC (issuer of the JANA Multi-Manager Global Share Trust-Class A) operate as subsidiaries of National Australia Bank. All related party investments and income earned is detailed below:

Investments held with related parties at reporting date:

Dollars in Thousands	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016
	940	956	4129	251	52,759	2,461	63,066	1,461	67,247	923	76,746	773	263,948	6,845
	940	956	4,650	251	56,448	2,461	65,529	1,461	69,218	923	78,279	773	274,964	6,845

The Scheme invests into the following:  
JANA Multi-Manager Global Share Trust - Class A  
BNZ Bank Account

Total



5. Related Parties (continued)

Dollars in Thousands	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016
	29	1,617	26	10	347	96	413	322	441	502	92	1,729	328	3,619
<b>Total</b>	<b>29</b>	<b>1,617</b>	<b>36</b>	<b>10</b>	<b>443</b>	<b>443</b>	<b>491</b>	<b>322</b>	<b>504</b>	<b>554</b>	<b>92</b>	<b>2,067</b>	<b>328</b>	<b>3,619</b>

Income earned by the Scheme from the following investments with related parties:  
JANA Multi-Manager Global Share Trust - Class A  
BNZ Bank Account

Management fees are calculated and accrued daily based on a percentage of the net asset value of the fund. The rates are exclusive of GST.

Management fee percentage per annum

0.30% 0.30% 0.50% 0.50% 0.58% 0.58% 0.90% 0.90% 1.00% 1.00% 1.10% 1.10%

6. Financial assets held at fair value through profit or loss

JANA Investment Advisers Pty Ltd ("JANA") were appointed asset consultant on 1 October 2016. Russell Investment Group Ltd ("Russell Investments") ceased to be investment advisor on that date. The Funds invest into investment products as follows:

Dollars in Thousands	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016
Russell Global Opportunities Fund NZ Hedged Class A Fund	-	1,354	7,833	2,277	129,815	37,279	107,694	52,240	67,050	51,712	32,097	54,944	344,509	197,529
Russell Global Bond Fund Class B Fund	-	2,277	2,173	15,433	22,588	16,825	26,927	86,736	67,050	52,402	40,300	21,240	124,656	254,665
Russell New Zealand Shares Fund	-	387	2,444	589	42,247	29,309	36,882	19,251	21,440	20,934	10,008	20,178	134,656	73,137
Russell NZ Fixed Interest Fund	-	6,615	24,366	6,615	129,452	87,008	24,532	14,951	8,971	10,482	7,389	5,321	113,019	63,082
Nikko AM Wholesale NZ Cash Fund Two	-	-	4,129	-	52,759	-	63,066	-	67,247	4,221	7,389	4,157	307,692	208,556
JANA Multi-Manager Global Share Trust - Class A	-	-	-	-	-	-	-	-	-	-	76,745	-	283,846	-
<b>Total</b>	<b>113,072</b>	<b>91,576</b>	<b>40,965</b>	<b>11,182</b>	<b>376,861</b>	<b>260,037</b>	<b>261,101</b>	<b>190,063</b>	<b>196,576</b>	<b>139,151</b>	<b>168,447</b>	<b>105,840</b>	<b>1,155,022</b>	<b>797,849</b>

The Scheme invests into the following unlisted unit trusts:

Russell Global Opportunities Fund NZ Hedged Class A Fund  
Rusell Global Bond Fund Class B Fund  
Rusell New Zealand Shares Fund  
Rusell NZ Fixed Interest Fund  
Nikko AM Wholesale NZ Cash Fund Two  
JANA Multi-Manager Global Share Trust - Class A

7. Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss

Dollars in Thousands	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	2,951	799	639	4374	4,151	2,573	(6,182)	3,750	(9,048)	5,157	(8,591)	19,844	(31,033)	
Net gains/(losses) on financial assets and liabilities held for trading*	-	(48)	(642)	-	(811)	-	-	(808)	-	(489)	-	(2,797)	-	
Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	2,951	799	591	3,732	(4,151)	2,162	(9,192)	2,944	(9,048)	4,667	(9,591)	17,047	(31,033)	

8. Financial instruments by category

Dollars in Thousands	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017
<b>Assets</b>														
Designated at fair value through profit or loss at inception	113,072	40,995	11,182	376,880	260,037	261,101	190,063	196,576	139,151	166,446	105,940	1,155,020	797,819	
Financial assets at fair value through profit or loss	113,072	40,995	11,182	376,880	260,037	261,101	190,063	196,576	139,151	166,446	105,940	1,155,020	797,819	
Total financial assets designated at fair value through profit or loss at inception														
Total financial assets at fair value through profit or loss held for trading*														
Total financial assets at fair value through profit or loss	113,072	40,995	11,182	376,880	260,037	261,101	190,063	196,576	139,151	166,446	105,940	1,155,020	797,819	
Loans and receivables	228	329	363	1,167	686	690	514	554	283	632	391	3,998	2,601	
Contributions receivable	4	30	-	-	-	-	-	-	-	-	-	34	34	
Other receivables	-	8	2	115	91	87	42	87	63	67	42	403	287	
Management fee rebate receivable	940	956	251	3,689	2,461	2,483	1,461	1,971	923	1,534	773	11,018	6,845	
Cash and cash equivalents	1,170	1,154	616	4,992	3,439	3,268	2,081	2,612	1,269	2,233	1,206	15,053	9,797	
Total loans and receivables	114,242	41,753	11,798	381,842	263,475	264,369	192,144	199,188	140,420	168,679	107,046	1,170,073	807,613	
<b>Liabilities</b>														
At amortised cost	29	17	5	184	127	188	144	166	117	153	97	747	513	
Management fees payable	134	121	21	706	409	370	338	343	207	158	182	1,832	1,274	
Redemptions payable	441	354	90	1,389	1,448	965	1,148	661	806	386	528	3,832	4,305	
PIE tax payable on behalf of Members	113,639	92,296	41,525	379,563	261,491	262,838	190,514	198,018	139,290	167,992	106,239	1,163,562	801,521	
Net assets attributable to Members	114,242	41,753	11,798	381,842	263,475	264,369	192,144	199,188	140,420	168,679	107,046	1,170,073	807,613	

\* During the period the Funds entered into transactions in derivative instruments, forwards and futures, to maintain asset exposures within the parameters set out in the investment strategy whilst the transition of global equity investment from Russell Global Opportunities Fund NZ Hedged - Class A Fund and the Russell Global Opportunities Fund - Class D to JANA Multi-Manager Global Share Trust - Class A occurred. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

9. Reconciliation of profit/(loss) attributable to members to net cash (outflow)/inflow from operating activities

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016
Dollars in Thousands	2,669	2,172	1,171	150	16,763	7,464	16,545	4,570	14,079	3,226	14,999	1,629	57,026	19,411
Profit attributable to Members before membership activities														
Purchases from sale of financial instruments at fair value through profit or loss	1,734	437	4,178	39	56,020	121	80,455	356	76,593	721	86,253	1,509	309,233	3,182
Purchases of financial instruments at fair value through profit or loss	(20,250)	(91,246)	(32,728)	(11,059)	(157,026)	(144,594)	(133,885)	(65,927)	(119,989)	(44,275)	(130,762)	(38,621)	(594,440)	(395,734)
Net gain/(losses) on financial assets and financial liabilities at fair value through profit or loss	(2,951)	(759)	(591)	(140)	(3,732)	4,151	(2,162)	9,182	(2,944)	9,046	(4,687)	9,591	(17,047)	31,053
Net foreign currency gains or losses on cash and cash equivalents	1	30	(6)	(2)	(35)	(10)	(23)	(24)	(22)	(20)	(24)	(15)	(119)	(41)
Change in other receivables	5	6	12	5	57	45	34	43	48	35	56	31	(119)	165
Change in management fees payable	-	-	-	-	-	-	-	-	2	-	3	-	9	(41)
Non-cash items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Management Fee Rebates	-	-	(28)	(3)	(593)	(329)	(481)	(311)	(407)	(226)	(286)	(147)	(1,805)	(1,016)
Distribution reinvested	-	-	(641)	(8)	(19,491)	(10,495)	(16,162)	(14,041)	(12,977)	(12,708)	(11,132)	(11,889)	(53,103)	(49,141)
Foreign withholding tax	-	-	-	-	(3)	(5)	(4)	(5)	(3)	(3)	(3)	(1)	(13)	(14)
	(21,461)	(91,574)	(29,804)	(11,179)	(116,801)	(151,116)	(71,012)	(70,727)	(57,398)	(47,428)	(60,572)	(36,542)	(357,048)	(411,566)
Net cash inflow/(outflow) from operating activities	(18,792)	(89,402)	(28,633)	(11,029)	(100,038)	(143,652)	(54,467)	(66,157)	(42,519)	(44,202)	(45,573)	(37,713)	(280,022)	(392,155)

10. Financial risk management

The Governing Document of the Scheme requires the Manager to invest the assets of each Fund of the Scheme in accordance with the investment guidelines, as notified to the Supervisor from time to time. The Scheme's activities result in exposure to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Manager's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Funds are exposed and seeks to minimise potential adverse effects of financial risks on the Funds' financial performance.

The Manager delegated the investment management of the Funds to Russell Investments until 17 September 2015, at which date Russell Investments ceased to be an Investment Manager and was appointed an investment advisor to the Funds. Russell Investment ceased to be an Investment Manager on 1 October 2016. On this date JANA Investment Advisors Pty Ltd were appointed asset consultant. However it is important to note that the delegation did not relieve the Manager of responsibility for the investment management of the Funds. JANA, overseas risk on a day-to-day basis, using qualitative and quantitative methods, both at an asset allocation level, as well as within asset classes. JANA provide regular performance and risk reporting to the Manager. This reporting is also reviewed by BNZ's Wealth & Private Bank Research team and the BNZ Investment Review Committee.

All securities investments present a risk of loss of capital. The maximum exposure on unlisted unit trusts is limited to the fair value of those securities.

The various types of risk to which the Funds are exposed are explained below.

(a) Credit risk

Credit risk is the risk that a counterparty or issuer of a security will be unable to pay amounts in full when they fall due. The Funds are primarily invested in unlisted unit trusts, which are considered to have equity risk, rather than market risk, and therefore their direct exposure to credit risk is limited to their bank account balances held with BNZ. The Funds may be indirectly exposed to credit risk through their investments in unlisted unit trusts, who in turn, invest in direct assets such as debt instruments issued by domestic and international companies and governments.

Limits are set for the management of counterparty risk by the Funds and compliance with these limits is monitored daily and reported to the Manager quarterly and by exception. The maximum credit risk of financial instruments is considered to be their carrying value. The investment strategy incorporates an appropriate diversification of investments (at an underlying unlisted unit trust level) so that each Fund has no significant concentration of credit risk. The Funds' investments in cash balances are all with BNZ which has a credit rating of AAA at reporting date as measured by Standard & Poor's.

(b) Liquidity risk

Liquidity risk is the risk that a Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Liquidity management is designed to ensure that each of the Funds has the ability to generate sufficient cash in a timely manner to meet their financial commitments and normal levels of withdrawals. Each Fund has benchmark liquidity levels which are monitored and maintained on a daily basis. Liquidity risk is managed by holding liquid investments to enable each of the Funds to meet liabilities as they fall due and unit withdrawals when requested. In the event of abnormal levels of withdrawal, timing of payment may be dependent on the ability of the particular Fund to realise its underlying investments on a timely basis.

At the reporting date, all the Funds invest primarily in unlisted unit trusts and where a Fund invests into other investment funds, those underlying funds allow for withdrawals to match the Scheme's daily redemption policy. However, underlying funds may be subject to weekly or monthly redemption options or discretionary redemption restrictions exercisable by the manager of the underlying fund, including the ability to suspend withdrawals or withhold varying amounts of any withdrawals requested.

Management fees payable and redemptions payable are due for settlement within one month of reporting date. The Manager does not expect any significant levels of withdrawals in the short to medium term for any Fund within the Scheme.

10. Financial risk management (continued)

(c) Currency risk

The Scheme holds non-monetary assets denominated in currencies other than the New Zealand dollar. Foreign currency risk, as defined in NZ IFRS 7 Financial Instruments: Disclosures, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. NZ IFRS 7 considers the foreign currency exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The Scheme held no direct monetary assets denominated in foreign currency during the period.

The Scheme is indirectly exposed when a unit trust it invests in has a functional currency of New Zealand dollars, but has investments that are denominated in a foreign currency.

The Scheme is directly exposed when a unit trust it invests in has a functional currency other than New Zealand dollars, additional to indirect exposure from underlying investments that are denominated in a foreign currency.

The Manager has hedging policies. Certain underlying unit trusts enter into foreign exchange derivatives both to hedge the foreign currency risk implicit in the value of the portfolio securities denominated in a foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities.

At reporting date, the Funds had the following direct exposure to foreign currency risk.

Dollars in Thousands Australia (AUD)	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017
Unlisted Unit Trusts	-	4,129	-	52,759	-	63,066	-	67,247	-	76,745	-	76,745	-	263,946
Net Exposure to (AUD)	-	4,129	-	52,759	-	63,066	-	67,247	-	76,745	-	76,745	-	263,946
<p>The following table summarises the sensitivity of the Scheme's investments to changes in foreign exchange movements at 31 March. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 5% to the New Zealand dollar, with all other variables held constant. This increase or decrease in profit and Net Assets Attributable to Members of the Scheme arises mainly from a change in the fair value of the Australian dollar unlisted unit trust investments.</p> <p>At 31 March, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% with all other variables held constant, the impact on profit or loss attributable to members is disclosed below. The notional impact on P/E tax (which affects Net Assets Attributable to Members) has not been calculated. The Directors believe this does not have a material impact.</p>														
Dollars in Thousands Exchange rates increased by 5%	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017
Australia (AUD)	-	(197)	-	(2,512)	-	(3,003)	-	(3,202)	-	(3,655)	-	(3,655)	-	(12,569)
New Zealand dollar	-	(197)	-	(2,512)	-	(3,003)	-	(3,202)	-	(3,655)	-	(3,655)	-	(12,569)
Unlisted Unit Trusts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Impact of 5% increase in exchange rates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dollars in Thousands Exchange rates decreased by 5%	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017
Australia (AUD)	-	217	-	2,777	-	3,319	-	3,539	-	4,039	-	4,039	-	13,891
New Zealand dollar	-	217	-	2,777	-	3,319	-	3,539	-	4,039	-	4,039	-	13,891
Unlisted Unit Trusts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Impact of 5% decrease in exchange rates	-	-	-	-	-	-	-	-	-	-	-	-	-	-

10. Financial risk management (continued)

(d) Cash flow and fair value Interest rate risk

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of a financial instrument. The Scheme's direct exposure to interest rate risk is through its on call bank account balances with BNZ.

The following table summarises the sensitivity of the Scheme's profit and net asset attributable to Members to changes in interest rate movements at reporting date. The analysis is based on the assumptions that the relevant interest rate increased/decreased by 1%, with all other variables held constant. This represents the Manager's best estimate of a reasonable shift in the interest rates, with regard to historical volatility of those rates.

Dollars in Thousands	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016
+1% change	9	10	46	3	564	25	655	15	682	9	783	8	2,749	70
-1% change	(9)	(10)	(46)	(3)	(564)	(25)	(655)	(15)	(682)	(9)	(783)	(8)	(2,749)	(70)

The movement of the Funds within the Scheme arises mainly from cash flow variability of cash and cash equivalents. The Funds may be indirectly exposed to interest rate risk arising from interest rate sensitive financial assets or liabilities (including certain derivatives) which are held by unit trusts to which the Funds invest into and therefore the above sensitivity analysis may not fully indicate the total effect on the profit before membership activities and net asset attributable to members of the Scheme of future movements in interest rates.

(e) Price risk

Price risk is the risk that the value of each Fund's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by diversification and by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits.

The table below summarises the sensitivity of the Scheme's profit attributable to Members to price movements of non monetary assets at reporting date. The analysis is based on a price move of 5% which represents the Manager's best estimate of a reasonable shift in prices with regard to historical volatility. If the prices of investments which the Funds invest in at reporting date had increased or decreased by 5% with all other variables held constant, this would have increased/decreased profit and net assets attributable to Members by approximately.

Dollars in Thousands	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016
+5% change	5,654	4,579	2,048	559	18,843	13,002	13,055	9,503	9,829	6,958	8,322	5,292	57,751	38,883
-5% change	(5,654)	(4,579)	(2,048)	(559)	(18,843)	(13,002)	(13,055)	(9,503)	(9,829)	(6,958)	(8,322)	(5,292)	(57,751)	(38,883)

The Funds also manage their exposure to price risk by analyzing and monitoring the weighting to various investment sectors. The Scheme's policy is to concentrate the investment portfolios in sectors where the Manager believes the Funds can maximise the returns derived for the level of risk to which the respective Fund is exposed. This is achieved largely through investing into other unit trusts. A breakdown of concentrations is disclosed in Note 6.

10. Financial risk management (continued)

(f) Fair values of financial assets and financial liabilities

All financial assets and financial liabilities included in the Statement of Net Assets are carried at amounts that represent or approximate fair value.

(g) Fair value estimation

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker or pricing service, and these prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Manager uses a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used for non-standardised financial instruments such as over-the-counter derivatives, include the use of comparable recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, options pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

For instruments for which there is no active market, the Manager may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The Scheme classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market.

All Funds primarily invest in unlisted unit trusts. The values of these underlying unit trusts are determined by the manager of the underlying unit trust and therefore, these investments are classified as Level 2 in the fair value hierarchy. The Manager believes that the Scheme could have redeemed their investments at the net asset value per unit recognised at the reporting date. The Scheme holds no financial assets that are classified as Level 1 or Level 3 within the fair value hierarchy. There were no transfers between any of the levels for the year ended 31 March 2017.

(h) Capital risk management

The Scheme manages its Net assets attributable to Members as capital, notwithstanding Net assets attributable to Members is classified as a liability. The Net assets attributable to Members can change significantly on a daily basis as the Funds are subject to daily contributions and withdrawals which are at the discretion of Members. The Scheme's objective when managing capital is to safeguard the Scheme's ability to continue as a going concern in order to provide returns for Members and to maintain a strong capital base to support the development of the investment activities of the Scheme. In order to maintain or adjust the capital structure, the Scheme's policy is to perform the following:

- a) monitor the level of daily contributions and redemptions relative to the assets it expects to be able to liquidate within 7 days;
- b) redeem and issue new units in accordance with the constitutional documents of the Scheme, which include the ability to restrict withdrawals and require certain minimum holdings and subscriptions.

The Scheme receives funding from Member contributions, Member's employers and the New Zealand Government via the Inland Revenue Department (IRD) in the form of a \$1,000 kick start contribution (which ceased at 2pm, 21 May 2015) and annual Member tax credits. The Scheme strives to invest Members' contributions in investments that meet the Scheme's objectives while maintaining sufficient liquidity to meet Member redemptions.

The Scheme does not have any externally imposed capital requirements.

Neither the Supervisor, the Manager, BNZ, their Directors, nor any members of their groups of companies nor any other person promises or guarantees the units offered by the Scheme, the performance or returns of the Funds.

All investments made with the monies of a Fund are held exclusively for that Fund, and for the exclusive benefit of the members who have Units in that Fund. This means that all liabilities incurred in relation to a Fund are met only from the assets held for (or apportioned to) that Fund, except where the Manager transfers value between the Funds to accommodate the Scheme being a single taxpayer, or where (and only to the extent that) there are insufficient assets in a Fund to meet a liability for tax attributable to that Fund. The Manager does not permit the assets or liabilities of any Fund to become intermingled with those of any other Fund, and maintains separate records in respect of each Fund.

11. Events occurring after reporting date

No significant events have occurred since the reporting date which would impact the financial position of the Funds disclosed in the balance sheet as at 31 March 2017 or on the results and cash flows of the Funds for the year ended on that date.

## Independent Auditor's Report to the Members of BNZ KiwiSaver Scheme

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Cash Fund, the First Home Buyer Fund, the Conservative Fund, the Moderate Fund, the Balanced Fund and the Growth Fund (each a "Fund") and the combination of those funds (the "Scheme") on pages 2 to 14, which comprise the statement of net assets of each Fund and the Scheme as at 31 March 2017, and the statement of changes in net assets, and cash flow statement for the year then ended, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 2 to 14 present fairly, in all material respects, the financial position of each Fund and the Scheme as at 31 March 2017 and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the scheme members, as a body. Our audit has been undertaken so that we might state to the scheme members those matters 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 Scheme and scheme's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Scheme 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 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 interest in, the Scheme. Partners and employees of our firm may deal with the Scheme on normal terms within the ordinary course of trading activities of the business of the Scheme.

#### Manager's Responsibilities for the Financial Statements

The Manager is responsible, on behalf of the Scheme, for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing on behalf of the Scheme their ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Scheme or cease operations, or has no realistic alternative but to do so.

#### Auditor's Responsibilities for the Audit of the Financial Statements

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



A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: <https://xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>. This description forms part of our auditor's report.

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



12 July 2017  
Auckland