

Private Wealth Series

For the year ended 31 March 2019



Directory

The Manager

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BNZ Investment Services Limited is the Manager
and Issuer of the BNZ Private Wealth Series.

Directors of BNZ Investment Services Limited as at 29 July 2019:

Richard Ansell

Hayley Cassidy

Richard Morath

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The Supervisor

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Level 6
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Auditor

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Statements of Comprehensive Income

For the year ended 31 March 2019

| | Notes | Cash Fund | | NZ Fixed Interest Fund | | International Fixed Interest Fund | | Australasian Equity Fund | | International Equity Fund | |
|---|-------|---|---|---|---|---|---|---|---|---|---|
| | | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 |
| Income | | | | | | | | | | | |
| Interest income on financial assets at amortised cost | | 27 | 47 | 35 | 91 | 123 | 333 | 11 | 19 | 110 | 583 |
| Dividend and distribution income | | - | - | 5,875 | 10,957 | - | 35,305 | 703 | 1,404 | 22,711 | 4,194 |
| Net foreign currency (losses)/gains on cash and cash equivalents | | - | - | - | - | - | (2) | - | - | (9) | 45 |
| Net gains/(losses) on financial instruments at fair value through profit or loss | | 2,481 | 2,380 | 8,143 | 2,695 | 30,646 | (14,481) | 6,676 | 7,957 | 38,342 | 57,542 |
| Sundry income | | - | - | - | 2 | 4 | 4 | - | - | - | - |
| Total income | | 2,508 | 2,427 | 14,053 | 13,745 | 30,773 | 21,159 | 7,390 | 9,380 | 61,154 | 62,364 |
| Expenses | | | | | | | | | | | |
| Management fees | 5 | 283 | 272 | 1,484 | 1,589 | 7,373 | 5,953 | 516 | 446 | 7,435 | 5,956 |
| Management fee rebates | | - | - | (946) | (1,562) | (1,763) | (4,281) | (1) | - | - | - |
| Transaction costs | | - | - | - | - | - | 28 | - | - | - | 154 |
| Expense allowance | | 60 | 82 | 155 | 227 | 565 | 613 | 36 | 42 | 535 | 547 |
| Total expenses | | 343 | 354 | 693 | 254 | 6,175 | 2,313 | 551 | 488 | 7,970 | 6,657 |
| Operating profit for the year attributable to Scheme Participants | | 2,165 | 2,073 | 13,360 | 13,491 | 24,598 | 18,846 | 6,839 | 8,892 | 53,184 | 55,707 |
| Total comprehensive gains for the year attributable to Scheme Participants | | 2,165 | 2,073 | 13,360 | 13,491 | 24,598 | 18,846 | 6,839 | 8,892 | 53,184 | 55,707 |

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

Statements of Changes in Net Assets Attributable to Scheme Participants

For the year ended 31 March 2019

| | Cash Fund | | NZ Fixed Interest Fund | | International Fixed Interest Fund | | Australasian Equity Fund | | International Equity Fund | |
|--|---|---|---|---|---|---|---|---|---|---|
| | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 |
| Net assets attributable to Scheme Participants at the beginning of the year | 98,455 | - | 222,047 | - | 813,298 | - | 50,053 | - | 732,549 | - |
| Proceeds from units issued | 157,393 | 149,947 | 40,812 | 513,735 | 147,900 | 845,789 | 7,189 | 47,527 | 102,884 | 719,591 |
| Redemption of units | (84,349) | (53,565) | (30,696) | (305,179) | (103,622) | (51,335) | (7,520) | (6,366) | (109,878) | (42,746) |
| Scheme Participants' tax liabilities | - | - | - | - | - | (2) | - | - | (19) | (3) |
| Net increase from transaction in units | 73,044 | 96,382 | 10,116 | 208,556 | 44,278 | 794,452 | (331) | 41,161 | (7,013) | 676,842 |
| Total comprehensive gains for the year attributable to Scheme Participants | 2,165 | 2,073 | 13,360 | 13,491 | 24,598 | 18,846 | 6,839 | 8,892 | 53,184 | 55,707 |
| Net assets attributable to Scheme Participants at the end of the year | 173,664 | 98,455 | 245,523 | 222,047 | 882,174 | 813,298 | 56,561 | 50,053 | 778,720 | 732,549 |

| | Cash Fund | | NZ Fixed Interest Fund | | International Fixed Interest Fund | | Australasian Equity Fund | | International Equity Fund | |
|--|---|---|---|---|---|---|---|---|---|---|
| | For the year ended 31 March 2019 Units '000 | For the period ended 31 March 2018 Units '000 | For the year ended 31 March 2019 Units '000 | For the period ended 31 March 2018 Units '000 | For the year ended 31 March 2019 Units '000 | For the period ended 31 March 2018 Units '000 | For the year ended 31 March 2019 Units '000 | For the period ended 31 March 2018 Units '000 | For the year ended 31 March 2019 Units '000 | For the period ended 31 March 2018 Units '000 |
| Units on issue at the beginning of the year | 96,102 | - | 210,466 | - | 783,021 | - | 40,598 | - | 652,399 | - |
| Units issued | 151,164 | 148,943 | 38,027 | 510,971 | 142,505 | 833,037 | 5,507 | 46,193 | 87,074 | 691,241 |
| Units redeemed | (81,539) | (52,841) | (28,458) | (300,505) | (99,770) | (50,016) | (5,745) | (5,595) | (93,785) | (38,842) |
| Units on issue at the end of the year | 165,727 | 96,102 | 220,035 | 210,466 | 825,756 | 783,021 | 40,360 | 40,598 | 645,688 | 652,399 |

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

Statements of Financial Position

As at 31 March 2019

| | Notes | Cash Fund | | NZ Fixed Interest Fund | | International Fixed Interest Fund | | Australasian Equity Fund | | International Equity Fund | |
|---|-------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 |
| Assets | | | | | | | | | | | |
| Cash and cash equivalents | | 563 | 1,962 | 1,335 | 2,570 | 4,024 | 10,374 | 228 | 894 | 3,639 | 7,955 |
| Financial assets at fair value through profit or loss | | 173,148 | 96,544 | 244,084 | 219,469 | 880,047 | 803,352 | 56,454 | 49,248 | 776,834 | 724,410 |
| Outstanding settlements receivable | | 184 | - | - | - | - | - | - | - | - | - |
| Contributions receivable | | 348 | 100 | 100 | 141 | 474 | 229 | - | - | 330 | 1,188 |
| Accrued interest | | - | - | - | - | - | 1 | - | - | - | 1 |
| Management fee rebates receivable | | - | - | 213 | 158 | - | 404 | - | - | - | - |
| Total assets | | 174,243 | 98,606 | 245,732 | 222,338 | 884,545 | 814,360 | 56,682 | 50,142 | 780,803 | 733,554 |
| Liabilities | | | | | | | | | | | |
| Management fees payable | 5 | 41 | 23 | 122 | 110 | 602 | 554 | 42 | 39 | 592 | 566 |
| Expense allowance payable | | 9 | 7 | 13 | 15 | 46 | 55 | 3 | 3 | 41 | 50 |
| Withdrawals payable | | 529 | 121 | 74 | 166 | 1,723 | 453 | 76 | 47 | 1,450 | 389 |
| Total liabilities | | 579 | 151 | 209 | 291 | 2,371 | 1,062 | 121 | 89 | 2,083 | 1,005 |
| Net assets attributable to Scheme Participants | | 173,664 | 98,455 | 245,523 | 222,047 | 882,174 | 813,298 | 56,561 | 50,053 | 778,720 | 732,549 |

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

The Directors of BNZ Investment Services Limited authorised these Financial Statements for issue on 29 July 2019.

For and on behalf of the Manager


Director


Director

Statements of Cash Flows

For the year ended 31 March 2019

| | Notes | Cash Fund | | NZ Fixed Interest Fund | | International Fixed Interest Fund | | Australasian Equity Fund | | International Equity Fund | |
|--|-------|---|---|---|---|---|---|---|---|---|---|
| | | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 |
| Cash inflows/(outflows) from operating activities | | | | | | | | | | | |
| Proceeds from the sale of financial instruments at fair value through profit or loss | | 44,786 | 48,120 | 6,233 | 307,598 | 854,876 | 246,622 | 3,574 | 3,918 | 38,440 | 142,020 |
| Purchase of financial instruments at fair value through profit or loss | | (119,093) | (75,954) | (16,151) | (74,550) | (899,566) | (798,557) | (3,401) | (10,558) | (29,830) | (802,082) |
| Net settlement of forward currency contracts | | - | - | - | - | - | - | - | - | - | (5,684) |
| Net settlement on future contracts | | - | - | - | - | - | (129) | - | - | - | 3,069 |
| Dividends and distributions received | | - | - | - | 2,956 | - | - | - | - | 19 | 3 |
| Sundry income received | | - | - | - | - | 4 | 4 | - | - | - | - |
| Interest income received | | 27 | 47 | 35 | 91 | 124 | 332 | 11 | 19 | 111 | 582 |
| Transaction costs | | - | - | - | - | - | (28) | - | - | - | (154) |
| Management fee rebates received | | - | - | 211 | 1,045 | 808 | 374 | 1 | - | - | - |
| Management fees paid | | (265) | (249) | (1,472) | (1,479) | (7,325) | (5,399) | (513) | (407) | (7,409) | (5,390) |
| Administration and other expenses paid | | (58) | (75) | (157) | (210) | (574) | (558) | (36) | (39) | (544) | (497) |
| Net cash (outflows)/inflows from operating activities | 7 | (74,603) | (28,111) | (11,301) | 235,451 | (51,653) | (557,339) | (364) | (7,067) | 787 | (668,133) |
| Cash flows from financing activities | | | | | | | | | | | |
| Proceeds from units issued | | 157,145 | 83,517 | 40,854 | 71,678 | 147,655 | 614,862 | 7,189 | 14,280 | 103,742 | 718,403 |
| Redemptions of units | | (83,941) | (53,444) | (30,788) | (304,559) | (102,352) | (47,145) | (7,491) | (6,319) | (108,817) | (42,357) |
| Scheme Participants' tax liabilities | | - | - | - | - | - | (2) | - | - | (19) | (3) |
| Net cash inflows/(outflows) from financing activities | | 73,204 | 30,073 | 10,066 | (232,881) | 45,303 | 567,715 | (302) | 7,961 | (5,094) | 676,043 |
| Net (decrease)/increase in cash and cash equivalents | | (1,399) | 1,962 | (1,235) | 2,570 | (6,350) | 10,376 | (666) | 894 | (4,307) | 7,910 |
| Cash and cash equivalents at the beginning of the financial year | | 1,962 | - | 2,570 | - | 10,374 | - | 894 | - | 7,955 | - |
| Foreign exchange (losses)/gains on cash and cash equivalents denominated in foreign currencies | | - | - | - | - | - | (2) | - | - | (9) | 45 |
| Cash and cash equivalents at the end of the financial year | | 563 | 1,962 | 1,335 | 2,570 | 4,024 | 10,374 | 228 | 894 | 3,639 | 7,955 |
| The cash balances of the Funds comprise of: | | | | | | | | | | | |
| Cash and cash equivalents | | 563 | 1,962 | 1,335 | 2,570 | 4,024 | 10,374 | 228 | 894 | 3,639 | 7,955 |

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

Notes to and Forming Part of the Financial Statements

For the year ended 31 March 2019

1. General information

1.1 Reporting entities

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

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

These Financial Statements are for the year ended 31 March 2019. The Scheme was registered as a Managed Investment Scheme in accordance with the Financial Markets Conduct Act 2013 (“FMCA”) on 1 February 2017.

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

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

The objectives of the Funds are as follows:

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

The Funds’ investment activities are managed by BNZ Investment Services Limited (the “Manager”). The registered office for the Manager is Level 4, 80 Queen Street, Auckland 1010, New Zealand.

1.2 Statutory base

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (“NZ GAAP”). For the purposes of complying with NZ GAAP, the Funds are profit-oriented entities. These Financial Statements comply with the 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 2019. The Financial Statements for the comparative reporting period are prepared for the 14 month period from the date of establishment, 8 February 2017 to 31 March 2018.

Notes to and Forming Part of the Financial Statements continued

2. Summary of significant accounting policies

2.1 Basis of preparation continued

(a) Presentation

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

(b) New standards and amendments

The Funds have adopted NZ IFRS 9 Financial Instruments ("NZ IFRS 9") for the first time for the year commencing 1 April 2018. The adoption of NZ IFRS 9 has been applied retrospectively and did not result in a significant change to the classification or measurement of financial instruments in either the current or prior year. The Funds hold instruments which had previously been designated as fair value through profit or loss or held for trading. On adoption of NZ IFRS 9, these instruments are now mandatorily classified as fair value through profit or loss; there are no changes to the measurement of these securities. The Funds also hold securities which were classified as loans and receivables. On adoption of NZ IFRS 9, these instruments are now classified as financial assets at amortised cost. With the adoption of IFRS 9, there were no changes to the measurement of these instruments other than a change to the impairment calculation. With the introduction of NZ IFRS 9, the Funds are now applying expected credit loss provisioning since initial recognition of these instruments. Prior to the adoption of IFRS 9, the carrying amounts of the financial assets at amortised cost were reviewed as at each the reporting date for objective evidence of impairment. As explained in Note 4.1.2, there was also no impact from the application of new impairment rules as the instruments held have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. The disclosures in these financial statements have been prepared in accordance with NZ IFRS 9.

NZ IFRS 15 Revenue from Contracts with Customers is effective the year commencing 1 April 2018. All material income streams associated with the Funds are derived from financial instruments and other contractual rights and obligations within the scope of NZ IFRS 9, and therefore, the standard has no material impact on the Funds.

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

2.2 Financial instruments

(a) Classification

The Scheme's financial assets and financial liabilities, at initial recognition, are classified as subsequently measured at fair value or amortised cost.

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

Financial assets at amortised cost consist of:

- (a) **Cash and cash equivalents** include cash in hand and deposits held at call with banks, denominated in New Zealand dollars and in foreign currencies.
- (b) **Receivables** include amounts due for management fee rebate receivables, contribution receivables, balance of accrued interest and outstanding settlement receivables.

Financial liabilities at amortised cost comprise **Payables** including related party fees (management fees and expense allowance payable) and withdrawals payable.

The Funds recognise financial assets and liabilities on the date they become parties to the contractual agreement. Financial assets and financial liabilities are initially recognised at fair value plus or minus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs directly attributable to their acquisition or issue. Transaction costs are expensed as incurred in the Statements of Comprehensive Income. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value with gains or losses recognised in the Statements of Comprehensive Income when they arise. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all of the risks and rewards of ownership. Any gain or loss arising on derecognition of the financial asset at fair value through profit or loss is included in the Statements of Comprehensive Income in the reporting period that the item is derecognised.

Financial assets and financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method less any impairment. Any impairment charge is recognised in the Statements of Comprehensive Income. Financial assets at amortised cost are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all of the risks and rewards of ownership. Financial liabilities at amortised cost are derecognised when the obligation under the liability is discharged, cancelled or expired.

Notes to and Forming Part of the Financial Statements continued

2. Summary of significant accounting policies continued

2.2 Financial instruments continued

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

Fair value in an inactive or unquoted market

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

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

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

If necessary, the Funds make adjustments to the net asset value of various other fund investments to obtain the best estimate of fair value. Net gains/(losses) on financial instruments at fair value through profit or loss reported in the Statements of Comprehensive Income include the change in fair value of other funds.

2.3 Net assets attributable to Scheme Participants

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

Applications received for units in the Funds are recorded net of any entry fees payable to the Scheme prior to the issue of units in the Funds and any initial service fee (if any). Redemptions from the Funds are recorded gross of any exit fees payable to the Scheme after the cancellation of the units redeemed. Units are issued and redeemed at the Scheme Participant's option at prices based on the Funds' net asset value per unit at the time of issue or redemption adjusted for a margin spread ranging from 0bps to 0.15bps for the respective Funds. The margin spreads on applications and redemptions are to cover costs associated with the transactions. The Funds' net asset value per unit is calculated by dividing the Net assets attributable to the Scheme Participants of the Funds with the total number of outstanding units of the Funds. In accordance with the provisions of the Governing Document, investment positions are valued based at the appropriate market value for the purpose of determining the net asset value per unit for subscriptions and redemptions.

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 included as Interest income on financial assets at amortised cost in the Statements of Comprehensive Income on an accruals basis.

Dividend and distribution income

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

Net gains or losses on financial instruments held at fair value through profit or loss

Realised and unrealised gains or losses are reflected in the Statements of Comprehensive Income as Net gains/(losses) on financial instruments held at fair value through profit or loss.

Unrealised gains or losses include the change in net market value of investments held as at the reporting date and the reversal of prior reporting periods unrealised gains or losses on investments that have been realised in the current reporting period. Realised gains or losses are calculated based on the gross sale proceeds and the weighted average cost of the investments sold.

2.5 Expenses

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

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the Funds' Financial Statements are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The functional currency for the Funds is the New Zealand dollar, which reflects the currency in which the Funds compete for funds and are regulated. The Funds' investors are from New Zealand, with the subscriptions and redemptions of the units denominated in New Zealand dollars. The performance of the Funds is measured in New Zealand dollars. The Financial Statements are presented in New Zealand dollars, which is also the Funds' presentation currency.

(b) Transactions and balances

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

Foreign exchange gains or losses resulting from translation are included in the Statements of Comprehensive Income.

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

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

Notes to and Forming Part of the Financial Statements continued

2. Summary of significant accounting policies continued

2.7 Income tax

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

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

2.8 Distribution to Scheme Participants

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

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

2.9 Goods and services tax (“GST”)

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

3. Critical accounting estimates and judgements

The Manager of the Funds makes estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below. Estimates are continually evaluated and are based on historical experience among other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of securities not quoted in an active market

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

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

Classification as an investment entity

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

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

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

- ownership interest in the Scheme is represented by units of Members’ interests.
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Notes to and Forming Part of the Financial Statements continued

4. Financial risk management

4.1 Financial risk factors

The Governing Document for the Funds requires that the Manager invest the assets of each Fund in accordance with the Statement of Investment Policy and Objectives (“SIPO”), in order to manage risk. The Manager monitor the Funds’ investments on a monthly basis to ensure compliance with the SIPO. The Manager reviews the appropriateness of the Funds’ authorised investments as outlined in the SIPO on an annual basis, or more frequently if market conditions, or changes to the nature or characteristics of the authorised investments, warrant it.

The Funds’ are exposed to: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Funds’ overall risk management programme seeks to maximise the returns derived for the level of risk to which the Funds are exposed and seeks to minimise potential adverse effects on the Funds’ financial performance.

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

The Funds are also indirectly exposed to risk factors such as liquidity risk, credit risk and interest rate risk via its investments underlying in investment funds. However, 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 investment and does not take account of the specific risk 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 New Zealand Guardian Trust Company Limited (“the Supervisor”) and set out in the Funds’ SIPO.

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 Funds’ Net assets attributable to Scheme Participants 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 Managers best estimate of a reasonable shift in prices with regard to historical volatility. If prices for the Funds’ investments had increased or decreased by 5% with all other variables held constant, this would have had the following impact on the Statements of Comprehensive Income and Statements of Changes in Net Assets Attributable to Scheme Participants:

| | Cash Fund | | NZ Fixed Interest Fund | | International Fixed Interest Fund | | Australasian Equity Fund | | International Equity Fund | |
|-----------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 |
| Price increased by 5% | 8,657 | 4,827 | 12,204 | 10,973 | 44,002 | 40,168 | 2,823 | 2,462 | 38,842 | 36,221 |
| Price decreased by 5% | (8,657) | (4,827) | (12,204) | (10,973) | (44,002) | (40,168) | (2,823) | (2,462) | (38,842) | (36,221) |

(b) Foreign exchange risk

Foreign currency risk, as defined in NZ IFRS 7 Financial Instruments: Disclosure (“NZ IFRS 7”), arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. NZ IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk (which forms part of the Price risk sensitivity (see Note 4.1.1(a)) 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 owing to the fact that it invested into Australian unit trusts.

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

Notes to and Forming Part of the Financial Statements continued

4. Financial risk management continued

4.1 Financial risk factors continued

4.1.1 Market risk continued

(b) Foreign exchange risk continued

The Funds may be indirectly exposed to further currency risk when an underlying investment fund (non-monetary asset) has investments that are denominated in a foreign currency (other than the currency the underlying fund is denominated in).

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

| | Cash Fund | | NZ Fixed Interest Fund | | International Fixed Interest Fund | | Australasian Equity Fund | | International Equity Fund | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 |
| Non-monetary assets | | | | | | | | | | |
| Australian exposure (converted to NZD) | - | - | - | - | - | - | - | - | 776,831 | 724,410 |

The table below summarises the sensitivity impact on the Statements of Comprehensive Income and Statements of Changes in Net Assets Attributable to Scheme Participants on monetary liabilities as at the reporting date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

| | Cash Fund | | NZ Fixed Interest Fund | | International Fixed Interest Fund | | Australasian Equity Fund | | International Equity Fund | |
|--------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 |
| Non-monetary assets | | | | | | | | | | |
| Exchange rates increased by 5% | - | - | - | - | - | - | - | - | (36,992) | (34,496) |
| Exchange rates decreased by 5% | - | - | - | - | - | - | - | - | 40,886 | 38,127 |

(c) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and financial liabilities and future cash flow. In addition to interest rate risk on indirect fixed interest investments which is captured in Price risk sensitivity (see Note 4.1.1(a)), the Funds direct holding of cash and cash equivalents in New Zealand dollars exposes the Funds to cash flow interest rate risk.

All cash and cash equivalent balances as at the reporting date were held at call with Bank of New Zealand ("BNZ").

The table below summarises the sensitivity impact on the Statements of Comprehensive Income and Statements of Changes in Net Assets Attributable to Scheme Participants to changes in interest rate movements on these direct holdings as at the reporting date. The analysis is based on the assumptions that the relevant interest rate increased 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 | | NZ Fixed Interest Fund | | International Fixed Interest Fund | | Australasian Equity Fund | | International Equity Fund | |
|-------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 |
| Interest rate increased by 1% | 6 | 20 | 13 | 26 | 40 | 104 | 2 | 9 | 36 | 80 |
| Interest rate decreased by 1% | (6) | (20) | (13) | (26) | (40) | (104) | (2) | (9) | (36) | (80) |

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

Notes to and Forming Part of the Financial Statements continued

4. Financial risk management continued

4.1 Financial risk factors continued

(c) Cash flow and fair value interest rate risk continued

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

4.1.2 Credit risk

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

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

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

The Funds measure 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. Management consider the probability of default to be close to zero as the instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. 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.

4.1.3 Liquidity risk

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

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

The required cash outflow to settle the forward currency contracts, which are in a loss position as at the reporting date, will be the fair value as at 31 March 2019, if it was settled on that date. It is expected that the actual undiscounted cash flows will be different, given that the instruments are marked to market. All the open currency contracts which are in a loss position as at 31 March 2019, will mature within six months after the reporting date.

4.2 Capital risk management

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

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

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

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

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

Notes to and Forming Part of the Financial Statements continued

4. Financial risk management continued

4.3 Fair value estimation

All Funds primarily invest in unlisted unit trusts that are recorded at fair value on the Statements of Financial Position. The Funds' investments in other funds are subject to the terms and conditions of the respective funds' offering documentation. The investments in other funds are primarily valued based on the latest available redemption price of such units for each other fund investment, as determined by the other funds' administrators. The Funds review the details of the reported information obtained from the other funds and consider: the liquidity of the other fund or its underlying investments; the value date of the net asset value provided; and restrictions on redemptions; and the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information is obtained from the other funds' advisors. The rights of the Funds to request redemption of their investments in other funds may vary in frequency from daily to weekly redemptions. As a result, the carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Funds may be materially affected by the actions of other investors who have invested in other funds in which the Funds have invested.

If necessary, the Funds make adjustments to the net asset value of various other fund investments to obtain the best estimate of fair value.

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).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (i.e. Level 3).

The Funds' investments classified in Level 2 were fair valued using the net asset value of the underlying fund, as reported by the investee fund's administrator. For the investee funds, the Manager believes the Funds could have redeemed their investments at the net asset value per unit as at the reporting date. The Funds hold no financial assets that are classified as Level 1 or Level 3 within the fair value hierarchy. There were no transfers between any of the levels for the year ended 31 March 2019 (year ended 31 March 2018: Nil).

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

| | Cash Fund | | NZ Fixed Interest Fund | | International Fixed Interest Fund | | Australasian Equity Fund | | International Equity Fund | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 |
| Level 2 assets | | | | | | | | | | |
| Financial assets held at fair value through profit or loss at inception | | | | | | | | | | |
| Unlisted funds/trusts | 173,148 | 96,544 | 244,084 | 219,469 | 880,047 | 803,352 | 56,454 | 49,248 | 776,834 | 724,410 |
| Total level 2 assets | 173,148 | 96,544 | 244,084 | 219,469 | 880,047 | 803,352 | 56,454 | 49,248 | 776,834 | 724,410 |

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

Notes to and Forming Part of the Financial Statements continued

5. Related parties

5.1 Key management and key management personnel

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

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

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

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

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

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

As at 31 March 2019, no Directors of the Manager or the Supervisor held any investment interest in the Funds (31 March 2018: Nil).

As at 31 March 2019, the Manager held no units (valued at \$Nil) in any of the Funds (31 March 2018: Nil).

5.2 Related party investments

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

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

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

| | Cash Fund | | NZ Fixed Interest Fund | | International Fixed Interest Fund | | Australasian Equity Fund | | International Equity Fund | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 | As at 31 March 2019 \$'000 | As at 31 March 2018 \$'000 |
| Investments held as at 31 March 2019: | | | | | | | | | | |
| JANA Multi-Manager Global Share Trust – Class A | - | - | - | - | - | - | - | - | 776,831 | 724,410 |
| BNZ bank accounts | 563 | 1,962 | 1,335 | 2,570 | 4,024 | 10,374 | 228 | 894 | 3,639 | 7,955 |
| Income from investments held as at 31 March 2019: | | | | | | | | | | |
| JANA Multi-Manager Global Share Trust – Class A | - | - | - | - | - | - | - | - | 34,809 | 60,157 |
| BNZ bank accounts | 27 | 47 | 35 | 91 | 123 | 333 | 11 | 19 | 110 | 583 |

Notes to and Forming Part of the Financial Statements continued

6. Interest income/(expense)

| | Cash Fund | | NZ Fixed Interest Fund | | International Fixed Interest Fund | | Australasian Equity Fund | | International Equity Fund | |
|--|---|---|---|---|---|---|---|---|---|---|
| | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 |
| Investments held for the year 31 March: | | | | | | | | | | |
| Interest income was earned from the following: | | | | | | | | | | |
| Cash and cash equivalents | 27 | 47 | 35 | 91 | 123 | 333 | 11 | 19 | 110 | 583 |
| Total net interest income | 27 | 47 | 35 | 91 | 123 | 333 | 11 | 19 | 110 | 583 |

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

| | Cash Fund | | NZ Fixed Interest Fund | | International Fixed Interest Fund | | Australasian Equity Fund | | International Equity Fund | |
|--|---|---|---|---|---|---|---|---|---|---|
| | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 | For the year ended 31 March 2019 \$'000 | For the period ended 31 March 2018 \$'000 |
| Operating profit | 2,165 | 2,073 | 13,360 | 13,491 | 24,598 | 18,846 | 6,839 | 8,892 | 53,184 | 55,707 |
| Adjustments for non-cash items | | | | | | | | | | |
| Net unrealised changes in the fair value of financial assets and financial liabilities | (1,308) | (2,250) | (7,984) | (241) | (47,208) | 14,320 | (6,246) | (3,290) | (34,055) | (60,158) |
| Net foreign currency gains on cash and cash equivalents | - | - | - | - | - | 2 | - | - | 9 | (45) |
| Management fee rebates received as units rather than cash | - | - | (680) | (359) | (1,359) | (3,503) | - | - | - | - |
| Distributions received as units rather than cash | - | - | (5,875) | (8,001) | - | (35,305) | (703) | (1,404) | (22,692) | (4,191) |
| | (1,308) | (2,250) | (14,539) | (8,601) | (48,567) | (24,486) | (6,949) | (4,694) | (56,738) | (64,394) |
| Movements in working capital items | | | | | | | | | | |
| (Increase)/decrease in trade and other receivables | - | - | - | - | 1 | (1) | - | - | - | (1) |
| Increase/(decrease) in trade and other payables | 20 | 30 | (45) | (33) | 443 | 205 | 3 | 42 | 18 | 616 |
| (Increase)/decrease in net cost of investments | (75,480) | (27,964) | (10,077) | 230,594 | (28,128) | (551,903) | (257) | (11,307) | 4,323 | (660,061) |
| | (75,460) | (27,934) | (10,122) | 230,561 | (27,684) | (551,699) | (254) | (11,265) | 4,341 | (659,446) |
| | (76,768) | (30,184) | (24,661) | 221,960 | (76,251) | (576,185) | (7,203) | (15,959) | (52,397) | (723,840) |
| Net cash (outflows)/inflows from operating activities | (74,603) | (28,111) | (11,301) | 235,451 | (51,653) | (557,339) | (364) | (7,067) | 787 | (668,133) |

8. Commitments or contingent liabilities

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

9. Events occurring after the reporting date

No significant events have occurred since the reporting date which would have impacted the financial position of the Funds disclosed in the Statements of Financial Position as at 31 March 2019 or on the results and cash flows of the Funds for the reporting period ended on that date.

Independent Auditor's Report



Chartered Accountants

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

Opinion

We have audited the financial statements of Cash Fund, NZ Fixed Interest Fund, International Fixed Interest Fund, Australasian Equity Fund and International Equity Fund (each a "Fund", together the "Funds") of Private Wealth Series (the "Scheme") on pages 2 to 16, which comprise the statements of financial position of each Fund as at 31 March 2019, and the statements of comprehensive income, statements of changes in net assets attributable to scheme participants and the statements of cash flows for the year then ended of each Fund, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 2 to 16 present fairly, in all material respects, the financial position of each Fund as at 31 March 2019 and their financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

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

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

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

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

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 financial assets at FVTPL exceeds 99% of the respective Fund's net assets attributable to Scheme participants.▶ 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: Financial Instruments. | <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 and Registrar are involved in the management of the investments, this included evaluating the service organisation reports issued by an independent auditor on the design and operation of the controls at the Administrator and Registrar throughout the period. Our procedures focussed on the nature and significance of services provided by the service organisations and their effect on internal controls relevant to the audit of the financial statements.▶ Receiving third party confirmations directly from external fund managers for each Fund, of the number of units issued and their respective exit price at balance date and agreeing the accounting records to the confirmations. |

Independent Auditor's Report continued

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

Information other than the financial statements and auditor's report

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

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

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

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

Manager's responsibilities for the financial statements

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

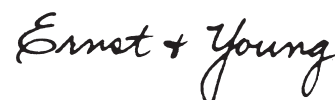
In preparing the financial statements, the Manager is responsible for assessing each Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate a Fund or cease operations, or 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 opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>. This description forms part of our auditor's report.

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



Chartered Accountants
Auckland
29 July 2019

