

# BNZ KiwiSaver Scheme Financial Statements

For the year ended 31 March 2018



# Directory

## **The Manager**

BNZ Investment Services Limited  
Level 4  
80 Queen Street  
Auckland 1010  
Private Bag 92208  
Auckland 1142

Telephone: 0800 275 269

Email: [bnz\\_investment\\_services@bnz.co.nz](mailto:bnz_investment_services@bnz.co.nz)

BNZ Investment Services Limited is the Manager  
and Issuer of the BNZ KiwiSaver Scheme.

Directors of BNZ Investment Services Limited as at 12 July 2018:

Richard Louis Morath  
Christopher Harril Reid  
Shelley Maree Ruha  
Xiaohui Zhang

## **The Supervisor**

The New Zealand Guardian Trust Company Limited  
Level 6  
191 Queen Street  
PO Box 1934  
Auckland 1015

## **Auditor**

Ernst & Young  
Ernst & Young Building  
2 Takutai Square  
Britomart  
Auckland 1010

# Contents

Statements of Changes in Net Assets	2
Statements of Net Assets	3
Statements of Cash Flows	4
Notes to and Forming Part of the Financial Statements	5
Independent Auditor's Report	18

# Statements of Changes in Net Assets

For the year ended 31 March 2018

For the year ended 31 March	Notes	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Investment income</b>															
Interest income		22	29	12	10	103	96	74	78	54	63	45	52	310	328
Dividends and distribution income		-	-	664	641	9,644	13,494	8,450	15,166	5,975	12,680	4,237	11,135	28,970	53,116
Net gains(losses) on financial assets and financial liabilities at fair value through profit or loss	6	3,282	2,951	1,709	591	12,856	3,732	11,590	2,162	12,306	2,944	15,505	4,667	57,248	17,047
Net foreign currency gains or losses on cash and cash equivalents		-	-	-	-	-	(2)	-	(2)	(1)	(2)	(2)	(3)	(3)	(9)
<b>Net investment income</b>		<b>3,304</b>	<b>2,980</b>	<b>2,385</b>	<b>1,242</b>	<b>22,603</b>	<b>17,320</b>	<b>20,114</b>	<b>17,404</b>	<b>18,334</b>	<b>15,685</b>	<b>19,785</b>	<b>15,851</b>	<b>86,525</b>	<b>70,482</b>
<b>Expenses</b>															
Management fees	9	374	311	285	132	2,627	1,848	2,765	2,034	2,403	1,687	2,487	1,480	10,941	7,492
Management fee rebates	9	-	-	(129)	(62)	(1,739)	(1,301)	(1,605)	(1,188)	(1,238)	(894)	(1,069)	(643)	(5,780)	(4,088)
Transaction costs		-	-	1	1	9	10	14	13	16	13	25	15	65	52
<b>Total expenses</b>		<b>374</b>	<b>311</b>	<b>157</b>	<b>71</b>	<b>897</b>	<b>557</b>	<b>1,174</b>	<b>859</b>	<b>1,181</b>	<b>806</b>	<b>1,443</b>	<b>852</b>	<b>5,226</b>	<b>3,456</b>
<b>Profit attributable to Members</b>		<b>2,930</b>	<b>2,669</b>	<b>2,228</b>	<b>1,171</b>	<b>21,706</b>	<b>16,763</b>	<b>18,940</b>	<b>16,545</b>	<b>17,153</b>	<b>14,879</b>	<b>18,342</b>	<b>14,999</b>	<b>81,299</b>	<b>67,026</b>
<b>Membership activities</b>															
<b>Opening net assets available for benefits</b>		<b>113,638</b>	<b>92,236</b>	<b>41,525</b>	<b>11,751</b>	<b>379,563</b>	<b>261,491</b>	<b>262,836</b>	<b>190,514</b>	<b>198,018</b>	<b>139,290</b>	<b>167,982</b>	<b>106,239</b>	<b>1,163,562</b>	<b>801,521</b>
<b>Contributions in the Scheme</b>															
Members' contributions		12,589	11,490	8,707	4,444	62,396	47,888	33,898	28,227	28,178	20,463	27,076	16,467	172,844	128,979
Employers' contributions		7,148	6,595	5,043	2,616	35,946	28,175	17,157	14,550	12,936	10,493	12,792	8,358	91,022	70,787
Crown contributions		8	14	38	18	51	68	23	27	8	9	23	2	151	138
Transfers in from other scheme providers		12,619	12,278	25,511	23,376	76,702	58,222	38,897	30,991	38,062	25,493	48,488	23,334	240,279	173,694
Member tax credits		3,304	3,150	1,948	826	13,369	10,560	6,925	6,050	4,830	4,050	4,500	3,143	34,876	27,779
<b>Total contributions in the Scheme</b>		<b>35,668</b>	<b>33,527</b>	<b>41,247</b>	<b>31,280</b>	<b>188,464</b>	<b>144,913</b>	<b>96,900</b>	<b>79,845</b>	<b>84,014</b>	<b>60,508</b>	<b>92,879</b>	<b>51,304</b>	<b>539,172</b>	<b>401,377</b>
<b>Benefits paid from the Scheme</b>															
Transfers out to other scheme providers		(5,866)	(5,678)	(4,329)	(1,674)	(28,629)	(20,934)	(12,638)	(10,324)	(11,270)	(8,411)	(12,333)	(9,769)	(75,065)	(56,790)
Retirement		(2,918)	(2,983)	(67)	(48)	(4,869)	(3,186)	(1,810)	(937)	(1,040)	(447)	(492)	(148)	(11,196)	(7,749)
Death and disability		(545)	(332)	(113)	(4)	(953)	(704)	(426)	(464)	(330)	(130)	(112)	(96)	(2,479)	(1,730)
First home		(3,551)	(3,687)	(5,334)	(3,717)	(10,937)	(8,366)	(8,322)	(5,898)	(5,263)	(4,010)	(5,189)	(2,732)	(38,596)	(28,410)
Hardship		(867)	(579)	(458)	(261)	(2,272)	(1,264)	(1,220)	(766)	(613)	(659)	(690)	(434)	(6,120)	(3,963)
Other permitted withdrawals		(137)	(122)	(15)	(10)	(405)	(436)	(509)	(154)	(148)	(221)	(324)	(200)	(1,538)	(1,143)
<b>Total benefits paid from the Scheme</b>		<b>(13,884)</b>	<b>(13,381)</b>	<b>(10,316)</b>	<b>(5,714)</b>	<b>(48,065)</b>	<b>(34,890)</b>	<b>(24,925)</b>	<b>(18,543)</b>	<b>(18,664)</b>	<b>(13,878)</b>	<b>(19,140)</b>	<b>(13,379)</b>	<b>(134,994)</b>	<b>(99,785)</b>
<b>Switches within the BNZ Kiwisaver Scheme</b>															
Switches in from other BNZ KiwiSaver Funds		3,592	3,290	4,224	4,296	5,970	4,784	5,609	4,358	11,467	5,965	29,704	13,706	60,566	36,399
Switches out to other BNZ KiwiSaver Funds		(5,063)	(3,967)	(2,743)	(1,076)	(21,220)	(11,077)	(13,262)	(8,384)	(12,518)	(7,719)	(5,760)	(4,176)	(60,566)	(36,399)
<b>Total switches within the BNZ Kiwisaver Scheme</b>		<b>(1,471)</b>	<b>(677)</b>	<b>1,481</b>	<b>3,220</b>	<b>(15,250)</b>	<b>(6,293)</b>	<b>(7,653)</b>	<b>(4,026)</b>	<b>(1,051)</b>	<b>(1,754)</b>	<b>23,944</b>	<b>9,530</b>	<b>-</b>	<b>-</b>
<b>Other Member movements</b>															
Members' administration fee		(274)	(260)	(150)	(80)	(1,126)	(900)	(497)	(442)	(348)	(298)	(383)	(282)	(2,778)	(2,262)
Members' PIE tax		(523)	(476)	(270)	(103)	(2,757)	(1,521)	(1,888)	(1,057)	(1,427)	(729)	(1,116)	(429)	(7,981)	(4,315)
<b>Net benefits accrued to Members</b>		<b>22,446</b>	<b>21,402</b>	<b>34,220</b>	<b>29,774</b>	<b>142,972</b>	<b>118,072</b>	<b>80,877</b>	<b>72,322</b>	<b>79,677</b>	<b>58,728</b>	<b>114,526</b>	<b>61,743</b>	<b>474,718</b>	<b>362,041</b>
<b>Closing net assets available for benefits</b>		<b>136,084</b>	<b>113,638</b>	<b>75,745</b>	<b>41,525</b>	<b>522,535</b>	<b>379,563</b>	<b>343,713</b>	<b>262,836</b>	<b>277,695</b>	<b>198,018</b>	<b>282,508</b>	<b>167,982</b>	<b>1,638,280</b>	<b>1,163,562</b>
<b>Units on issue (Units in thousands)</b>															
<b>Balance at the beginning of the year</b>		<b>100,959</b>	<b>84,085</b>	<b>38,949</b>	<b>11,529</b>	<b>307,713</b>	<b>223,595</b>	<b>202,581</b>	<b>158,044</b>	<b>146,007</b>	<b>112,175</b>	<b>117,888</b>	<b>83,246</b>	<b>914,097</b>	<b>672,674</b>
Contributions - units		34,680	33,342	41,812	34,246	153,203	124,984	76,131	67,563	66,902	51,562	80,840	48,381	453,568	360,078
Withdrawals - units		(17,536)	(16,468)	(12,624)	(6,826)	(57,964)	(40,866)	(30,331)	(23,026)	(23,178)	(17,730)	(17,626)	(13,739)	(159,259)	(118,655)
<b>Balance at the end of the year</b>		<b>118,103</b>	<b>100,959</b>	<b>68,137</b>	<b>38,949</b>	<b>402,952</b>	<b>307,713</b>	<b>248,381</b>	<b>202,581</b>	<b>189,731</b>	<b>146,007</b>	<b>181,102</b>	<b>117,888</b>	<b>1,208,406</b>	<b>914,097</b>

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

# Statements of Net Assets

As at 31 March 2018

As at 31 March	Notes	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Current assets</b>															
Cash and cash equivalents		750	940	329	421	3,218	3,689	1,915	2,463	1,452	1,971	1,464	1,534	9,128	11,018
Financial assets at fair value through profit or loss	5	135,854	113,072	75,458	40,965	521,876	376,860	343,429	261,101	277,445	196,576	281,561	166,446	1,635,623	1,155,020
Management fee rebate receivable	9	-	-	10	8	135	126	125	115	95	87	81	67	446	403
Contributions receivable		226	226	412	329	799	1,167	593	690	550	554	1,042	632	3,622	3,598
Other receivables		-	4	-	30	-	-	-	-	-	-	-	-	-	34
<b>Total assets</b>		<b>136,830</b>	<b>114,242</b>	<b>76,209</b>	<b>41,753</b>	<b>526,028</b>	<b>381,842</b>	<b>346,062</b>	<b>264,369</b>	<b>279,542</b>	<b>199,188</b>	<b>284,148</b>	<b>168,679</b>	<b>1,648,819</b>	<b>1,170,073</b>
<b>Current liabilities</b>															
Management fees payable	9	32	29	29	17	240	184	246	198	220	166	244	153	1,011	747
Redemptions payable		226	134	195	121	710	706	340	370	289	343	334	158	2,094	1,832
PIE tax payable on behalf of Members		488	441	240	90	2,543	1,389	1,763	965	1,338	661	1,062	386	7,434	3,932
<b>Total liabilities (excluding net assets attributable to Members)</b>		<b>746</b>	<b>604</b>	<b>464</b>	<b>228</b>	<b>3,493</b>	<b>2,279</b>	<b>2,349</b>	<b>1,533</b>	<b>1,847</b>	<b>1,170</b>	<b>1,640</b>	<b>697</b>	<b>10,539</b>	<b>6,511</b>
<b>Net assets available for benefits</b>		<b>136,084</b>	<b>113,638</b>	<b>75,745</b>	<b>41,525</b>	<b>522,535</b>	<b>379,563</b>	<b>343,713</b>	<b>262,836</b>	<b>277,695</b>	<b>198,018</b>	<b>282,508</b>	<b>167,982</b>	<b>1,638,280</b>	<b>1,163,562</b>
<b>Represented by:</b>															
<b>Net assets attributable to Members</b>		<b>136,084</b>	<b>113,638</b>	<b>75,745</b>	<b>41,525</b>	<b>522,535</b>	<b>379,563</b>	<b>343,713</b>	<b>262,836</b>	<b>277,695</b>	<b>198,018</b>	<b>282,508</b>	<b>167,982</b>	<b>1,638,280</b>	<b>1,163,562</b>

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

The Board of Directors of BNZ Investment Services Limited authorised these Financial Statements for issue on 12 July 2018.

For and on behalf of the Manager



Director



Director

# Statements of Cash Flows

For the year ended 31 March 2018

	Notes	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
For the year ended 31 March															
<b>Cash flows to/from operating activities</b>															
Cash was provided from:															
Proceeds from sale of financial instruments at fair value through profit or loss		1,524	1,734	1,512	4,178	12,746	58,020	2,902	80,455	3,220	78,593	1,482	86,253	23,386	309,233
Interest income		22	29	12	10	102	96	73	78	54	63	45	52	308	328
Cash was applied to:															
Purchase of financial instruments at fair value through profit or loss	8	(21,020)	(20,250)	(33,504)	(32,728)	(133,911)	(157,026)	(63,955)	(133,685)	(64,863)	(119,989)	(96,072)	(130,762)	(413,325)	(594,440)
Operating expenses		(370)	(305)	(245)	(93)	(2,200)	(1,128)	(2,371)	(1,315)	(2,076)	(1,186)	(2,148)	(1,116)	(9,410)	(5,143)
<b>Net cash flows from operating activities</b>	8	<b>(19,844)</b>	<b>(18,792)</b>	<b>(32,225)</b>	<b>(28,633)</b>	<b>(123,263)</b>	<b>(100,038)</b>	<b>(63,351)</b>	<b>(54,467)</b>	<b>(63,665)</b>	<b>(42,519)</b>	<b>(96,693)</b>	<b>(45,573)</b>	<b>(399,041)</b>	<b>(290,022)</b>
<b>Cash flows from financing activities</b>															
Cash was provided from:															
Contributions		39,260	36,756	45,387	35,609	194,803	149,417	102,607	84,028	95,484	66,202	122,172	64,770	599,713	436,782
Cash was applied to:															
Benefits paid		(19,130)	(17,590)	(13,135)	(6,771)	(70,408)	(46,570)	(38,714)	(27,338)	(31,586)	(21,758)	(25,107)	(17,862)	(198,080)	(137,889)
Members' PIE tax		(476)	(390)	(119)	(35)	(1,603)	(1,579)	(1,090)	(1,239)	(751)	(875)	(440)	(571)	(4,479)	(4,689)
<b>Net cash flows from financing activities</b>		<b>19,654</b>	<b>18,776</b>	<b>32,133</b>	<b>28,803</b>	<b>122,792</b>	<b>101,268</b>	<b>62,803</b>	<b>55,451</b>	<b>63,147</b>	<b>43,569</b>	<b>96,625</b>	<b>46,337</b>	<b>397,154</b>	<b>294,204</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(190)</b>	<b>(16)</b>	<b>(92)</b>	<b>170</b>	<b>(471)</b>	<b>1,230</b>	<b>(548)</b>	<b>984</b>	<b>(518)</b>	<b>1,050</b>	<b>(68)</b>	<b>764</b>	<b>(1,887)</b>	<b>4,182</b>
Cash and cash equivalents at the beginning of the year		940	956	421	251	3,689	2,461	2,463	1,481	1,971	923	1,534	773	11,018	6,845
Effect of exchange rate fluctuations		-	-	-	-	-	(2)	-	(2)	(1)	(2)	(2)	(3)	(3)	(9)
<b>Cash and cash equivalents at the end of the year</b>		<b>750</b>	<b>940</b>	<b>329</b>	<b>421</b>	<b>3,218</b>	<b>3,689</b>	<b>1,915</b>	<b>2,463</b>	<b>1,452</b>	<b>1,971</b>	<b>1,464</b>	<b>1,534</b>	<b>9,128</b>	<b>11,018</b>

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

# Notes to and Forming Part of the Financial Statements

For the period ended 31 March 2018

## 1. General information

### 1.1 Reporting entities

These Financial Statements are for the BNZ KiwiSaver Scheme (the “Scheme”) which comprises the following six funds (each a “Fund”, together the “Funds”):

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

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

The Scheme was established and initially governed by a Trust Deed between BNZ Investment Services Limited 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 First Home Buyer Fund was established on 16 September 2015, and began accepting Members on 17 September 2015. On 19 August 2016, the governing Trust Deed was substituted with the BNZ KiwiSaver Scheme Governing Document (“Governing Document”) in order to comply with the requirements of the Financial Markets Conduct Act 2013 (“FMCA”), the KiwiSaver Act 2016 and all other relevant legislation and to make a number of other minor amendments to the Trust Deed as a consequence of the introduction of the FMCA and the amendments to other legislation or for more efficient operation of the Scheme. The Scheme is designed to help Members save for their retirement. The Scheme enables Members to invest into one of the six available Funds, or to spread their contributions among several Funds. With the exception of the Cash Fund, each Fund invests across a number of investment sectors, countries and companies, through other unit trusts. Each Fund offers a different investment mix and different levels of potential return. The principal activity of the Scheme is investment. The Scheme is domiciled in New Zealand.

The Financial Statements have been prepared for the year ended 31 March 2018 and comparative reporting periods have been prepared for the year ended 31 March 2017.

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

The Supervisor of the Scheme is The New Zealand Guardian Trust Company Limited (the “Supervisor”). The registered office of the Supervisor is Level 6, 191 Queen Street, Auckland.

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

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

### 1.2 Statutory base

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

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

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

The Financial Statements were authorised for issue by the Directors of the Manager on 12 July 2018.

# Notes to and Forming Part of the Financial Statements continued

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

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

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

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

Where necessary, comparative figures have been adjusted to conform with current reporting period changes in presentation in the Financial Statements.

#### (a) Presentation

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

#### (b) Standards and amendments to existing standards effective 1 April 2017 impacting the Scheme

Amendments to New Zealand International Accounting Standards (“NZ IAS”) Statement of Cash Flows became effective for annual periods beginning on or after 1 January 2017. These amendments require an entity to provide disclosures that enable users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Adoption of these amendments did not have a material impact on the Scheme’s Financial Statements.

There are no other standards, amendments to standards or interpretations that are effective for the reporting period beginning on 1 April 2017 that have a material effect on the Financial Statements of the Scheme.

#### (c) The following new standards and amendments to existing standards are not a comprehensive list of standards and amendments not yet effective but are only those that are considered relevant to the Scheme

NZ IFRS 9 Financial Instruments (“NZ IFRS 9”) (effective for annual periods beginning on or after 1 January 2018). NZ IFRS 9 requires financial assets to be classified on the basis of the business model for managing the financial assets and 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 NZ 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. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating impairment of financial assets. The impact of adopting NZ IFRS 9, has not yet been fully assessed; however, it is not expected to have a significant impact on the Scheme’s reported result or financial position. The Scheme intends to adopt NZ IFRS 9 for its financial reporting period commencing 1 April 2018.

## 2.2 Financial instruments

### (a) Classification

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

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

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

#### Financial instruments held for trading

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



# Notes to and Forming Part of the Financial Statements continued

## 2. Summary of significant accounting policies continued

### 2.2 Financial instruments continued

#### (a) Classification continued

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

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

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

#### Loans and receivables

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

#### Other financial liabilities

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

#### Cash and cash equivalents

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

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

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

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

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Funds' investments in other funds are subject to the terms and conditions of the respective funds' offering documentation. The investments in other funds are primarily valued based on the latest available redemption price of such units for each other fund investment, as determined by the other funds' administrators. The Funds review the details of the reported information obtained from the other funds and consider: the liquidity of the other fund or its underlying investments; the value date of the net asset value provided; and restrictions on redemptions; and the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information is obtained from the other funds' advisors.

The rights of the Funds to request redemption of their investments in other funds may vary in frequency from daily to weekly redemptions. As a result, the carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Funds may be materially affected by the actions of other investors who have invested in other funds in which the Funds have invested.

If necessary, the Funds make adjustments to the net asset value of various other fund investments in order to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the Statements of Comprehensive Income include the change in fair value of each other fund.

# Notes to and Forming Part of the Financial Statements continued

## 2. Summary of significant accounting policies continued

### 2.3 Net assets attributable to members

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

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

Contributions received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed subject to the requirements of the KiwiSaver Act 2006 at the holder's option at prices based on the Funds' net asset value per unit at the time of issue or redemption. The Funds' net asset value per unit is calculated by dividing the net assets attributable to the holders of each Fund with the total number of outstanding units of each Fund. There are currently no entry or exit fees payable.

### 2.4 Revenue recognition

- (a) Interest income on assets at fair value through profit or loss is included as interest in the Statements of Changes in Net Assets on an accruals basis. Changes in fair value of such instruments are recorded in accordance with the policies described in Note 2.2.
- (b) Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded in the Statements of Changes in Net Assets available for benefits within Members' PIE tax. Unit trust distributions are recognised on a present entitlement basis.
- (c) Realised and unrealised gains and losses on investments are reflected in the Statements of Changes in Net Assets as Net gains on financial assets and financial liabilities at fair value through profit or loss. Unrealised gains or losses on investments include the change in fair value of investments held as at the reporting date. Realised gains or losses are calculated based on the gross sale proceeds and the weighted average cost of the investments sold.

### 2.5 Expenses

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

### 2.6 Income tax

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

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

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

# Notes to and Forming Part of the Financial Statements continued

## 2. Summary of significant accounting policies continued

### 2.7 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the Schemes' Financial Statements are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The functional currency for the Scheme is the New Zealand dollar, which reflects the currency in which the Funds compete for funds and are regulated. The Schemes' investors are from New Zealand, with the subscriptions and redemptions of the units denominated in New Zealand dollars. The performance of the Funds is measured in New Zealand dollars. The Manager considers the New Zealand dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Financial Statements are presented in New Zealand dollars, which is also the Schemes' presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing as at the reporting date.

Foreign exchange gains and losses resulting from translation are included in the Statements of Changes in Net Assets.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statements of Changes in Net Assets within Net foreign currency gains and losses on cash and cash equivalents.

Foreign exchange gains and losses relating to the financial assets and financial liabilities carried at fair value through profit or loss are presented in the Statements of Changes in Net Assets within Net gains and losses on financial assets and financial liabilities at fair value through profit or loss.

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

The Scheme is not registered for GST. The Statements of Changes in Net Assets and Statements of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Statements of Changes in Net Assets are stated inclusive of any GST.

---

## 3. Significant accounting estimates and judgements

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

#### Classification as an investment entity

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

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

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

- it holds more than one investment;
  - it has more than one investor; and
  - ownership interest in the Scheme is represented by units of Members' interests.
-

# Notes to and Forming Part of the Financial Statements continued

## 4. Financial risk management

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

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

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

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

### (a) Credit risk

Credit risk is the risk that a counterparty or issuer of a security will be unable to pay amounts in full when they fall due. The Funds are primarily invested in unlisted unit trusts, which are considered to have equity risk, rather than market risk, and therefore, their direct exposure to credit risk is limited to their bank account balances held with BNZ.

The Funds may be indirectly exposed to credit risk through their investments in unlisted unit trusts, which in turn, invest in direct assets such as debt instruments issued by domestic and international companies and governments.

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

### (b) Liquidity risk

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

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

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

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

### (c) Currency risk

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

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

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

# Notes to and Forming Part of the Financial Statements continued

## 4. Financial risk management continued

### (c) Currency risk continued

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

As at the reporting date, the Funds had the following exposure to foreign currency risk:

As at 31 March	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Australia (AUD)</b>														
<b>Non-monetary assets</b>														
Unlisted Unit Trusts	-	-	7,408	4,129	71,612	52,759	81,032	63,066	92,931	67,247	127,932	76,745	380,915	263,946
<b>Net Exposure to (AUD)</b>	-	-	7,408	4,129	71,612	52,759	81,032	63,066	92,931	67,247	127,932	76,745	380,915	263,946

The following table summarises the sensitivity of the Scheme's investments to changes in foreign exchange movements at 31 March. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 5% to the New Zealand dollar, with all other variables held constant. This increase or decrease in the Scheme's Profit attributable to Members and Net assets attributable to Members arises mainly from a change in the fair value of the Australian dollar unlisted unit trust investments.

At 31 March, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% with all other variables held constant, the impact on the Scheme's Profit attributable to Members and Net assets attributable to Members is disclosed below. The notional impact on PIE tax (which affects Net assets attributable to Members) has not been calculated. The Directors believe this does not have a material impact.

As at 31 March	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Exchange rates increased by 5%</b>														
<b>Australia (AUD)</b>														
<b>Non-monetary assets</b>														
Unlisted unit trusts	-	-	(353)	(197)	(3,410)	(2,512)	(3,859)	(3,003)	(4,425)	(3,202)	(6,092)	(3,655)	(18,139)	(12,569)
<b>Total impact of 5% increase in exchange rates</b>	-	-	(353)	(197)	(3,410)	(2,512)	(3,859)	(3,003)	(4,425)	(3,202)	(6,092)	(3,655)	(18,139)	(12,569)
<b>Exchange rates decreased by 5%</b>														
<b>Australia (AUD)</b>														
<b>Non-monetary assets</b>														
Unlisted unit trusts	-	-	390	217	3,769	2,777	4,265	3,319	4,891	3,539	6,733	4,039	20,048	13,891
<b>Total impact of 5% decrease in exchange rates</b>	-	-	390	217	3,769	2,777	4,265	3,319	4,891	3,539	6,733	4,039	20,048	13,891

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

### 4. Financial risk management continued

#### (d) Cash flow and fair value interest rate risk

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

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

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
As at 31 March														
+1% change	8	9	3	4	32	37	19	25	15	20	15	15	92	110
-1% change	(8)	(9)	(3)	(4)	(32)	(37)	(19)	(25)	(15)	(20)	(15)	(15)	(92)	(110)

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

#### (e) Price risk

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

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

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
As at 31 March														
+5% change	6,793	5,654	3,773	2,048	26,094	18,843	17,171	13,055	13,872	9,829	14,078	8,322	81,781	57,751
-5% change	(6,793)	(5,654)	(3,773)	(2,048)	(26,094)	(18,843)	(17,171)	(13,055)	(13,872)	(9,829)	(14,078)	(8,322)	(81,781)	(57,751)

The Funds also manage their exposure to price risk by analysing and monitoring the weighting to various investment sectors. The Scheme's policy is to concentrate the investment portfolios in sectors where the Manager believes the Funds can maximise the returns derived for the level of risk to which the respective Fund is exposed. This is achieved largely through investing into other unit trusts. A breakdown of concentrations is disclosed in Note 5.

#### (f) Fair values of financial assets and financial liabilities

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

#### (g) Fair value estimation

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

# Notes to and Forming Part of the Financial Statements continued

## 4. Financial risk management continued

### (g) Fair value estimation continued

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

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

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

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

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

All Funds primarily invest in unlisted unit trusts. The values of these underlying unit trusts are determined by the manager of the underlying unit trust, and therefore, these investments are classified as Level 2 in the fair value hierarchy. The Manager believes that the Scheme could have redeemed their investments at the net asset value per unit recognised as at the reporting date. The Scheme holds no financial assets that are classified as Level 1 or Level 3 within the fair value hierarchy. There were no transfers between any of the levels for the year ended 31 March 2018.

### (h) Capital risk management

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

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

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

The Scheme does not have any externally imposed capital requirements.

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

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

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

### 5. Financial instruments

JANA were appointed asset consultant on 1 October 2016. Russell Investments ceased to be investment advisor on that date. The Funds invest into investment products as follows:

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
As at 31 March														
<b>The Scheme invests into the following unlisted unit trusts:</b>														
AMP Capital NZ Fixed Interest PIE	-	-	1,553	-	24,014	-	22,511	-	13,873	-	7,161	-	69,112	-
Harbour NZ Core Fixed Interest WHS	-	-	1,553	-	24,008	-	22,505	-	13,869	-	7,159	-	69,094	-
JANA Multi-Manager Global Share Trust – Class A	-	-	7,408	4,129	71,612	52,759	81,032	63,066	92,931	67,247	127,932	76,745	380,915	263,946
Mint Core Equities Fund	-	-	1,235	-	11,467	-	17,583	-	21,244	-	32,810	-	84,339	-
Nikko AM Wholesale Core Equity Fund	-	-	1,231	-	11,431	-	17,528	-	21,177	-	32,706	-	84,073	-
Nikko AM Wholesale NZ Cash Fund Two	135,854	113,072	49,792	24,366	206,545	129,452	39,755	24,532	18,232	8,871	18,690	7,399	468,868	307,692
Russell Global Bond Fund Class B Fund	-	-	12,686	7,853	172,799	129,815	142,515	107,694	96,119	67,050	55,103	32,097	479,222	344,509
Russell New Zealand Shares Fund	-	-	-	2,173	-	22,588	-	28,927	-	31,968	-	40,200	-	125,856
Russell NZ Fixed Interest Fund	-	-	-	2,444	-	42,247	-	36,882	-	21,440	-	10,006	-	113,019
<b>Total</b>	<b>135,854</b>	<b>113,072</b>	<b>75,458</b>	<b>40,965</b>	<b>521,876</b>	<b>376,861</b>	<b>343,429</b>	<b>261,101</b>	<b>277,445</b>	<b>196,576</b>	<b>281,561</b>	<b>166,447</b>	<b>1,635,623</b>	<b>1,155,022</b>

### 6. Net gains on financial assets and financial liabilities at fair value through profit or loss

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
For the year ended 31 March														
Net gains on financial and liabilities designated at fair value through profit or loss	3,282	2,951	1,709	639	12,856	4,374	11,590	2,973	12,306	3,750	15,505	5,157	57,248	19,844
Net losses on financial assets and liabilities held for trading	-	-	-	(48)	-	(642)	-	(811)	-	(806)	-	(490)	-	(2,797)
<b>Net gains on financial assets and financial liabilities at fair value through profit or loss</b>	<b>3,282</b>	<b>2,951</b>	<b>1,709</b>	<b>591</b>	<b>12,856</b>	<b>3,732</b>	<b>11,590</b>	<b>2,162</b>	<b>12,306</b>	<b>2,944</b>	<b>15,505</b>	<b>4,667</b>	<b>57,248</b>	<b>17,047</b>



# Notes to and Forming Part of the Financial Statements continued

## 7. Financial instruments by category

As at 31 March	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Assets</b>														
<b>Designated at fair value through profit or loss at inception</b>														
Financial assets at fair value through profit or loss	135,854	113,072	75,458	40,965	521,876	376,860	343,429	261,101	277,445	196,576	281,561	166,446	1,635,623	1,155,020
<b>Total financial assets designated at fair value through profit or loss at inception</b>	<b>135,854</b>	<b>113,072</b>	<b>75,458</b>	<b>40,965</b>	<b>521,876</b>	<b>376,860</b>	<b>343,429</b>	<b>261,101</b>	<b>277,445</b>	<b>196,576</b>	<b>281,561</b>	<b>166,446</b>	<b>1,635,623</b>	<b>1,155,020</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>135,854</b>	<b>113,072</b>	<b>75,458</b>	<b>40,965</b>	<b>521,876</b>	<b>376,860</b>	<b>343,429</b>	<b>261,101</b>	<b>277,445</b>	<b>196,576</b>	<b>281,561</b>	<b>166,446</b>	<b>1,635,623</b>	<b>1,155,020</b>
<b>Loans and receivables</b>														
Contributions receivable	226	226	412	329	799	1,167	593	690	550	554	1,042	632	3,622	3,598
Other receivables	-	4	-	30	-	-	-	-	-	-	-	-	-	34
Management fee rebate receivable	-	-	10	8	135	126	125	115	95	87	81	67	446	403
Cash and cash equivalents	750	940	329	421	3,218	3,689	1,915	2,463	1,452	1,971	1,464	1,534	9,128	11,018
<b>Total loans and receivables</b>	<b>976</b>	<b>1,170</b>	<b>751</b>	<b>788</b>	<b>4,152</b>	<b>4,982</b>	<b>2,633</b>	<b>3,268</b>	<b>2,097</b>	<b>2,612</b>	<b>2,587</b>	<b>2,233</b>	<b>13,196</b>	<b>15,053</b>
<b>Total financial assets</b>	<b>136,830</b>	<b>114,242</b>	<b>76,209</b>	<b>41,753</b>	<b>526,028</b>	<b>381,842</b>	<b>346,062</b>	<b>264,369</b>	<b>279,542</b>	<b>199,188</b>	<b>284,148</b>	<b>168,679</b>	<b>1,648,819</b>	<b>1,170,073</b>
<b>Liabilities</b>														
<b>At amortised cost</b>														
Management fees payable	32	29	29	17	240	184	246	198	220	166	244	153	1,011	747
Redemptions payable	226	134	195	121	710	706	340	370	289	343	334	158	2,094	1,832
PIE tax payable on behalf of Members	488	441	240	90	2,543	1,389	1,763	965	1,338	661	1,062	386	7,434	3,932
Net assets attributable to Members	136,084	113,638	75,745	41,525	522,535	379,563	343,713	262,836	277,695	198,018	282,508	167,982	1,638,280	1,163,562
<b>Total financial liabilities</b>	<b>136,830</b>	<b>114,242</b>	<b>76,209</b>	<b>41,753</b>	<b>526,028</b>	<b>381,842</b>	<b>346,062</b>	<b>264,369</b>	<b>279,542</b>	<b>199,188</b>	<b>284,148</b>	<b>168,679</b>	<b>1,648,819</b>	<b>1,170,073</b>

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

### 8. Reconciliation of profit attributable to Members to net cash outflows from operating activities

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
For the year ended 31 March														
<b>Profit attributable to Members</b>	<b>2,930</b>	2,669	<b>2,228</b>	1,171	<b>21,706</b>	16,763	<b>18,940</b>	16,545	<b>17,153</b>	14,879	<b>18,342</b>	14,999	<b>81,299</b>	67,026
Proceeds from sale of financial instruments at fair value through profit or loss	<b>1,524</b>	1,734	<b>1,512</b>	4,178	<b>12,746</b>	58,020	<b>2,902</b>	80,455	<b>3,220</b>	78,593	<b>1,482</b>	86,253	<b>23,386</b>	309,233
Purchase of financial instruments at fair value through profit or loss	<b>(21,020)</b>	(20,250)	<b>(33,504)</b>	(32,728)	<b>(133,911)</b>	(157,026)	<b>(63,955)</b>	(133,685)	<b>(64,863)</b>	(119,989)	<b>(96,072)</b>	(130,762)	<b>(413,325)</b>	(594,440)
Net losses on financial assets and financial liabilities at fair value through profit or loss	<b>(3,282)</b>	(2,951)	<b>(1,709)</b>	(591)	<b>(12,856)</b>	(3,732)	<b>(11,590)</b>	(2,162)	<b>(12,306)</b>	(2,944)	<b>(15,505)</b>	(4,667)	<b>(57,248)</b>	(17,047)
Net foreign currency gains or losses on cash and cash equivalents	-	-	-	-	-	2	-	2	<b>1</b>	2	<b>2</b>	3	<b>3</b>	9
Change in other receivables	<b>1</b>	1	-	(6)	<b>(1)</b>	(35)	<b>(1)</b>	(29)	<b>1</b>	(22)	-	(24)	-	(115)
Change in management fees payable	<b>3</b>	5	<b>10</b>	12	<b>47</b>	57	<b>38</b>	54	<b>46</b>	49	<b>77</b>	56	<b>221</b>	233
<b>Non cash items:</b>														
Management fee rebates	-	-	<b>(99)</b>	(28)	<b>(1,359)</b>	(593)	<b>(1,249)</b>	(481)	<b>(958)</b>	(407)	<b>(807)</b>	(296)	<b>(4,472)</b>	(1,805)
Distribution reinvested	-	-	<b>(664)</b>	(641)	<b>(9,643)</b>	(13,491)	<b>(8,449)</b>	(15,162)	<b>(5,974)</b>	(12,677)	<b>(4,236)</b>	(11,132)	<b>(28,966)</b>	(53,103)
Brokerage fee units redeemed	-	-	<b>1</b>	-	<b>9</b>	-	<b>14</b>	-	<b>16</b>	-	<b>25</b>	-	<b>65</b>	-
Foreign withholding tax	-	-	-	-	<b>(1)</b>	(3)	<b>(1)</b>	(4)	<b>(1)</b>	(3)	<b>(1)</b>	(3)	<b>(4)</b>	(13)
	<b>(22,774)</b>	(21,461)	<b>(34,453)</b>	(29,804)	<b>(144,969)</b>	(116,801)	<b>(82,291)</b>	(71,012)	<b>(80,818)</b>	(57,398)	<b>(115,035)</b>	(60,572)	<b>(480,340)</b>	(357,048)
<b>Net cash outflows from operating activities</b>	<b>(19,844)</b>	(18,792)	<b>(32,225)</b>	(28,633)	<b>(123,263)</b>	(100,038)	<b>(63,351)</b>	(54,467)	<b>(63,665)</b>	(42,519)	<b>(96,693)</b>	(45,573)	<b>(399,041)</b>	(290,022)

### 9. Related parties

The Manager is responsible for the administration of the Scheme. The Manager is ultimately owned by BNZ. As at the reporting date, no Directors of the Manager are invested in the Scheme.

Management fees are a related party expense paid to the Manager and are shown in the Statements of Changes in Net Assets under "Management fees". Where the Funds have invested into other funds, the management fees and other in-fund costs charged to those funds are rebated and are shown under "Management fee rebates" in the Statements 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 Statements of Net Assets.

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

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

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

The Supervisor is considered a related party.

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

### 9. Related parties continued

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

#### Investments held with related parties as at the reporting date:

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
As at 31 March														
<b>The Scheme invests into the following:</b>														
JANA Multi-Manager Global Share Trust – Class A	-	-	7,408	4,129	71,612	52,759	81,032	63,066	92,931	67,247	127,932	76,745	380,915	263,946
BNZ bank account	750	940	329	421	3,218	3,689	1,915	2,463	1,452	1,971	1,464	1,534	9,128	11,018
<b>Total</b>	<b>750</b>	<b>940</b>	<b>7,737</b>	<b>4,550</b>	<b>74,830</b>	<b>56,448</b>	<b>82,947</b>	<b>65,529</b>	<b>94,383</b>	<b>69,218</b>	<b>129,396</b>	<b>78,279</b>	<b>390,043</b>	<b>274,964</b>

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
For the year ended 31 March														
<b>Income earned by the Scheme from the following investments with related parties:</b>														
JANA Multi-Manager Global Share Trust – Class A	-	-	660	26	7,760	347	9,141	413	9,769	441	11,734	502	39,064	1,729
BNZ bank account	22	29	12	10	103	96	74	78	54	63	45	52	310	328
<b>Total</b>	<b>22</b>	<b>29</b>	<b>672</b>	<b>36</b>	<b>7,863</b>	<b>443</b>	<b>9,215</b>	<b>491</b>	<b>9,823</b>	<b>504</b>	<b>11,779</b>	<b>554</b>	<b>39,374</b>	<b>2,057</b>

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

Management fee percentage per annum	0.30%	0.30%	0.50%	0.50%	0.58%	0.58%	0.90%	0.90%	1.00%	1.00%	1.10%	1.10%		
-------------------------------------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	--	--

### 10. Commitments and contingent liabilities

There were no material contingent liabilities or capital commitments as at 31 March 2018 (31 March 2017: nil).

### 11. Events occurring after the reporting date

No significant events have occurred since the reporting date which would impact the financial position of the Funds disclosed in the Statements of Net Assets as at 31 March 2018 or on the results and cash flows of the Funds for the year ended on that date.

# Independent Auditor's Report



Chartered Accountants

## Independent auditor's report to the Members of BNZ KiwiSaver Scheme

### Opinion

We have audited the financial statements of the Cash Fund, the First Home Buyer Fund, the Conservative Fund, the Moderate Fund, the Balanced Fund and the Growth Fund (each a "Fund") and the combination of those funds (the "Scheme") on pages 2 to 17, which comprise the statements of net assets of each Fund and the Scheme as at 31 March 2018, and the statements of changes in net assets and the statements of cash flows for the year then ended of each Fund and the Scheme, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 2 to 17 present fairly, in all material respects, the financial position of each Fund and the Scheme as at 31 March 2018 and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Scheme's members, as a body. Our audit has been undertaken so that we might state to Scheme's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and Scheme's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Basis for opinion

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

We are independent of the Scheme in accordance with Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Partners and employees of our firm may deal with the Scheme on normal terms within the ordinary course of trading activities of the business of the Scheme. We have no other relationship with, or interest in, the Scheme.

### Information other than the financial statements and auditor's report

The Manager of the Scheme is responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Manager's responsibilities for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-5/> and <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>. This description forms part of our auditor's report.

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

Chartered Accountants  
Auckland  
12 July 2018

---

Find out more [› bnz.co.nz](#) [› Ask in store](#)