

BNZ KiwiSaver Scheme

Financial Statements
For the year ended 31 March 2021



Directory

The Manager

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

Directors of BNZ Investment Services Limited as at 15 July 2021:

Richard Ansell
Hayley Cassidy
Daniel Huggins
Paul Richardson

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
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Auckland 1010

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Statements of Changes in Net Assets

For the year ended 31 March 2021

	Notes	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
For the year ended 31 March															
Investment activities															
Interest income on financial assets at amortised cost		4	16	4	15	13	45	9	31	9	29	11	39	50	175
Net gains/(losses) on financial assets at fair value through profit or loss		2,137	3,612	9,859	2,650	54,586	16,345	71,251	5,856	88,769	1,288	167,715	(10,401)	394,317	19,350
Net investment income		2,141	3,628	9,863	2,665	54,599	16,390	71,260	5,887	88,778	1,317	167,726	(10,362)	394,367	19,525
Expenses															
Management fees	6	730	510	1,022	759	4,411	3,713	3,536	3,030	3,180	2,735	4,664	3,574	17,543	14,321
Management fee rebates		-	-	-	(4)	-	(50)	-	(44)	-	(29)	-	(18)	-	(145)
Total expenses		730	510	1,022	755	4,411	3,663	3,536	2,986	3,180	2,706	4,664	3,556	17,543	14,176
Profit/(loss) attributable to Members		1,411	3,118	8,841	1,910	50,188	12,727	67,724	2,901	85,598	(1,389)	163,062	(13,918)	376,824	5,349
Membership activities															
Opening net assets available for benefits		253,329	158,014	176,229	123,192	795,140	655,975	508,276	424,117	436,979	367,790	577,879	427,189	2,747,832	2,156,277
Contributions into the Scheme															
Members' contributions		23,973	16,501	27,518	22,532	117,518	105,473	92,404	93,780	68,853	60,835	91,261	67,955	421,527	367,076
Employers' contributions		11,769	7,979	14,758	11,084	52,352	43,655	23,710	20,840	22,910	18,979	41,813	29,390	167,312	131,927
Crown contributions		94	38	116	92	153	94	56	78	23	19	79	46	521	367
Transfers in from other scheme providers		15,062	15,782	19,870	31,453	22,182	47,752	23,742	42,953	31,369	54,675	66,618	104,015	178,843	296,630
Member tax credits		4,497	3,466	5,454	4,467	18,067	17,268	8,423	8,314	7,412	6,863	12,777	9,992	56,630	50,370
Total contributions into the Scheme		55,395	43,766	67,716	69,628	210,272	214,242	148,335	165,965	130,567	141,371	212,548	211,398	824,833	846,370
Benefits paid from the Scheme															
Transfers out to other scheme providers		(8,432)	(7,156)	(10,214)	(8,701)	(34,804)	(32,352)	(19,209)	(18,566)	(21,611)	(20,026)	(41,395)	(35,046)	(135,665)	(121,847)
Retirement		(8,977)	(7,715)	(381)	(635)	(16,953)	(15,170)	(11,324)	(7,236)	(6,087)	(3,989)	(3,070)	(1,655)	(46,792)	(36,400)
Death and disability		(546)	(574)	(184)	(19)	(1,520)	(1,914)	(1,866)	(871)	(995)	(625)	(793)	(656)	(5,904)	(4,659)
First home		(14,712)	(7,545)	(23,226)	(17,164)	(22,516)	(19,007)	(9,794)	(11,993)	(7,155)	(8,009)	(12,814)	(11,853)	(90,217)	(75,571)
Hardship		(1,971)	(960)	(1,919)	(971)	(4,646)	(2,658)	(2,405)	(1,579)	(1,826)	(872)	(2,692)	(1,721)	(15,459)	(8,761)
Other permitted withdrawals		(538)	(360)	(501)	(211)	(1,659)	(1,442)	(1,049)	(807)	(667)	(636)	(1,563)	(760)	(5,977)	(4,216)
Total benefits paid from the Scheme		(35,176)	(24,310)	(36,425)	(27,701)	(82,098)	(72,543)	(45,647)	(41,052)	(38,341)	(34,157)	(62,327)	(51,691)	(300,014)	(251,454)
Switches within the BNZ KiwiSaver Scheme															
Switches in from other BNZ KiwiSaver Funds		23,914	95,764	21,346	28,641	30,320	79,132	32,106	29,802	50,309	36,934	123,935	94,225	-	-
Switches out to other BNZ KiwiSaver Funds		(62,908)	(22,383)	(18,578)	(18,885)	(89,798)	(90,692)	(36,673)	(71,343)	(41,832)	(72,232)	(32,141)	(88,963)	-	-
Total switches within the BNZ KiwiSaver Scheme		(38,994)	73,381	2,768	9,756	(59,478)	(11,560)	(4,567)	(41,541)	8,477	(35,298)	91,794	5,262	-	-
Other Member movements															
Members' administration fee		-	(24)	-	(23)	-	(113)	-	(46)	-	(36)	-	(51)	-	(293)
Members' PIE tax		(315)	(616)	(477)	(533)	(2,481)	(3,588)	(3,383)	(2,068)	(4,303)	(1,302)	(7,916)	(310)	(18,875)	(8,417)
Total other Member movements		(315)	(640)	(477)	(556)	(2,481)	(3,701)	(3,383)	(2,114)	(4,303)	(1,338)	(7,916)	(361)	(18,875)	(8,710)
Net benefits accrued to Members		(17,679)	95,315	42,423	53,037	116,403	139,165	162,462	84,159	181,998	69,189	397,161	150,690	882,768	591,555
Closing net assets available for benefits		235,650	253,329	218,652	176,229	911,543	795,140	670,738	508,276	618,977	436,979	975,040	577,879	3,630,600	2,747,832
Units on issue (Units in thousands)															
Balance at the beginning of the year		210,839	133,979	150,529	107,134	576,467	485,802	342,969	290,967	278,479	236,615	344,714	255,038	1,903,997	1,509,535
Contributions - units		66,651	117,060	74,554	84,476	167,669	212,119	112,150	128,636	102,921	109,218	174,005	172,292	697,950	823,801
Withdrawals - units		(82,475)	(40,200)	(46,763)	(41,081)	(121,852)	(121,454)	(53,472)	(76,634)	(47,894)	(67,354)	(52,928)	(82,616)	(405,384)	(429,339)
Balance at the end of the year		195,015	210,839	178,320	150,529	622,284	576,467	401,647	342,969	333,506	278,479	465,791	344,714	2,196,563	1,903,997

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

Statements of Net Assets

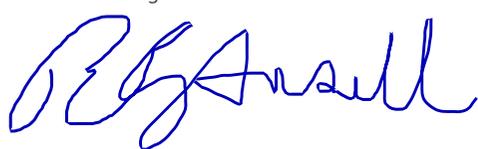
As at 31 March 2021

As at 31 March	Notes	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Financial assets															
Cash and cash equivalents		373	986	249	1,412	1,576	5,467	1,764	4,615	1,438	9,099	1,850	11,903	7,250	33,482
Financial assets at fair value through profit or loss	5	235,294	250,493	218,306	174,933	910,198	792,216	669,198	506,010	617,015	429,437	973,324	565,979	3,623,335	2,719,068
Contributions receivable		400	3,652	499	1,026	1,366	3,034	1,600	1,351	1,898	953	2,523	2,474	7,040	5,790
Other receivables		221	-	654	-	2,141	-	2,532	-	3,250	-	6,234	-	15,032	-
Total financial assets		236,288	255,131	219,708	177,371	915,281	800,717	675,094	511,976	623,601	439,489	983,931	580,356	3,652,657	2,758,340
Financial liabilities															
Management fees payable	6	64	54	99	74	413	333	349	260	321	224	503	299	1,749	1,244
Redemptions payable		328	1,199	603	635	1,468	2,174	1,035	1,753	461	1,276	1,041	2,039	3,690	2,376
PIE tax payable on behalf of Members		246	549	354	433	1,857	3,070	2,972	1,687	3,842	1,010	7,347	139	16,618	6,888
Total financial liabilities (excluding net assets attributable to Members)		638	1,802	1,056	1,142	3,738	5,577	4,356	3,700	4,624	2,510	8,891	2,477	22,057	10,508
Net assets available for benefits		235,650	253,329	218,652	176,229	911,543	795,140	670,738	508,276	618,977	436,979	975,040	577,879	3,630,600	2,747,832
Represented by:															
Net assets attributable to Members		235,650	253,329	218,652	176,229	911,543	795,140	670,738	508,276	618,977	436,979	975,040	577,879	3,630,600	2,747,832

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 15 July 2021.

For and on behalf of the Manager



Graham Ansell
Jul 15, 2021 10:24 AM NZST
Director



Paul Richardson
Jul 15, 2021 11:49 AM NZST
Director

Statements of Cash Flows

For the year ended 31 March 2021

	Notes	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
For the year ended 31 March															
Cash flows from operating activities															
Cash was provided from:															
Proceeds from sale of financial assets at fair value through profit or loss		33,172	1,696	6,735	5,110	101,076	27,230	32,839	43,443	14,446	54,242	21,447	77,990	209,715	209,711
Purchase of financial assets at fair value through profit or loss		(16,057)	(91,167)	(40,903)	(55,155)	(166,613)	(148,960)	(127,308)	(119,521)	(116,505)	(114,738)	(267,311)	(228,590)	(734,697)	(758,131)
Interest income received		4	16	4	15	13	45	9	31	9	29	11	39	50	175
Cash was applied to:															
Operating expenses paid		(720)	(494)	(997)	(728)	(4,331)	(3,619)	(3,447)	(3,016)	(3,083)	(2,763)	(4,460)	(3,620)	(17,038)	(14,240)
Net cash inflows/(outflows) from operating activities	7	16,399	(89,949)	(35,161)	(50,758)	(69,855)	(125,304)	(97,907)	(79,063)	(105,133)	(63,230)	(250,313)	(154,181)	(541,970)	(562,485)
Cash flows from financing activities															
Cash was provided from:															
Contributions		82,561	136,255	89,589	97,845	242,260	292,299	180,192	195,203	179,931	177,987	336,434	304,273	829,037	839,364
Cash was applied to:															
Benefits paid		(98,955)	(45,725)	(55,035)	(46,368)	(172,602)	(162,168)	(83,038)	(111,178)	(80,988)	(105,543)	(95,466)	(139,400)	(304,154)	(245,884)
Members' PIE tax		(618)	(636)	(556)	(551)	(3,694)	(3,986)	(2,098)	(2,766)	(1,471)	(2,284)	(708)	(2,063)	(9,145)	(12,286)
Net cash (outflows)/inflows from financing activities		(17,012)	89,894	33,998	50,926	65,964	126,145	95,056	81,259	97,472	70,160	240,260	162,810	515,738	581,194
Net (decrease)/increase in cash and cash equivalents		(613)	(55)	(1,163)	168	(3,891)	841	(2,851)	2,196	(7,661)	6,930	(10,053)	8,629	(26,232)	18,709
Cash and cash equivalents at the beginning of the year		986	1,041	1,412	1,244	5,467	4,626	4,615	2,419	9,099	2,169	11,903	3,274	33,482	14,773
Cash and cash equivalents at the end of the year		373	986	249	1,412	1,576	5,467	1,764	4,615	1,438	9,099	1,850	11,903	7,250	33,482

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 year ended 31 March 2021

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 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 (“NAB”), a licensed bank in Australia. The registered office of the Manager is Level 4, 80 Queen Street, Auckland 1010. 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 1015. 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 that 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 Board of Directors of the Manager on 15 July 2021.

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 periods 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 Scheme is a profit-oriented entity. 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 financial liabilities held at fair value through profit or loss.

The Financial Statements have been prepared for the year ended 31 March 2021 with comparative information for the year ended 31 March 2020.

The results, positions and cash flows reported for the Total BNZ KiwiSaver Scheme have been prepared on a total basis across the individual Funds, with the elimination of interfund transactions and balances.

(a) Presentation

The Financial Statements are presented in New Zealand dollars, which is the Schemes’ functional currency and reflects the currency of the primary economic environment in which the Funds operate, compete for funds and are regulated. Units are denominated in New Zealand dollars and the performance of the Funds are measured in New Zealand dollars. All amounts are rounded to the nearest thousand unless otherwise stated.

(b) New standards and amendments

There are no new standards or amendments to existing standards that are effective for the financial year commencing on 1 April 2020 that have a material effect on the Financial Statements of the Scheme. There were also no standards issued but not yet effective that could have a material effect on the Scheme.

2.2 Financial instruments

(a) Classification

The Funds classify their investments based on both the Funds’ business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Funds are primarily focused on fair value information and use that information to assess the assets’ performance and to make decisions. The Funds’ financial assets are categorised as financial assets at fair value through profit or loss and financial assets at amortised cost as follows:

Financial assets at fair value through profit or loss comprise of **unlisted funds** as these investments are managed and evaluated on a fair value basis.

Financial assets whose cash flows are solely payments of principal and interest and which meet the hold to collect criteria are categorised as **financial assets at amortised cost**. These consist of:

(a) **Cash and cash equivalents** include cash in hand and deposits held at call with banks, denominated in New Zealand dollars.

(b) **Receivables** include amounts due for management fee rebate receivables, contribution receivables, balance of accrued interest and outstanding settlement receivables.

Financial liabilities at amortised cost comprise of **payables** including related party fees, withdrawals payable and tax.

(b) Recognition, derecognition and measurement

The Funds recognise financial assets and financial liabilities on the date that they become party to the contractual agreement (trade date). All financial assets and financial liabilities are initially recognised at fair value. Transaction costs on financial assets at fair value through profit or loss are expensed as incurred in the Statements of Changes in Net Assets. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with gains or losses recognised in the Statements of Changes in Net Assets when they arise. Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method, less any impairment for expected credit losses. Any impairment charge is recognised in the Statements of Changes in Net Assets. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the instrument 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 a financial asset is included in the Statements of Changes in Net Assets in the reporting period that the item is derecognised. Financial liabilities at amortised cost are derecognised when the obligation under the liability is discharged, cancelled or has expired.

Notes to and Forming Part of the Financial Statements continued

2. Summary of significant accounting policies continued

2.2 Financial instruments continued

(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 financial liabilities traded in active markets is 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 prices fall within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager 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 Manager uses a variety of methods and makes 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; restrictions on redemptions; and the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information if it is obtained from the other funds' advisors.

The rights of the Funds to request the redemption of their investments in other funds may vary in frequency. 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. Net gains or losses on financial instruments at fair value through profit or loss reported in the Statements of Change in Net Assets include the change in fair value of other funds.

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 the carrying amounts of the assets and the 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. 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 date if Members exercise their right to put the units back to the Funds.

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 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 Units on issue of each Fund. There are currently no entry or exit fees payable.

Notes to and Forming Part of the Financial Statements continued

2. Summary of significant accounting policies continued

2.4 Investment income

Interest income

Interest earned on financial assets at amortised cost, including cash and cash equivalents, is recognised in the Statements of Changes in Net Assets using the effective interest method.

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

Realised and unrealised gains or 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.

2.5 Expenses

All expenses, including the Schemes' management fees are recognised in the Statements of Changes in Net Assets on an accruals basis.

2.6 Foreign currency translation

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 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.

2.7 Income tax

The Scheme qualifies as, and has elected to be, a Portfolio Investment Entity ("PIE") for tax purposes. Under the PIE regime 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 of the Funds to Members in accordance with the proportion of their interest in the Funds. The income attributed to each Member is taxed at the Member's "prescribed investor rate" on redemptions and annually on or around 31 March each year.

Scheme Members' tax liabilities disclosed in the Statements of Changes in Net Assets consist of withdrawals to meet Scheme Members' tax liabilities under the PIE regime and any resident and foreign withholding taxes deducted at source.

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 GST.

2.9 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the Financial Statements. These changes did not have a material impact on the presentation of the Financial Statements.

Notes to and Forming Part of the Financial Statements continued

3. Critical accounting estimates and judgements

The Manager of the Scheme makes estimates and assumptions that affect the reported amounts of financial assets and financial 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 financial assets and financial 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 assets and financial liabilities.

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

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 their Members via their documented investment strategy that their business purpose is to invest funds solely for returns from capital appreciation, investment income or a combination of both; and
- the Scheme measure the performance of their 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.

4. Financial risk management

4.1 Financial risk factors

The Governing Document for the Scheme requires the Manager to invest the assets of each Fund of the Scheme in accordance with the Statement of Investment Policy and Objectives ("SIPO") investment guidelines, as notified to the Supervisor from time to time. The Manager monitors compliance with the investment policies on a daily basis as part of its operational risk and mandate monitoring processes. 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 Funds' activities expose them to a variety of financial risks: market risk (including price risk, foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Funds' overall risk management programme seeks to maximise the returns derived for the level of risk to which the Funds are exposed and seeks to minimise potential adverse effects the Funds' financial performance. This includes holding a diversified investment portfolio across asset classes, countries, sectors, security types and styles of investing through its ownership of unlisted unit trusts managed by the Manager. 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.

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 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 management section outlined below is not prepared on a look through basis. This means that 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.

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.

Notes to and Forming Part of the Financial Statements continued

4. Financial risk management continued

4.1 Financial risk factors continued

The Funds use different methods to measure and manage the various types of risk to which the Funds are 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 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 in 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 prices for the Schemes' 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 had the following impact on the Schemes' Profit attributable to Members and Net assets attributable to Members by approximately:

As at 31 March	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Prices increased by 5%	11,765	12,525	10,915	8,747	45,510	39,611	33,460	25,301	30,851	21,472	48,666	28,299	181,167	135,955
Prices decreased by 5%	(11,765)	(12,525)	(10,915)	(8,747)	(45,510)	(39,611)	(33,460)	(25,301)	(30,851)	(21,472)	(48,666)	(28,299)	(181,167)	(135,955)

The Funds also manage their exposure to price risk by analysing, monitoring and adjusting where necessary the weighting to various investment sectors within investment management guidelines. The Fund'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 6.

(b) Foreign exchange risk

Foreign exchange risk, as defined in NZ IFRS 7 Financial Instruments: Disclosure ("NZ IFRS 7"), arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. Foreign currency exposure arising from the underlying fund the Funds invest into, is considered as a component of market price risk (which forms part of the Price risk sensitivity (see Note 4.1.1(a) Price risk) 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 date. The Funds are indirectly exposed to foreign exchange risk when their holdings in underlying unlisted unit trusts, have investment securities denominated in a foreign currency. The Manager and the investment manager of the underlying Fund monitors this exposure on a daily basis and may enter into foreign exchange derivatives to hedge the foreign exchange risk in accordance with the policies included within the SIPO and agreed with the Supervisor.

As at the reporting date the Funds had no foreign currency exposure.

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

(c) Cash flow and fair value interest rate risk

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 flows.

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 sensitivity impact on the Scheme's Profit attributable to Members and Net assets attributable to Members 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		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
As at 31 March														
Interest rate increased by 1%	4	10	2	14	16	55	18	46	14	91	19	119	73	335
Interest rate decreased by 1%	(4)	(10)	(2)	(14)	(16)	(55)	(18)	(46)	(14)	(91)	(19)	(119)	(73)	(335)

These movements arise substantially from the cash flow variability from cash and cash equivalents, held in on-call bank accounts with BNZ.

In addition to the Scheme's direct exposure to interest rate changes 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 BNZ Wholesale NZ Cash Fund, BNZ Wholesale NZ Fixed Interest Fund and BNZ Wholesale International Fixed Interest (Index) Fund respectively. These indirect exposures form part of the Price risk sensitivity (see Note 4.1.1(a) Price risk). Therefore, the above sensitivity analysis may not fully indicate the total effect on the Fund's Net assets attributable to Members of future movements in interest rates. The Manager and the investment manager of the underlying Funds, monitors interest rate exposure on a daily basis and compliance with the policies included within the SIPO and agreed with the Supervisor.

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 (known as default risk). The Funds are primarily invested in unlisted unit trusts, and as such, their direct exposure to credit risk is limited to their bank account balances held with BNZ. BNZ has a credit rating of AA- as at 31 March 2021 (31 March 2020: AA-), 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.

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 the BNZ Wholesale NZ Cash Fund, BNZ Wholesale NZ Fixed Interest Fund, BNZ Wholesale International Fixed Interest (Index) Fund, BNZ Wholesale Australasian Equities Fund and BNZ Wholesale International Equities (Index) Fund respectively, the exposure to which forms part of the Price risk sensitivity (see Note 4.1.1(a) Price risk).

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. As at the reporting date, the maximum credit risk of financial assets 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 and underlying fixed interest exposures mainly comprise investment grade securities.

Notes to and Forming Part of the Financial Statements continued

4. Financial risk management continued

4.1 Financial risk factors continued

4.1.3 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 given normal market conditions. However, underlying funds may be subject to discretionary redemption restrictions exercisable by the Manager, including the ability to suspend withdrawals or withhold varying amounts of any withdrawals requested by the Funds, which in turn, may impact their own ability to meet redemption requests. These measures are only in place to ensure that all Members of the Scheme are treated equitably. Each of the Funds also holds an allocation to cash and cash equivalents to help the Manager meet the redemption of units and expenses.

Liquidity risk is managed within the underlying Funds by investing in authorised investments that have satisfactory levels of liquidity themselves.

Management fees payable and redemption of units 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, however, higher levels of cash are held during periods of extreme market volatility to support the increased risk.

4.2 Capital risk management

The Scheme manages its Net assets attributable to Members as capital. 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 Governing Document of the Scheme, which includes the ability to restrict withdrawals and require certain minimum holdings and subscriptions.

The Scheme receives funding from Member contributions, Member's employers and the New Zealand Government via the Inland Revenue Department in the form of annual Government Contributions. The Scheme strives to invest Members' contributions in investments that meet the Scheme's objectives while maintaining sufficient liquidity to meet Members' redemptions.

All investments made with the monies 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.

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.

Notes to and Forming Part of the Financial Statements continued

4. Financial risk management continued

4.3 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 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 date.

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 (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 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 2021 (31 March 2020: Nil).

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

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
As at 31 March														
The Scheme invests into the following unlisted unit trusts:														
BNZ Wholesale NZ Cash Fund	235,294	250,493	137,626	113,896	254,955	308,660	118,569	59,538	48,107	26,137	47,866	34,824	842,417	793,548
BNZ Wholesale NZ Fixed Interest Fund	-	-	10,865	7,006	117,039	74,767	65,926	61,852	48,346	42,164	28,963	26,420	271,139	212,209
BNZ Wholesale International Fixed Interest (Index) Fund	-	-	41,396	29,462	369,328	261,661	223,416	204,330	156,984	138,170	136,047	101,263	927,171	734,886
BNZ Wholesale Australasian Equities Fund	-	-	8,833	5,462	53,883	34,116	79,900	52,388	115,379	65,210	253,345	130,435	511,340	287,611
BNZ Wholesale International Equities (Index) Fund	-	-	19,586	19,107	114,993	113,012	181,387	127,902	248,199	157,756	507,103	273,037	1,071,268	690,814
Total financial assets at fair value through profit or loss	235,294	250,493	218,306	174,933	910,198	792,216	669,198	506,010	617,015	429,437	973,324	565,979	3,623,335	2,719,068

Notes to and Forming Part of the Financial Statements continued

6. Related parties

6.1 General

The Manager is responsible for the administration of the Scheme. The Manager is ultimately owned by NAB, a licensed bank in Australia. All dealings with NAB and its subsidiaries are conducted on standard commercial terms.

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 in 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, if any, 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.

As at 31 March	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Management fee percentage per annum	0.30%	0.30%	0.50%	0.50%	0.50%	0.50%	0.58%	0.58%	0.58%	0.58%	0.58%	0.58%

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

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

The Supervisor is considered a related party.

The Directors of the Manager and other related entities may invest in the Funds. They contribute on the same basis and have the same rights as other Members.

6.2 Related party transactions

During the previous reporting period, the Funds consolidated their investments from external unlisted unit trusts to investing into the newly created BNZ Wholesale Funds that are also managed by the Manager. The initial transactions are detailed below and were undertaken at the prevailing unit prices at the time of the transaction. Subsequent to the following transactions, the BNZ Wholesale Funds transferred from holding external unit trusts to diversified portfolios of directly held assets.

On 17 May 2019, the Cash Fund made an in-specie contribution of \$157,956,502 in BNZ Wholesale NZ Cash Fund. In return, the Cash Fund transferred its holdings in Nikko AM Wholesale NZ Cash Fund Two for the corresponding amount.

On 17 May 2019, the First Home Buyer Fund made in-specie contributions of \$82,579,313 in BNZ Wholesale NZ Cash Fund, \$5,275,910 in BNZ Wholesale NZ Fixed Interest Fund, \$21,436,443 in BNZ Wholesale International Fixed Interest (Index) Fund, \$4,472,117 in BNZ Wholesale Australasian Equities Fund and \$13,282,988 in BNZ Wholesale International Equities (Index) Fund. In return, the First Home Buyer Fund transferred its holdings in Nikko AM Wholesale NZ Cash Fund Two, Nikko AM Wholesale Core Equity Fund, Mint Core Equities Fund, Russell Global Bond Fund Class D, Harbour NZ Core Fixed Interest Wholesale Fund, JANA Multi-Manager Global Share Trust – Class A and AMP Capital NZ Fixed Interest Fund for corresponding amounts.

On 17 May 2019, the Conservative Fund made in-specie contributions of \$257,093,403 in BNZ Wholesale NZ Cash Fund, \$61,705,858 in BNZ Wholesale NZ Fixed Interest Fund, \$217,474,013 in BNZ Wholesale International Fixed Interest (Index) Fund, \$32,011,921 in BNZ Wholesale Australasian Equities Fund and \$96,655,059 in BNZ Wholesale International Equities (Index) Fund. In return, the Conservative Fund transferred its holdings in Nikko AM Wholesale NZ Cash Fund Two, Nikko AM Wholesale Core Equity Fund, Mint Core Equities Fund, Russell Global Bond Fund Class D, Harbour NZ Core Fixed Interest Wholesale Fund, JANA Multi-Manager Global Share Trust – Class A and AMP Capital NZ Fixed Interest Fund for corresponding amounts.

Notes to and Forming Part of the Financial Statements continued

6. Related parties continued

6.2 Related party transactions continued

On 17 May 2019, the Moderate Fund made in-specie contributions of \$48,149,823 in BNZ Wholesale NZ Cash Fund, \$56,254,248 in BNZ Wholesale NZ Fixed Interest Fund, \$173,711,600 in BNZ Wholesale International Fixed Interest (Index) Fund, \$48,230,828 in BNZ Wholesale Australasian Equities Fund and \$106,098,320 in BNZ Wholesale International Equities (Index) Fund. In return, the Moderate Fund transferred its holdings in Nikko AM Wholesale NZ Cash Fund Two, Nikko AM Wholesale Core Equity Fund, Mint Core Equities Fund, Russell Global Bond Fund Class D, Harbour NZ Core Fixed Interest Wholesale Fund, JANA Multi-Manager Global Share Trust – Class A and AMP Capital NZ Fixed Interest Fund for corresponding amounts.

On 17 May 2019, the Balanced Fund made in-specie contributions of \$23,831,765 in BNZ Wholesale NZ Cash Fund, \$37,142,098 in BNZ Wholesale NZ Fixed Interest Fund, \$125,273,625 in BNZ Wholesale International Fixed Interest (Index) Fund, \$62,134,073 in BNZ Wholesale Australasian Equities Fund and \$130,057,938 in BNZ Wholesale International Equities (Index) Fund. In return, the Balanced Fund transferred its holdings in Nikko AM Wholesale NZ Cash Fund Two, Nikko AM Wholesale Core Equity Fund, Mint Core Equities Fund, Russell Global Bond Fund Class D, Harbour NZ Core Fixed Interest Wholesale Fund, JANA Multi-Manager Global Share Trust – Class A and AMP Capital NZ Fixed Interest Fund for corresponding amounts.

On 17 May 2019, the Growth Fund made in-specie contributions of \$28,259,323 in BNZ Wholesale NZ Cash Fund, \$21,950,349 in BNZ Wholesale NZ Fixed Interest Fund, \$82,360,410 in BNZ Wholesale International Fixed Interest (Index) Fund, \$109,745,036 in BNZ Wholesale Australasian Equities Fund and \$206,595,470 in BNZ Wholesale International Equities (Index) Fund. In return, the Growth Fund transferred its holdings in Nikko AM Wholesale NZ Cash Fund Two, Nikko AM Wholesale Core Equity Fund, Mint Core Equities Fund, Russell Global Bond Fund Class D, Harbour NZ Core Fixed Interest Wholesale Fund, JANA Multi-Manager Global Share Trust – Class A and AMP Capital NZ Fixed Interest Fund for corresponding amounts.

6.3 Unconsolidated subsidiaries

The following tables detail instances where the Scheme is deemed to control another related-party investment entity. The Manager deems a unitholding of 75% or more in another investment entity to be a controlling interest. The Funds do not prepare consolidated financial statements in instances where the Funds are deemed to control another Fund and investments in units issued by subsidiaries are accounted for as financial assets at fair value through profit or loss in Note 5.

As at 31 March	BNZ KiwiSaver Scheme	
	2021	2020
Subsidiaries	Proportion of ownership	
BNZ Wholesale NZ Cash Fund	76%	84%
BNZ Wholesale International Fixed Interest (Index) Fund	86%	89%
BNZ Wholesale International Equities (Index) Fund	87%	90%

There are no restrictions on the ability of any unconsolidated subsidiary to transfer funds to the Scheme. There has been no financial or other support provided by the Scheme to any unconsolidated subsidiary and there are no contractual arrangements to provide financial support to any unconsolidated subsidiary. Income earned by the Funds from their investments in unconsolidated subsidiaries is disclosed below.

Notes to and Forming Part of the Financial Statements continued

6. Related parties continued

6.4 Related party investments

The Funds invest in on-call Treasury bank deposits with BNZ and also BNZ Wholesale Funds. There are no management fees charged in the BNZ Wholesale Funds and transactions with these Funds are made at the prevailing unit prices at the time of the transaction. Both BNZ and MLC (issuer of the JANA Multi-Manager Global Share Trust - Class A) operate as subsidiaries of NAB.

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
As at 31 March														
Investments held as at 31 March:														
BNZ Wholesale NZ Cash Fund	235,294	250,493	137,626	113,896	254,955	308,660	118,569	59,538	48,107	26,137	47,866	34,824	842,417	793,548
BNZ Wholesale NZ Fixed Interest Fund	-	-	10,865	7,006	117,039	74,767	65,926	61,852	48,346	42,164	28,963	26,420	271,139	212,209
BNZ Wholesale International Fixed Interest (Index) Fund	-	-	41,396	29,462	369,328	261,661	223,416	204,330	156,984	138,170	136,047	101,263	927,171	734,886
BNZ Wholesale Australasian Equities Fund	-	-	8,833	5,462	53,883	34,116	79,900	52,388	115,379	65,210	253,345	130,435	511,340	287,611
BNZ Wholesale International Equities (Index) Fund	-	-	19,586	19,107	114,993	113,012	181,387	127,902	248,199	157,756	507,103	273,037	1,071,268	690,814
BNZ bank accounts	373	986	249	1,412	1,576	5,467	1,764	4,615	1,438	9,099	1,850	11,903	7,250	33,482
Total	235,667	251,479	218,555	176,345	911,774	797,683	670,962	510,625	618,453	438,536	975,174	577,882	3,630,585	2,752,550

The total income or gains earned or losses incurred on the investments with related parties were:

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
For the year ended 31 March														
BNZ Wholesale NZ Cash Fund	2,137	3,066	1,073	1,788	2,463	5,105	698	989	311	496	323	660	7,005	12,104
BNZ Wholesale NZ Fixed Interest Fund	-	-	24	155	116	1,728	1,026	1,505	659	1,059	581	594	2,406	5,041
BNZ Wholesale International Fixed Interest (Index) Fund	-	-	459	1,002	3,730	9,601	3,870	7,786	2,547	5,750	1,539	4,119	12,145	28,258
BNZ Wholesale Australasian Equities Fund	-	-	1,588	(190)	9,452	(868)	14,637	(1,788)	18,863	(2,261)	38,561	(5,614)	83,101	(10,721)
BNZ Wholesale International Equities (Index) Fund	-	-	6,715	(1,106)	38,825	(5,800)	51,020	(9,114)	66,389	(11,068)	126,711	(21,187)	289,660	(48,275)
JANA Multi-Manager Global Share Trust - Class A	-	-	-	438	-	3,256	-	3,574	-	4,358	-	6,796	-	18,422
BNZ bank accounts	4	16	4	15	13	45	9	31	9	29	11	39	50	175
Total	2,141	3,082	9,863	2,102	54,599	13,067	71,260	2,983	88,778	(1,637)	167,726	(14,593)	394,367	5,004

Notes to and Forming Part of the Financial Statements continued

7. Reconciliation of profit/(loss) 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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
For the year ended 31 March														
Profit/(loss) attributable to Members	1,411	3,118	8,841	1,910	50,188	12,727	67,724	2,901	85,598	(1,389)	163,062	(13,918)	376,824	5,349
Adjustments for non-cash items														
Net unrealised changes in the fair value of financial assets and financial liabilities	(1,574)	7,703	(8,810)	4,234	(47,996)	31,464	(68,114)	31,679	(86,831)	35,852	(165,281)	57,908	(378,606)	168,840
Management fee rebates received as units rather than cash	-	-	-	(4)	-	(50)	-	(44)	-	(29)	-	(18)	-	(145)
Movements in working capital items														
Increase/(decrease) in trade and other payables	10	16	25	31	80	94	89	14	97	(28)	204	(46)	505	81
Decrease/(increase) in net cost of investments	16,552	(100,786)	(35,217)	(56,929)	(72,127)	(169,539)	(97,606)	(113,613)	(103,997)	(97,636)	(248,298)	(198,107)	(540,693)	(736,610)
	14,988	(93,067)	(44,002)	(52,668)	(120,043)	(138,031)	(165,631)	(81,964)	(190,731)	(61,841)	(413,375)	(140,263)	(918,794)	(567,834)
Net cash inflows/(outflows) from operating activities	16,399	(89,949)	(35,161)	(50,758)	(69,855)	(125,304)	(97,907)	(79,063)	(105,133)	(63,230)	(250,313)	(154,181)	(541,970)	(562,485)

8. Commitments or contingent liabilities

There were no material commitments or contingent liabilities as at 31 March 2021 (31 March 2020: Nil).

9. Events occurring after the reporting date

No significant events have occurred since the reporting date which would have impacted either the financial position of the Funds disclosed in the Statements of Financial Position as at 31 March 2021 or 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 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"), which comprise the statements of net assets of each Fund and the Scheme as at 31 March 2021, and the statements of changes in net assets and statements of cash flows for the year then ended of each Fund and the Scheme, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of each Fund and the Scheme as at 31 March 2021 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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 opinions.

Ernst & Young provides agreed upon procedures in relation 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"> ▶ Each Fund's and the Scheme's financial assets at FVTPL (being investments) exceed 98% of the respective Fund's and the Scheme's total assets. ▶ 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. 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 <i>Financial Instruments</i> and NZ IFRS 13 <i>Fair Value Measurement</i>. ▶ Disclosures regarding each Fund's and the Scheme's financial assets at FVTPL are included in Note 5 to the financial statements. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> ▶ Gaining an understanding of the processes used to record investment transactions and to value the portfolio. As the Administrator, Custodian and Registrar (which are all external parties) 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, Custodian and Registrar throughout the reporting period. Our procedures focussed on the nature and significance of services provided by these service organisations, the relevant internal controls and the implications of any identified control deficiencies relevant to our audit of the financial statements.

Independent Auditor's Report continued



Why significant	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> ▶ Receiving confirmation, directly from the Registrar, of the number of units held in the unlisted funds/trusts in which each Fund invests as at 31 March 2021. ▶ Receiving confirmations, directly from the custodian or counterparty, of the investments held by the unlisted funds/trusts in which each Fund invests as at 31 March 2021. ▶ Recalculating each Fund's proportionate share of investments held by the unlisted funds/trusts, based on the confirmations above. ▶ Engaging internal valuation specialists to independently re-price a sample of investments held by the underlying unlisted funds/trusts in which each Fund invests as at 31 March 2021 and ensuring appropriate fair value measurement in accordance with NZ IFRS 9 <i>Financial Instruments</i> and NZ IFRS 13 <i>Fair Value Measurement</i>, taking into account current economic and market conditions. ▶ 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 <i>Financial Instruments: Disclosures</i>.

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 opinions 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 audits 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 audits, 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.

The Manager's responsibilities for the financial statements

The Manager is responsible, on behalf of each Fund and the Scheme, 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 each Fund and the Scheme, each Fund's and the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate 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
15 July 2021

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