

# **BNZ Cash PIE and BNZ Term PIE**

*Financial Statements for the  
year ended 31 March 2013*

## 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 20 June 2013:

Nicolette Lisa Fowler  
Lee Alexandra Hatton  
Christopher Harril Reid  
Renée Margaret Roberts  
Shelley Maree Ruha

### The Trustee

The New Zealand Guardian Trust Company Limited  
Level 7, Vero Centre  
48 Shortland Street  
PO Box 1934  
Auckland 1015

### Auditor

Ernst & Young  
Ernst & Young Building  
2 Takutai Square  
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## **Manager's Statement**

*For the year ended  
31 March 2013*

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 2013 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 and as amended and restated by the Deed of Amendment and Restatement dated 24 July 2012.

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.



**Renée Margaret Roberts**

Director

BNZ Investment Services Limited

20 June 2013

	Notes	BNZ Cash PIE		BNZ Term PIE	
		Year ended 31 March 2013 \$	Year ended 31 March 2012 \$	Year ended 31 March 2013 \$	Year ended 31 March 2012 \$
<b>Income</b>					
Interest income	4	7,559,194	5,319,512	21,716,856	12,518,088
<b>Total income and operating profit</b>		<b>7,559,194</b>	5,319,512	<b>21,716,856</b>	12,518,088
<b>Finance costs – Distributions to unit holders</b>	2.3	-	-	<b>(21,716,856)</b>	(12,518,088)
<b>Total comprehensive income for the year attributable to unit holders</b>		<b>7,559,194</b>	5,319,512	-	-

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

## Statements of Comprehensive Income

*For the year ended  
31 March 2013*

# Statements of Changes in Net Assets Attributable to Unit Holders

For the year ended 31 March 2013

	Note	BNZ Cash PIE		BNZ Term PIE	
		Year ended 31 March 2013 \$	Year ended 31 March 2012 \$	Year ended 31 March 2013 \$	Year ended 31 March 2012 \$
<b>Net assets attributable to unit holders at the beginning of the year</b>		<b>171,192,787</b>	83,779,080	<b>357,699,820</b>	179,695,424
Proceeds from units issued		<b>404,015,589</b>	334,213,435	<b>889,667,296</b>	602,698,274
Redemption of units		<b>(329,531,815)</b>	(246,016,811)	<b>(691,813,478)</b>	(423,649,280)
Distributions		<b>(7,559,194)</b>	(5,319,512)	-	-
Unit holder tax liabilities		<b>(863,780)</b>	(782,917)	<b>(2,179,304)</b>	(1,044,598)
<b>Net increase from transactions in units</b>		<b>66,060,800</b>	82,094,195	<b>195,674,514</b>	178,004,396
Total comprehensive income for the year attributable to unit holders	2.3	<b>7,559,194</b>	5,319,512	-	-
<b>Net assets attributable to unit holders at the end of the year</b>		<b>244,812,781</b>	171,192,787	<b>553,374,334</b>	357,699,820

The BNZ Term PIE's units are classified as a liability under NZ IAS 32 'Financial Instruments: Presentation'. As such the BNZ Term PIE has no equity and the information above for BNZ Term PIE is provided for information purposes only.

	BNZ Cash PIE		BNZ Term PIE	
	Year ended 31 March 2013 Units	Year ended 31 March 2012 Units	Year ended 31 March 2013 Units	Year ended 31 March 2012 Units
<b>Units on issue</b>				
Units on issue at the beginning of the year	<b>171,192,787</b>	83,779,080	<b>357,699,820</b>	179,695,424
Units issued	<b>404,015,589</b>	334,213,435	<b>889,667,296</b>	602,698,274
Units redeemed	<b>(329,531,815)</b>	(246,016,811)	<b>(691,813,478)</b>	(423,649,280)
Unit holder tax liabilities - units	<b>(863,780)</b>	(782,917)	<b>(2,179,304)</b>	(1,044,598)
<b>Units on issue at the end of the year</b>	<b>244,812,781</b>	171,192,787	<b>553,374,334</b>	357,699,820

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

## Balance Sheets

As at 31 March 2013

	BNZ Cash PIE		BNZ Term PIE	
	As at 31 March 2013 \$	As at 31 March 2012 \$	As at 31 March 2013 \$	As at 31 March 2012 \$
<b>Current assets</b>				
Cash and cash equivalents	244,812,781	171,192,787	553,374,334	357,699,820
Accrued interest	98,193	34,332	270,863	91,578
<b>Total assets</b>	<b>244,910,974</b>	<b>171,227,119</b>	<b>553,645,197</b>	<b>357,791,398</b>
<b>Current liabilities</b>				
Distributions payable	98,193	34,332	270,863	91,578
<b>Total liabilities*</b>	<b>98,193</b>	<b>34,332</b>	<b>270,863</b>	<b>91,578</b>
<b>Net assets attributable to unit holders</b>	<b>244,812,781</b>	<b>171,192,787</b>	<b>553,374,334</b>	<b>357,699,820</b>

\* For BNZ Term PIE, the Total liabilities are presented excluding Net assets attributable to unit holders.

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 20 June 2013.



**Renée Margaret Roberts**  
Director



**Nicolette Lisa Fowler**  
Director

# Cash Flow Statements

For the year ended  
31 March 2013

	Notes	BNZ Cash PIE		BNZ Term PIE	
		Year ended 31 March 2013 \$	Year ended 31 March 2012 \$	Year ended 31 March 2013 \$	Year ended 31 March 2012 \$
<b>Cash flows from operating activities</b>					
Interest income		7,495,333	5,294,132	21,537,571	12,452,022
<b>Net cash flows from operating activities</b>	5	7,495,333	5,294,132	21,537,571	12,452,022
<b>Cash flows from financing activities</b>					
Proceeds from units issued		404,015,589	334,213,435	889,667,296	602,698,274
Redemptions of units		(330,395,595)	(246,799,728)	(693,992,782)	(424,693,878)
Distributions		(7,495,333)	(5,294,132)	(21,537,571)	(12,452,022)
<b>Net cash flows from financing activities</b>		66,124,661	82,119,575	174,136,943	165,552,374
<b>Net increase in cash and cash equivalents</b>		73,619,993	87,413,707	195,674,514	178,004,396
Cash and cash equivalents at the beginning of the year		171,192,787	83,779,080	357,699,820	179,695,424
<b>Cash and cash equivalents at the end of the year</b>	2, 5	244,812,781	171,192,787	553,374,334	357,699,820

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, as amended and restated by the Deed of Amendment and Restatement dated 24 July 2012, 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-efficient 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.

### Reclassification of financial information

Certain comparative balances have been reclassified to align with the presentation used in the current financial period. These reclassifications have no impact on the overall financial performance or financial position for the comparative reporting periods.

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## 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 reporting 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-oriented 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 to fair value.

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 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.

#### (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.

## 2. Summary of significant accounting policies *continued*

### 2.1 Basis of preparation *continued*

#### (b) Standards and amendments to existing standards effective 1 April 2012 impacting the Funds

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

- > FRS 44, 'New Zealand Additional Disclosures and Harmonisation Amendments' (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 IFRSs. Adoption of the new rules did not affect any of the amounts recognised in the financial statements, but simplified some of the Funds' current disclosures.
- > The Harmonisation Amendments (effective for reporting periods beginning on or after 1 July 2011) amends various NZ IFRSs for the purpose of harmonising with the source IFRSs and Australian Accounting Standards.

#### (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 are not a comprehensive list of standards and amendments but are only those that affect the Funds.

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), addresses classification and measurement issues related to financial assets and financial liabilities. This standard, when it is adopted, is not expected to have a significant impact on the Funds' reported result or financial position.

### 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 accrued interest as well as cash and cash equivalents.

#### (b) Recognition, derecognition and measurement

The Funds recognise loans and receivables on the date they become 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 measured at amortised cost 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.

### 2.3 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 prices) 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 and distributions on units are accounted for as equity transactions.

## 2. Summary of significant accounting policies *continued*

### 2.3 Net assets attributable to unit holders *continued*

#### *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 Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. 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.

The issue and redemption of units are accounted for as liability transactions and distributions on units are accounted for as finance costs (distributions to unit holders).

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.

### 2.4 Cash and cash equivalents

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

### 2.5 Investment income

#### *Interest income*

Interest income on cash and cash equivalents is included as interest in the Statement of Comprehensive Income as it accrues using the effective interest rate.

### 2.6 Distributions payable

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

### 2.7 Income tax

The Funds both 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 Statement 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.

### 2.8 Goods and services tax ("GST")

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

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### 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 NZ IAS 32. The Manager continues to assess the classification of the redeemable 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 2013 \$	Year ended 31 March 2012 \$	Year ended 31 March 2013 \$	Year ended 31 March 2012 \$
Cash and cash equivalents	7,559,194	5,319,512	21,716,856	12,518,088
<b>Total interest income</b>	<b>7,559,194</b>	<b>5,319,512</b>	<b>21,716,856</b>	<b>12,518,088</b>

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

	BNZ Cash PIE		BNZ Term PIE	
	Year ended 31 March 2013 \$	Year ended 31 March 2012 \$	Year ended 31 March 2013 \$	Year ended 31 March 2012 \$
Operating profit	7,559,194	5,319,512	21,716,856	12,518,088
Net change in accrued interest	(63,861)	(25,380)	(179,285)	(66,066)
<b>Net cash flows from operating activities</b>	<b>7,495,333</b>	<b>5,294,132</b>	<b>21,537,571</b>	<b>12,452,022</b>

### 6. Financial instruments by category

	BNZ Cash PIE		BNZ Term PIE	
	As at 31 March 2013 \$	As at 31 March 2012 \$	As at 31 March 2013 \$	As at 31 March 2012 \$
<b>Loans and receivables</b>				
Accrued interest	98,193	34,332	270,863	91,578
Cash and cash equivalents	244,812,781	171,192,787	553,374,334	357,699,820
<b>Total loans and receivables</b>	<b>244,910,974</b>	<b>171,227,119</b>	<b>553,645,197</b>	<b>357,791,398</b>
<b>Total financial assets</b>	<b>244,910,974</b>	<b>171,227,119</b>	<b>553,645,197</b>	<b>357,791,398</b>
<b>Other financial liabilities</b>				
Distributions payable	98,193	34,332	270,863	91,578
Net assets attributable to unit holders	-	-	553,374,334	357,699,820
<b>Total other financial liabilities</b>	<b>98,193</b>	<b>34,332</b>	<b>553,645,197</b>	<b>357,791,398</b>
<b>Total financial liabilities</b>	<b>98,193</b>	<b>34,332</b>	<b>553,645,197</b>	<b>357,791,398</b>

### 7. Commitments and contingent liabilities

There are no commitments and contingencies as at 31 March 2013 (31 March 2012: 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 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 2013 BNZ Investment Services Limited held 12 units with a market value of \$12 in the BNZ Cash PIE (31 March 2012: 11 units; market value \$11), and 11 units with a market value of \$11 in the BNZ Term PIE (2012: 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 the BNZ, held nil units in the BNZ Term PIE, with a market value of \$nil (31 March 2012: 4,500,000 units; market value \$4,500,000) and BNZ Investment Services Nominees Limited as trustee for BNZ KiwiSaver Scheme held 431,448 units in the BNZ Cash PIE, with a market value of \$431,448 (31 March 2012: nil 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.

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 Trusts if the Manager fails to pay that fee.

The Funds did not owe any amounts to related parties at 31 March 2013 (31 March 2012: nil).

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

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

	BNZ Cash PIE		BNZ Term PIE	
	As at 31 March 2013 \$	As at 31 March 2012 \$	As at 31 March 2013 \$	As at 31 March 2012 \$
BNZ	<b>244,910,974</b>	171,227,119	<b>553,645,197</b>	357,791,398

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

	BNZ Cash PIE		BNZ Term PIE	
	Year ended 31 March 2013 \$	Year ended 31 March 2012 \$	Year ended 31 March 2013 \$	Year ended 31 March 2012 \$
BNZ	<b>7,559,194</b>	5,319,512	<b>21,716,856</b>	12,518,088

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 2013 (year ended 31 March 2012: nil). As at 31 March 2013 key management personnel held 1,140 units (2012: 1,110 units) in the BNZ Cash PIE, with a market value of \$1,140 (2012: \$1,110). As at 31 March 2013 key management personnel held nil units in the BNZ Term PIE (31 March 2012: 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.

## 9. Financial risk management *continued*

### 9.1 Financial risk factors *continued*

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 Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the future cash flow.

The BNZ Term PIE currently invests solely in a New Zealand dollar, interest bearing call deposit with BNZ. BNZ pays the BNZ Term PIE interest on this deposit that matches the returns payable before-tax and expenses (if any), on all of the unit holders investments in the BNZ Term PIE. The BNZ Cash PIE currently invests solely in a New Zealand dollar, interest bearing call deposit with BNZ. The interest rate on this call deposit is subject to change at any time. BNZ Cash PIE distributions to unit holders are based on the proportion of the income of the Fund which is attributable to each unit holder. Therefore, the Funds are not exposed to interest rate risk and sensitivity analysis is not presented.

#### 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 2013, issued on 16 May 2013, 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 Services, 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 invests 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.

## 9. Financial risk management *continued*

### 9.1 Financial risk factors *continued*

#### 9.1.3 Liquidity risk *continued*

The table below analyses the Fund's financial assets and 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.

	BNZ Cash PIE		BNZ Term PIE	
	As at 31 March 2013 \$	As at 31 March 2012 \$	As at 31 March 2013 \$	As at 31 March 2012 \$
<b>Less than 7 days</b>				
Net assets attributable to unit holders	-	-	<b>13,094,381</b>	5,391,869
Distribution payable	-	-	<b>6,058</b>	1,318
Unit holder tax liabilities payable	-	-	-	-
<b>7 days to 1 month</b>				
Net assets attributable to unit holders	-	-	<b>32,516,614</b>	24,133,427
Related party payables	-	-	-	-
Distribution payable	<b>98,193</b>	34,332	<b>15,073</b>	5,848
<b>1 - 3 months</b>				
Net assets attributable to unit holders	-	-	<b>113,608,561</b>	97,190,819
Distribution payable	-	-	<b>53,150</b>	23,766
<b>3 - 6 months</b>				
Net assets attributable to unit holders	-	-	<b>117,653,186</b>	142,965,606
Distribution payable	-	-	<b>54,079</b>	35,530
<b>6 months to 1 year</b>				
Net assets attributable to unit holders	-	-	<b>181,677,113</b>	44,799,336
Distribution payable	-	-	<b>86,948</b>	11,286
<b>1 - 2 years</b>				
Net assets attributable to unit holders	-	-	<b>30,967,703</b>	5,047,351
Distribution payable	-	-	<b>15,531</b>	1,338
<b>2 - 5 years</b>				
Net assets attributable to unit holders	-	-	<b>63,856,776</b>	38,171,412
Distribution payable	-	-	<b>40,024</b>	12,492
	<b>98,193</b>	34,332	<b>553,645,197</b>	357,791,398

### 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 2013 or on the results and cash flows of the Funds for the year ended on that date.

## Summary of Amendments to the Trust Deed

Under section 11(2) of the Unit Trusts Act 1960, the Manager, BNZ Investment Services Limited, is required to advise unitholders in summary form of any amendments to the trust deed for the BNZ Cash PIE and the BNZ Term PIE.

The trust deed comprises the BNZ Cash Funds – Unit Trust Deed dated 23 February 2009 and (in respect of the BNZ Term PIE only) that deed as amended by the Supplemental Deed to the BNZ Cash Funds – Unit Trust Deed dated 23 September 2010.

The trust deed was amended and restated by the BNZ Cash Funds – Deed of Amendment and Restatement dated 24 July 2012 (the *Deed of Amendment and Restatement*).

The Deed of Amendment and Restatement replaced the trust deed in its entirety with a new form of deed, which was in substantially the same form as the previous deed but aligned the various provisions that applied to the BNZ Cash PIE and BNZ Term PIE more closely. This had effect that certain provisions of the deed that had applied only in relation to the BNZ Term PIE now also apply in relation to the Cash PIE and any future trusts established under the trust deed. For example:

- (a) the concept of an “Account” and “Account Balance” was introduced in respect of the BNZ Cash PIE, and the definitions clarified in relation to the BNZ Term PIE. Unit Holders hold an “Account” representing a holding of units in a trust, and have an “Account Balance” which is dollar amount determined by multiplying the number units held by the unit price;
- (b) there are different options available for distribution arrangements for different trusts;
- (c) the Manager may delay redemptions of units if a transfer has not been completed or consideration has been retrieved or reversed;
- (d) the “Offer Documents” for a trust may include conditions on the use of an instrument of transfer;
- (e) the Manager may hold money in non-interest bearing bank accounts with Bank of New Zealand;
- (f) the Trustee may maintain a “Revenue Account”, into which all income earned by a trust is accrued until it is credited to the trust’s bank account for distribution or crediting as units to Unit Holders;
- (g) the Manager may levy certain fees in respect of a Unit Holder by the redemption of units, and where there are insufficient funds in a Unit Holder’s Account to satisfy such fees, the unsatisfied balance shall be a debt owing to the Manager;
- (h) the Manager must cease to hold office if a voluntary administrator is appointed to it;
- (i) “classes” of unit holders may be considered separately in certain circumstances (such as for the purposes of Unit Holder meetings and resolutions and trust deed amendments);
- (j) former Unit Holders are bound as if each of them had been a party to the trust deed.

Various definitions used in the trust deed were updated for tax and securities law changes.

A range of further consequential, immaterial and technical amendments were made, including to the Supplemental Deed applicable to the BNZ Term PIE.

The Trustee made the changes with the Manager’s agreement, on the basis that the changes would, in the Trustee’s opinion, enable the provisions of the Trust Deed to be more conveniently or advantageously administered or were not materially prejudicial to the unit holders generally.



**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 "Funds") on pages 3 to 13, which comprise the Balance Sheets of the Funds as at 31 March 2013, and the statements of comprehensive income, statements 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 Funds' unit holders, as a body, in accordance with the Trust Deed. Our audit has been undertaken so that we might state to the Funds' 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 Funds and the Funds' 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 financial statements that give a true and fair view of the matters to which they relate and in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the trustees determine 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 Funds' preparation of 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 Funds' 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 Funds.

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

**Opinion**

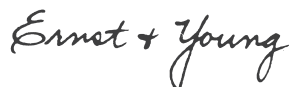
In our opinion, the financial statements on pages 3 to 13:

- > 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 Funds as at 31 March 2013 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 Funds as far as appears from our examination of those records.



20 June 2013  
Auckland





