

# BNZ KiwiSaver Scheme Financial Statements

For the year ended 31 March 2019



# Directory

## **The Manager**

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

Telephone: 0800 269 5494

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 29 July 2019:

Richard Ansell

Hayley Cassidy

Richard Morath

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	15

# Statements of Changes in Net Assets

For the year ended 31 March 2019

	Notes	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
For the year ended 31 March															
<b>Investment activities</b>															
Interest income on financial assets at amortised cost		21	22	15	12	82	103	55	74	47	54	53	45	273	310
Dividends and distribution income		-	-	420	664	4,093	9,644	4,468	8,450	4,559	5,975	6,019	4,237	19,559	28,970
Net gains on financial assets at fair value through profit or loss		3,838	3,282	3,464	1,709	22,766	12,856	18,538	11,590	17,679	12,306	22,278	15,505	88,563	57,248
Net foreign currency gains/(losses) on cash and cash equivalents		-	-	-	-	2	-	-	-	-	(1)	-	(2)	2	(3)
<b>Net investment income</b>		<b>3,859</b>	<b>3,304</b>	<b>3,899</b>	<b>2,385</b>	<b>26,943</b>	<b>22,603</b>	<b>23,061</b>	<b>20,114</b>	<b>22,285</b>	<b>18,334</b>	<b>28,350</b>	<b>19,785</b>	<b>108,397</b>	<b>86,525</b>
<b>Expenses</b>															
Management fees	7	441	374	500	285	3,426	2,627	3,466	2,765	3,222	2,403	3,919	2,487	14,974	10,941
Management fee rebates		-	-	(57)	(129)	(724)	(1,739)	(620)	(1,605)	(415)	(1,238)	(248)	(1,069)	(2,064)	(5,780)
Transaction costs		-	-	-	1	-	9	-	14	-	16	-	25	-	65
<b>Total expenses</b>		<b>441</b>	<b>374</b>	<b>443</b>	<b>157</b>	<b>2,702</b>	<b>897</b>	<b>2,846</b>	<b>1,174</b>	<b>2,807</b>	<b>1,181</b>	<b>3,671</b>	<b>1,443</b>	<b>12,910</b>	<b>5,226</b>
<b>Profit attributable to Members</b>		<b>3,418</b>	<b>2,930</b>	<b>3,456</b>	<b>2,228</b>	<b>24,241</b>	<b>21,706</b>	<b>20,215</b>	<b>18,940</b>	<b>19,478</b>	<b>17,153</b>	<b>24,679</b>	<b>18,342</b>	<b>95,487</b>	<b>81,299</b>
<b>Membership activities</b>															
<b>Opening 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>Contributions in the Scheme</b>															
Members' contributions		13,965	12,589	14,493	8,707	72,570	62,396	40,700	33,898	35,477	28,178	42,700	27,076	219,905	172,844
Employers' contributions		7,563	7,148	8,121	5,043	40,684	35,946	19,162	17,157	15,840	12,936	20,204	12,792	111,574	91,022
Crown contributions		24	8	60	38	88	51	45	23	34	8	20	23	271	151
Transfers in from other scheme providers		10,016	12,619	31,708	25,511	74,258	76,702	33,617	38,897	39,089	38,062	63,289	48,488	251,977	240,279
Member tax credits		3,459	3,304	3,227	1,948	15,788	13,369	7,769	6,925	5,827	4,830	7,042	4,500	43,112	34,876
<b>Total contributions in the Scheme</b>		<b>35,027</b>	<b>35,668</b>	<b>57,609</b>	<b>41,247</b>	<b>203,388</b>	<b>188,464</b>	<b>101,293</b>	<b>96,900</b>	<b>96,267</b>	<b>84,014</b>	<b>133,255</b>	<b>92,879</b>	<b>626,839</b>	<b>539,172</b>
<b>Benefits paid from the Scheme</b>															
Transfers out to other scheme providers		(5,804)	(5,866)	(6,097)	(4,329)	(30,622)	(28,629)	(15,339)	(12,638)	(13,849)	(11,270)	(20,987)	(12,333)	(92,698)	(75,065)
Retirement		(5,236)	(2,918)	(260)	(67)	(9,871)	(4,869)	(3,075)	(1,810)	(1,987)	(1,040)	(1,088)	(492)	(21,517)	(11,196)
Death and disability		(310)	(545)	(147)	(113)	(1,076)	(953)	(836)	(426)	(241)	(330)	(479)	(112)	(3,089)	(2,479)
First home		(6,046)	(3,551)	(12,911)	(5,334)	(16,393)	(10,937)	(10,857)	(8,322)	(7,167)	(5,263)	(8,636)	(5,189)	(62,010)	(38,596)
Hardship		(887)	(867)	(741)	(458)	(2,846)	(2,272)	(1,384)	(1,220)	(896)	(613)	(1,205)	(690)	(7,959)	(6,120)
Other permitted withdrawals		(307)	(137)	(81)	(15)	(611)	(405)	(507)	(509)	(339)	(148)	(697)	(324)	(2,542)	(1,538)
<b>Total benefits paid from the Scheme</b>		<b>(18,590)</b>	<b>(13,884)</b>	<b>(20,237)</b>	<b>(10,316)</b>	<b>(61,419)</b>	<b>(48,065)</b>	<b>(31,998)</b>	<b>(24,925)</b>	<b>(24,479)</b>	<b>(18,664)</b>	<b>(33,092)</b>	<b>(19,140)</b>	<b>(189,815)</b>	<b>(134,994)</b>
<b>Switches within the BNZ KiwiSaver Scheme</b>															
Switches in from other BNZ KiwiSaver Funds		8,937	3,592	11,168	4,224	11,280	5,970	10,207	5,609	17,902	11,467	37,147	29,704	96,641	60,566
Switches out to other BNZ KiwiSaver Funds		(5,966)	(5,063)	(3,817)	(2,743)	(39,133)	(21,220)	(16,321)	(13,262)	(16,614)	(12,518)	(14,790)	(5,760)	(96,641)	(60,566)
<b>Total switches within the BNZ KiwiSaver Scheme</b>		<b>2,971</b>	<b>(1,471)</b>	<b>7,351</b>	<b>1,481</b>	<b>(27,853)</b>	<b>(15,250)</b>	<b>(6,114)</b>	<b>(7,653)</b>	<b>1,288</b>	<b>(1,051)</b>	<b>22,357</b>	<b>23,944</b>	<b>-</b>	<b>-</b>
<b>Other Member movements</b>															
Members' administration fee		(282)	(274)	(240)	(150)	(1,285)	(1,126)	(533)	(497)	(405)	(348)	(541)	(383)	(3,286)	(2,778)
Members' PIE tax		(614)	(523)	(492)	(270)	(3,632)	(2,757)	(2,459)	(1,888)	(2,054)	(1,427)	(1,977)	(1,116)	(11,228)	(7,981)
<b>Total other Member movements</b>		<b>(896)</b>	<b>(797)</b>	<b>(732)</b>	<b>(420)</b>	<b>(4,917)</b>	<b>(3,883)</b>	<b>(2,992)</b>	<b>(2,385)</b>	<b>(2,459)</b>	<b>(1,775)</b>	<b>(2,518)</b>	<b>(1,499)</b>	<b>(14,514)</b>	<b>(10,759)</b>
<b>Net benefits accrued to Members</b>		<b>21,930</b>	<b>22,446</b>	<b>47,447</b>	<b>34,220</b>	<b>133,440</b>	<b>142,972</b>	<b>80,404</b>	<b>80,877</b>	<b>90,095</b>	<b>79,677</b>	<b>144,681</b>	<b>114,526</b>	<b>517,997</b>	<b>474,718</b>
<b>Closing net assets available for benefits</b>		<b>158,014</b>	<b>136,084</b>	<b>123,192</b>	<b>75,745</b>	<b>655,975</b>	<b>522,535</b>	<b>424,117</b>	<b>343,713</b>	<b>367,790</b>	<b>277,695</b>	<b>427,189</b>	<b>282,508</b>	<b>2,156,277</b>	<b>1,638,280</b>
<b>Units on issue (Units in thousands)</b>															
<b>Balance at the beginning 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>
Contributions - units		38,330	34,680	62,417	41,812	164,746	153,203	79,820	76,131	76,807	66,902	105,959	80,840	528,079	453,568
Withdrawals - units		(22,454)	(17,536)	(23,420)	(12,624)	(81,896)	(57,964)	(37,234)	(30,331)	(29,923)	(23,178)	(32,023)	(17,626)	(226,950)	(159,259)
<b>Balance at the end of the year</b>		<b>133,979</b>	<b>118,103</b>	<b>107,134</b>	<b>68,137</b>	<b>485,802</b>	<b>402,952</b>	<b>290,967</b>	<b>248,381</b>	<b>236,615</b>	<b>189,731</b>	<b>255,038</b>	<b>181,102</b>	<b>1,509,535</b>	<b>1,208,406</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 2019

As at 31 March	Notes	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Financial assets</b>															
Cash and cash equivalents		1,041	750	1,244	329	4,626	3,218	2,419	1,915	2,169	1,452	3,274	1,464	14,773	9,128
Financial assets at fair value through profit or loss	5	157,410	135,854	122,234	75,458	654,091	521,876	424,032	343,429	367,624	277,445	425,762	281,561	2,151,153	1,635,623
Management fee rebates receivable	7	-	-	5	10	61	135	55	125	36	95	21	81	178	446
Contributions receivable		377	226	602	412	1,959	799	787	593	635	550	1,124	1,042	5,484	3,622
<b>Total financial assets</b>		<b>158,828</b>	136,830	<b>124,085</b>	76,209	<b>660,737</b>	526,028	<b>427,293</b>	346,062	<b>370,464</b>	279,542	<b>430,181</b>	284,148	<b>2,171,588</b>	1,648,819
<b>Financial liabilities</b>															
Management fees payable	7	38	32	48	29	300	240	301	246	288	220	366	244	1,341	1,011
Redemptions payable		207	226	394	195	994	710	490	340	394	289	734	334	3,213	2,094
PIE tax payable on behalf of Members		569	488	451	240	3,468	2,543	2,385	1,763	1,992	1,338	1,892	1,062	10,757	7,434
<b>Total financial liabilities (excluding net assets attributable to Members)</b>		<b>814</b>	746	<b>893</b>	464	<b>4,762</b>	3,493	<b>3,176</b>	2,349	<b>2,674</b>	1,847	<b>2,992</b>	1,640	<b>15,311</b>	10,539
<b>Net assets available for benefits</b>		<b>158,014</b>	136,084	<b>123,192</b>	75,745	<b>655,975</b>	522,535	<b>424,117</b>	343,713	<b>367,790</b>	277,695	<b>427,189</b>	282,508	<b>2,156,277</b>	1,638,280
<b>Represented by:</b>															
<b>Net assets attributable to Members</b>		<b>158,014</b>	136,084	<b>123,192</b>	75,745	<b>655,975</b>	522,535	<b>424,117</b>	343,713	<b>367,790</b>	277,695	<b>427,189</b>	282,508	<b>2,156,277</b>	1,638,280

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 29 July 2019.

For and on behalf of the Manager

Director 

Director 

# Statements of Cash Flows

For the year ended 31 March 2019

	Notes	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
For the year ended 31 March															
<b>Cash inflows/(outflows) from operating activities</b>															
Cash was provided from:															
Proceeds from sale of financial instruments held at fair value through profit or loss		344	1,524	16,023	1,512	190,335	12,746	152,596	2,902	104,264	3,220	64,972	1,482	528,534	23,386
Interest income		21	22	15	12	82	102	55	73	47	54	53	45	273	308
Dividend and distribution income		-	-	-	-	2	-	2	-	3	-	4	-	11	-
Other income		-	-	-	-	3	-	4	-	5	-	8	-	20	-
Cash was applied to:															
Purchase of financial instruments held at fair value through profit or loss	6	(18,062)	(21,020)	(58,866)	(33,504)	(295,047)	(133,911)	(209,646)	(63,955)	(171,846)	(64,863)	(180,671)	(96,072)	(934,138)	(413,325)
Operating expenses		(435)	(370)	(468)	(245)	(3,216)	(2,200)	(3,273)	(2,371)	(3,048)	(2,076)	(3,706)	(2,148)	(14,146)	(9,410)
<b>Net cash inflows/(outflows) from operating activities</b>	6	<b>(18,132)</b>	<b>(19,844)</b>	<b>(43,296)</b>	<b>(32,225)</b>	<b>(107,841)</b>	<b>(123,263)</b>	<b>(60,262)</b>	<b>(63,351)</b>	<b>(70,575)</b>	<b>(63,665)</b>	<b>(119,340)</b>	<b>(96,693)</b>	<b>(419,446)</b>	<b>(399,041)</b>
<b>Cash flows from financing activities</b>															
Cash was provided from:															
Contributions		45,238	39,260	70,790	45,387	218,301	194,803	114,033	102,607	116,521	95,484	172,779	122,172	737,662	599,713
Cash was applied to:															
Benefits paid		(26,281)	(19,130)	(26,297)	(13,135)	(106,346)	(70,408)	(51,430)	(38,714)	(43,830)	(31,586)	(50,483)	(25,107)	(304,667)	(198,080)
Members' PIE tax		(534)	(476)	(282)	(119)	(2,708)	(1,603)	(1,837)	(1,090)	(1,399)	(751)	(1,146)	(440)	(7,906)	(4,479)
<b>Net cash flows from financing activities</b>		<b>18,423</b>	<b>19,654</b>	<b>44,211</b>	<b>32,133</b>	<b>109,247</b>	<b>122,792</b>	<b>60,766</b>	<b>62,803</b>	<b>71,292</b>	<b>63,147</b>	<b>121,150</b>	<b>96,625</b>	<b>425,089</b>	<b>397,154</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>291</b>	<b>(190)</b>	<b>915</b>	<b>(92)</b>	<b>1,406</b>	<b>(471)</b>	<b>504</b>	<b>(548)</b>	<b>717</b>	<b>(518)</b>	<b>1,810</b>	<b>(68)</b>	<b>5,643</b>	<b>(1,887)</b>
Cash and cash equivalents at the beginning of the year		750	940	329	421	3,218	3,689	1,915	2,463	1,452	1,971	1,464	1,534	9,128	11,018
Effect of exchange rate fluctuations		-	-	-	-	2	-	-	-	-	(1)	-	(2)	2	(3)
<b>Cash and cash equivalents at the end of the year</b>		<b>1,041</b>	<b>750</b>	<b>1,244</b>	<b>329</b>	<b>4,626</b>	<b>3,218</b>	<b>2,419</b>	<b>1,915</b>	<b>2,169</b>	<b>1,452</b>	<b>3,274</b>	<b>1,464</b>	<b>14,773</b>	<b>9,128</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 2019

## 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 (the “Manager”) and The New Zealand Guardian Trust Company Limited, dated 8 January 2013. The Scheme was registered under the KiwiSaver Act 2006 (the “KiwiSaver Act”) 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 a KiwiSaver Scheme Governing Deed (“Governing Document”) in order to comply with the requirements of the Financial Markets Conduct Act 2013 (“FMCA”), the KiwiSaver Act 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 2019 and comparative periods have been prepared for the year ended 31 March 2018.

The Scheme’s investment activities are managed by the Manager. The Manager is a wholly owned subsidiary of Bank of New Zealand (“BNZ”) incorporated in New Zealand, who in turn is wholly owned by National Australia Bank Limited, a licensed bank in Australia. 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.

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

The Financial Statements were authorised for issue by the Directors of the Manager on 29 July 2019.

# 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 Equivalent to International Financial Reporting Standards (“NZ IFRS”), and other applicable International Financial Reporting Standards (“IFRS”). These Financial Statements have been prepared under the historical cost method except for financial assets and financial liabilities measured at fair value through profit or loss.

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) New standards and amendments

The Funds have adopted NZ IFRS 9 Financial Instruments (“NZ IFRS 9”) for the first time for the year commencing 1 April 2018. The adoption of NZ IFRS 9 has been applied retrospectively and did not result in a significant change to the classification or measurement of financial instruments in either the current or prior reporting period. The Funds hold instruments which had previously been designated as fair value through profit or loss or held for trading. On adoption of NZ IFRS 9, these instruments are now mandatorily classified as fair value through profit or loss; there are no changes to the measurement of these securities. The Funds also hold instruments which were classified as loans and receivables. On adoption of NZ IFRS 9, these securities are now classified as financial assets at amortised cost. With the adoption of IFRS 9, there were no changes to the measurement of these instruments other than a change to the impairment calculation. With the introduction of NZ IFRS 9, the Funds are now applying expected credit loss provisioning since initial recognition of these instruments. Prior to the adoption of IFRS 9, the carrying amounts of the financial assets at amortised cost were reviewed as at each reporting date for objective evidence of impairment. As explained in Note 4(a), there was also no impact from the application of new impairment rules as the instruments held have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. The disclosures in these Financial Statements have been prepared in accordance with NZ IFRS 9.

NZ IFRS 15 Revenue from Contracts with Customers is effective for the year commencing 1 April 2018. All income streams associated with the Funds are derived from financial instruments and other contractual rights and obligations within the scope of NZ IFRS 9, and therefore, the Funds are exempt from this standard.

There are no other standards or amendments to existing standards that are effective for the year commencing on 1 April 2018 that have a material effect on the Financial Statements of the Scheme.

### 2.2 Financial instruments

Scheme’s financial assets and financial liabilities, at initial recognition, are classified as subsequently measured at fair value through profit or loss or amortised cost.

**Financial assets at fair value through profit or loss** comprise of unlisted funds that are mandatorily required to be measured at fair value under NZ IFRS 9.

**Financial assets at amortised cost** comprise of:

- (a) **Cash and cash equivalents** include cash in hand and deposits held at call with banks, denominated in New Zealand dollars and in foreign currencies.
- (b) **Receivables** are amounts representing assets owing to the Funds and may include amounts due for management fee rebates receivables and contribution receivables.

**Financial liabilities at amortised cost** comprise **Payables** including management fees payables, redemptions payable and tax.

The Funds recognise financial assets and financial liabilities on the date they become parties to the contractual agreement. Financial assets and financial liabilities are initially recognised at fair value plus or minus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs directly attributable to their acquisition or issue. Transaction costs are expensed as incurred in the Statements of Changes in Net Assets. Subsequent to initial recognition, all financial assets held at fair value through profit or loss are measured at fair value with gains or losses are recognised in the Statements of Changes in Net Assets. 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. Any gain or loss arising on the derecognition of the financial asset held at fair value through profit or loss is included in the Statements of Changes in Net Assets in the reporting period that the item is derecognised.



# Notes to and Forming Part of the Financial Statements continued

## 2. Summary of significant accounting policies continued

### 2.2 Financial instruments continued

All financial assets and financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method less any impairment. Any impairment charge is recognised in the Statements of Changes in Net Assets. Financial assets at amortised cost 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. Financial liabilities at amortised cost are 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 Changes in Net Assets include the change in fair value of each other fund.

### 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 as at the reporting date. The Funds issue units that are redeemable subject to the requirements of the KiwiSaver Act and the Governing Document 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 reporting 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 at the Members' 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 Members of each Fund with the total number of outstanding units of each Fund. There are currently no entry or exit fees payable.

### 2.4 Investment income recognition

- (a) Interest income at amortised cost 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 within Members' PIE tax. Unlisted 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 recorded as Net gains/(losses) on financial assets 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.

# Notes to and Forming Part of the Financial Statements continued

## 2. Summary of significant accounting policies continued

### 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.

### 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’ Members 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 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 or losses resulting from translation are included in the Statements of Changes in Net Assets.

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

Foreign exchange gains or 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/(losses) on financial assets 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 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 Members for the purpose of providing those Members with a managed investment product;
- it has committed to its Members 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/Member; 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 Statement of Investment Policy and Objections (“SIPO”) investment guidelines, as notified to the Supervisor from time to time. The Manager monitors 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 change, or changes to the nature or characteristics of the authorised investments warrant it.

The Scheme is exposed to 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. Further information of the risks that investors are exposed to are set out in the BNZ KiwiSaver Product Disclosure Statement and Other Material Information, available on [www.bnz.co.nz](http://www.bnz.co.nz).

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

The Funds are also indirectly exposed to risk factors such as liquidity risk, credit risk, currency risk and interest rate risk via their investments in the underlying investment funds. However, under NZ IFRS, the risk section outlined below is not prepared on a look through basis. This means the explanation of risks is limited to the Fund’s direct investments and does not take account of the specific risks in the underlying investment funds.

The various types of direct 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 (known as default risk). The Funds are primarily invested in unlisted unit trusts. As such, their direct exposure to credit risk is limited to their bank account balances held with BNZ.

The Scheme is indirectly exposed to credit risk through its 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 Scheme is indirectly exposed to credit risk through its investments in Mint Core Equities Fund, Nikko Asset Management Wholesale Core Equity Fund, Nikko Asset Management Wholesale NZ Cash Fund Two, AMP Capital NZ Fixed Interest Fund, Harbour NZ Core Fixed Interest Fund, JANA Multi-Manager Global Share Trust and Russell Global Bond Fund respectively, the exposure to which, forms part of the price risk sensitivity.

Limits are set for the management of counterparty risk by the Scheme 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 within the Scheme has no significant concentration of credit risk. The Scheme’s 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.

The Scheme measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. By ensuring the significant majority of its fixed interest investments in the underlying investment funds are held in Investment Grade securities, Management consider default risk to be very low. As a result, no loss allowance has been recognised based on expected credit losses as any such impairment would be wholly insignificant to the Fund.

### (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.

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 to match the Scheme’s 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. Each of the Funds also holds an allocation to cash and cash equivalents to help the Manager meet redemptions and expenses.

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.

# Notes to and Forming Part of the Financial Statements continued

## 4. Financial risk management continued

### (c) Foreign exchange risk

Foreign currency risk, as defined in NZ IFRS 7 Financial Instruments: Disclosure (“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 (investments into Australian unit trusts) to be a component of market price risk (which forms part of the Price risk sensitivity (see Note 4(e)) not foreign currency risk.

In accordance with the NZ IFRS 7 definition, the Scheme held no direct monetary assets denominated in foreign currency as at the reporting period owing to the fact that it invested into Australian unit trusts.

As such, the Scheme is indirectly exposed to foreign exchange risk when an underlying investment fund (non-monetary asset) has investments that are denominated in a foreign currency (other than the currency of the underlying fund). At the reporting date, the Scheme had the following foreign exchange exposures due to the holding of Australian non-monetary assets.

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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Australian exposure (converted to NZD)</b>														
<b>Non-monetary assets</b>														
Unlisted unit trusts	-	-	12,452	7,408	92,718	71,612	101,970	81,032	124,397	92,931	194,043	127,932	525,580	380,915
<b>Net exposure</b>	-	-	12,452	7,408	92,718	71,612	101,970	81,032	124,397	92,931	194,043	127,932	525,580	380,915

The following table summarises the sensitivity of the Scheme’s Profit attributable to Members and Net Asset Attributable to Members to changes in the AUD rate movements as at the reporting date. The analysis is based on the assumptions that the AUD rate increased or decreased by 5%, with all other variables held constant. This increase or decrease in profit in the Scheme’s Profit attributable to Members and Net assets attributable to Members of the Scheme arises mainly from a change in the fair value of the Australian dollar unlisted unit trust investments. There is further foreign exchange risk from the Scheme’s investment in these Australian dollar unlisted unit trust investments. This risk is captured in Price risk sensitivity (see Note 4(e)). The analysis is based on the Managers best estimate of a reasonable possible shift in exchange rates with regards to historical volatility.

As at 31 March	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Exchange rates increased by 5%	-	-	(593)	(353)	(4,415)	(3,410)	(4,856)	(3,859)	(5,924)	(4,425)	(9,240)	(6,092)	(25,028)	(18,139)
Exchange rates decreased by 5%	-	-	655	390	4,880	3,769	5,367	4,265	6,547	4,891	10,213	6,733	27,662	20,048

## 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 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. In addition to interest rate risk on indirect fixed interest investments which is captured in Price risk sensitivity (see Note 4(e)), the Scheme's direct holdings of cash and cash equivalents in New Zealand dollars exposes the Scheme to cash flow interest rate risk.

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 on these direct holdings 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
As at 31 March														
Interest rate increased by 1%	10	8	12	3	46	32	24	19	22	15	33	15	147	92
Interest rate decreased by 1%	(10)	(8)	(12)	(3)	(46)	(32)	(24)	(19)	(22)	(15)	(33)	(15)	(147)	(92)

In addition to the Scheme's 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 Scheme is indirectly affected by the impact of interest rate changes on the value of their investments in Nikko AM Wholesale NZ Cash Fund Two, Harbour NZ Core Fixed Interest Fund, AMP Capital NZ Fixed Interest Fund and Russell Global Bond Fund respectively. These indirect exposures, form part of the Price risk sensitivity (see Note 4(e)). Therefore, the above sensitivity analysis does not fully indicate the total effect on the Fund's Net assets attributable to Scheme Participants of future movements in interest rates.

#### (e) Price risk

The Funds are exposed to price risk due to their investments in unlisted unit trusts, for which prices in the future are uncertain. This risk includes, but is not limited to, indirect foreign currency exposure, indirect interest rate exposure, and indirect valuation exposure. 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 Scheme's Profit attributable to Members and Net assets attributable to Members to price movements of non-monetary assets as at the reporting date (units in unlisted unit trusts). The analysis is based on a price movement 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 or decreased the Schemes' 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
As at 31 March														
Price increased by 5%	7,871	6,793	6,112	3,773	32,705	26,094	21,202	17,171	18,381	13,872	21,288	14,078	107,559	81,781
Price decreased by 5%	(7,871)	(6,793)	(6,112)	(3,773)	(32,705)	(26,094)	(21,202)	(17,171)	(18,381)	(13,872)	(21,288)	(14,078)	(107,559)	(81,781)

The Funds also manage their exposure to price risk by analysing and monitoring and adjusting where necessary the weighting to various investment sectors within investment management guidelines. 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.

# Notes to and Forming Part of the Financial Statements continued

## 4. Financial risk management continued

### (f) 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 reporting 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 financial 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 as at each reporting 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.

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 (i.e. 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) (i.e. Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (i.e. 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 2019 (year ended 31 March 2018: Nil).

Due to the short-term nature of the financial assets and liabilities at amortised costs, the carrying amount of these financial instruments approximates their fair value.

### (g) 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 via the inland Revenue Department in the form of annual Government Contributions. 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 accounting records in respect of each Fund.

# Notes to and Forming Part of the Financial Statements continued

## 5. Financial assets at fair value through profit or loss

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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
As at 31 March														
<b>The Scheme invests into the following unlisted unit trusts:</b>														
AMP Capital NZ Fixed Interest Fund	-	-	2,556	1,553	30,604	24,014	27,952	22,511	18,360	13,873	10,649	7,161	90,121	69,112
Harbour NZ Core Fixed Interest Wholesale Fund	-	-	2,534	1,553	30,319	24,008	27,689	22,505	18,192	13,869	10,554	7,159	89,288	69,094
JANA Multi-Manager Global Share Trust – Class A Fund	-	-	12,452	7,408	92,718	71,612	101,970	81,032	124,397	92,931	194,043	127,932	525,580	380,915
Mint Core Equities Fund	-	-	2,170	1,235	15,895	11,467	23,983	17,583	30,738	21,244	53,317	32,810	126,103	84,339
Nikko AM Wholesale Core Equity Fund	-	-	2,046	1,231	14,928	11,431	22,519	17,528	28,898	21,177	50,187	32,706	118,578	84,073
Nikko AM Wholesale NZ Cash Fund Two	157,410	135,854	79,783	49,792	254,519	206,545	47,759	39,755	23,508	18,232	27,316	18,690	590,295	468,868
Russell Global Bond Fund Class B Fund	-	-	-	12,686	-	172,799	-	142,515	-	96,119	-	55,103	-	479,222
Russell Global Bond Fund Class D Fund	-	-	20,693	-	215,108	-	172,160	-	123,531	-	79,696	-	611,188	-
<b>Total financial assets at fair value through profit or loss</b>	<b>157,410</b>	<b>135,854</b>	<b>122,234</b>	<b>75,458</b>	<b>654,091</b>	<b>521,876</b>	<b>424,032</b>	<b>343,429</b>	<b>367,624</b>	<b>277,445</b>	<b>425,762</b>	<b>281,561</b>	<b>2,151,153</b>	<b>1,635,623</b>

## 6. Reconciliation of profit attributable to Members to net cash inflows/(outflows) from operating activities

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
For the year ended 31 March														
<b>Profit attributable to Members</b>	<b>3,418</b>	<b>2,930</b>	<b>3,456</b>	<b>2,228</b>	<b>24,241</b>	<b>21,706</b>	<b>20,215</b>	<b>18,940</b>	<b>19,478</b>	<b>17,153</b>	<b>24,679</b>	<b>18,342</b>	<b>95,487</b>	<b>81,299</b>
Proceeds from sale of financial instruments held at fair value through profit or loss	344	1,524	16,023	1,512	190,335	12,746	152,596	2,902	104,264	3,220	64,972	1,482	528,534	23,386
Purchase of financial instruments held at fair value through profit or loss	(18,062)	(21,020)	(58,866)	(33,504)	(295,047)	(133,911)	(209,646)	(63,955)	(171,846)	(64,863)	(180,671)	(96,072)	(934,138)	(413,325)
Net losses on financial assets and financial liabilities at fair value through profit or loss	(3,838)	(3,282)	(3,464)	(1,709)	(22,766)	(12,856)	(18,538)	(11,590)	(17,679)	(12,306)	(22,278)	(15,505)	(88,563)	(57,248)
Net foreign currency (losses)/gains on cash and cash equivalents	-	-	-	-	(2)	-	-	-	-	1	-	2	(2)	3
Change in other receivables	-	1	(1)	-	-	(1)	-	(1)	-	1	(1)	-	(2)	-
Change in management fees payable	6	3	24	10	134	47	125	38	127	46	182	77	598	221
<b>Non-cash items</b>														
Management fee rebates	-	-	(49)	(99)	(645)	(1,359)	(548)	(1,249)	(363)	(958)	(208)	(807)	(1,813)	(4,472)
Distribution reinvested	-	-	(419)	(664)	(4,089)	(9,643)	(4,464)	(8,449)	(4,553)	(5,974)	(6,011)	(4,236)	(19,536)	(28,966)
Brokerage fee units redeemed	-	-	-	1	-	9	-	14	-	16	-	25	-	65
Foreign withholding tax	-	-	-	-	(2)	(1)	(2)	(1)	(3)	(1)	(4)	(1)	(11)	(4)
<b>Net cash inflows/(outflows) from operating activities</b>	<b>(18,132)</b>	<b>(19,844)</b>	<b>(43,296)</b>	<b>(32,225)</b>	<b>(107,841)</b>	<b>(123,263)</b>	<b>(60,262)</b>	<b>(63,351)</b>	<b>(70,575)</b>	<b>(63,665)</b>	<b>(119,340)</b>	<b>(96,693)</b>	<b>(419,446)</b>	<b>(399,041)</b>

# Notes to and Forming Part of the Financial Statements continued

## 7. Related parties

### General

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 were 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 Statement of Changes in Net Assets. Management fee rebates are mainly settled by the allocation of additional units in the underlying investments. Management fees payable and Management fee rebates receivable are shown in the 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.

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

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund	
Management fee percentage per annum	<b>0.30%</b>	0.30%	<b>0.50%</b>	0.50%	<b>0.58%</b>	0.58%	<b>0.90%</b>	0.90%	<b>1.00%</b>	1.00%	<b>1.10%</b>	1.10%

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.

### Related party investments

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		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
As at 31 March	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Investments held as at 31 March</b>														
JANA Multi-Manager Global Share Trust – Class A	-	-	<b>12,452</b>	7,408	<b>92,718</b>	71,612	<b>101,970</b>	81,032	<b>124,397</b>	92,931	<b>194,043</b>	127,932	<b>525,580</b>	380,915
BNZ bank account	<b>1,041</b>	750	<b>1,244</b>	329	<b>4,626</b>	3,218	<b>2,419</b>	1,915	<b>2,169</b>	1,452	<b>3,274</b>	1,464	<b>14,773</b>	9,128
<b>Total</b>	<b>1,041</b>	750	<b>13,696</b>	7,737	<b>97,344</b>	74,830	<b>104,389</b>	82,947	<b>126,566</b>	94,383	<b>197,317</b>	129,396	<b>540,353</b>	390,043
<b>Income from the investments held for the year ended 31 March</b>														
JANA Multi-Manager Global Share Trust – Class A	-	-	<b>772</b>	660	<b>6,538</b>	7,760	<b>7,347</b>	9,141	<b>8,609</b>	9,769	<b>12,460</b>	11,734	<b>35,726</b>	39,064
BNZ bank account	<b>21</b>	22	<b>15</b>	12	<b>82</b>	103	<b>55</b>	74	<b>47</b>	54	<b>53</b>	45	<b>273</b>	310
<b>Total</b>	<b>21</b>	22	<b>787</b>	672	<b>6,620</b>	7,863	<b>7,402</b>	9,215	<b>8,656</b>	9,823	<b>12,513</b>	11,779	<b>35,999</b>	39,374

## 8. Commitments or contingent liabilities

There were no material contingent liabilities or capital commitments as at 31 March 2019 (31 March 2018: Nil).

## 9. Events occurring after the reporting date

No significant events have occurred since the reporting date which would have impacted the financial position of the Funds disclosed in the Statements of Net Assets as at 31 March 2019 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 Cash Fund, First Home Buyer Fund, Conservative Fund, Moderate Fund, Balanced Fund and Growth Fund (each a "Fund"), being the constituent Funds of BNZ KiwiSaver Scheme (the "Scheme"), and the Scheme on pages 2 to 14, which comprise the statement of net assets of each Fund and the Scheme as at 31 March 2019, and the statement of changes in net assets and the statement 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 14 present fairly, in all material respects, the financial position of each Fund and the Scheme as at 31 March 2019 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 audits have been undertaken so that we might state to the 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 the 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 audits 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 each of the Funds and 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.

Ernst & Young provides other assurance services and agreed upon procedures to the Scheme. Partners and employees of our firm may deal with the Funds or the Scheme on normal terms within the ordinary course of trading activities of the business of the Funds or the Scheme. We have no other relationship with, or interest in, the Funds or the Scheme.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the financial statements of the current year. These matters were addressed in the context of our audits of the financial statements as a whole, and in forming our opinions thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audits addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audits included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinions on the accompanying financial statements.

### Financial assets at fair value through profit or loss ("FVTPL")

Why significant	How our audit addressed the key audit matter
<ul style="list-style-type: none"> <li>▶ Each Fund's and the Scheme's financial assets at FVTPL exceed 99% of the respective entity's net assets attributable to Scheme participants.</li> <li>▶ Market volatility can have a significant impact on the value of these financial assets, therefore the recognition and measurement of assets at FVTPL is considered a key area of audit focus.</li> <li>▶ As detailed in the accounting policies, as described in Note 2 to the financial statements, financial assets at FVTPL are recognised in accordance with NZ IFRS 9: Financial Instruments.</li> <li>▶ Disclosures regarding each entity's investments are included in Note 5 to the financial statements.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>▶ Gaining an understanding of the processes used to record investment transactions and to value the portfolio. As the Administrator and Registrar are involved in the management of the investments, this included evaluating the service organisation reports issued by an independent auditor on the design and operation of the controls at the Administrator and Registrar throughout the period. Our procedures focussed on the nature and significance of services provided by the service organisations and their effect on internal controls relevant to the audit of the financial statements.</li> <li>▶ Receiving third party confirmations directly from external fund managers for each Fund and the Scheme, of the number of units issued and their respective exit price at balance date and agreeing the accounting records to the confirmations.</li> </ul>

## Independent Auditor's Report continued

Why significant	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>▶ Assessing the competence, objectivity and capabilities of the external fund managers to determine whether the exit prices they confirmed are likely to be appropriate.</li> <li>▶ Assessing whether the disclosures in the financial statements appropriately reflected each Fund's, and the Scheme's exposure to financial instrument risk with reference to NZ IFRS 7 Financial Instruments: Disclosures.</li> </ul>

### 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, 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.

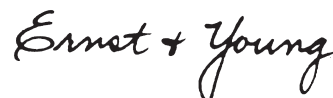
In preparing the financial statements, the Manager is responsible for assessing, on behalf of the Scheme, the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intend to liquidate any of the Funds or the Scheme or cease operations, or have 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 the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>. This description forms part of our auditor's report.

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



Chartered Accountants  
Auckland  
29 July 2019

---

[BNZ.CO.NZ/KIWISAVER](https://www.bnz.co.nz/kiwisafer) • [0800 269 5494](tel:08002695494) • [VISIT YOUR LOCAL BRANCH](#)