

Private Wealth Series

For the period ended 31 March 2018

Directory

The Manager

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and Issuer of the BNZ Private Wealth Series.

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

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Statements of Comprehensive Income

For the period ended 31 March 2018

	Notes	Cash Fund For the 14 months ended 31 March 2018 \$'000	NZ Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	International Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	Australian Equity Fund For the 14 months ended 31 March 2018 \$'000	International Equity Fund For the 14 months ended 31 March 2018 \$'000
Income						
Interest income	9	47	91	333	19	583
Dividend and distribution income		-	10,957	35,305	1,404	4,194
Net foreign currency (losses)/gains on cash and cash equivalents		-	-	(2)	-	45
Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	6	2,380	2,695	(14,481)	7,957	57,542
Sundry income		-	2	4	-	-
Total income		2,427	13,745	21,159	9,380	62,364
Expenses						
Management fees	8	272	1,589	5,953	446	5,956
Management fee rebates		-	(1,562)	(4,281)	-	-
Transaction costs		-	-	28	-	154
Expense allowance		82	227	613	42	547
Total expenses		354	254	2,313	488	6,657
Operating profit		2,073	13,491	18,846	8,892	55,707
Profit for the period attributable to Scheme Participants		2,073	13,491	18,846	8,892	55,707
Total comprehensive income for the period attributable to Scheme Participants		2,073	13,491	18,846	8,892	55,707

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

Statements of Changes in Net Assets Attributable to Scheme Participants

For the period ended 31 March 2018

	Cash Fund For the 14 months ended 31 March 2018 \$'000	NZ Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	International Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	Australian Equity Fund For the 14 months ended 31 March 2018 \$'000	International Equity Fund For the 14 months ended 31 March 2018 \$'000
Net assets attributable to Scheme Participants at the beginning of the period	-	-	-	-	-
Proceeds from units issued	149,947	513,735	845,789	47,527	719,591
Redemption of units	(53,565)	(305,179)	(51,335)	(6,366)	(42,746)
Scheme Participant tax liabilities	-	-	(2)	-	(3)
Net increase from transaction in units	96,382	208,556	794,452	41,161	676,842
Total comprehensive income for the period attributable to Scheme Participants	2,073	13,491	18,846	8,892	55,707
Net assets attributable to Scheme Participants at the end of the period	98,455	222,047	813,298	50,053	732,549

	Cash Fund For the 14 months ended 31 March 2018 Units '000	NZ Fixed Interest Fund For the 14 months ended 31 March 2018 Units '000	International Fixed Interest Fund For the 14 months ended 31 March 2018 Units '000	Australian Equity Fund For the 14 months ended 31 March 2018 Units '000	International Equity Fund For the 14 months ended 31 March 2018 Units '000
Units on issue at the beginning of the period	-	-	-	-	-
Units issued	148,943	510,971	833,037	46,193	691,241
Units redeemed	(52,841)	(300,505)	(50,016)	(5,595)	(38,842)
Units on issue at the end of the period	96,102	210,466	783,021	40,598	652,399

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

Statements of Financial Position

As at 31 March 2018

	Notes	Cash Fund As at 31 March 2018 \$'000	NZ Fixed Interest Fund As at 31 March 2018 \$'000	International Fixed Interest Fund As at 31 March 2018 \$'000	Australian Equity Fund As at 31 March 2018 \$'000	International Equity Fund As at 31 March 2018 \$'000
Assets						
Cash and cash equivalents		1,962	2,570	10,374	894	7,955
Financial assets at fair value through profit or loss	5	96,544	219,469	803,352	49,248	724,410
Contributions receivable		100	141	229	-	1,188
Accrued interest		-	-	1	-	1
Management fee rebates receivable		-	158	404	-	-
Total assets		98,606	222,338	814,360	50,142	733,554
Liabilities						
Management fees payable	8	23	110	554	39	566
Expense allowance payable		7	15	55	3	50
Redemptions payable		121	166	453	47	389
Total liabilities		151	291	1,062	89	1,005
Net assets attributable to Scheme Participants		98,455	222,047	813,298	50,053	732,549

The accounting policies and other 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 12 July 2018.

For and on behalf of the Manager



Director



Director

Statements of Cash Flows

For the period ended 31 March 2018

	Notes	Cash Fund For the 14 months ended 31 March 2018 \$'000	NZ Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	International Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	Australian Equity Fund For the 14 months ended 31 March 2018 \$'000	International Equity Fund For the 14 months ended 31 March 2018 \$'000
Cash flows from operating activities						
Proceeds from the sale of financial instruments at fair value through profit or loss		48,120	307,598	246,622	3,918	142,020
Purchase of financial instruments at fair value through profit or loss		(75,954)	(74,550)	(798,557)	(10,558)	(802,082)
Net settlement of forward currency contracts		-	-	-	-	(5,684)
Net settlement on future contracts		-	-	(129)	-	3,069
Dividends and distributions received		-	2,956	-	-	3
Sundry income received		-	-	4	-	-
Interest income received		47	91	332	19	582
Transaction costs		-	-	(28)	-	(154)
Management fee rebates received		-	1,045	374	-	-
Management fees paid		(249)	(1,479)	(5,399)	(407)	(5,390)
Administration and other expenses paid		(75)	(210)	(558)	(39)	(497)
Net cash (outflows)/inflows from operating activities	10	(28,111)	235,451	(557,339)	(7,067)	(668,133)
Cash flows from financing activities						
Proceeds from units issued		83,517	71,678	614,862	14,280	718,403
Redemptions of units		(53,444)	(304,559)	(47,145)	(6,319)	(42,357)
Scheme Participants tax liabilities		-	-	(2)	-	(3)
Net cash inflows/(outflows) from financing activities		30,073	(232,881)	567,715	7,961	676,043
Net increase in cash and cash equivalents						
Cash and cash equivalents at the beginning of the period		-	-	-	-	-
Foreign exchange (losses)/gains on cash and cash equivalents denominated in foreign currencies		-	-	(2)	-	45
Cash and cash equivalents at the end of the period		1,962	2,570	10,374	894	7,955
The cash balances of the Funds comprise of:						
Cash and cash equivalents		1,962	2,570	10,374	894	7,955
		1,962	2,570	10,374	894	7,955

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 Private Wealth Series Managed Investment Scheme (the “Scheme”) which comprises the following five Funds (each a “Fund”, together the “Funds”):

- Cash Fund;
- NZ Fixed Interest Fund;
- International Fixed Interest Fund;
- Australasian Equity Fund; and the
- International Equity Fund.

These Financial Statements are for the period ended 31 March 2018. The Scheme was registered as a Managed Investment Scheme in accordance with the Financial Markets Conduct Act 2013 (“FMCA”) on 1 February 2017.

The Funds, which are separate legal entities, are open-ended investment funds domiciled in New Zealand and established under a Managed Investment Schemes Governing Document (the “Governing Document”), dated 20 December 2016. Each Fund was established on the date of registration and will terminate in accordance with the provisions of the Governing Document. All of the Funds commenced operations on 8 February 2017. The Financial Statements for the Funds are prepared for the 14 month period from the date of establishment, 8 February 2017 to 31 March 2018.

The principal activity of the Funds is investment via investments in other managed funds.

The objectives of the Funds are as follows:

- Cash Fund: The Fund seeks to provide a gross return in excess of its benchmark index, the S&P/NZX Bank Bills 90-Day Index.
- NZ Fixed Interest Fund: The Fund seeks to provide a gross return in excess of its benchmark index, the S&P/NZX Investment Grade Corporate Index and the NZX Government Bond Index (50:50 combination), over the long term.
- International Fixed Interest Fund: The Fund seeks to provide a gross return in excess of its benchmark index, the Bloomberg Barclays Global Aggregate Index (100% hedged to New Zealand dollars), over the long term.
- Australasian Equity Fund: The Fund seeks to provide a gross return in excess of its benchmark index, the S&P/NZX 50 Index (including imputation credits), over the long term.
- International Equity Fund: The Fund seeks to provide a gross return in excess of its benchmark index, the MSCI All Country Index (50% hedged to New Zealand dollars), over the long term.

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 1010, New Zealand.

1.2 Statutory base

The Funds are a Managed Investment Scheme as defined by the FMCA and are subject to the provisions of that Act.

The Financial Statements have been prepared in accordance with the requirements of the FMCA and the Governing Document.

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

Notes to and Forming Part of the Financial Statements continued

2. Summary of significant accounting policies

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.

2.1 Basis of preparation

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 Funds are profit-oriented entities. These Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”) and International Financial Reporting Standards (“IFRS”). These Financial Statements have been prepared under the historical cost method, except for financial assets and liabilities held 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 Funds’ accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 3.

The Financial Statements have been prepared for the period ended 31 March 2018.

Given that this is the first period of operations, no comparative figures are presented in these Financial Statements.

(a) Presentation

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

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

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 NZ IFRS 9 has been assessed for the Funds. Management do not foresee any significant change in the valuation or measurement methodology for any of the Funds’ financial instruments. Consequently, the impact on the Funds’ reported results or financial positions as a result of the implementation of NZ IFRS 9, is considered to be insignificant. The Funds intend to adopt NZ IFRS 9 for its reporting period commencing 1 April 2018.

2.2 Financial instruments

(a) Classification

The Funds’ financial instruments are categorised as financial assets or financial liabilities at fair value through profit or loss. This is comprised of the following:

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. Derivatives are categorised as held for trading. All derivatives in a net receivable or payable position are shown gross and reported as either derivative financial assets or derivative financial liabilities. The Funds do not designate any derivatives as hedges in a hedging relationship.

Some of the Funds entered into over-the-counter forward foreign exchange contracts and futures which have been classified as held for trading.

Financial instruments designated at fair value through profit or loss upon initial recognition

Financial instruments 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 Funds’ documented investment strategy. The Funds’ policy is for the Investment Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

The financial instruments comprise of unlisted funds and trusts.

The designation of financial instruments at fair value through profit or loss is consistent with the Funds’ risk management or investment strategy.

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

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 of interest earned that has not been paid by the end of the reporting period, contributions receivables, dividends and distributions receivables, receivables on unsettled trades, other receivables and cash and cash equivalents.

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 Funds recognise financial assets and financial liabilities on the date that they become parties to the contractual agreement (trade date). Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statements of Comprehensive Income.

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

Subsequent to initial recognition, all financial assets and financial liabilities 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 assets or financial liabilities at fair value through profit or loss category are presented in the Statements of Comprehensive Income within Net gains and losses on financial assets and financial liabilities at fair value through profit or loss in the reporting period in which they arise.

(c) Fair value estimation

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.

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets, such as publicly traded futures are based on quoted market prices at the close of trading on the reporting date. The quoted market price used by the Funds is the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

Fair value in an inactive or unquoted market

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

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 to obtain the best estimate of fair value. Other Net gains and losses in fair value on financial assets and financial liabilities at fair value through profit or loss reported 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 Scheme Participants

The Funds issue units that are redeemable at the Scheme Participants' option and have identical features, and are therefore, classified as equity. Redemption may take place at the redemption price on any business day after appropriate notice. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) as at the reporting date if the Scheme Participants exercised their right to put the units back to the Funds.

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds and any initial service fee (if any). Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the Scheme Participant's option at prices based on the Funds' net asset value per unit at the time of issue or redemption adjusted for a margin spread ranging from 0bps to 35bps for the respective Funds. The margin spreads on applications and redemptions are to cover costs associated with the transactions. The Funds' net asset value per unit is calculated by dividing the net assets attributable to the Scheme Participants of the Fund with the total number of outstanding units of the Fund. In accordance with the provisions of the Governing Document, investment positions are valued based at the appropriate market value for the purpose of determining the net asset value per unit for subscriptions and redemptions.

2.4 Investment income

Interest income

Interest earned on loans and receivables, including cash and cash equivalents is included as Interest income in the Statements of Comprehensive Income on an accruals basis.

Dividend and distribution income

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded in the Statements of Changes in Net Assets Attributable to Scheme Participants as a Scheme Participant tax liability. Trust distributions are recognised on a present entitlement basis.

Net gains and losses on financial assets and financial liabilities at fair value through profit or loss

Realised and unrealised gains and losses are reflected in the Statements of Comprehensive Income as Net gains and losses on financial assets and financial liabilities at fair value through profit or loss.

Unrealised gains or losses include the change in net market 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 Receivables

Receivables may include amounts for interest and amounts due from brokers for securities sold that have been contracted for but not yet delivered by the end of the reporting period. Receivables are initially recognised at fair value, being the amounts receivable. They are subsequently measured at amortised cost, being the initially recognised amount reduced for impairment as appropriate. Any impairment charge is recognised in the Statements of Comprehensive Income.

2.6 Payables

Payables represent liabilities and accrued expenses owed by the Funds at period end and may include related party fees and amounts due to brokers for securities purchased that have been contracted for but not yet delivered by the period end. These amounts are recognised initially at fair value and subsequently stated at amortised cost.

2.7 Expenses

All expenses, including the Funds' management fees, are recognised in the Statements of Comprehensive Income on an accruals basis.

Notes to and Forming Part of the Financial Statements continued

2. Summary of significant accounting policies continued

2.8 Foreign currency translation

(a) Functional and presentation currency

Items included in the Funds' Financial Statements are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The functional currency for the Funds is the New Zealand dollar, which reflects the currency in which the Funds compete for funds and are regulated. The Funds' 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 Funds' 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 Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statements of Comprehensive Income 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 Comprehensive Income within Net gains and losses on financial assets and financial liabilities at fair value through profit or loss.

2.9 Income tax

The Funds qualify as and have each elected to be a Portfolio Investment Entity ("PIE") for tax purposes. Under the PIE regime income is effectively taxed in the hands of the Scheme Participants, and therefore, the Funds have no income tax expense. Accordingly, no income tax expense is recognised in the Statements of Comprehensive Income. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in Scheme Participant tax liabilities in the Statements of Changes in Net Assets Attributable to Scheme Participants.

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

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

2.10 Distribution to Scheme Participants

Distributions may be made from the Funds in accordance with the terms of the Governing Document and the distribution policy for the Fund. Amounts that are not distributed, remain invested as part of the assets of the relevant Fund. Proposed distributions to Scheme Participants are recognised in the Statements of Changes in Net Assets Attributable to Scheme Participants when they are appropriately authorised and no longer at the discretion of the Funds' Manager.

Scheme Participants have the choice to automatically reinvest their distributions. The reinvestment is made on the first available ex distribution net asset value price for the relevant Fund.

2.11 Goods and services tax ("GST")

The Funds are not registered for GST. The Statements of Comprehensive Income and Statements of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Statements of Financial Position are stated inclusive of GST.

Notes to and Forming Part of the Financial Statements continued

3. Significant accounting estimates and judgements

The Manager of the Funds 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below. Estimates are continually evaluated and are based on historical experience among other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of securities not quoted in an active market

The valuation models employed use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair value of investments in other funds have been fair valued in accordance with the policies set out in Note 2.2(c).

For certain other financial instruments, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

Classification as an investment entity

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

- they obtain funds from one or more unit holders for the purpose of providing those unit holders with a managed investment product;
- they have 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 Funds measures the performance of its investments on a fair value basis.

The Funds also display the following typical characteristic associated with an investment entity: 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

4.1 Financial risk factors

The Governing Document for the Funds requires the Manager to invest the assets of each Fund in accordance with the Statement of Investment Policy and Objectives (“SIPO”), in order to manage risk. The Manager monitor the Funds’ investments on a monthly basis to ensure compliance with the SIPO. The Manager reviews the appropriateness of the Funds’ authorised investments as outlined in the SIPO on an annual basis, or more frequently if market conditions, or changes to the nature or characteristics of the authorised investments, warrant it. The Funds’ activities expose them to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price 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.

All securities investments present a risk of loss of capital. The Funds hold unlisted unit trusts where the maximum loss of capital is limited to the carrying value of those positions. The maximum loss of capital on forward foreign exchange contracts and purchased futures contracts is limited to the notional amount of currency that is contracted to be delivered under each contract.

The Funds are also indirectly exposed to risk factors such as liquidity risk, credit risk and interest rate risk via its investments underlying investment funds. However, the risk management section outlined below is not prepared on a look through basis.

In addition to internal risk management which is carried out by the Manager and the Underlying Investment Managers, financial risk is also managed by the setting of an investment policy, agreed with and monitored by the Supervisor and set out in the Funds’ SIPO.

The Manager uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

4.1.1 Market risk

(a) Price risk

The Funds are exposed to price risk due to their investments in managed funds, for which prices in the future are uncertain. The Funds manage their price risk 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 Funds’ Net assets attributable to Scheme Participants to movements in prices including the effect of movements in foreign currency exchange rates, as at 31 March. If prices for the Funds’ investments had increased or decreased by 5% with all other variables held constant, this would have had the following impact on the Statements of Comprehensive Income and Net Assets Attributable to Scheme Participants:

	Cash Fund As at 31 March 2018 \$’000	NZ Fixed Interest Fund As at 31 March 2018 \$’000	International Fixed Interest Fund As at 31 March 2018 \$’000	Australian Equity Fund As at 31 March 2018 \$’000	International Equity Fund As at 31 March 2018 \$’000
5% increase in prices	4,827	10,973	40,168	2,462	36,221
5% decrease in prices	(4,827)	(10,973)	(40,168)	(2,462)	(36,221)

(b) Foreign exchange risk

Foreign currency risk, as defined in NZ IFRS 7 Financial Instruments: Disclosures (“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 exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk.

Depending on the Funds’ respective investment strategies, the Funds may enter into foreign exchange derivatives to hedge the foreign currency risk implicit in the value of the portfolio securities denominated in foreign currency. As the nature of these contracts is to manage the international investment activities, they are accounted for by marking to market as at the reporting date in a manner consistent with the valuation of the underlying securities.

Notes to and Forming Part of the Financial Statements continued

4. Financial risk management continued

4.1 Financial risk factors continued

4.1.1 Market risk continued

(b) Foreign exchange risk continued

As at the reporting date the Fund had the following foreign currency exposures due to holdings of non-monetary assets (expressed in New Zealand dollar equivalents):

	Cash Fund As at 31 March 2018 \$'000	NZ Fixed Interest Fund As at 31 March 2018 \$'000	International Fixed Interest Fund As at 31 March 2018 \$'000	Australian Equity Fund As at 31 March 2018 \$'000	International Equity Fund As at 31 March 2018 \$'000
Non-monetary assets					
Australian dollars (AUD)	-	-	-	-	724,410

The table below summarises the impact on the Statements of Comprehensive Income and Net Assets Attributable to Scheme Participants on monetary liabilities as at the reporting date, 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 analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

	Cash Fund As at 31 March 2018 \$'000	NZ Fixed Interest Fund As at 31 March 2018 \$'000	International Fixed Interest Fund As at 31 March 2018 \$'000	Australian Equity Fund As at 31 March 2018 \$'000	International Equity Fund As at 31 March 2018 \$'000
Non-monetary assets					
Exchange rates increased by 5%	-	-	-	-	(34,496)
Exchange rates decreased by 5%	-	-	-	-	38,127

(c) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and financial liabilities and future cash flow.

The Funds hold cash and cash equivalents in New Zealand dollars that expose the Funds to cash flow interest rate risk.

The table below summarises the impact on the Statements of Comprehensive Income and Net Assets Attributable to Scheme Participants had the relevant interest rates increased or decreased by 1% as at the reporting date with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in interest rates with regard to historical volatility.

	Cash Fund As at 31 March 2018 \$'000	NZ Fixed Interest Fund As at 31 March 2018 \$'000	International Fixed Interest Fund As at 31 March 2018 \$'000	Australian Equity Fund As at 31 March 2018 \$'000	International Equity Fund As at 31 March 2018 \$'000
Increase of 1%	20	26	104	9	80
Decrease of 1%	(20)	(26)	(104)	(9)	(80)

These movements arise substantially from the cash flow variability from cash and cash equivalents.

In addition to the Funds' direct exposure to interest rate changes on the fair value of financial asset and financial liabilities and on the cash flows of cash and cash equivalents shown above, the NZ Fixed Interest Fund and the International Fixed Interest Fund are indirectly affected by the impact of interest rate changes on the earnings of their investments in Nikko Asset Management NZ Corporate Bond Fund, AMP Capital NZ Fixed Interest Fund and Russell Investments Global Fund respectively, which forms part of the Price risk sensitivity (see 4.1.1(a)). Therefore, the above sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to Scheme Participants of future movements in interest rates.

Notes to and Forming Part of the Financial Statements continued

4. Financial risk management continued

4.1 Financial risk factors continued

4.1.2 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 Bank of New Zealand (“BNZ”).

The Funds may be indirectly exposed to credit risk through their investments in unlisted unit trusts, who in turn, invest in direct assets such as debt instruments issued by domestic and international companies and governments. The NZ Fixed Interest Fund and the International Fixed Interest Fund are indirectly exposed to credit risk through their investments in the Nikko Asset Management NZ Corporate Bond Fund, AMP Capital NZ Fixed Interest Fund and Russell Investments Global Fund respectively, which forms part of the price risk sensitivity.

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.

4.1.3 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 Funds are exposed to daily redemptions of units. The liquidity policy applied by the Manager is to be fully invested in unlisted unit trusts that provide adequate liquidity. Each of the Funds also holds an allocation to cash and cash equivalents to help the Manager meet redemptions and expenses.

The required cash outflow to settle the forward currency contracts which are in a loss position as at the reporting date, will be the fair value as at 31 March 2018, if it was settled on that date. It is expected that the actual undiscounted cash flows will be different, given that the instrument is marked to market. All the open currency contracts which are in a loss position as at 31 March 2018, will mature within six months after the reporting date.

4.2 Capital risk management

The Funds’ capital is represented by the Net assets attributable to Scheme Participants. The Funds’ objective when managing capital is to provide returns for Scheme Participants through investing and to employ an established Investment Manager who manages a diversified portfolios of funds.

The minimum initial investment amount in any Fund is \$50,000, with minimum additional incremental investments of \$5,000. The minimum withdrawal amount in any Fund is \$5,000, with payments made generally within 10 business dates of receiving the redemption notice.

The Manager may suspend redemptions for up to 60 business days (or longer if agreed by the Supervisor) if the Manager determines that the withdrawal is not desirable, or would be prejudicial to the interests of Scheme Participants of any of the Funds, or would threaten the relevant Fund’s PIE status.

The Funds do not have any externally imposed capital requirements. Units may be redeemed at any month end subject to the receipt of the redemption request.

Neither the Supervisor, the Manager, or any other party guarantee the units offered by the Funds, the performance or returns of the Funds or the repayment of capital.

Notes to and Forming Part of the Financial Statements continued

4. Financial risk management continued

4.3 Fair value estimation

All financial assets and financial liabilities included in the Statements of Financial Position, are carried at amounts that represent or approximate fair value. The price used for unlisted unit trusts is the published withdrawal price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

NZ IFRS 13 Fair Value Measurement requires the Funds to classify 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).
- 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 that 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.

The following table analyses within the fair value hierarchy the Funds' financial assets and financial liabilities (by class) measured at fair value at the period end:

	Cash Fund As at 31 March 2018 \$'000	NZ Fixed Interest Fund As at 31 March 2018 \$'000	International Fixed Interest Fund As at 31 March 2018 \$'000	Australian Equity Fund As at 31 March 2018 \$'000	International Equity Fund As at 31 March 2018 \$'000
Level 2 assets					
Financial assets designated at fair value through profit or loss at inception					
Unlisted funds/trusts	96,544	219,469	803,352	49,248	724,410
Total level 2 assets	96,544	219,469	803,352	49,248	724,410
Total financial assets at fair value through profit or loss	96,544	219,469	803,352	49,248	724,410

The investments in underlying funds or trusts are not quoted in an active market. The investee funds classified in Level 2 were fair valued using the net asset value of the underlying fund, as reported by the investee fund's administrator. For the investee funds, the Manager believes the Funds could have redeemed their investments at the net asset value per unit as at the reporting date.

5. Financial assets at fair value through profit or loss

	Cash Fund As at 31 March 2018 \$'000	NZ Fixed Interest Fund As at 31 March 2018 \$'000	International Fixed Interest Fund As at 31 March 2018 \$'000	Australian Equity Fund As at 31 March 2018 \$'000	International Equity Fund As at 31 March 2018 \$'000
Designated at fair value through profit or loss at inception					
Unlisted funds/trusts	96,544	219,469	803,352	49,248	724,410
Total designated at fair value through profit or loss at inception	96,544	219,469	803,352	49,248	724,410
Total financial assets at fair value through profit or loss	96,544	219,469	803,352	49,248	724,410

Notes to and Forming Part of the Financial Statements continued

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

	Cash Fund For the 14 months ended 31 March 2018 \$'000	NZ Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	International Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	Australian Equity Fund For the 14 months ended 31 March 2018 \$'000	International Equity Fund For the 14 months ended 31 March 2018 \$'000
Net gains/(losses) on financial assets and financial liabilities designated at fair value through profit or loss	2,380	2,695	(14,320)	7,957	60,157
Net gains on financial assets and liabilities held for trading	-	-	(161)	-	(2,615)
Total net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	2,380	2,695	(14,481)	7,957	57,542

7. Financial assets and financial liabilities by category

	Cash Fund As at 31 March 2018 \$'000	NZ Fixed Interest Fund As at 31 March 2018 \$'000	International Fixed Interest Fund As at 31 March 2018 \$'000	Australian Equity Fund As at 31 March 2018 \$'000	International Equity Fund As at 31 March 2018 \$'000
Assets at fair value through profit or loss					
Financial assets held at fair value through profit or loss	96,544	219,469	803,352	49,248	724,410
Total assets at fair value through the profit or loss	96,544	219,469	803,352	49,248	724,410
Loans and receivables					
Cash and cash equivalents	1,962	2,570	10,374	894	7,955
Accrued Interest	-	-	1	-	1
Contributions receivable	100	141	229	-	1,188
Management fee rebates receivable	-	158	404	-	-
Total loans and receivables	2,062	2,869	11,008	894	9,144
Total financial assets	98,606	222,338	814,360	50,142	733,554
Other financial liabilities					
Management fees payable	23	110	554	39	566
Expense allowance payable	7	15	55	3	50
Redemptions payable	121	166	453	47	389
Total other financial liabilities	151	291	1,062	89	1,005
Total financial liabilities	151	291	1,062	89	1,005

Notes to and Forming Part of the Financial Statements continued

8. Related parties

8.1 Key management and key management personnel

BNZ Investment Services Limited is the Manager of the Funds. The Manager is ultimately owned by BNZ. National Australia Bank Limited, a licensed bank in Australia, is the ultimate parent.

In accordance with the Governing Document, management fees are calculated on the daily net asset values of the Funds and paid monthly. Management fees are a related party expense paid to the Manager and are shown in the Statements of Comprehensive Income under Management fees. Management fees payable are shown in the Statements of Financial Position.

The management fees percentage rates exclusive of GST are as follows:

	Cash Fund	NZ Fixed Interest Fund	International Fixed Interest Fund	Australian Equity Fund	International Equity Fund
Management fee rates in percentage terms	0.29	0.62	0.85	0.94	0.95

The Manager and the Supervisor, The New Zealand Guardian Trust Company Limited may charge expenses to the Funds as permitted by the Governing Document. These include the Supervisor's fees and the costs of running the Funds such as administration costs, audit expenses, regulatory compliance costs and printing and distribution expenses. These expense recoveries are shown in the Statements of Comprehensive Income under Expense allowance. Expense allowance payable is disclosed in the Statements of Financial Position.

Supervisory fees and audit fees for the period ended 31 March 2018 have been paid by the Manager on behalf of the Funds and are included within the Expense allowance.

As at 31 March 2018, no Directors of the Manager or the Supervisor held any investment interest in the Funds.

As at 31 March 2018, the Manager held no units (valued at \$nil) in any of the Funds.

8.2 Related party investments

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

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

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

	Cash Fund As at 31 March 2018 \$'000	NZ Fixed Interest Fund As at 31 March 2018 \$'000	International Fixed Interest Fund As at 31 March 2018 \$'000	Australian Equity Fund As at 31 March 2018 \$'000	International Equity Fund As at 31 March 2018 \$'000
JANA Multi-Manager Global Share Trust – Class A	-	-	-	-	724,410
BNZ bank accounts	1,962	2,570	10,374	894	7,955
	1,962	2,570	10,374	894	732,365

The total income and gains earned and losses suffered on the investments with related parties were:

	Cash Fund For the 14 months ended 31 March 2018 \$'000	NZ Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	International Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	Australian Equity Fund For the 14 months ended 31 March 2018 \$'000	International Equity Fund For the 14 months ended 31 March 2018 \$'000
JANA Multi-Manager Global Share Trust – Class A	-	-	-	-	60,157
BNZ bank accounts	47	91	333	19	583
	47	91	333	19	60,740

Notes to and Forming Part of the Financial Statements continued

9. Interest income/(expense)

	Cash Fund For the 14 months ended 31 March 2018 \$'000	NZ Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	International Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	Australian Equity Fund For the 14 months ended 31 March 2018 \$'000	International Equity Fund For the 14 months ended 31 March 2018 \$'000
Interest income was earned from the following:					
Cash and cash equivalents	47	91	333	19	583
Total net interest income	47	91	333	19	583

10. Reconciliation of operating profit to net cash (outflows)/inflows from operating activities

	Cash Fund For the 14 months ended 31 March 2018 \$'000	NZ Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	International Fixed Interest Fund For the 14 months ended 31 March 2018 \$'000	Australian Equity Fund For the 14 months ended 31 March 2018 \$'000	International Equity Fund For the 14 months ended 31 March 2018 \$'000
Operating profit	2,073	13,491	18,846	8,892	55,707
Adjustments for non-cash items					
Net unrealised changes in the fair value of financial assets & liabilities	(2,250)	(241)	14,320	(3,290)	(60,158)
Net foreign currency gains/(losses) on cash and cash equivalents	-	-	2	-	(45)
Management fee rebates received as units rather than cash	-	(359)	(3,503)	-	-
Distributions received as units rather than cash	-	(8,001)	(35,305)	(1,404)	(4,191)
	(2,250)	(8,601)	(24,486)	(4,694)	(64,394)
Movements in working capital items					
Increase in trade and other receivables	-	-	(1)	-	(1)
Increase/(decrease) in trade and other payables	30	(33)	205	42	616
(Increase)/decrease in net cost of investments	(27,964)	230,594	(551,903)	(11,307)	(660,061)
	(27,934)	230,561	(551,699)	(11,265)	(659,446)
	(30,184)	221,960	(576,185)	(15,959)	(723,840)
Net cash (outflows)/inflows from operating activities	(28,111)	235,451	(557,339)	(7,067)	(668,133)

On 7 March 2017, four of the five Funds were launched with in specie contributions along with the corresponding amount of investments in unlisted funds already held by the investors. The Cash Fund received a \$66,330,096 in specie contribution with a corresponding investment in Nikko AM Wholesale NZ Cash Fund Two. The NZ Fixed Interest Fund received a \$441,463,387 in specie contribution with corresponding investments of \$220,906,727 in AMP Capital NZ Fixed Interest PIE and \$220,556,660 in Nikko AM NZ Corporate Bond Fund. The International Fixed Interest Fund received a \$226,961,337 in specie contribution with a corresponding investment in Russell Global Bond Fund Class B. The Australian Equity Fund received a \$33,246,944 in specie contribution with a corresponding investment in Nikko AM Wholesale Core Equity Fund. The International Equity Fund had no in specie contribution.

11. Commitments and contingent liabilities

There are no material commitments or contingent liabilities as at 31 March 2018.

12. Events occurring after the reporting date

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

Independent Auditor's Report



Chartered Accountants

Independent auditor's report to the Scheme Participants of the Private Wealth Series

Opinion

We have audited the financial statements of the Cash Fund, the NZ Fixed Interest Fund, the International Fixed Interest Fund, the Australian Equity Fund and the International Equity Fund (each a "Fund", together the "Scheme") on pages 2 to 18, which comprise the statements of financial position of each Fund as at 31 March 2018, and the statements of comprehensive income, statements of changes in net assets attributable to scheme participants and the statements of cash flows for the period then ended of each Fund, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 2 to 18 present fairly, in all material respects, the financial position of each Fund as at 31 March 2018 and their financial performance and cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to each Fund's scheme participants, as separate bodies. Our audit has been undertaken so that we might state to each Fund's scheme participants 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 each Fund and each Fund's scheme participants as separate bodies, 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 Funds on normal terms within the ordinary course of trading activities of the businesses of the Funds. We have no other relationship with, or interest in, the Funds.

Information other than the financial statements and auditor's report

The Manager of the Funds 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 each Fund'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 a Fund 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-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

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