BNZ Cash PIE and BNZ Term PIE

Financial Statements for the year ended 31 March 2012

Directory

The Manager

BNZ Investment Services Limited
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BNZ Investment Services Limited is the Manager and Issuer of the BNZ Cash PIE and the BNZ Term PIE.

Directors of BNZ Investment Services Limited as at 18 July 2012:
Nicolette Lisa Fowler
Lee Alexandra Hatton
Glenn Robert Patrick
Christopher Harril Reid
Renee Margaret Roberts
Shelley Maree Ruha

The Trustee

The New Zealand Guardian Trust Company Limited
Level 7, Vero Centre
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Auckland 1015

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Manager's Statement

For the year ended 31 March 2012

In the opinion of the Manager, the accompanying financial statements are drawn up so as to present fairly the financial position of the BNZ Cash PIE and BNZ Term PIE as at 31 March 2012 and their results for the year ended on that date in accordance with the requirements of the BNZ Cash Funds Unit Trust Deed dated 23 October 2008, as supplemented by the Supplemental Deed dated 23 September 2010.

The directors are of the opinion that the BNZ Cash PIE and BNZ Term PIE will be able to pay its debts as and when they fall due.

Shelley Maree Ruha
Director
BNZ Investment Services Limited
18 July 2012

Additional Unit Holder Information

Notice of Trust Deed Amendment

Under clause 32.2 of the Trust Deed governing the BNZ Cash PIE and BNZ Term PIE and the Unit Funds Act 1960, the Manager, BNZ Investment Services Limited, is required to advise unitholders in summary form of any amendments to the Trust Deed.

There has been no amendment to the Trust Deed during the period covered by the financial statements.

Statements of Comprehensive Income

For the year ended 31 March 2012

	Notes	BNZ Cash PIE Year ended 31 March 2012 $	BNZ Cash PIE Year ended 31 March 2011 $	BNZ Term PIE Year ended 31 March 2012 $	BNZ Term PIE Period ended 31 March 2011 $
Income					
Interest income	4	**5,319,512**	3,762,404	**12,518,088**	2,279,485
Total income		**5,319,512**	3,762,404	**12,518,088**	2,279,485
Expenses					
Management fees	8	**-**	203,625	**-**	-
Total operating expenses		**-**	203,625	**-**	-
Operating profit		**5,319,512**	3,558,779	**12,518,088**	2,279,485
Increase in net assets attributable to unit holders from operations		**5,319,512**	3,558,779	**12,518,088**	2,279,485
Total comprehensive income for the period attributable to unit holders		**5,319,512**	3,558,779	**12,518,088**	2,279,485

The accounting policies and notes form part of, and should be read in conjunction with, these financial statements.

Statements of Changes in Net Assets Attributable to Unit Holders

For the year ended 31 March 2012

	BNZ Cash PIE		BNZ Term PIE	
	Year ended 31 March 2012 $	Year ended 31 March 2011 $	**Year ended 31 March 2012 $**	Period ended 31 March 2011 $
Net assets attributable to unit holders at the beginning of the period	**83,779,080**	112,166,487	**179,695,424**	-
Proceeds from units issued	**334,213,435**	95,049,562	**602,698,274**	217,760,867
Redemption of units	**(246,016,811)**	(122,851,231)	**(423,649,280)**	(37,655,908)
Distributions	**(5,319,512)**	(3,558,779)	**(12,518,088)**	(2,279,485)
Unit holder tax liabilities	**(782,917)**	(585,738)	**(1,044,598)**	(409,535)
Net increase/(decrease) from transactions in units	**82,094,195**	(31,946,186)	**165,486,308**	177,415,939
Total comprehensive income for the period attributable to unit holders	**5,319,512**	3,558,779	**12,518,088**	2,279,485
Net assets attributable to unit holders at the end of the period	**171,192,787**	83,779,080	**357,699,820**	179,695,424

	Year ended 31 March 2012 Units	Year ended 31 March 2011 Units	**Year ended 31 March 2012 Units**	Period ended 31 March 2011 Units
Units on issue				
Units on issue at the beginning of the period	**83,779,080**	112,166,487	**179,695,424**	-
Units issued	**334,213,435**	95,049,562	**602,698,274**	217,760,867
Units redeemed	**(246,016,811)**	(122,851,231)	**(423,649,280)**	(37,655,908)
Unit holder tax liabilities – units	**(782,917)**	(585,738)	**(1,044,598)**	(409,535)
Units on issue at the end of the period	**171,192,787**	83,779,080	**357,699,820**	179,695,424

The accounting policies and notes form part of, and should be read in conjunction with, these financial statements.

Balance Sheets

As at 31 March 2012

	BNZ Cash PIE		BNZ Term PIE	
	As at 31 March 2012 $	As at 31 March 2011 $	**As at 31 March 2012 $**	As at 31 March 2011 $
Current assets				
Cash and cash equivalents	**171,192,787**	83,779,080	**357,699,820**	179,695,424
Accrued interest	**34,332**	8,952	**91,578**	25,512
Total assets	**171,227,119**	83,788,032	**357,791,398**	179,720,936
Current liabilities				
Distributions payable	**34,332**	8,952	**91,578**	25,512
Total liabilities	**34,332**	8,952	**91,578**	25,512
Net assets attributable to unit holders	**171,192,787**	83,779,080	**357,699,820**	179,695,424

The accounting policies and notes form part of, and should be read in conjunction with, these financial statements.

The Directors of BNZ Investment Services Limited authorised these financial statements for issue on 18 July 2012.

Shelley Maree Ruha
Director

Nicolette Lisa Fowler
Director

Cash Flow Statements

For the year ended 31 March 2012

		BNZ Cash PIE		BNZ Term PIE	
	Notes	**Year ended 31 March 2012 $**	Year ended 31 March 2011 $	**Year ended 31 March 2012 $**	Period ended 31 March 2011 $
Cash flows from operating activities					
Interest income		**5,294,132**	3,765,521	**12,452,022**	2,253,973
Management fees paid		**-**	(204,879)	**-**	-
Net cash inflow from operating activities	6	**5,294,132**	3,560,642	**12,452,022**	2,253,973
Cash flows from financing activities					
Proceeds from units issued		**334,213,435**	95,425,298	**602,698,274**	217,760,867
Redemptions of units		**(246,799,728)**	(124,236,361)	**(424,693,878)**	(38,065,443)
Distributions		**(5,294,132)**	(3,925,563)	**(12,452,022)**	(2,253,973)
Net cash inflow from financing activities		**82,119,575**	(32,736,626)	**165,552,374**	177,441,451
Net increase/(decrease) in cash and cash equivalents		**87,413,707**	(29,175,984)	**178,004,396**	179,695,424
Cash and cash equivalents at the beginning of the period		**83,779,080**	112,955,064	**179,695,424**	-
Cash and cash equivalents at the end of the period	2.6	**171,192,787**	83,779,080	**357,699,820**	179,695,424

The accounting policies and notes form part of, and should be read in conjunction with, these financial statements.

1. General information

Reporting entities
The reporting entities included in these financial statements are the BNZ Cash PIE and BNZ Term PIE. They are referred to throughout these financial statements as the 'Funds' and individually as a 'Fund'.

Each Fund is a separate unit trust established under a Master Trust Deed executed by BNZ Investment Services Limited, as Manager, and The New Zealand Guardian Trust Company Limited, as Trustee, on 23 October 2008. The BNZ Cash PIE was established under the Master Trust Deed on 23 October 2008 and commenced operations on 24 October 2008. The BNZ Term PIE was established under a Supplemental Deed to the Master Trust Deed between BNZ Investment Services Limited and The New Zealand Guardian Trust Company Limited dated 23 September 2010 and commenced operations on 23 September 2010.

The Funds will terminate on the earlier of the date appointed by the Manager (after giving no less than three months' written notice), or the date determined by an Extraordinary Resolution of unit holders, or determined in the Trust Deed or by operation of law.

The BNZ Cash PIE's objective is to provide unit holders with an investment that is a potentially tax-efficient alternative to (with a pre-tax return similar to) a deposit in a call account with Bank of New Zealand ("BNZ"). The objective of the BNZ Term PIE is to provide unit holders with a potentially tax effective alternative to a term deposit with BNZ. The Funds seek to achieve their objectives by investing exclusively in call deposits with BNZ. The principal activity of the Funds is investment.

The Funds' investment activities are managed by BNZ Investment Services Limited (the "Manager"). The registered office for BNZ Investment Services Limited is Level 4, 80 Queen Street, Auckland. The Funds are domiciled in New Zealand.

Statutory base
The Funds are Unit Trusts as defined by the Unit Trusts Act 1960 and are subject to the provisions of that Act.

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 throughout the period presented, unless otherwise stated.

The financial statements have been prepared in accordance with the requirements of the Unit Trusts Act 1960, the Financial Reporting Act 1993, the Trust Deed and Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). These financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-orientated entities. The financial statements also comply with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) 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 its judgement in the process of applying the Funds' 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.

The financial statements for the Funds have been prepared for the year ended 31 March 2012. As the BNZ Term PIE commenced operations on 23 September 2010, the comparative figures for 31 March 2011 are for the period from 23 September 2010 to 31 March 2011.

(a) Presentation
The Balance Sheets have been prepared using the liquidity format of presentation as this is the most relevant to the user of the financial statements. All amounts are presented in New Zealand dollars, which is the Trusts' functional and presentation currency.

Notes to and Forming Part of the Financial Statements *continued*

2. Summary of significant accounting policies *continued*

2.1 Basis of preparation *continued*

(b) Standards and amendments to existing standards effective 1 April 2011 impacting the Funds

The following standards and amendments to existing standards is not a comprehensive list of standards and amendments, but are only those that affect the Funds.

> Amendment to NZ IFRS 7 – Appendix E, issued in March 2011, applicable for the reporting periods beginning on or after 31 March 2011, replaced the term 'financial institution(s)' with the term 'deposit taker(s)' as defined in the Reserve Bank of New Zealand Act 1989 (the "Act"). The Funds are outside the scope of the definition of a 'deposit taker', and as a result, are not required to include the disclosures as required by NZ IFRS 7 – Appendix E (amended). The adoption of this amendment does not have an effect on profit; however, those disclosures included in the financial statements for the period ended 31 March 2011 have been removed from these financial statements.

> NZ IAS 24: Related Party Disclosures issued in November 2009, including amendments up to October 2010, is applicable for the year commencing 1 April 2011. The revisions to the standard including the amendments, simplify the definition of a related party and clarify its intended meaning. However, this has not impacted the disclosures or had an effect on the profit of the Funds.

(c) Standards and amendments to existing standards that are not yet applicable and have not been early adopted by the Funds

The following new standards and amendments to existing standards is not a comprehensive list of standards and amendments but are only those that affect the Funds.

The Funds intend to adopt the following standard and amendment for the reporting period commencing 1 April 2012.

> FRS 44, New Zealand Additional Disclosures (effective for reporting periods beginning on or after 1 July 2011). FRS 44 sets out New Zealand specific disclosures for entities that apply NZ IFRSs. These disclosures have been relocated from NZ IFRSs to clarify that these disclosures are additional to those required by NZ IFRSs. Adoption of the new rules will not affect any of the amounts recognised in the financial statements, but may simplify some of the Funds' current disclosures.

> The Harmonisation Amendments (effective for reporting periods beginning on or after 1 July 2011). The Harmonisation Amendments amends various NZ IFRSs for the purpose of harmonising with the source IFRSs and Australian Accounting Standards.

The Funds intend to adopt the following standards for the reporting period commencing 1 April 2013.

> NZ IFRS 12, Disclosure of Interests in Other Entities (effective for reporting periods beginning on or after 1 January 2013). NZ IFRS 12 sets out the required disclosures for entities reporting under NZ IFRS 10. Application of this standard by the Funds will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Funds' investments.

> NZ IFRS 13, Fair Value Measurement (effective for reporting periods beginning on or after 1 January 2013). NZ IFRS 13 consolidates fair value measurement guidance from across various NZ IFRSs into a single standard. However, it does not change when fair value can or should be used. Many of the requirements codified in NZ IFRS 13 are largely consistent with valuation practices that are currently in operation. The impacts on the financial performance as well as financial position as a result of the adoption of NZ IFRS 13 are still to be assessed. It is expected that, with the introduction of NZ IFRS 13, additional disclosures will be required related to fair value.

The Funds intend to adopt the following standard for the reporting period commencing 1 April 2015.

> NZ IFRS 9, Financial Instruments (effective for reporting periods beginning on or after 1 January 2015). NZ IFRS 9 requires financial assets to be classified on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, 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 IAS 39 Financial Instruments: Recognition and Measurement. However, the requirements related to the fair value option for financial liabilities were changed to address the issue of own credit risk. This standard, when it is adopted, is not expected to have a significant impact on the Funds' reported result or financial position.

2. Summary of significant accounting policies *continued*

Notes to and Forming Part of the Financial Statements *continued*

2.2 Financial instruments

(a) Classification

The Funds' investments are categorised as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise receivables as well as cash and cash equivalents.

(b) Recognition, derecognition and measurement

The Funds recognise loans and receivables on the date it becomes party to the contractual agreement (trade date). Financial assets and financial liabilities are initially recognised at fair value, inclusive of transaction costs if applicable.

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

Loan and receivables are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Criteria used to determine impairment is included in Note 2.3.

If any indication of impairment exists, an impairment loss is recognised in the Statement of Comprehensive Income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Statement of Comprehensive Income.

2.3 Impairment of financial assets

Assets carried at amortised cost

The Manager assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets which can be reliably estimated.

The criteria that the Manager uses to determine that there is objective evidence of an impairment loss include:

- delinquency in contractual payments of principal or interest; and
- downgrading below investment grade level.

The estimated period between a loss occurring and its identification is determined by the Manager for each Fund. In general, the periods used vary between 3 months and 12 months; in exceptional cases, longer periods are warranted.

The Manager first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Manager determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment charge on loans and receivables has been incurred, the amount of the charge is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the Statement of Comprehensive Income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Notes to and Forming Part of the Financial Statements *continued*

2. Summary of significant accounting policies *continued*

2.3 Impairment of financial assets *continued*

When a loan or receivable is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

2.4 Net assets attributable to unit holders

BNZ Cash PIE

The BNZ Cash PIE issues units that are redeemable at the unit holders' option and have identical features. The Fund's redeemable units meet the definition of puttable instruments classified as equity instruments under the revised NZ IAS 32, 'Financial Instruments: Presentation'. The units can be put back to the Fund at any time for cash based on the redemption unit price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) as at balance date if unit holders exercised their right to put the units back to the Fund.

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the unit holder's option at the lesser of $1 per unit and the Unit Value for the Fund. The Fund's Unit Value is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units of the Fund.

The issue and redemption of units are accounted for as equity transactions.

BNZ Term PIE

The BNZ Term PIE issues units that are redeemable at the unit holders' option and do not have identical features and are therefore classified as financial liabilities. The units can be put back to the BNZ Term PIE at any time for cash based on the redemption price plus accrued interest, based on the return agreed with the unit holder at the issue of the units and assuming the units will be held until their agreed maturity date. A break fee may be levied by the Manager for a redemption of units in the BNZ Term PIE prior to the maturity date.

Applications received for units in the BNZ Term PIE are recorded net of any entry fees payable prior to the issue of units in the BNZ Term PIE. Redemptions of units in the BNZ Term PIE are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the unit holder's option at prices based on the return agreed with the unit holder at the issue of the units.

Creditors of the Funds will rank ahead of unit holders claims in the event of one or other of the Funds being wound up. Unit holders' claims will rank equally with the claims of other unit holders in the Funds in proportion to the number of Units held.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.6 Investment income

Interest income

Interest income on cash and cash equivalents is included as interest in the Statement of Comprehensive income on an accruals basis.

2.7 Receivables

Receivables may include amounts for interest earned that have not been received by the end of the reporting period. Receivables are initially recognised at fair value, being the amounts receivable. They are subsequently measured at amortised cost, being the initially recognised amount reduced for impairment as appropriate. Any impairment charge is recognised in the Statement of Comprehensive Income.

2.8 Payables

These amounts represent liabilities and accrued expenses owing by the Funds at balance date and may include management fees, distributions payable and PIE tax payable. These amounts are carried at amortised cost.

2.9 Expenses

All expenses, including the Funds' management fees (when charged), are recognised in the Statement of Comprehensive Income on an accruals basis. No management fees have been charged to the Funds in the current reporting period.

2. Summary of significant accounting policies *continued*

2.10 Income tax

The Funds qualify as and have elected to be Portfolio Investment Entities ("PIEs") for tax purposes. Under the PIE regime income is effectively taxed in the hands of the unit holders and therefore the Funds have no income tax expense. Accordingly, no income tax expense is recognised in the Statement of Comprehensive Income. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in unit holder tax liabilities in the Statement of Changes in Net Assets Attributable to Unit Holders.

Under the PIE regime, the Manager attributes the taxable income of the BNZ Cash PIE to unit holders in accordance with the proportion of their interest in the Funds. The Manager attributes the taxable income of the BNZ Term PIE to units in proportion to the rates of return attached to those units. The income attributed to each unit holder is taxed at the unit holder's "Prescribed Investor Rate" on redemptions and annually on or around 31 March each year.

Unit holder tax liabilities disclosed in the Statements of Changes in Net Assets Attributable to Unit Holders consists of withdrawals to meet unit holder tax liabilities under the PIE regime and any resident and foreign withholding taxes deducted at source.

2.11 Goods and services tax ("GST")

The Funds are not registered for GST. The Statement of Comprehensive Income and Cash Flow Statements have been prepared so that all components are stated inclusive of GST. All items in the Balance Sheets are stated inclusive of GST.

3. Significant accounting estimates and judgements

The Manager of the Funds makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next reporting period. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Net assets attributable to unit holders

BNZ Cash PIE units are classified as equity instruments in accordance with revised NZ IAS 32. The Manager continues to assess the classification of the redeemable BNZ Cash PIE units to ensure they have all the features or meet all the conditions set out in paragraphs 16A and 16B of NZ IAS 32.

4. Interest income

	BNZ Cash PIE		**BNZ Term PIE**	
	Year ended 31 March 2012 $	Year ended 31 March 2011 $	**Year ended 31 March 2012 $**	Period ended 31 March 2011 $
Cash and cash equivalents	**5,319,512**	3,762,404	**12,518,088**	2,279,485
Total interest income	**5,319,512**	3,762,404	**12,518,088**	2,279,485

5. Reconciliation of operating profit to net cash inflow from operating activities

	BNZ Cash PIE		**BNZ Term PIE**	
	Year ended 31 March 2012 $	Year ended 31 March 2011 $	**Year ended 31 March 2012 $**	Period ended 31 March 2011 $
Operating profit	**5,319,512**	3,558,779	**12,518,088**	2,279,485
Net change in accrued interest	**(25,380)**	3,117	**(66,066)**	(25,512)
Net change in related party payables	**-**	(1,254)	**-**	-
	(25,380)	1,863	**(66,066)**	(25,512)
Net cash inflow from operating activities	**5,294,132**	3,560,642	**12,452,022**	2,253,973

6. Financial instruments by category

	BNZ Cash PIE		BNZ Term PIE	
	As at 31 March 2012 $	As at 31 March 2011 $	**As at 31 March 2012 $**	As at 31 March 2011 $
Loans and receivables				
Accrued interest	**34,332**	8,952	**91,578**	25,512
Cash and cash equivalents	**171,192,787**	83,779,080	**357,699,820**	179,695,424
Total loans and receivables	**171,227,119**	83,788,032	**357,791,398**	179,720,936
Total financial assets	**171,227,119**	83,788,032	**357,791,398**	179,720,936

	As at 31 March 2012 $	As at 31 March 2011 $	**As at 31 March 2012 $**	As at 31 March 2011 $
Other financial liabilities				
Distributions payable	**34,332**	8,952	**91,578**	25,512
Net assets attributable to unit holders	**-**	-	**357,699,820**	179,695,424
Total other financial liabilities	**34,332**	8,952	**357,791,398**	179,720,936
Total financial liabilities	**34,332**	8,952	**357,791,398**	179,720,936

7. Commitments and contingent liabilities

There are no commitments and contingent liabilities as at 31 March 2012 (31 March 2011: nil).

8. Related parties

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

BNZ Investment Services Limited is the Manager and Issuer of the BNZ Cash PIE and the BNZ Term PIE. BNZ Investment Services Limited is a wholly owned subsidiary of BNZ, whose ultimate parent is National Australia Bank Limited. As at 31 March 2012 BNZ Investment Services Limited held 11 units with a market value of $11 in the BNZ Cash PIE (31 March 2011: 11 units; market value $11), and 10 units with a market value of $10 in the BNZ Term PIE (31 March 2011: 10 units; market value $10), representing the initial investment in each of the Funds. In addition, the Bank of New Zealand Officers Provident Association, a post-employment benefit plan entity related to BNZ, held 4,500,000 units in the BNZ Term PIE, with a market value of $4,500,000 (31 March 2011: no units; market value nil). BNZ and its Directors are considered to be related persons of the Funds. Under NZ IFRS, BNZ is considered to have control of the Funds and the Funds are consolidated into BNZ for financial reporting purposes.

On 6 September 2010 the Board of Directors of the Manager resolved to reduce the management fee charged to the BNZ Cash PIE to 0% with effect from 23 September 2010. Accordingly, no management fee has been accrued in the BNZ Cash PIE from this date. Prior to this date, management fees were payable to the Manager monthly in arrears. No management fees have been charged to the BNZ Term PIE.

The New Zealand Guardian Trust Company Limited is the Trustee of the Funds. The Manager is responsible for paying any fees due to the Trustee. The Trustee's fee is payable out of the Funds if the Manager fails to pay that fee.

The Funds incurred the following fees to the related parties.

	BNZ Cash PIE		BNZ Term PIE	
	Year ended 31 March 2012 $	Year ended 31 March 2011 $	**Year ended 31 March 2012 $**	Period ended 31 March 2011 $
BNZ Investment Services Limited – Management fees	**-**	203,625	**-**	-

The Funds did not owe any amounts to related parties at 31 March 2012 (31 March 2011: Nil).

The BNZ Cash PIE and BNZ Term PIE invest solely in call deposits with BNZ.

8. Related parties *continued*

The value of investments held with related parties at balance date were:

	BNZ Cash PIE		BNZ Term PIE	
	As at 31 March 2012 $	As at 31 March 2011 $	**As at 31 March 2012 $**	As at 31 March 2011 $
BNZ	**171,227,119**	83,788,032	**357,791,398**	179,720,936

The income from investments held with related parties during the reporting period was:

	BNZ Cash PIE		BNZ Term PIE	
	Year ended 31 March 2012 $	Year ended 31 March 2011 $	**Year ended 31 March 2012 $**	Period ended 31 March 2011 $
BNZ	**5,319,512**	3,762,404	**12,518,088**	2,279,485

Key management personnel are defined as being Directors of the Manager and Directors of BNZ. No compensation was paid by the Funds to key management personnel during the year ended 31 March 2012 (periods ended 31 March 2011: nil). As at 31 March 2012 key management personnel held 1,110 units (2011: 2,462,383 units) in the BNZ Cash PIE, with a market value of $1,110 (2011: $2,462,383). As at 31 March 2012 key management personnel held no units in the BNZ Term PIE (31 March 2011: nil).

9. Financial risk management

9.1 Financial risk factors

The Funds' activities expose them to a variety of financial risks: market risk (including cash flow interest rate risk), credit risk and liquidity risk.

The Funds' 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 on the Funds' financial performance for the creation of unit holder value.

All security investments present a risk of loss of capital. The Funds hold cash and cash equivalents where the maximum loss of capital is limited to the carrying value of those positions.

The Manager is responsible for identifying and managing the Funds' risks. In addition financial risk is also managed by the setting of an investment policy, agreed with and monitored by the Trustee and set out in the Funds' prospectus.

The Funds use different methods to measure and manage the various types of risk to which they are exposed; these methods are explained below.

9.1.1 Cash flow interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Funds hold cash and cash equivalents in New Zealand dollars that expose the Funds to cash flow interest rate risk.

	BNZ Cash PIE		BNZ Term PIE	
	As at 31 March 2012 $	As at 31 March 2011 $	**As at 31 March 2012 $**	As at 31 March 2011 $
Cash and cash equivalents				
At call	**171,192,787**	83,779,080	**357,699,820**	179,695,424

Interest rates at call are subject to change at any time.

9. Financial risk management *continued*

9.1 Financial risk factors *continued*

9.1.1 Cash flow interest rate risk *continued*

The following table summarises the sensitivity of the Funds' investments to changes in interest rate movements at 31 March. 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. At 31 March, had the interest rates increased or decreased by 1% with all other variables held constant, the increase or decrease in operating profit and net assets attributable to unitholders over the next 12 months would amount to approximately:

	BNZ Cash PIE		**BNZ Term PIE**	
	As at 31 March 2012 $	As at 31 March 2011 $	**As at 31 March 2012 $**	As at 31 March 2011 $
Increase of 1%	**1,711,928**	837,791	**3,576,998**	1,796,954
Decrease of 1%	**(1,711,928)**	(837,791)	**(3,576,998)**	(1,796,954)

9.1.2 Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of an obligation to the Funds. The Funds are primarily exposed to credit risk through their investment activities. The Funds invest exclusively in call deposits with BNZ on which the maximum credit risk is considered to be the carrying value.

From 12.01am on 12 October 2010 the deposits guaranteed under the New Zealand deposit guarantee scheme in which the BNZ Cash PIE invests ceased to have the benefit of the Crown Guarantee.

As disclosed in the BNZ Disclosure Statement for the six months ended 31 March 2012, issued on 16 May 2012, BNZ has the following credit ratings applicable to its long-term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

Rating Agency	**Current Credit Rating**	**Qualification**
Standard & Poor's (Australia) Pty Limited	AA-	Outlook Stable
Moody's Investors Service, Inc	Aa3	Outlook Stable

9.1.3 Liquidity risk

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

The BNZ Cash PIE is exposed only to the daily redemptions of units. The BNZ Term PIE is exposed only to the redemptions of units at the agreed maturity dates. The Manager considers the Funds' policy of investing solely in call deposits with BNZ that can be readily accessed allows it to meet the obligations as they come due.

Under the terms of the Trust Deed the Manager can suspend withdrawals from the Funds if the Manager forms the opinion that it is not desirable or would be prejudicial to the interests of unit holders for withdrawals to be made. As the Funds invest exclusively in call deposits with BNZ, the Manager considers it unlikely that circumstances will arise which would require the Manager to suspend withdrawals from the Funds.

The following table analyses the Funds' financial liabilities into relevant maturity groupings based on the remaining period as at balance date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

9. Financial risk management *continued*

9.1 Financial risk factors *continued*

9.1.3 Liquidity risk *continued*

	BNZ Cash PIE		BNZ Term PIE	
	As at 31 March 2012 $	As at 31 March 2011 $	**As at 31 March 2012 $**	As at 31 March 2011 $
Financial liabilities				
Less than 7 days				
Net assets attributable to unit holders	**-**	-	**5,391,869**	7,386,259
Distribution payable	**-**	-	**1,318**	1,667
Unit holder tax liabilities payable	**-**	-	**-**	-
7 days to 1 month				
Net assets attributable to unit holders	**-**	-	**24,133,427**	13,518,867
Related party payables	**-**	-	**-**	-
Distribution payable	**34,332**	8,952	**5,848**	9,028
1 - 3 months				
Net assets attributable to unit holders	**-**	-	**97,190,819**	25,284,933
Distribution payable	**-**	-	**23,766**	3,686
3 - 6 months				
Net assets attributable to unit holders	**-**	-	**142,965,606**	94,469,326
Distribution payable	**-**	-	**35,530**	9,525
6 months to 1 year				
Net assets attributable to unit holders	**-**	-	**44,799,336**	18,426,304
Distribution payable	**-**	-	**11,286**	1,606
1 - 2 years				
Net assets attributable to unit holders	**-**	-	**5,047,351**	13,436,927
Distribution payable	**-**	-	**1,338**	-
2 - 5 years				
Net assets attributable to unit holders	**-**	-	**38,171,412**	7,172,808
Distribution payable	**-**	-	**12,492**	-
	34,332	8,952	**357,791,398**	179,720,936

9.2 Capital risk management

The Funds' capital is represented by net assets attributable to unit holders. As a result of the ability to issue, repurchase and resell units, the net assets attributable to unit holders can vary depending on demand for applications and redemptions. The Funds' objectives when managing capital are to provide returns for unit holders through investing in income generating call deposits.

The Funds strive to invest the funds received for unit holder applications in investments that meet the Funds objectives while maintaining sufficient liquidity to meet unit holders' redemptions.

The Funds do not have any externally imposed capital requirements. Units may be redeemed on any business day of the month, subject to receipt of the redemption request. Redemptions from the BNZ Term PIE made before the contractual maturity date may be subject to break fees.

Neither the Trustee, the Manager, BNZ, any members of their groups of companies nor any other person guarantees (either partially or fully) the capital value or performance of the Funds.

10. Events occurring after balance date

No significant events have occurred since balance date which would impact on the financial position of the Funds disclosed in the Balance Sheets as at 31 March 2012 or on the results and cash flows of the Funds for the year ended on that date.

Auditor's report

ERNST & YOUNG

Chartered Accountants

To the Unit Holders of BNZ Cash PIE and BNZ Term PIE

Report on the Financial Statements

We have audited the financial statements of BNZ Cash PIE and BNZ Term PIE (the "Trusts") on pages 3 to 15, which comprise the balance sheets of the Trusts as at 31 March 2012, and the statements of comprehensive income, statement of changes in net assets attributable to unit holders and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Trusts' unit holders, as a body, in accordance with the Trust Deed. Our audit has been undertaken so that we might state to the Trusts' unit holders 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 Trusts and the Trusts' unit holders as a body, for our audit work, for this report, or for the opinions we have formed.

Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation of the financial statements, in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

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

Partners and employees of our firm may deal with the Trusts on normal terms within the ordinary course of trading activities of the business of the Trusts.

Opinion

In our opinion, the financial statements on pages 3 to 15:

> comply with generally accepted accounting practice in New Zealand;
> comply with International Financial Reporting Standards; and
> give a true and fair view of the financial position of the Trusts as at 31 March 2012 and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

> We have obtained all the information and explanations that we have required.
> In our opinion proper accounting records have been kept by the Trusts as far as appears from our examination of those records.

Ernst + Young

18 July 2012
Auckland