

# BNZ KiwiSaver Scheme

Financial Statements  
For the year ended 31 March 2023



# 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 12 July 2023:

Richard Ansell  
Emma Dobson  
Karna Luke  
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  
Britomart  
Auckland 1010

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# Statements of Changes in Net Assets

For the year ended 31 March 2023

	Notes	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Default Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022* \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
For the year ended 31 March																	
<b>Investment activities</b>																	
Interest income on financial assets at amortised cost		20	4	20	4	56	15	47	13	34	7	50	12	85	22	312	77
Net gains/(losses) on financial assets at fair value through profit or loss		10,490	1,878	3,328	(793)	(12,956)	(13,294)	(15,251)	(5,190)	(8,653)	(24,856)	(16,538)	799	(24,170)	14,255	(63,750)	(27,201)
<b>Net investment income/(loss)</b>		<b>10,510</b>	<b>1,882</b>	<b>3,348</b>	<b>(789)</b>	<b>(12,900)</b>	<b>(13,279)</b>	<b>(15,204)</b>	<b>(5,177)</b>	<b>(8,619)</b>	<b>(24,849)</b>	<b>(16,488)</b>	<b>811</b>	<b>(24,085)</b>	<b>14,277</b>	<b>(63,438)</b>	<b>(27,124)</b>
<b>Expenses</b>																	
Management fees	6.1	911	728	1,223	1,115	3,612	4,257	3,101	3,693	1,598	509	3,176	3,599	5,681	6,033	19,302	19,934
<b>Total expenses</b>		<b>911</b>	<b>728</b>	<b>1,223</b>	<b>1,115</b>	<b>3,612</b>	<b>4,257</b>	<b>3,101</b>	<b>3,693</b>	<b>1,598</b>	<b>509</b>	<b>3,176</b>	<b>3,599</b>	<b>5,681</b>	<b>6,033</b>	<b>19,302</b>	<b>19,934</b>
<b>Profit/(loss) attributable to Members</b>		<b>9,599</b>	<b>1,154</b>	<b>2,125</b>	<b>(1,904)</b>	<b>(16,512)</b>	<b>(17,536)</b>	<b>(18,305)</b>	<b>(8,870)</b>	<b>(10,217)</b>	<b>(25,358)</b>	<b>(19,664)</b>	<b>(2,788)</b>	<b>(29,766)</b>	<b>8,244</b>	<b>(82,740)</b>	<b>(47,058)</b>
<b>Membership activities</b>																	
<b>Opening net assets available for benefits</b>		<b>274,575</b>	<b>235,650</b>	<b>254,044</b>	<b>218,652</b>	<b>809,180</b>	<b>911,543</b>	<b>717,878</b>	<b>670,738</b>	<b>444,209</b>	<b>-</b>	<b>721,368</b>	<b>618,977</b>	<b>1,252,509</b>	<b>975,040</b>	<b>4,473,763</b>	<b>3,630,600</b>
<b>Contributions into the Scheme</b>																	
Member contributions		24,218	23,292	34,364	30,342	63,479	99,080	50,638	74,419	65,550	18,538	56,653	81,126	123,373	123,913	418,275	450,710
Employer contributions		12,378	10,421	17,792	15,086	33,823	43,402	24,302	22,882	38,997	11,206	26,413	23,998	62,177	52,700	215,882	179,695
Government's contributions		4,579	4,044	6,385	5,690	12,287	17,601	8,700	8,541	11,775	(7)	8,529	8,001	19,380	16,789	71,635	60,659
Transfers in from other scheme providers		10,416	15,278	11,795	15,958	9,533	20,117	8,196	25,004	4,612	379,580	15,475	44,036	33,368	78,196	93,395	578,169
<b>Total contributions into the Scheme</b>		<b>51,591</b>	<b>53,035</b>	<b>70,336</b>	<b>67,076</b>	<b>119,122</b>	<b>180,200</b>	<b>91,836</b>	<b>130,846</b>	<b>120,934</b>	<b>409,317</b>	<b>107,070</b>	<b>157,161</b>	<b>238,298</b>	<b>271,598</b>	<b>799,187</b>	<b>1,269,233</b>
<b>Benefits paid from the Scheme</b>																	
Transfers out to other scheme providers		(9,036)	(9,731)	(12,942)	(13,323)	(24,985)	(36,823)	(17,303)	(22,714)	(24,573)	(12,634)	(21,017)	(27,523)	(56,137)	(69,523)	(165,993)	(192,271)
Retirement		(20,687)	(11,117)	(2,760)	(1,034)	(36,440)	(31,098)	(28,404)	(18,030)	(4,711)	(1,290)	(15,300)	(12,527)	(6,132)	(4,814)	(114,434)	(79,910)
Death and disability		(743)	(690)	(353)	(174)	(2,067)	(1,890)	(4,752)	(7,218)	(1,001)	(107)	(1,642)	(1,536)	(2,400)	(932)	(12,958)	(12,547)
First home		(10,440)	(10,723)	(18,506)	(20,497)	(10,683)	(18,249)	(5,813)	(9,305)	(2,504)	(766)	(6,061)	(7,566)	(9,608)	(15,506)	(63,615)	(82,612)
Hardship		(1,901)	(826)	(1,693)	(1,471)	(3,396)	(2,729)	(1,919)	(1,617)	(963)	(215)	(1,316)	(1,008)	(3,010)	(2,210)	(14,198)	(10,076)
Other permitted withdrawals		(174)	(463)	(309)	(636)	(882)	(2,235)	(418)	(826)	(1,044)	(229)	(440)	(792)	(943)	(2,938)	(4,210)	(8,119)
<b>Total benefits paid from the Scheme</b>		<b>(42,981)</b>	<b>(33,550)</b>	<b>(36,563)</b>	<b>(37,135)</b>	<b>(78,453)</b>	<b>(93,024)</b>	<b>(58,609)</b>	<b>(59,710)</b>	<b>(34,796)</b>	<b>(15,241)</b>	<b>(45,776)</b>	<b>(50,952)</b>	<b>(78,230)</b>	<b>(95,923)</b>	<b>(375,408)</b>	<b>(385,535)</b>
<b>Switches within the BNZ KiwiSaver Scheme</b>																	
Switches in from other BNZ KiwiSaver Funds		54,629	53,650	24,900	33,446	50,889	54,993	23,334	47,500	6,300	132,186	30,044	63,673	76,462	157,435	-	-
Switches out to other BNZ KiwiSaver Funds		(25,331)	(35,110)	(17,842)	(26,496)	(52,483)	(231,506)	(45,516)	(64,827)	(19,133)	(57,739)	(43,483)	(65,580)	(62,770)	(61,625)	-	-
<b>Total switches within the BNZ KiwiSaver Scheme</b>		<b>29,298</b>	<b>18,540</b>	<b>7,058</b>	<b>6,950</b>	<b>(1,594)</b>	<b>(176,513)</b>	<b>(22,182)</b>	<b>(17,327)</b>	<b>(12,833)</b>	<b>74,447</b>	<b>(13,439)</b>	<b>(1,907)</b>	<b>13,692</b>	<b>95,810</b>	<b>-</b>	<b>-</b>
<b>Other Member movements</b>																	
Members' PIE tax		(2,177)	(254)	(521)	405	3,126	4,510	2,726	2,201	1,264	1,044	2,394	877	2,764	(2,260)	9,576	6,523
<b>Total other Member movements</b>		<b>(2,177)</b>	<b>(254)</b>	<b>(521)</b>	<b>405</b>	<b>3,126</b>	<b>4,510</b>	<b>2,726</b>	<b>2,201</b>	<b>1,264</b>	<b>1,044</b>	<b>2,394</b>	<b>877</b>	<b>2,764</b>	<b>(2,260)</b>	<b>9,576</b>	<b>6,523</b>
<b>Net benefits accrued to Members</b>		<b>45,330</b>	<b>38,925</b>	<b>42,435</b>	<b>35,392</b>	<b>25,689</b>	<b>(102,363)</b>	<b>(4,534)</b>	<b>47,140</b>	<b>64,352</b>	<b>444,209</b>	<b>30,585</b>	<b>102,391</b>	<b>146,758</b>	<b>277,469</b>	<b>350,615</b>	<b>843,163</b>
<b>Closing net assets available for benefits</b>		<b>319,905</b>	<b>274,575</b>	<b>296,479</b>	<b>254,044</b>	<b>834,869</b>	<b>809,180</b>	<b>713,344</b>	<b>717,878</b>	<b>508,561</b>	<b>444,209</b>	<b>751,953</b>	<b>721,368</b>	<b>1,399,267</b>	<b>1,252,509</b>	<b>4,824,378</b>	<b>4,473,763</b>
<b>Units on issue (Units in thousands)</b>																	
<b>Balance at the beginning of the year</b>		<b>226,172</b>	<b>195,015</b>	<b>208,490</b>	<b>178,320</b>	<b>565,268</b>	<b>622,284</b>	<b>434,212</b>	<b>401,647</b>	<b>463,989</b>	<b>-</b>	<b>388,069</b>	<b>333,506</b>	<b>588,397</b>	<b>465,791</b>	<b>2,874,597</b>	<b>2,196,563</b>
Contributions - units		87,626	88,603	80,273	82,470	126,394	163,346	74,921	106,555	143,025	538,545	79,702	116,239	159,728	197,112	751,669	1,292,870
Withdrawals - units		(58,336)	(57,446)	(46,735)	(52,300)	(95,783)	(220,362)	(66,565)	(73,990)	(60,595)	(74,556)	(51,340)	(61,676)	(71,944)	(74,506)	(451,298)	(614,836)
<b>Balance at the end of the year</b>		<b>255,462</b>	<b>226,172</b>	<b>242,028</b>	<b>208,490</b>	<b>595,879</b>	<b>565,268</b>	<b>442,568</b>	<b>434,212</b>	<b>546,419</b>	<b>463,989</b>	<b>416,431</b>	<b>388,069</b>	<b>676,181</b>	<b>588,397</b>	<b>3,174,968</b>	<b>2,874,597</b>

\* For the six months ended 31 March

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 2023

As at 31 March	Notes	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Default Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Financial assets</b>																	
Cash and cash equivalents		280	406	491	406	909	1,130	1,148	629	737	802	704	699	1,547	2,325	5,816	6,397
Financial assets at fair value through profit or loss	5	321,585	274,790	296,651	253,183	831,690	804,033	710,400	715,021	506,910	442,405	749,153	720,259	1,395,486	1,251,097	4,811,875	4,460,788
Contributions receivable		392	307	448	442	630	879	448	537	558	524	701	737	1,492	2,219	3,818	4,499
Other receivables		-	-	-	-	-	-	-	979	-	-	-	-	-	-	-	979
<b>Total financial assets</b>		<b>322,257</b>	<b>275,503</b>	<b>297,590</b>	<b>254,031</b>	<b>833,229</b>	<b>806,042</b>	<b>711,996</b>	<b>717,166</b>	<b>508,205</b>	<b>443,731</b>	<b>750,558</b>	<b>721,695</b>	<b>1,398,525</b>	<b>1,255,641</b>	<b>4,821,509</b>	<b>4,472,663</b>
<b>Financial liabilities</b>																	
Management fees payable	6.1	82	72	112	99	315	307	268	271	147	128	281	271	521	473	1,726	1,621
Redemptions payable		256	619	402	312	487	1,172	484	1,303	500	399	182	1,039	770	582	2,230	4,280
PIE tax payable/(receivable) on behalf of Members		2,014	237	597	(424)	(2,442)	(4,617)	(2,100)	(2,286)	(1,003)	(1,005)	(1,858)	(983)	(2,033)	2,077	(6,825)	(7,001)
<b>Total financial liabilities (excluding net assets attributable to Members)</b>		<b>2,352</b>	<b>928</b>	<b>1,111</b>	<b>(13)</b>	<b>(1,640)</b>	<b>(3,138)</b>	<b>(1,348)</b>	<b>(712)</b>	<b>(356)</b>	<b>(478)</b>	<b>(1,395)</b>	<b>327</b>	<b>(742)</b>	<b>3,132</b>	<b>(2,869)</b>	<b>(1,100)</b>
<b>Net assets available for benefits</b>		<b>319,905</b>	<b>274,575</b>	<b>296,479</b>	<b>254,044</b>	<b>834,869</b>	<b>809,180</b>	<b>713,344</b>	<b>717,878</b>	<b>508,561</b>	<b>444,209</b>	<b>751,953</b>	<b>721,368</b>	<b>1,399,267</b>	<b>1,252,509</b>	<b>4,824,378</b>	<b>4,473,763</b>
Represented by																	
<b>Net assets attributable to Members</b>		<b>319,905</b>	<b>274,575</b>	<b>296,479</b>	<b>254,044</b>	<b>834,869</b>	<b>809,180</b>	<b>713,344</b>	<b>717,878</b>	<b>508,561</b>	<b>444,209</b>	<b>751,953</b>	<b>721,368</b>	<b>1,399,267</b>	<b>1,252,509</b>	<b>4,824,378</b>	<b>4,473,763</b>

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

The Board of Directors of BNZ Investment Services Limited authorised these Financial Statements for issue on 12 July 2023.

For and on behalf of the Manager

Director

Director

# Statements of Cash Flows

For the year ended 31 March 2023

	Notes	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Default Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022* \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
For the year ended 31 March																	
<b>Cash flows from operating activities</b>																	
Cash was provided from:																	
Proceeds from sale of financial assets at fair value through profit or loss		12,632	17,612	5,028	10,871	22,974	193,349	29,398	39,343	3,002	53,283	12,270	33,845	11,661	72,743	96,965	421,046
Purchase of financial assets at fair value through profit or loss		(48,937)	(55,009)	(45,168)	(45,887)	(63,587)	(98,337)	(39,049)	(88,803)	(76,160)	(520,544)	(57,702)	(133,040)	(180,220)	(330,027)	(510,823)	(1,271,647)
Interest income received		20	4	20	4	56	15	47	13	34	7	50	12	85	22	312	77
Cash was applied to:																	
Operating expenses paid		(901)	(720)	(1,210)	(1,115)	(3,604)	(4,363)	(3,104)	(3,771)	(1,579)	(381)	(3,166)	(3,649)	(5,633)	(6,063)	(19,197)	(20,062)
<b>Net cash inflows/(outflows) from operating activities</b>	7	<b>(37,186)</b>	<b>(38,113)</b>	<b>(41,330)</b>	<b>(36,127)</b>	<b>(44,161)</b>	90,664	<b>(12,708)</b>	<b>(53,218)</b>	<b>(74,703)</b>	<b>(467,635)</b>	<b>(48,548)</b>	<b>(102,832)</b>	<b>(174,107)</b>	<b>(263,325)</b>	<b>(432,743)</b>	<b>(870,586)</b>
<b>Cash flows from financing activities</b>																	
Cash was provided from:																	
Contributions		106,135	106,778	95,230	100,579	170,260	235,680	115,259	179,409	127,200	540,979	137,150	221,995	315,487	429,337	800,163	1,271,874
Cash was applied to:																	
Benefits paid		(68,675)	(68,369)	(54,315)	(63,922)	(131,621)	(324,826)	(104,944)	(124,269)	(53,828)	(72,581)	(90,116)	(115,954)	(140,812)	(158,007)	(377,753)	(385,045)
Members' PIE tax (paid)/refunded		(400)	(263)	500	(373)	5,301	(1,964)	2,912	(3,057)	1,266	39	1,519	(3,948)	(1,346)	(7,530)	9,752	(17,096)
<b>Net cash (outflows)/inflows from financing activities</b>		<b>37,060</b>	<b>38,146</b>	<b>41,415</b>	<b>36,284</b>	<b>43,940</b>	<b>(91,110)</b>	<b>13,227</b>	<b>52,083</b>	<b>74,638</b>	<b>468,437</b>	<b>48,553</b>	<b>102,093</b>	<b>173,329</b>	<b>263,800</b>	<b>432,162</b>	<b>869,733</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(126)</b>	<b>33</b>	<b>85</b>	<b>157</b>	<b>(221)</b>	<b>(446)</b>	<b>519</b>	<b>(1,135)</b>	<b>(65)</b>	<b>802</b>	<b>5</b>	<b>(739)</b>	<b>(778)</b>	<b>475</b>	<b>(581)</b>	<b>(853)</b>
Cash and cash equivalents at the beginning of the year		406	373	406	249	1,130	1,576	629	1,764	802	-	699	1,438	2,325	1,850	6,397	7,250
<b>Cash and cash equivalents at the end of the year</b>		<b>280</b>	<b>406</b>	<b>491</b>	<b>406</b>	<b>909</b>	<b>1,130</b>	<b>1,148</b>	<b>629</b>	<b>737</b>	<b>802</b>	<b>704</b>	<b>699</b>	<b>1,547</b>	<b>2,325</b>	<b>5,816</b>	<b>6,397</b>

\* For the six months ended 31 March

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 2023

## 1. General information

### 1.1 Reporting entities

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

- Cash Fund;
- First Home Buyer Fund;
- Conservative Fund;
- Moderate Fund;
- Default Fund (commenced operations on 1 December 2021);
- 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. The Default Fund was established on 10 September 2021 and began accepting members on 1 December 2021. 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 seven 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 1010. 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 or close any Funds, 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 12 July 2023.

# 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 held at fair value through profit or loss.

The Financial Statements have been prepared for the year ended 31 March 2023 with comparative information for the year ended 31 March 2022, except for the Default Fund, for which the comparatives are presented from 1 December 2021 (date of commencement of operations) to 31 March 2022.

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 is 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 2022 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 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 financial assets 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 make assumptions that are based on market conditions existing as at each reporting date. Valuation techniques used include the use of recent comparable arm's length market transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

The Funds' investments in other funds are subject to the terms and conditions of the respective funds' offering documentation. The investments in other funds are primarily valued based on the latest available redemption price of such units for each other fund investment, as determined by the other funds' administrators. The Funds review the details of the reported information obtained from the other funds and considers: 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 any fair value, fair valuation information, if it is obtained from the other funds' advisors.

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, but not limited to, 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) as 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 or spreads payable prior to the issue of units in the Funds and initial service fee (if any). Redemptions from the Funds are recorded gross of any exit fees or spreads payable after the cancellation of the units redeemed. Units are issued and redeemed at the Members' option at prices based on either the Funds' net asset value per unit at the time of issue or redemption adjusted for a margin spread ranging from 0 bps to 12 bps (31 March 2022: 0 bps to 12 bps) for the respective Funds. The margin spreads on contributions and redemptions are to cover costs associated with the transactions. The Funds' net asset value per unit is calculated by dividing the net assets attributable to the Members of the Fund with the total units on issue of the Fund. In accordance with the provisions of the Governing Document, investment positions are valued based on the appropriate market value for the purpose of determining the net asset value per unit for contributions and redemptions.

# 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 held at fair value through profit or loss

Realised and unrealised gains or losses on investments are recorded in the Statements of Changes in Net Assets 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 London 4pm World Market Reuters 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 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.

The fair value of investments in other funds has been estimated 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 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.

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## 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, 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 on 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 is 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 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, foreign exchange 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.

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.

# 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

##### (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/(loss) attributable to Members and Net assets attributable to Members by approximately:

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Default Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
As at 31 March																
Prices increased by 5%	16,079	13,740	14,833	12,659	41,585	40,202	35,520	35,751	25,346	22,120	37,458	36,013	69,774	62,555	240,595	223,040
Prices decreased by 5%	(16,079)	(13,740)	(14,833)	(12,659)	(41,585)	(40,202)	(35,520)	(35,751)	(25,346)	(22,120)	(37,458)	(36,013)	(69,774)	(62,555)	(240,595)	(223,040)

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 that 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/(loss) attributable to Members and Net assets attributable to Members had the relevant interest rates either 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		Default Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
As at 31 March																
Interest rate increased by 1%	3	4	5	4	9	11	11	6	7	8	7	7	15	23	57	63
Interest rate decreased by 1%	(3)	(4)	(5)	(4)	(9)	(11)	(11)	(6)	(7)	(8)	(7)	(7)	(15)	(23)	(57)	(63)

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 predominately 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 2023 (31 March 2022: AA-), as measured by Standard & Poor's Global Ratings Pty Limited.

The initial Scheme set up and ongoing regular reviews consider 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, or currency hedging. 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, BNZ Wholesale Australasian Equities (Index) Fund and the 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).

# 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 to allow for adequate liquidity within the Funds to meet Members' redemption obligations.
- (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 2023 (31 March 2022: 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

As at the reporting date the Funds invested into the following unlisted unit trusts:

As at 31 March	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Default Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
BNZ Wholesale NZ Cash Fund	321,585	274,790	187,990	161,033	221,105	216,717	117,253	120,849	28,856	24,576	42,403	42,776	24,989	21,776	944,181	862,517
BNZ Wholesale NZ Fixed Interest Fund	-	-	18,050	15,049	132,738	124,381	84,282	84,195	50,658	43,874	74,452	71,155	69,932	61,748	430,112	400,402
BNZ Wholesale International Fixed Interest (Index) Fund	-	-	51,082	42,915	315,725	308,686	233,564	234,917	131,869	114,236	193,594	185,638	224,268	198,400	1,150,102	1,084,792
BNZ Wholesale Australasian Equities Fund	-	-	6,069	5,090	29,658	27,663	43,052	42,435	-	-	71,139	68,101	180,729	159,751	330,647	303,040
BNZ Wholesale Australasian Equities (Index) Fund	-	-	5,978	5,203	29,327	27,996	43,052	44,139	95,740	85,046	70,712	68,839	178,635	164,265	423,444	395,488
BNZ Wholesale International Equities (Index) Fund	-	-	27,482	23,893	103,137	98,590	189,197	188,486	199,787	174,673	296,853	283,750	716,933	645,157	1,533,389	1,414,549
<b>Total financial assets at fair value through profit or loss</b>	<b>321,585</b>	<b>274,790</b>	<b>296,651</b>	<b>253,183</b>	<b>831,690</b>	<b>804,033</b>	<b>710,400</b>	<b>715,021</b>	<b>506,910</b>	<b>442,405</b>	<b>749,153</b>	<b>720,259</b>	<b>1,395,486</b>	<b>1,251,097</b>	<b>4,811,875</b>	<b>4,460,788</b>

# 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's 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		Default Fund		Balanced Fund		Growth Fund	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management fee percentage per annum	<b>0.30%</b>	0.30%	<b>0.45%</b>	0.45%	<b>0.45%</b>	0.45%	<b>0.45%</b>	0.45%	<b>0.35%</b>	0.35%	<b>0.45%</b>	0.45%	<b>0.45%</b>	0.45%

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 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	
	2023	2022
<b>Subsidiaries</b>	<b>Proportion of ownership</b>	
BNZ Wholesale NZ Cash Fund	<b>82%</b>	78%
BNZ Wholesale International Equities (Index) Fund	<b>88%</b>	86%

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

#### 6.3 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. BNZ operates as a subsidiary of NAB.

As at the reporting date, all related party investments were as follows:

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Default Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>As at 31 March</b>																
BNZ Wholesale NZ Cash Fund	321,585	274,790	187,990	161,033	221,105	216,717	117,253	120,849	28,856	24,576	42,403	42,776	24,989	21,776	944,181	862,517
BNZ Wholesale NZ Fixed Interest Fund	-	-	18,050	15,049	132,738	124,381	84,282	84,195	50,658	43,874	74,452	71,155	69,932	61,748	430,112	400,402
BNZ Wholesale International Fixed Interest (Index) Fund	-	-	51,082	42,915	315,725	308,686	233,564	234,917	131,869	114,236	193,594	185,638	224,268	198,400	1,150,102	1,084,792
BNZ Wholesale Australasian Equities Fund	-	-	6,069	5,090	29,658	27,663	43,052	42,435	-	-	71,139	68,101	180,729	159,751	330,647	303,040
BNZ Wholesale Australasian Equities (Index) Fund	-	-	5,978	5,203	29,327	27,996	43,052	44,139	95,740	85,046	70,712	68,839	178,635	164,265	423,444	395,488
BNZ Wholesale International Equities (Index) Fund	-	-	27,482	23,893	103,137	98,590	189,197	188,486	199,787	174,673	296,853	283,750	716,933	645,157	1,533,389	1,414,549
BNZ bank accounts	280	406	491	406	909	1,130	1,148	629	737	802	704	699	1,547	2,325	5,816	6,397
<b>Total</b>	<b>321,865</b>	<b>275,196</b>	<b>297,142</b>	<b>253,589</b>	<b>832,599</b>	<b>805,163</b>	<b>711,548</b>	<b>715,650</b>	<b>507,647</b>	<b>443,207</b>	<b>749,857</b>	<b>720,958</b>	<b>1,397,033</b>	<b>1,253,422</b>	<b>4,817,691</b>	<b>4,467,185</b>

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

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Default Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022* \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>For the year ended 31 March</b>																
BNZ Wholesale NZ Cash Fund	10,490	1,878	5,975	1,143	7,335	1,866	3,928	970	907	106	1,393	403	792	346	30,820	6,712
BNZ Wholesale NZ Fixed Interest Fund	-	-	(11)	(903)	(406)	(7,805)	(403)	(5,086)	(122)	(1,677)	(311)	(4,205)	(275)	(3,837)	(1,528)	(23,513)
BNZ Wholesale International Fixed Interest (Index) Fund	-	-	(2,483)	(2,200)	(18,206)	(15,444)	(14,061)	(12,234)	(6,718)	(7,905)	(10,978)	(9,579)	(12,065)	(9,259)	(64,511)	(56,621)
BNZ Wholesale Australasian Equities Fund	-	-	(24)	88	(223)	975	(672)	1,061	-	-	(1,079)	1,190	(2,202)	1,988	(4,200)	5,302
BNZ Wholesale Australasian Equities (Index) Fund	-	-	(35)	(298)	(278)	(1,402)	(767)	(2,565)	(1,029)	(5,393)	(1,124)	(3,959)	(2,514)	(9,511)	(5,747)	(23,128)
BNZ Wholesale International Equities (Index) Fund	-	-	(94)	1,377	(1,178)	8,516	(3,276)	12,664	(1,691)	(9,987)	(4,439)	16,949	(7,906)	34,528	(18,584)	64,047
BNZ bank accounts	20	4	20	4	56	15	47	13	34	7	50	12	85	22	312	77
<b>Total</b>	<b>10,510</b>	<b>1,882</b>	<b>3,348</b>	<b>(789)</b>	<b>(12,900)</b>	<b>(13,279)</b>	<b>(15,204)</b>	<b>(5,177)</b>	<b>(8,619)</b>	<b>(24,849)</b>	<b>(16,488)</b>	<b>811</b>	<b>(24,085)</b>	<b>14,277</b>	<b>(63,438)</b>	<b>(27,124)</b>

\* For the six months ended 31 March

There were no other related parties transactions aside from those already disclosed above during the year ended 31 March 2023 (31 March 2022: Nil).

## 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		Default Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022* \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>For the year ended 31 March</b>																
<b>Profit/(loss) attributable to Members</b>	<b>9,599</b>	1,154	<b>2,125</b>	(1,904)	<b>(16,512)</b>	(17,536)	<b>(18,305)</b>	(8,870)	<b>(10,217)</b>	(25,358)	<b>(19,664)</b>	(2,788)	<b>(29,766)</b>	8,244	<b>(82,740)</b>	(47,058)
<b>Adjustments for non-cash items</b>																
Net unrealised changes in the fair value of financial assets	(10,033)	(1,509)	(3,006)	2,757	14,243	35,408	16,175	17,020	8,582	23,862	16,395	11,240	23,559	9,525	65,915	98,303
<b>Movements in working capital items</b>																
Increase/(decrease) in trade and other payables	10	8	13	-	8	(106)	(3)	(78)	19	128	10	(50)	48	(30)	105	(128)
Decrease/(increase) in net cost of investments	(36,762)	(37,766)	(40,462)	(36,980)	(41,900)	72,898	(10,575)	(61,290)	(73,087)	(466,267)	(45,289)	(111,234)	(167,948)	(281,064)	(416,023)	(921,703)
	<b>(46,785)</b>	(39,267)	<b>(43,455)</b>	(34,223)	<b>(27,649)</b>	108,200	<b>5,597</b>	(44,348)	<b>(64,486)</b>	(442,277)	<b>(28,884)</b>	(100,044)	<b>(144,341)</b>	(271,569)	<b>(350,003)</b>	(823,528)
<b>Net cash inflows/(outflows) from operating activities</b>	<b>(37,186)</b>	(38,113)	<b>(41,330)</b>	(36,127)	<b>(44,161)</b>	90,664	<b>(12,708)</b>	(53,218)	<b>(74,703)</b>	(467,635)	<b>(48,548)</b>	(102,832)	<b>(174,107)</b>	(263,325)	<b>(432,743)</b>	(870,586)

\* For the six months ended 31 March

### 8. Commitments or contingent liabilities

There were no material commitments or contingent liabilities as at 31 March 2023 (31 March 2022: 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 Financial Position as at 31 March 2023 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, Default Fund, Balanced Fund and Growth Fund (each a "Fund"), being the constituent Funds of BNZ KiwiSaver Scheme (the "Scheme"), on pages 2 to 16, which comprise the statements of net assets of each Fund and the Scheme as at 31 March 2023, 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 on pages 2 to 16 present fairly, in all material respects, the financial position of each Fund and the Scheme as at 31 March 2023 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"> <li>▶ Each Fund's and the Scheme's financial assets at FVTPL (being investments) exceeded 99% of the respective Fund's and the Scheme's total assets.</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. 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>.</li> <li>▶ Disclosures regarding each Fund's and the Scheme's financial assets at FVTPL 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, 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 the service organisations, the relevant internal controls and the implications of any identified control deficiencies relevant to our audit of the financial statements.</li> </ul>

# Independent Auditor's Report continued



Why significant	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>▶ Receiving confirmation, directly from the Registrar, of the number of units held in the unlisted funds/trusts in which each Fund and the Scheme invest as at 31 March 2023.</li> <li>▶ Receiving confirmations, directly from the custodian or counterparty, of the investments held by the unlisted funds/trusts in which each Fund and the Scheme invest as at 31 March 2023.</li> <li>▶ Recalculating each Fund's, and so the Scheme's, proportionate share of investments held by the unlisted funds/trusts, based on the confirmations above.</li> <li>▶ Independently re-ricing a sample of investments held by the unlisted funds/trusts in which each Fund and the Scheme invest as at 31 March 2023 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>. In the case of more complex instruments we engaged internal valuation specialists to assist in assessing the values of these investments.</li> <li>▶ Assessing whether the disclosures in the financial statements appropriately reflect each Fund's and the Scheme's exposure to financial instrument risk with reference to NZ IFRS 7 <i>Financial Instruments: Disclosures</i>.</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 opinions on the financial statements do 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  
12 July 2023

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