

BNZ KiwiSaver Scheme Annual Report 2015.



For the period 1 April 2014 to 31 March 2015

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Welcome to the second annual report for the BNZ KiwiSaver Scheme ('Scheme'). This report covers the period from 1 April 2014 to 31 March 2015.

This report has been prepared for you by BNZ Investment Services Limited, the Manager of the Scheme, in accordance with the annual report requirements of the KiwiSaver Act 2006 and KiwiSaver Regulations 2006.

This annual report contains:

- A summary of the financial statements for the period 1 April 2014 to 31 March 2015. These statements set out the assets and liabilities of the Scheme, changes in net assets available for benefits and cash flows.
- Key information about the Scheme, including changes that have taken place during the period covered by this report.

Description of the Scheme

The following details relate to the Scheme, as at 31 March 2015:

- The name of the Scheme is the BNZ KiwiSaver Scheme.
- The Manager of the Scheme is BNZ Investment Services Limited.
- The Trustee of the Scheme is The New Zealand Guardian Trust Company Limited.
- The Promoters of the Scheme are Bank of New Zealand ('BNZ') and its directors. As at 31 March 2015, its directors are: Prudence Mary Flacks, Michaela Jane Healey, Anthony John Healy, Susan Carrel Macken, Douglas Alexander McKay, Stephen John Moir, Andrew John Pearce, Gavin Robin Slater and John Anthony Waller.
- The Administration Managers of the Scheme are BNZ and MMC Limited.
- The Investment Manager of the Scheme is Russell Investment Group Limited.
- The Registrar of the Scheme is Trustees Executors Limited. The Custodian of the Scheme is BNZ Investment Services Nominees Limited. The Auditor of the Scheme is Ernst & Young.

Latest prospectus

The most recent prospectus for the Scheme was registered under the Securities Act 1978 on 17 December 2014.

It is also available at bnz.co.nz/kiwisaver, together with the latest BNZ KiwiSaver Scheme investment statement.

Key information

The Scheme was established by a trust deed dated 8 January 2013 (and amended on 1 July 2014) ('Trust Deed'). The following key information relates to the period 1 April 2014 to 31 March 2015.

Investment performance

The following table shows the performance of the investment funds for the period covered by this report, and since inception. The Scheme first began accepting members on 11 February 2013 (which is also the date when investment activity commenced):

Investment fund	Returns for year ending 31 March 2015 1 April 2014 to 31 March 2015	Annualised returns since inception 11 February 2013 to 31 March 2015
Cash Fund	3.24%	3.13%
Conservative Fund	9.52%	6.13%
Moderate Fund	11.92%	8.01%
Balanced Fund	13.01%	9.63%
Growth Fund	13.96%	11.43%

The above returns are calculated on the change in the unit price of each investment fund over the period specified, adjusted for tax credits. Each member's return will vary based on the unit price applicable to each contribution or withdrawal that is made and how long they have been invested for. The returns are calculated after deducting management fees (excluding the monthly member fee) and before deducting tax in accordance with the Income Tax Act 2007. **Returns for the period since inception are annualised. Returns represent historical performance only and are not an indication or guarantee of future performance. The value of a fund may rise or fall depending on market conditions.**

For up to date information about the investment performance of the Scheme's funds, visit bnz.co.nz/kiwisaver

Fees

The following table shows the total amount of fees and expenses that were charged directly to the Scheme during the period:

Fees and expenses charged	Total amount (\$000's)
Administration fees (charged directly to members' accounts)	1,258
Management fees	2,897
Expenses*	0
Trustee fees*	0
Fees charged during the year	\$4,155

*The Manager paid all trustee fees and other expenses in relation to the Scheme from the management fees it received.

The net amount of fees and expenses that were charged indirectly to the Scheme during the period was zero, as the Manager paid those fees and expenses through rebates or other adjustments.

Membership information

The following table shows the numerical changes in the membership of the Scheme during the period:

Type of membership movement	Number of members
Number of contributing members as at 1 April 2014	27,706
Total number of member entries during the period	39,432
Total temporary and permanent exits for the period	(11,528)
Total number of contributing members as at 31 March 2015	55,610
Number of members on section 104 contribution holidays as at 31 March 2015	1,478
Number of other non-contributing members (not on section 104 contribution holidays) as at 31 March 2015	11,004
Total number of members as at 31 March 2015	68,092

Member withdrawals

The following table shows the number of members who made the following withdrawals from the Scheme, and the total amount of each withdrawal type, for the period:

Withdrawal type	Number of members	Total amount (\$000's)
First/second chance home withdrawal	470	5,828
Significant financial hardship	306	1,062
Serious illness	19	251
Permanent emigration	8	99

Contributions

The following table shows the number of members who were credited with each type of contribution, and the total amount of each contribution type, for the period:

Contribution type	Number of members	Total amount (\$000's)
Member contributions	57,131	63,181
Employer contributions	44,998	35,852
Government kick-start contributions	15,045	15,045
Member tax credits	31,136	12,409
Transfers from other KiwiSaver and registered superannuation schemes	17,688	154,942
Transfers from Australian complying superannuation schemes	137	2,804

Member accumulations

As at 31 March 2015 there were 68,092 members in the Scheme, with accumulations totalling \$527,197,422.

Australian complying superannuation scheme transfers

During the period covered by this report, 137 members transferred in funds from Australian complying superannuation schemes totalling \$2,804,496.

Changes relating to the Scheme

Scheme changes

The following changes occurred during the period covered by this report:

- The Manager was appointed a KiwiSaver default provider on 16 April 2014, with effect from 1 July 2014. The Trust Deed was amended on 1 July 2014 to incorporate the changes required as a result of the Manager becoming a KiwiSaver default provider.
- With effect from 1 July 2014, the management fee for the Conservative Fund was decreased from 0.70% per annum to 0.58% per annum of the average daily gross asset value of the fund.
- The target asset allocation for the Conservative Fund was changed on 1 July 2014 to:

New Zealand Cash	35%
New Zealand Fixed Income	10%
International Fixed Income	35%
New Zealand & Australian Shares	5%
International Shares	15%

The split between income assets (cash and fixed interest) and growth assets (shares) was unchanged. The investment objective, risk/return characteristics and recommended minimum investment timeframe of the Conservative Fund also remained unchanged.

- The monthly administration fee for all members decreased from \$2.00 to \$1.95 per member per month from 1 July 2014.
- On 17 December 2014:
 - › the New Zealand Fixed Income asset class was changed to the New Zealand & Australian Fixed Income asset class, to enable up to 20% of this asset class to invest in Australian fixed interest securities; and
 - › the portion of the New Zealand & Australian Shares asset class that can be invested in Australian shares was reduced from 40% to 30%.

Since 31 March 2015, the following changes have occurred:

- From 1 April 2015, as a result of changes to the KiwiSaver scheme rules:
 - › eligible first (and second chance) home buyers can withdraw all of their KiwiSaver savings (except for \$1,000 and any savings transferred from an Australian complying superannuation scheme) to help with the purchase of a first (or second chance) home; and
 - › a first (or second chance) home buyer withdrawal can be made to purchase a building on Maori land (subject to conditions).
- From 1 April 2015, the first home deposit subsidy changed to a HomeStart grant for eligible members of up to \$5,000 for the purchase of an existing home (\$1,000 per eligible year, up to a maximum of five years) or up to \$10,000 for the purchase of a brand new home, a home off the plans or land on which to build a new home (\$2,000 per eligible year up to a maximum of five years).
- The Government removed the \$1,000 kick-start contribution with effect from 2pm on 21 May 2015.
- From 1 June 2015, as a result of changes to the KiwiSaver scheme rules, KiwiSaver savings can be withdrawn for the purchase of a first (or second chance) home while the agreement for sale and purchase is conditional (subject to conditions).

Changes to those involved in providing the Scheme

During the period covered by this report, the **Manager** had the following director changes:

- Nicolette Lisa Fowler, resigned on 22 August 2014;
- Renée Margaret Roberts, resigned on 22 August 2014; and
- Jacqueline Maree Farman, appointed on 5 January 2015.

During the period covered by this report, the **Trustee** was acquired (in April 2014) by Complectus Limited, resulting in the Trustee's ultimate holding company being Bath Street Capital Limited, a company incorporated in New Zealand. On 4 November 2014, Bath Street Capital Limited changed its name to Perpetual Guardian Holding Company Limited. On 6 May 2015, the Trustee's ultimate holding company changed its name back to Bath Street Capital Limited.

During the period covered by this report, the **Trustee** had the following director changes:

- Catherine McDowell, resigned on 7 April 2014;
- Geoff Vincent Lloyd, resigned on 7 April 2014;
- Kerryn Mark Downey, resigned on 7 April 2014;
- Richard Arthur Wilks, resigned on 7 April 2014;
- Andrew Howard Barnes, appointed on 7 April 2014;
- James Earl Douglas, appointed on 7 April 2014;
- Robin Albert Flannagan, appointed on 7 April 2014;
- Timothy James Shaw, appointed on 2 September 2014; and
- Christopher Robert Darlow, re-appointed on 10 February 2015.

Since 31 March 2015, the **Trustee** had the following director change:

- Christopher Robert Darlow, resigned on 20 August 2015.

During the period covered by this report, the **Promoters** changed due to the following BNZ director changes:

- Andrew Gregory Thorburn, resigned on 16 May 2014;
- Cameron Anthony Clyne, resigned on 15 August 2014;
- Anthony John Healy, appointed on 12 May 2014; and
- Michaela Jane Healey, appointed on 6 October 2014.

Since 31 March 2015, the **Promoters** have changed due to the following BNZ director changes:

- Mai Chen, appointed on 21 April 2015; and
- John Anthony Waller, resigned on 31 July 2015.

Financial statements and Auditor's report

The full financial statements for the Scheme for the period 1 April 2014 to 31 March 2015 were registered under the Financial Reporting Act 1993 on 5 August 2015.

The Auditor's report on those financial statements is dated 17 July 2015. The Auditor's report does not refer to any fundamental uncertainty and is unqualified. A copy of the full financial statements is available at **bnz.co.nz/kiwisaver**

The summary financial statements are presented below:

Summary Statement of Changes in Net Assets Available for Benefits

	Year ended 31/03/15 (\$000's)	15 month period ended 31/03/14 (\$000's)
Investment income		
Interest income	331	195
Dividends and distribution income	30,211	4,623
Net gain/(loss) on financial instruments at fair value through profit or loss	8,741	3,843
Net investment income	39,283	8,661
Expenses		
Management fees	2,897	936
Management fee rebates	(1,540)	(490)
Total expenses	1,357	446
Profit attributable to members	37,926	8,215
Membership activities		
Opening net assets available for benefits	237,654	-
Contributions		
Member contributions	63,181	27,683
Employer contributions	35,852	15,015
Crown contributions	15,045	12,712
Transfers in from other Schemes	157,746	180,061
Member tax credits	12,409	2,958
Switches in from other BNZ KiwiSaver Scheme Funds	9,168	3,872
Total contributions in the Scheme	293,401	242,301
Benefits paid		
Transfers out to other scheme providers	(16,980)	(3,762)
Retirement	(2,405)	(525)
Death and disability	(460)	(128)
First home	(5,827)	(2,286)
Hardship	(1,060)	(485)
Switches within BNZ KiwiSaver Scheme Funds	(9,168)	(3,872)
Other permitted withdrawals	(331)	(529)
Total benefits paid from the Scheme	(36,231)	(11,587)
Other member movements		
Members' administration fee	(1,258)	(580)
Members' PIE tax	(4,294)	(695)
Net benefits accrued to Members	289,544	237,654
Closing net assets available for benefits	527,198	237,654
Units on issue (Units in thousands)		
Balance at the beginning of the period	225,514	-
Contributions – units	265,346	238,051
Withdrawals – units	(37,707)	(12,537)
Balance at the end of the period	453,153	225,514

Summary Statement of Net Assets Available for Benefits

	As at 31/03/15 (\$000's)	As at 31/03/14 (\$000's)
Current assets		
Cash and cash equivalents	142,426	2,945
Financial assets at fair value through profit or loss	386,194	233,387
Contributions receivable	3,415	2,307
Other receivables	63	5
Management fee rebate receivable	181	86
Total assets	532,279	238,730
Current liabilities		
Management fees payable	348	152
Redemptions payable	621	241
PIE tax payable on behalf of Members	4,112	683
Total liabilities (excluding net assets attributable to Members)	5,081	1,076
Net assets available for benefits	527,198	237,654
Represented by:		
Net assets attributable to Members	527,198	237,654

Summary Cash Flow Statement

	Year ended 31/03/15 (\$000's)	15 month period ended 31/03/14 (\$000's)
Cash flows to/from operating activities		
Cash was provided from:		
Proceeds from sale of financial instruments at fair value through profit or loss	151,397	-
Interest income	268	195
Cash was applied to:		
Purchase of financial instruments at fair value through profit or loss	(264,035)	(224,926)
Operating expenses	(2,468)	(380)
Net cash (outflow)/inflow from operating activities	(114,838)	(225,111)
Cash flows from financing activities		
Cash was provided from:		
Contributions	292,293	239,994
Cash was applied to:		
Benefits paid	(37,109)	(11,926)
Members' PIE tax	(865)	(12)
Net cash inflow from financing activities	254,319	228,056
Net increase in cash and cash equivalents	139,481	2,945
Cash and cash equivalents at the beginning of the period	2,945	-
Cash and cash equivalents at the end of the period	142,426	2,945

Notes to the Summary Financial Statements

These Summary Financial Statements are for the BNZ KiwiSaver Scheme (the ‘Scheme’) which comprises the following five funds (together the ‘Funds’ and individually ‘the Fund’):

- Cash Fund
- Conservative Fund
- Moderate Fund
- Balanced Fund
- Growth Fund

The Scheme was established and is governed by a Trust Deed between BNZ Investment Services Limited and the New Zealand Guardian Trust Company Limited, dated 8 January 2013. The Scheme was registered under the KiwiSaver Act 2006 on 16 January 2013. The Scheme began accepting Members on 11 February 2013.

The Summary Financial Statements are presented in New Zealand dollars which is the Scheme’s functional and presentation currency. All values are rounded to the nearest thousand dollars.

The Summary Financial Statements have been extracted from the audited full Financial Statements which were authorised for issue by the directors of the Manager on 17 July 2015 and audited by Ernst & Young who issued an unqualified opinion on 17 July 2015.

The Full Financial Statements from which these Summary Financial Statements have been extracted, have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Trust Deed, and Generally Accepted Accounting Practice in New Zealand (‘NZ GAAP’). The Full Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards (‘NZ IFRS’), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The Full Financial Statements also comply with International Financial Reporting Standards (‘IFRS’). The significant accounting policies applied in the preparation of the Full Financial Statements are as set out in Note 2 of the Full Financial Statements for the year ended 31 March 2015. There have been no changes to accounting policies and these policies have been consistently applied throughout the period presented.

The auditor’s report for these Full Financial Statements did not contain any explanatory paragraphs that highlighted matters that are regarded as relevant to a proper understanding of the basis of the opinion.

The Summary Financial Statements have been prepared in accordance with FRS 43: Summary Financial Statements subject to the Securities Regulations 2009.

The Summary Financial Statements do not include all the disclosures provided in the Full Financial Statements. The Summary Financial Statements cannot be expected to provide as complete an understanding as provided by the Full Financial Statements. The Full Financial Statements and other documents of, or relating to the Scheme, are filed on a public register at the Companies Office of the Ministry of Business Innovation and Employment and are available for public inspection (at <http://www.companies.govt.nz> under ‘Search other registers’).

A member has the right to receive, on request, a copy of the most recent Financial Statements, auditors report, an estimate of the members benefits, or a copy of the most recent registered prospectus relating to the Scheme. These can be obtained at no cost by contacting BNZ at 0800 275 269. The most recent Full Financial Statements are also available on www.bnz.co.nz.

The Summary Financial Statements have been authorised for issue by the directors of the Manager on 17 July 2015.

Related parties

BNZ Investment Services Limited (the 'Manager') is the Manager and Issuer of the Scheme. 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.

Management fees are a related party expense paid to the Manager and are shown in the Statement of Changes in Net Assets Available under 'Management fees'. Where the Funds have invested into other funds, the management fees and other in-fund costs charged to those 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 trustee fees of the Scheme. The New Zealand Guardian Trust Company Limited is the trustee of the Scheme.

Each Fund operates bank accounts with the BNZ on normal commercial terms.

Investments held with related parties at balance date

	As at 31/03/15 (\$000's)	As at 31/03/14 (\$000's)
The value of investments with related parties:		
BNZ Cash PIE	-	57,567
BNZ Bank Account	142,426	2,945
Total	142,426	60,512

	Year ended 31/03/15 (\$000's)	15 month period ended 31/03/14 (\$000's)
Income earned from investments with related parties was:		
BNZ Cash PIE	3,329	972
BNZ Bank Account	331	195
Total	3,660	1,167

Events occurring after the balance sheet date

No significant events have occurred since the balance date which would impact the financial position of the Funds disclosed in the balance sheet as at 31 March 2015 or on the results and cashflows of the Funds for the year ended on that date.

Other information you can obtain

Copies of the Trust Deed, the most recent prospectus, the full financial statements and other documents of, or relating to, the Scheme are filed on a public register at the Companies Office. Most documents are available for public inspection free of charge on the Companies Office website at **business.govt.nz/companies**. Where these documents are not available on the website, a request for the documents can also be made by contacting the Companies Office Contact Centre on 0508 266 726. A fee may be payable if you request the documents from the Companies Office Contact Centre.

A copy of the following documents are available, on request and free of charge:

- the most recent full financial statements including the Auditor's report thereon;
- a written statement containing an estimate of your KiwiSaver benefits; and
- the most recent registered prospectus.

These may be obtained by calling us on 0800 269 5494 or you can email us at **kiwisaver.support.team@bnz.co.nz**

Statement by the Manager

The Manager confirms that as at 31 March 2015:

1. All the benefits required to be paid from the Scheme in accordance with the terms of the Trust Deed and the KiwiSaver scheme rules have been paid.
2. The market value of the assets of the Scheme as at 31 March 2015 equalled or exceeded the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at 31 March 2015.
3. There is a scheme provider agreement between the Commissioner of Inland Revenue and the Manager that remained in force throughout the period covered by this annual report.
4. Contributions received in respect of each member, including contributions paid by way of the Commissioner of Inland Revenue in respect of that member, have been applied in accordance with the Trust Deed and the KiwiSaver Act 2006.

Signed



Shelley Ruha
Director - Manager



Christopher Reid
Director - Manager

Statement by the Trustee

In respect of the financial year ended 31 March 2015, the Trustee is satisfied that the Manager has not breached an issuer obligation (as defined in section 4(1) of the Financial Markets Supervisors Act 2011) in a material respect.

Signed



Harry Koprivicic
Senior Relationship Manager - Trustee

Inquiries and complaints

Who to contact with inquiries

If you have any inquiries about the Scheme, you can:

- Call us on 0800 269 5494
- Email us at **kiwisaver.support.team@bnz.co.nz**
- Speak to us at any BNZ store
- Contact your usual BNZ relationship manager
- Write to BNZ KiwiSaver Scheme Support Team, Level 4, 80 Queen Street, Auckland 1010

How to make complaints

If you have any complaints about the Scheme, you can speak to us at any BNZ store.

If the problem is still not resolved to your satisfaction, you should refer your complaint to BNZ Resolve:

- Call BNZ Resolve on 0800 788 999
- Write to BNZ Resolve, PO Box 995, Shortland Street, Auckland 1140

Banking Ombudsman

BNZ is a member of an independent dispute resolution scheme operated by the Banking Ombudsman. Under the terms of this scheme BNZ has three months to resolve your complaint. If, after this time, you're not satisfied with BNZ's response, you may refer this matter to the Banking Ombudsman:

- Call 0800 805 950
- Email help@bankomb.org.nz
- Write to Banking Ombudsman, FreePost 218002, PO Box 25327, Featherston Street, Wellington 6146
- Visit 5 Huddart Parker Building, 1 Post Office Square, Wellington 6011

Trustee

You can make complaints about the Manager to The New Zealand Guardian Trust Company Limited, the Trustee of the Scheme:

- Call 09 909 5100
- Write to The New Zealand Guardian Trust Company Limited , Level 15, 191 Queen Street, Auckland 1010

Financial Markets Authority

Complaints about the Manager may also be made to the Financial Markets Authority:

- Call 0800 434 566
- Write to Financial Markets Authority, PO Box 106672, Auckland 1143

Financial Services Complaints Limited

To make a complaint about the Trustee, contact Financial Services Complaints Limited, the Trustee's dispute resolution scheme:

- > Call 0800 347 257
- > Email info@fscl.org.nz
- > Write to Financial Services Complaints Limited, Floor 4, 101 Lambton Quay, PO Box 5967, Wellington 6145

Looking for more information?

For more information about the Scheme, please refer to the current BNZ KiwiSaver Scheme Investment Statement, available at bnz.co.nz/kiwisaver, or ask for a copy at any BNZ store.

Our website bnz.co.nz/kiwisaver is also packed full of information about the Scheme as well as tools to help you make the most of your Scheme account.

- > Call us on **0800 269 5494** (anytime between 8.30am and 5.30pm, Monday to Friday)
- > Visit bnz.co.nz/kiwisaver
- > Drop into any BNZ store

BNZ Investment Services Limited, a wholly owned subsidiary of BNZ, is the Issuer and Manager of the BNZ KiwiSaver Scheme. A copy of the BNZ KiwiSaver Scheme Investment Statement is available on bnz.co.nz. Investments made in the BNZ KiwiSaver Scheme do not represent deposits or other liabilities of BNZ or any other member of the National Australia Bank Limited group, and are subject to investment risk, including the possible loss of income and principal invested. None of BNZ, or any other member of the National Australia Bank Limited group, the Trustee, any director of any of them, the Crown or any other person guarantees (either fully or in part) the performance or returns of the BNZ KiwiSaver Scheme or the repayment of capital. National Australia Bank Limited, the ultimate parent of BNZ, is not a registered bank in New Zealand, but it is a licensed bank in Australia and is therefore subject to the supervision of the Australian Prudential Regulation Authority.

