

**ANZ Default KiwiSaver Scheme  
Financial Statements**

FOR THE YEAR ENDED 31 MARCH 2016

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## Statement of Changes in Net Assets for the year ended 31 March 2016

Note	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Investment Activities</b>														
<b>Income</b>														
	6,974	2,277	-	42	-	191	-	301	-	316	-	-	6,974	3,127
Distribution income													100	134
Interest income	47	49	1	1	2	3	3	3	2	3	45	75		
Net changes in fair value of investment assets and liabilities	37,109	85,499	1,069	1,502	2,951	4,881	3,251	6,154	2,575	5,752	48	1	47,003	103,789
<b>Total income</b>	<b>44,130</b>	<b>87,825</b>	<b>1,070</b>	<b>1,545</b>	<b>2,953</b>	<b>5,075</b>	<b>3,254</b>	<b>6,458</b>	<b>2,577</b>	<b>6,071</b>	<b>93</b>	<b>76</b>	<b>54,077</b>	<b>107,050</b>
<b>Expenses</b>														
Management fees	4,075	3,490	172	92	506	283	620	345	543	314	10	7	5,926	4,531
Trustee fees	212	253	4	4	12	11	14	12	12	11	1	1	255	292
Auditor's fees - statutory financial statements	6	5	6	5	6	5	6	5	6	5	6	3	36	28
Auditor's fees - prospectus, summary financial statements, trustee reporting and semi-annual controls reporting	1	2	1	1	1	1	1	1	1	2	1	1	6	8
Other expenses	538	470	4	1	27	15	33	16	26	13	(5)	(3)	623	512
<b>Total expenses</b>	<b>4,832</b>	<b>4,220</b>	<b>187</b>	<b>103</b>	<b>552</b>	<b>315</b>	<b>674</b>	<b>379</b>	<b>588</b>	<b>345</b>	<b>13</b>	<b>9</b>	<b>6,846</b>	<b>5,371</b>
<b>Net profit</b>	<b>39,298</b>	<b>83,605</b>	<b>883</b>	<b>1,442</b>	<b>2,401</b>	<b>4,760</b>	<b>2,580</b>	<b>6,079</b>	<b>1,989</b>	<b>5,726</b>	<b>80</b>	<b>67</b>	<b>47,231</b>	<b>101,679</b>



## Statement of Changes in Net Assets (cont.)

for the year ended 31 March 2016

Note	Conservative Fund		Conservative Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Membership Activities</b>												
Net Profit	39,298	83,605	883	1,442	2,401	4,760	2,580	6,079	5,726	80	47,231	101,679
Contributions from members	93,361	94,364	2,400	2,422	6,629	4,340	6,862	4,536	4,507	276	116,064	110,346
Contributions from employers	55,949	58,285	816	592	2,799	2,024	3,531	2,435	2,270	100	66,384	65,681
Crown contributions	24,871	33,211	262	201	840	580	1,058	698	678	32	28,104	35,392
Transfers in from other schemes	506	514	10	-	-	-	-	-	56	-	621	570
Transfers in from complying Australian superannuation schemes	886	600	588	6	271	75	238	133	105	-	2,087	919
Contributions for PIE tax received	114	10	5	-	14	-	19	-	33	1	185	11
End payment date withdrawals	(10,844)	(9,889)	(1,014)	(116)	(532)	(320)	(149)	(218)	(139)	(195)	(13,004)	(10,904)
Withdrawals for first home purchase	(12,566)	(6,142)	(201)	(12)	(336)	(80)	(600)	(216)	(578)	(127)	(14,675)	(7,060)
Withdrawals for significant financial hardship	(1,745)	(1,023)	-	(10)	(38)	(13)	(35)	(1)	(12)	(3)	(1,853)	(1,059)
Withdrawals for serious illness	(807)	(455)	(110)	(3)	-	(9)	(8)	-	-	-	(925)	(467)
Withdrawals for permanent emigration	(626)	(690)	-	-	-	(25)	(12)	(18)	(9)	-	(649)	(742)
Withdrawals for death	(953)	(794)	(15)	-	(44)	-	(9)	(7)	(200)	-	(1,221)	(801)
Other permitted withdrawals	(41)	(17)	-	-	(1)	(1)	(2)	(2)	(1)	-	(45)	(21)
Transfers out to complying Australian superannuation schemes	(119)	(29)	-	-	-	-	-	(5)	-	-	(119)	(34)
Transfers out to other schemes	(55,367)	(60,817)	(259)	(347)	(1,322)	(1,007)	(1,847)	(1,384)	(1,605)	(81)	(61,656)	(65,196)
Switches within ANZ Default KiwiSaver	(43,215)	(49,968)	5,213	5,221	12,635	15,473	14,578	15,982	12,811	1,222	-	-
Withdrawals for PIE tax paid	(13,291)	(4,710)	(148)	(52)	(401)	(179)	(388)	(252)	(249)	(15)	(14,498)	(5,453)
Membership fees paid	(2,015)	(2,320)	(16)	(12)	(47)	(35)	(60)	(44)	(49)	(3)	(2,209)	(2,462)
<b>Net membership activities</b>	<b>34,098</b>	<b>50,130</b>	<b>7,531</b>	<b>7,890</b>	<b>20,467</b>	<b>20,823</b>	<b>23,176</b>	<b>21,637</b>	<b>17,786</b>	<b>1,206</b>	<b>102,591</b>	<b>118,720</b>
<b>Benefits accrued to members' accounts</b>	<b>73,396</b>	<b>133,735</b>	<b>8,414</b>	<b>9,332</b>	<b>22,868</b>	<b>25,583</b>	<b>25,756</b>	<b>27,716</b>	<b>23,512</b>	<b>1,286</b>	<b>149,822</b>	<b>220,399</b>
Members' funds at the beginning of the year	873,600	739,865	16,354	7,022	45,941	20,358	51,365	23,649	21,244	2,308	1,034,324	813,925
<b>Members' funds at the end of the year</b>	<b>946,996</b>	<b>873,600</b>	<b>24,768</b>	<b>16,354</b>	<b>68,809</b>	<b>45,941</b>	<b>77,121</b>	<b>51,365</b>	<b>44,756</b>	<b>3,594</b>	<b>1,184,146</b>	<b>1,034,324</b>

The notes to the financial statements form part of and should be read in conjunction with these financial statements.

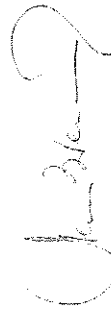
## Statement of Net Assets as at 31 March 2016

Note	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>														
Cash and cash equivalents	377	376	8	8	8	8	8	8	8	8	13	981	422	1,389
Investment assets	947,283	874,263	24,785	16,375	68,874	46,031	77,201	51,489	62,926	44,875	3,583	1,310	1,184,652	1,034,343
Other receivables	7,352	13,124	118	146	264	398	209	384	67	251	18	32	8,028	14,335
<b>Total assets</b>	<b>955,012</b>	<b>887,763</b>	<b>24,911</b>	<b>16,529</b>	<b>69,146</b>	<b>46,437</b>	<b>77,418</b>	<b>51,881</b>	<b>63,001</b>	<b>45,134</b>	<b>3,614</b>	<b>2,323</b>	<b>1,193,102</b>	<b>1,050,067</b>
<b>Liabilities</b>														
Investment liabilities	69	399	2	14	8	50	12	75	12	77	-	-	103	615
Other payables	7,947	13,764	141	161	329	446	285	441	131	301	20	15	8,853	15,128
<b>Total liabilities</b>	<b>8,016</b>	<b>14,163</b>	<b>143</b>	<b>175</b>	<b>337</b>	<b>496</b>	<b>297</b>	<b>516</b>	<b>143</b>	<b>378</b>	<b>20</b>	<b>15</b>	<b>8,956</b>	<b>15,743</b>
<b>Net assets attributable to members</b>	<b>946,996</b>	<b>873,600</b>	<b>24,768</b>	<b>16,354</b>	<b>68,809</b>	<b>45,941</b>	<b>77,121</b>	<b>51,365</b>	<b>62,858</b>	<b>44,756</b>	<b>3,594</b>	<b>2,308</b>	<b>1,184,146</b>	<b>1,034,324</b>
<b>Net assets available for benefits</b>	<b>946,996</b>	<b>873,600</b>	<b>24,768</b>	<b>16,354</b>	<b>68,809</b>	<b>45,941</b>	<b>77,121</b>	<b>51,365</b>	<b>62,858</b>	<b>44,756</b>	<b>3,594</b>	<b>2,308</b>	<b>1,184,146</b>	<b>1,034,324</b>

On behalf of ANZ New Zealand Investments Limited as Manager who authorised the issue of these financial statements on 25 July 2016:



Bruce Macintyre  
Director



Stewart Brentnall  
Director



## Statement of Cash Flows for the year ended 31 March 2016

Note	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme		
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000
<b>Cash flows from operating activities</b>															
Distributions received	6,974	2,277	-	42	-	191	-	301	-	316	-	-	-	6,974	3,127
Interest received	47	49	1	1	2	3	3	3	2	3	63	79	118	138	
Net sales and purchases of investment assets and liabilities	(36,241)	(48,555)	(7,353)	(7,841)	(19,934)	(20,738)	(22,524)	(21,603)	(15,541)	(17,793)	(2,225)	305	(103,818)	(116,225)	
Management fees paid	(4,047)	(3,261)	(165)	(83)	(489)	(255)	(600)	(312)	(528)	(286)	(10)	(7)	(5,839)	(4,204)	
Trustee fees paid	(231)	(246)	(4)	(4)	(12)	(8)	(14)	(12)	(12)	(10)	(1)	-	(274)	(280)	
Other expenses paid	(530)	(457)	(10)	(6)	(32)	(18)	(34)	(18)	(31)	(17)	(1)	(1)	(638)	(517)	
<b>Net cash flows from operating activities</b>	<b>11</b>	<b>(34,028)</b>	<b>(7,531)</b>	<b>(7,891)</b>	<b>(20,465)</b>	<b>(20,825)</b>	<b>(23,169)</b>	<b>(21,641)</b>	<b>(16,110)</b>	<b>(17,787)</b>	<b>(2,174)</b>	<b>376</b>	<b>(103,477)</b>	<b>(117,961)</b>	
<b>Cash flows from financing activities</b>															
Proceeds from contributions by members	178,141	187,840	10,999	9,426	27,316	24,328	30,260	26,071	24,051	21,898	1,873	1,140	272,640	270,703	
Payments for redemptions by members	(128,851)	(130,690)	(3,309)	(1,472)	(6,415)	(3,291)	(6,655)	(4,138)	(7,648)	(3,815)	(649)	(673)	(153,527)	(144,079)	
PTE tax received/(paid) on behalf of members	(13,246)	(4,624)	(143)	(51)	(389)	(176)	(376)	(247)	(225)	(246)	(15)	(11)	(14,394)	(5,355)	
Membership fees paid	(2,015)	(2,333)	(16)	(12)	(47)	(36)	(60)	(45)	(68)	(50)	(3)	(2)	(2,209)	(2,478)	
<b>Net cash flows from financing activities</b>	<b>34,029</b>	<b>50,193</b>	<b>7,531</b>	<b>7,891</b>	<b>20,465</b>	<b>20,825</b>	<b>23,169</b>	<b>21,641</b>	<b>16,110</b>	<b>17,787</b>	<b>1,206</b>	<b>454</b>	<b>102,510</b>	<b>118,791</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(968)</b>	<b>830</b>	<b>(967)</b>	<b>830</b>	
Cash and cash equivalents at the beginning of the year	376	376	8	8	8	8	8	8	8	8	981	151	1,389	559	
<b>Cash and cash equivalents at the end of the year</b>	<b>377</b>	<b>376</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>13</b>	<b>981</b>	<b>422</b>	<b>1,389</b>	

The notes to the financial statements form part of and should be read in conjunction with these financial statements.



## Notes to the Financial Statements for the year ended 31 March 2016

### 1. Reporting entity

These financial statements are for the ANZ Default KiwiSaver Scheme (the 'Scheme'), which comprises the following funds (each a 'Fund', collectively the 'Funds'):

- Conservative Fund
- Conservative Balanced Fund
- Balanced Fund
- Balanced Growth Fund
- Growth Fund
- Cash Fund

The Scheme is registered under the KiwiSaver Act 2006 under the registration number KSS/10001.

The most recent prospectus for the Scheme was registered with the Registrar of Financial Service Providers on 17 September 2015.

The Scheme is a defined contribution scheme domiciled and registered under the laws of New Zealand. Members of the Scheme can contribute to any of the above Funds. The Funds invest into a variety of unithised funds in order to gain exposure to cash, equity, fixed interest and property markets.

The retirement benefits are determined by contributions to the Scheme together with investment earnings, and increases and decreases in value, on these contributions over the period of the membership.

The investment and administration activities of the Funds are managed by ANZ New Zealand Investments Limited ('ANZ Investments'), the manager ('Manager').

The registered address of the Scheme and the Manager is Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland 1010, New Zealand.

The trustee of the Scheme is The New Zealand Guardian Trust Company Limited (the 'Trustee'). The registered address of the Trustee is Level 14, 191 Queen Street, Auckland.

There have been no amendments to the Trust Deed in relation to the Scheme since the last balance date of 31 March 2015.

The financial statements were authorised for issue by the directors of the Manager on 25 July 2016.



## Notes to the Financial Statements (cont.) for the year ended 31 March 2016

### 2. Summary of significant accounting policies

#### (a) Basis of preparation

##### (i) *Statement of compliance*

These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the KiwiSaver Act 2006 (each of which remain applicable to the Funds during the relevant transitional period of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013), and the Trust Deed.

These financial statements comply with:

- New Zealand Generally Accepted Accounting Practice, as defined in the Financial Reporting Act 1993;
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for publicly accountable profit-oriented entities; and
- International Financial Reporting Standards (IFRS).

The principal accounting policies adopted in the preparation of these financial statements are set out below.

##### (ii) *Use of estimates and assumptions*

The preparation of these financial statements requires the use of management judgements, estimates and assumptions that affect reported amounts and the application of accounting policies. Discussion of the critical accounting estimates, which include complex or subjective decisions or assessments, are covered in Note 3.

##### (iii) *Basis of measurement*

The financial information has been prepared on a fair value basis except for other receivables and other payables which are stated at amortised cost.

##### (iv) *Changes in accounting policies*

The accounting policies are consistent with those of the previous financial year.

##### (v) *Presentation currency and rounding*

All amounts in the financial statements are presented in thousands of New Zealand dollars, except where otherwise stated.

##### (vi) *Aggregation*

The results, position and cash flows reported for the Scheme is a simple aggregation of the results, position and cash flows of the Funds that make up the Scheme with the exception of switches in and switches out which have been eliminated, and PIE tax which is shown net in the Statement of Net Assets for the Scheme as disclosed in Note 2(c).

##### (vii) *Foreign currency transactions*

Investments and other monetary assets and liabilities denominated in foreign currencies are translated to New Zealand dollars at the exchange rate prevailing at balance date. Transactions in foreign currencies are recorded at the exchange rate prevailing on the dates of the transactions.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss and foreign exchange gains and losses arising from translation are presented in the Statement of Changes in Net Assets within 'Net changes in fair value of investment assets and liabilities'.

#### (b) *Revenue recognition*

Interest income is recognised in the Statement of Changes in Net Assets as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date.

Net changes in the fair value of investment assets and liabilities are recognised immediately in the Statement of Changes in Net Assets.



## Notes to the Financial Statements (cont.) for the year ended 31 March 2016

Realised gains or losses on investments sold are calculated as the difference between sale proceeds and costs.

### (c) Income tax

The Scheme is a Portfolio Investment Entity ('PIE') for tax purposes.

Under the PIE regime, income is effectively taxed in the hands of the members. The Manager attributes the taxable income of the Funds to members in accordance with their proportionate interest in each Fund. Income attributed to each member is taxed at the member's Prescribed Investor Rate. The Manager accounts for tax by adjusting the members' interest in each Fund. PIE tax transactions are typically processed at the end of each tax year and upon full exit from a fund, by cancelling or issuing units equal to the value of the tax liability or refund.

The tax balances included in the Statement of Net Assets (as disclosed in the notes to the financial statements) represent PIE tax receivable or payable on behalf of members. PIE tax payable on behalf of members is paid to the Inland Revenue as one amount, and therefore the total amount payable for the Scheme is shown net in the Statement of Net Assets.

### (d) Assets and liabilities

#### (i) Cash and cash equivalents

Cash and cash equivalents comprise current accounts and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than investments or other purposes.

#### (ii) Financial assets and liabilities

##### Recognition

Investment assets and liabilities are recognised on the date that the Funds become party to the contractual agreement (trade date). Investment assets are derecognised when the contractual rights to the cash flows expire or the Funds have transferred substantially all risks and rewards of ownership. Investment liabilities are derecognised when the Funds have discharged all contractual obligations.

##### Measurement

The Fund's investment assets and liabilities are managed on a fair value basis, and carried at their fair value, with changes recognised in the Statement of Changes in Net Assets. Derivative assets and liabilities are classified as 'trading', and all other investment assets and liabilities are designated as 'fair value through profit or loss' on initial recognition. The fair value of investments is based on their quoted market prices at balance date. Investment assets are priced at last traded prices, while investment liabilities are priced at current asking prices.

Investments in unlisted funds are recorded at the redemption value per unit as reported by the managers of such funds, adjusted for any material information received subsequent to balance date that provides evidence of conditions that existed at balance date.

#### (iii) Other receivables and other payables

Other receivables and other payables include accrued income and expenses, and are carried at their amortised cost using the effective interest rate method. Their carrying value closely approximates their fair value due to their short term nature.

### (e) Members' funds

Units issued by the Funds provide the members with the right to require redemption for cash at the value proportionate to the members' share in each Fund's net asset value. The units qualify as 'puttable instruments' and are classified as equity.

Any owner changes in equity are presented in the Statement of Changes in Net Assets, whereas any non-owner changes in equity are presented in the income section of the Statement of Changes in Net Assets. The Funds have no components of comprehensive income other than profit or loss for the year. Consequently, the profit or loss is the total comprehensive income of the Funds.

## Notes to the Financial Statements (cont.) for the year ended 31 March 2016

(f) Other

(i) **Offsetting**

Investment assets and liabilities are offset and the net amount reported in the Statement of Net Assets when and only when there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Sales and purchases of investment assets and liabilities are high volume operational items and have been netted in the Statement of Cash Flows.

(ii) **Accounting standard not early adopted**

The following standard was available for early adoption but has not been applied in these financial statements.

**Standards and amendments effective for periods commencing after 1 January 2018**

*NZ IFRS 9 Financial Instruments*

The External Reporting Board issued the final version of *NZ IFRS 9 Financial Instruments* in September 2014. When operative, this standard will replace *NZ IAS 39 Financial Instruments: Recognition and Measurement*. *NZ IFRS 9* addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce an expected credit loss impairment model and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. *NZ IFRS 9* is not mandatorily effective for the Funds until 1 April 2018. The Manager is in the process of assessing the impact of the application of *NZ IFRS 9* and is not yet able to reasonably estimate the impact on these financial statements.

### 3. Critical estimates and judgements used in applying accounting policies

There are a number of critical accounting treatments which include complex or subjective judgements and estimates that may affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

An explanation of the judgements and estimates made in the process of applying the Funds' accounting policies that have the most significant effect on the amounts recognised in the financial statements is set out below.

**Financial instruments at fair value**

Investment assets and liabilities are required to be classified 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:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices)(Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Funds would receive or pay to terminate the contract at balance date taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties.

More information on the estimates of fair value is given in Note 9(f).

**Involvement with unconsolidated structured entities**

The Manager has concluded that the Funds' investments in unlisted funds ('investee funds') which they don't consolidate meet the definition of structured entities because:

- (i) The voting rights in the investee funds are not dominant rights in deciding who controls them as they relate to administrative tasks only;

## Notes to the Financial Statements (cont.) for the year ended 31 March 2016

- (ii) Each investee fund's activities are restricted by its offer documents; and
- (iii) The investee funds have narrow and well defined objectives to provide investment opportunities to investors.

The Funds invest in investee funds whose objectives are to provide long-term capital growth and whose investment strategies do not include the use of leverage. The investee funds are managed by the Manager and apply various investment strategies to accomplish their respective investment objectives. The investee funds finance their operations by issuing units to investors which entitle them to a proportional stake in the investee funds' net assets. The Funds hold units in each of its investee funds. The change in fair value of each investee fund is included in the Statement of Changes in Net Assets within 'Net changes in fair value of investment assets and liabilities'.

Refer to Note 5 and Note 6 for more information.

### 4. Funding policy

Members who are employees, or self-employed who receive payments from their business that they need to deduct PAYE from, contribute either 3%, 4% or 8% of their before-tax salary or wages, unless on a contributions holiday. For contributing members their employer is required to contribute an amount equal to at least 3% of the member's before-tax salary or wages, although certain exceptions apply. Employer contributions are taxed, so the actual money that goes into the member's KiwiSaver account as an employer contribution is less than 3% (or other rate provided by the employer) of the employee's before-tax salary or wages.

Anyone can make a voluntary regular or lump sum contribution to a member's account at any time.

Prior to 21 May 2015 upon joining KiwiSaver for the first time, the Government made a \$1,000 tax-free 'kick start' contribution to the members' KiwiSaver account.

The Government also makes an annual contribution ('Member Tax Credit') of up to \$521.43 a year to eligible members' accounts.

The above is a description of the Scheme's funding policy and is subject to further applicable KiwiSaver regulations.



## Notes to the Financial Statements (cont.) for the year ended 31 March 2016

### 5. Investment assets and liabilities

The Funds held the following investments at balance date. Investments designated 'ANZ' are managed by ANZ New Zealand Investments Limited, the Manager. Certain exposures in the underlying investment funds differ from the prior year's exposures due to a change in the Funds' investment mandates. The table below also sets out interests held by the Funds in unconsolidated structured entities as at balance date.

	Conservative Fund		Conservative/Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	Number of investor investee funds
<b>Investment assets</b>																
Cash securities																
ANZ Wholesale Cash Fund	239,090	217,505	6,187	3,772	14,116	7,352	13,426	5,994	8,934	3,266	-	3,583	-	1,310	-	110
ANZ Wholesale High Grade Bond Fund	82,699	65,401	1,759	846	3,855	1,921	3,302	1,613	1,494	775	-	-	-	-	285,336	70
ANZ Wholesale Sovereign Bond Fund	66,282	52,335	1,404	678	3,083	1,531	2,615	1,280	1,185	621	-	-	-	-	93,109	71
ANZ Wholesale New Zealand Yield Fund	16,562	13,019	357	169	778	388	654	332	312	155	-	-	-	-	74,569	38
ANZ Wholesale International Share Fund	-	-	4,091	3,884	17,649	15,661	26,664	22,684	27,588	23,883	-	-	-	-	18,663	87
ANZ Wholesale International Sovereign Fund	372,267	340,621	7,539	4,922	15,972	10,754	11,959	7,941	4,820	3,415	-	-	-	-	75,992	61
ANZ Wholesale Australian Share Fund	16,631	15,115	881	499	3,575	2,071	4,777	2,898	4,841	3,382	-	-	-	-	412,557	55
ANZ Wholesale Australasian Share Fund	23,876	17,393	1,020	647	4,043	2,680	5,634	3,679	5,789	4,074	-	-	-	-	30,705	73
ANZ Wholesale Trans-Tasman Property Securities Fund	29,618	26,050	718	479	2,773	1,826	3,894	2,535	3,735	2,636	-	-	-	-	40,362	42
ANZ Wholesale International Property Securities Fund (ex Aus.)	-	-	763	475	2,755	1,834	3,863	2,513	3,806	2,647	-	-	-	-	40,738	61
Blackrock Wholesale Indexed International Equity Fund	98,666	126,726	-	-	-	-	-	-	-	-	-	-	-	-	11,187	61
Forward foreign exchange contracts	1,592	98	66	4	275	13	413	20	422	21	-	-	-	-	98,666	126,726
<b>Total investment assets</b>	<b>947,283</b>	<b>874,263</b>	<b>24,785</b>	<b>16,375</b>	<b>68,874</b>	<b>46,031</b>	<b>77,201</b>	<b>51,489</b>	<b>62,926</b>	<b>44,875</b>	<b>3,583</b>	<b>1,310</b>	<b>1,184,652</b>	<b>1,034,343</b>	<b>12,646,364</b>	
<b>Investment liabilities</b>																
Forward foreign exchange contracts	69	399	2	14	8	50	12	75	12	77	-	-	-	-	103	615
<b>Total investment liabilities</b>	<b>69</b>	<b>399</b>	<b>2</b>	<b>14</b>	<b>8</b>	<b>50</b>	<b>12</b>	<b>75</b>	<b>12</b>	<b>77</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103</b>	<b>615</b>

## **Notes to the Financial Statements (cont.)** for the year ended 31 March 2016

### **5. Investment assets and liabilities (cont.)**

#### **Involvement with unconsolidated structured entities**

The Funds' investments in investee funds are subject to the terms and conditions of the respective investee funds' offer documents and are susceptible to market price risk arising from uncertainties about future values of these investee funds.

The Funds invest in investee funds (structured entities) whose purpose is to manage assets on behalf of the investors. These vehicles are financed through the issue of units to investors. The Funds hold units in the investee funds.

The Funds can redeem units in the investee funds by notifying the Manager and the request will be processed generally within 10 business days of receiving the request.

The maximum exposure to loss is the carrying amount of the financial assets held. Once the Funds have sold all units in an investee fund, the Funds cease to be exposed to any risk from that investee fund.

During the year the Funds did not provide financial or other support to unconsolidated structured entities and have no intention of providing financial or other support in future periods.

The Funds' investment portfolios consist of investments in other utilised funds that they intend to hold for an indefinite period of time. However, to meet redemption requirements the Funds must trade in investee funds on a regular basis. Refer to Note 9(e) for liquidity risk information. At balance date there were no amounts due to investee funds for unsettled purchases.



## Notes to the Financial Statements (cont.)

for the year ended 31 March 2016

### 6. Net changes in fair value of investment assets and liabilities

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Net realised change in fair value	13,548	35,904	187	562	195	1,876	174	2,490	(146)	2,420	2	-	13,960	43,252
Net unrealised change in fair value	23,561	49,595	882	940	2,756	3,005	3,077	3,664	2,721	3,332	46	1	33,043	60,537
<b>Net changes in fair value of investment assets and liabilities</b>	<b>37,109</b>	<b>85,499</b>	<b>1,069</b>	<b>1,502</b>	<b>2,951</b>	<b>4,881</b>	<b>3,251</b>	<b>6,154</b>	<b>2,575</b>	<b>5,752</b>	<b>48</b>	<b>1</b>	<b>47,003</b>	<b>103,789</b>
Net changes in fair value of investment assets and liabilities designated at fair value on initial recognition	43,574	86,369	1,233	1,530	3,581	4,976	4,170	6,289	3,569	5,878	48	1	56,175	105,043
Net changes in fair value of investment assets and liabilities held for trading	(6,465)	(870)	(164)	(28)	(630)	(95)	(919)	(135)	(994)	(126)	-	-	(9,172)	(1,254)
<b>Net changes in fair value of investment assets and liabilities</b>	<b>37,109</b>	<b>85,499</b>	<b>1,069</b>	<b>1,502</b>	<b>2,951</b>	<b>4,881</b>	<b>3,251</b>	<b>6,154</b>	<b>2,575</b>	<b>5,752</b>	<b>48</b>	<b>1</b>	<b>47,003</b>	<b>103,789</b>
Change in fair value of investment assets and liabilities relating to investments in unconsolidated structured entities	43,574	86,369	1,233	1,530	3,581	4,976	4,170	6,289	3,569	5,878	48	1	56,175	105,043

### 7. Other receivables

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	18
Receivable from members	7,352	13,124	118	146	264	398	209	384	67	251	18	14	8,028	14,317
<b>Other receivables</b>	<b>7,352</b>	<b>13,124</b>	<b>118</b>	<b>146</b>	<b>264</b>	<b>398</b>	<b>209</b>	<b>384</b>	<b>67</b>	<b>251</b>	<b>18</b>	<b>32</b>	<b>8,028</b>	<b>14,335</b>



## Notes to the Financial Statements (cont.)

for the year ended 31 March 2016

### 8. Other payables

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Accrued expenses	547	523	22	14	64	45	76	50	64	47	2	1	775	680
PIE tax payable on behalf of members	7,400	13,241	119	147	265	401	209	391	67	254	18	14	8,078	14,448
<b>Other payables</b>	<b>7,947</b>	<b>13,764</b>	<b>141</b>	<b>161</b>	<b>329</b>	<b>446</b>	<b>285</b>	<b>441</b>	<b>131</b>	<b>301</b>	<b>20</b>	<b>15</b>	<b>8,853</b>	<b>15,128</b>



## Notes to the Financial Statements (cont.) for the year ended 31 March 2016

### 9. Financial risk management

The Funds' investment portfolios consist of investments in unitised funds that they intend to hold for an indefinite period of time. Exposures in the underlying investment funds may differ from prior year's exposures due to changes in the Funds' investment mandates. The benchmarks and ranges may change from time to time as determined by the Manager. Through the holding of these investments, the Funds are exposed directly and also indirectly to a variety of financial risks including credit, foreign exchange, interest rate, market price and liquidity risks. The risk management policies employed by the Funds are detailed in the notes below.

Financial instruments of the Funds comprise investments in financial assets for the purpose of generating a return on investments made by members. In addition, the Funds have financial instruments in the form of derivatives, cash and cash equivalents, other receivables, investment liabilities and other payables and which arise directly from their daily operations.

The Trust Deed requires the Manager to invest the assets of each fund in accordance with relevant investment mandates. Asset allocation is determined by the Manager who manages the distribution of assets to achieve investment objectives. Divergence from target allocations and the composition of the portfolio is monitored by the Manager on a daily basis. The Manager reports on asset allocations to the Trustee on a monthly basis.

#### (a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

The Funds' exposure to credit risk arises from default of the counterparty, with the current maximum exposure considered to be the fair value of the assets set out in the Statement of Net Assets. This does not represent the maximum credit risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at balance date.

The credit risk disclosures have been prepared on the basis of the Funds' direct investments and not on a full look through basis for investments held indirectly through other unitised funds.

Where the Funds invest in other unitised funds managed by the Manager (see Note 5), the investment strategies of these unitised funds ensure an appropriate diversification of investments to manage their credit risk.

The Funds are exposed to credit risk on derivative instruments. This may include counterparty risk with ANZ Bank New Zealand Limited which is a related party to the Funds (see Note 10). The Funds restrict their exposure to credit losses on derivative instruments by entering into master netting arrangements with counterparties with whom they undertake a significant volume of transactions and holding collateral in the form of cash and marketable securities. Master netting arrangements do not result in an offset in the Statement of Net Assets as transactions are settled on a gross basis.

Derivative transactions are either transacted on an exchange or entered into under the International Derivatives Swaps and Dealers Association ('ISDA') master netting agreements. Under ISDA master netting agreements in case a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The amount of collateral accepted in respect of derivative assets is shown in the table on the following page.

None of the financial assets and financial liabilities are offset in the Statement of net assets. The disclosures set out in the table below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar arrangement that covers similar financial instruments.

Similar agreements include derivative clearing agreements. The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the Statement of Net Assets. This is because they create a right of set off of recognised amounts that is enforceable only following an event of default of the Funds or their counterparties. In addition, the Funds and their counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Usually the Funds receive and give collateral in the form of cash in respect of their investments in derivative instruments. However, no cash collateral was transferred as at balance date.

Such collateral is subject to the standard industry terms of ISDA's Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions on the counterparty's failure to post collateral.





## Notes to the Financial Statements (cont.) for the year ended 31 March 2016

### Financial assets subject to enforceable master netting arrangements and similar agreements

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Derivative instruments</b>														
Gross amounts of recognised financial assets	1,592	98	66	4	275	13	413	20	422	21	-	-	2,768	156
Gross amounts of recognised financial liabilities offset in the Statement of Net Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net amounts of financial assets presented in the Statement of Net Assets	1,592	98	66	4	275	13	413	20	422	21	-	-	2,768	156

### Related amounts not offset in the Statement of Net Assets:

Financial Instruments (including non-cash collateral)	(69)	98	(2)	4	(8)	13	(12)	20	(12)	21	-	-	(103)	156
Cash collateral transferred	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net amount	1,661	-	68	-	283	-	425	-	434	-	-	-	2,871	-

### Financial liabilities subject to enforceable master netting arrangements and similar agreements

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
<b>Derivative instruments</b>														
Gross amounts of recognised financial assets offset in the Statement of Net Assets	69	399	2	14	8	50	12	75	12	77	-	-	103	615
Gross amounts of recognised financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net amounts of financial liabilities presented in the Statement of Net Assets	69	399	2	14	8	50	12	75	12	77	-	-	103	615
<b>Related amounts not offset in the Statement of Net Assets:</b>														
Financial Instruments (including non-cash collateral)	69	98	2	4	8	13	12	20	12	21	-	-	103	156
Cash collateral transferred	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net amount	-	301	-	10	-	37	-	55	-	56	-	-	-	459

The gross amounts of recognised financial assets and financial liabilities are measured at fair value. These financial assets and financial liabilities are presented in the Statement of Net Assets as part of 'Investment assets' and 'Investment liabilities'. For detailed values refer to Note 5.



## Notes to the Financial Statements (cont.) for the year ended 31 March 2016

Cash and cash equivalents are held with ANZ Bank New Zealand Limited (see Note 10), which has a Standard & Poor's credit rating of AA- at balance date (2015: AA-). Forward foreign exchange contracts are held with ANZ Bank New Zealand Limited (see Notes 5 & 10) and Westpac Banking Corporation. Both banks have a Standard & Poor's credit rating of AA- as at balance date (2015: AA-).

### (b) Foreign exchange risk

Foreign exchange risk is the risk that the New Zealand dollar-denominated fair value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The foreign exchange risk disclosures have been prepared on the basis of the Funds' direct investments and not on a full look through basis for investments held indirectly through other unitised funds.

The Funds (with the exception of the Cash Fund) hold investments in other unitised funds which in turn may hold foreign currency-denominated investments as part of their investment mandates. Consequently, these Funds will have varying degrees of indirect exposure to currency risk. These currency exposures can be partially or fully hedged back to the New Zealand dollar.

The Funds (with the exception of the Cash Fund) are directly exposed to foreign exchange risk as a result of holding forward foreign exchange contracts. These Funds agree to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. The fair value of these contracts is set out in Note 5.

The Funds (with the exception of the Cash Fund and Conservative Fund) are actively hedged with a benchmark of 65% and a range of 0% - 100% for their foreign currency exposure through their investment in the ANZ Wholesale International Share Fund. As at balance date, the Funds were hedging approximately 50% (2015: 50%) of their foreign currency exposure in the ANZ Wholesale International Share Fund.

The Conservative Fund is actively hedged with a benchmark of 65% and a range of 0%-100% of its foreign currency exposure through its investment in the BlackRock Wholesale Indexed International Equity Fund. As at balance date the Conservative Fund was hedging approximately 50% (2015: 50%) of its foreign currency exposure through its investment in the BlackRock Wholesale Indexed International Equity Fund.

The Conservative Fund is directly exposed to currency risk as a result of its investment in the BlackRock Wholesale Indexed International Equity Fund which is denominated in Australian dollars. As at balance date the funds holding was AU\$89,053,014 (2015: AU\$124,394,918).

A +/- 5% change in the New Zealand dollar will increase/decrease the Conservative Fund's investment in the BlackRock Wholesale Indexed International Equity Fund by NZ\$4,933,000 (2015: NZ\$6,336,000).

The Funds (with the exception of the Cash Fund) are also actively hedged with a benchmark of 50% and a range of 0% - 100% for their Australian dollar exposure through their investments in the ANZ Wholesale Australian Share Fund and ANZ Wholesale Australasian Share Fund. As at balance date, the Funds were hedging approximately 50% (2015: 20%) of their Australian dollar exposure through their investments in the ANZ Wholesale Australian Share Fund and the ANZ Wholesale Australasian Share Fund.

In accordance with the Manager's policy on foreign exchange risk management, the Manager monitors each fund's currency position on a daily basis through reviewing and comparing each fund's indirect foreign currency exposure to the pre-determined foreign currency hedging policies (as above).

### (c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of future cash flows or the fair value of financial instruments. The interest rate risk disclosures have been prepared on the basis of the Funds' direct investments and not on a full look through basis for investments held indirectly through other unitised funds.

The Funds are not directly subject to significant amounts of interest rate risk. Cash and cash equivalents are invested at short-term market interest rates and are held in call accounts.



**Notes to the Financial Statements (cont.)**  
**for the year ended 31 March 2016**

The Funds have indirect exposure to interest rate risk through their investments in other unitised funds which hold cash, fixed interest and debt securities as part of their investment mandate.



## Notes to the Financial Statements (cont.) for the year ended 31 March 2016

### (d) Market price risk

Market price risk is the risk that the value of the Funds' investment portfolios will fluctuate as a result of changes in market prices.

The market price risk disclosures have been prepared in the basis of the Funds' direct investments and not on a full look through basis for investments held through other unithised funds.

The Funds trade in financial instruments such as other unithised funds, equities and cash. They may also take positions in traded and over-the-counter instruments, including derivatives, to manage market risk and efficiently gain the desired exposure to equity markets. All securities held within these Funds present a risk of loss of capital. The Manager moderates this risk through a careful selection of securities and other financial instruments and by ensuring that all activities are transacted in accordance with the relevant investment mandates, overall investment strategy and within approved limits. The Manager monitors the Funds' overall market position on a daily basis.

Where a fund has investments in other unithised funds (excluding the ANZ Wholesale Cash Fund) the increase/(decrease) in the net asset value of the fund due to a reasonably possible change in the unit prices of investments of the other unithised funds (with all other variables held constant) is indicated in the table below:

% change in unit price	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Change in the fair value of investments in other unithised funds (excluding ANZ Wholesale Cash Fund) based on the percentage change in their unit prices	3,533	4,371	93	82	272	230	317	257	268	224	-	-	4,483	5,164
	(3,533)	(4,371)	(93)	(82)	(272)	(230)	(317)	(257)	(268)	(224)	-	-	(4,483)	(5,164)

The Manager considers a 0.50% change in the unit price of investments in other unithised funds is a reasonable estimate of possible change in the average daily unit price in the unithised funds considering factors such as historical price movements and market conditions.

The Funds as detailed in Note 5 hold investments in the ANZ Wholesale Cash Fund. The Manager considers a 0.01% change in the unit price of investments in the ANZ Wholesale Cash Fund as a reasonable estimate of possible change in the average daily unit price in the ANZ Wholesale Cash Fund considering factors such as historical price movements and market conditions. The Manager considers the market risk to cash as immaterial to the Funds in consideration of the total size of the Funds.

## Notes to the Financial Statements (cont.) for the year ended 31 March 2016

### (e) 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 cash redemptions of units. Accordingly, all material investments are readily convertible to cash in normal market conditions.

The liquidity risk disclosures have been prepared on the basis of the Funds' direct investments and not on a full look through basis for investments held indirectly through other unitholdings.

Forward foreign exchange contracts that were held at balance date had a contractual maturity date of 28 April 2016.

Financial liabilities of the Funds comprise other payables, which have no contractual maturity date, but are typically settled within 30 days or within the timeframe as set out in the Trust Deed. The Funds may also invest in derivatives that could be in a loss position at balance date that may affect the future cash flows of the Funds. Refer to Note 5 for these derivatives in a loss position at balance date.

In accordance with each fund's investment policy, the Manager monitors the Funds' liquidity positions daily through the review of cash flow information which highlights current and known future levels of redemptions.



## Notes to the Financial Statements (cont.) for the year ended 31 March 2016

### (f) Fair value information

The Funds hold investments in other unithised funds. Consequently, the Funds are indirectly exposed to the fair value of these underlying unithised funds. In determining the redemption value of the unithised funds, the Manager will generally draw reference to quoted prices from a recognised exchange in determining the fair value of investments. Where such prices are unavailable or there is an absence of an active quoted market, the Manager may use valuation techniques in determining the fair value of investment assets. In particular, for the Funds with investments in unithised funds with exposure to certain debt securities, the determination of fair value within these unithised funds will include the use of broker quotes, yield curves and other internal Manager pricing methodologies.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level 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. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

For cash and cash equivalents, other receivables and other payables their carrying value approximates their fair value. They are considered to be Level 2 assets and liabilities (2015: Level 2). The forward foreign exchange contracts are considered Level 2 (2015: Level 2) as they are priced using models with observable market inputs. Forward foreign exchange are interpolated using forward rates from WM Company. Margins and swaps used as inputs are generally provided by market participants and brokers.

Level 2 investments also include investments in unithised funds. These investments are priced daily and the inputs are based on quoted market prices, broker prices and other pricing valuations used by the Manager. As these are unlisted, they are Level 2 investments.

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.



## Notes to the Financial Statements (cont.) for the year ended 31 March 2016

### 10. Related party transactions

#### The Manager

The Manager of the Funds is ANZ New Zealand Investments Limited ('ANZ Investments').

ANZ Wealth New Zealand Limited ('ANZ Wealth') the holding company of the Manager, is a wholly owned subsidiary of ANZ Bank New Zealand Limited, part of the Australia and New Zealand Banking Group (the 'ANZ Group'). ANZ Group is the ultimate parent of ANZ Wealth.

The Funds hold bank accounts and forward foreign exchange contracts with ANZ Bank New Zealand Limited.

#### Transactions between the Manager of the Funds and related parties

All related party transactions are conducted on an arm's length basis in the ordinary course of business and on standard commercial terms and conditions. As at balance date, the Funds hold the following balances with ANZ Bank New Zealand Limited.

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Assets:</b>														
Cash and cash equivalents	377	376	8	8	8	8	8	8	8	8	13	981	422	1,389
Forward foreign exchange contracts	1,503	91	62	4	264	12	396	19	402	20	-	-	2,627	146
Term deposits	-	-	-	-	-	-	-	-	-	-	-	701	-	701
Other receivables	-	-	-	-	-	-	-	-	-	-	-	6	-	6
<b>Total assets</b>	<b>1,880</b>	<b>467</b>	<b>70</b>	<b>12</b>	<b>272</b>	<b>20</b>	<b>404</b>	<b>27</b>	<b>410</b>	<b>28</b>	<b>13</b>	<b>1,688</b>	<b>3,049</b>	<b>2,242</b>
<b>Liabilities:</b>														
Forward foreign exchange contracts	(69)	324	(2)	11	(8)	42	(12)	62	(12)	66	-	-	(103)	505
<b>Total liabilities</b>	<b>(69)</b>	<b>324</b>	<b>(2)</b>	<b>11</b>	<b>(8)</b>	<b>42</b>	<b>(12)</b>	<b>62</b>	<b>(12)</b>	<b>66</b>	<b>-</b>	<b>-</b>	<b>(103)</b>	<b>505</b>



**Notes to the Financial Statements (cont.)  
for the year ended 31 March 2016**

During the year, the income received from related party transactions were as follows:

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Income during the year</b>	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Interest income (cash and cash equivalents and term deposits)	47	49	1	1	2	3	3	3	2	3	27	19	82	78
Net change in fair value of investment assets and liabilities held for trading	(6,738)	(5,215)	(201)	(135)	(779)	(538)	(1,136)	(786)	(1,211)	(820)	-	-	(10,065)	(7,494)
<b>Total (loss)/income from related party transactions</b>	(6,691)	(5,166)	(200)	(134)	(777)	(535)	(1,133)	(783)	(1,209)	(817)	27	19	(9,983)	(7,416)

During the reporting period membership fees of \$2,209,000 were deducted from the Scheme and paid to the Manager by cancelling units in members' accounts (2015: \$2,462,000). Membership fees on a Fund basis are shown in the Statement of Changes in Net Assets.

**Management fees**

Under the terms of the Master Trust Deed, the Manager is entitled to receive management fees, calculated by reference to the daily net asset value of the Funds. Management fees paid for the year are disclosed in the Statement of Changes in Net Assets.

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund*		ANZ Default KiwiSaver Scheme	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	0.45%	0.45%	0.85%	0.85%	0.90%	0.90%	0.95%	0.95%	1.00%	1.00%	0.33%	0.35%		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
	359	331	17	10	51	34	61	41	52	37	1	1	541	454

The Manager receives the following percentage per annum of the net asset value of the Funds, determined upon each valuation day:

Management fees payable to the Manager at the end of the year:

\*The Cash Fund management fee was reduced to 0.33% from 17 September 2015 (2015: 0.35%).





## Notes to the Financial Statements (cont.) for the year ended 31 March 2016

### Reimbursement of expenses

Under the terms of the Trust Deed, the Manager and Trustee are entitled to be reimbursed for expenses such as audit costs, postage and legal fees incurred on behalf of the Funds. Allowance for these expenses is charged to the Funds daily and is reflected in the unit price of each fund. To ensure fair allocation of one-off type expenses and fees incurred annually, the Funds are charged a set capped rate as a percentage of each fund's net asset value on a daily basis. The total of this daily accrual is the maximum that the Funds will pay the Manager for reimbursement of expenses. Where the actual expenses paid by the Manager are higher, the Manager may carry amounts forward to be recovered in future periods.

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Manager's other costs recognised in the Statement of Changes in Net Assets during the year:	537	468	6	1	27	14	33	17	26	13	(5)	(3)	624	510
Amounts payable to the Manager for reimbursement of expenses at the end of the year:	140	126	4	2	10	6	11	7	9	6	-	-	174	147

Other expenses within the Statement of Changes in Net Assets include the other costs noted above and bank fees. The amounts presented above are after the audit fee reallocation.

### 1.1. Reconciliation of net profit to net cash flows from operating activities

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Net profit attributable to members of the Fund	39,298	83,605	883	1,442	2,401	4,760	2,580	6,079	1,989	5,726	80	67	47,231	101,679
Movement in operating balances	(73,020)	(134,352)	(8,410)	(9,355)	(22,843)	(25,662)	(25,712)	(27,821)	(18,051)	(23,610)	(2,273)	304	(150,309)	(220,496)
Investment assets	-	-	-	-	-	-	-	-	-	-	18	4	18	4
Other receivables	24	256	8	10	19	34	26	37	17	32	1	1	95	370
Other payables	(330)	298	(12)	12	(42)	43	(63)	64	(65)	65	-	-	(512)	482
Investment liabilities														
Net cash flows from operating activities	(34,028)	(50,193)	(7,531)	(7,891)	(20,465)	(20,825)	(23,169)	(21,641)	(16,110)	(17,787)	(2,174)	376	(103,477)	(117,961)



## Independent auditor's report

### To the members of

- Conservative Fund
- Conservative Balanced Fund
- Balanced Fund
- Balanced Growth Fund
- Growth Fund
- Cash Fund

which comprise the ANZ Default KiwiSaver Scheme (the 'Funds and Scheme').

### Report on the financial statements

We have audited the accompanying financial statements of the Funds and Scheme on pages 2 to 25. The financial statements comprise the statement of net assets as at 31 March 2016, the statement of changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the Funds' and Scheme's members those matters we are required to state to them in the 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 Funds and Scheme's members as a body, for our audit work, this report or any of the opinions we have formed.

### Manager's responsibility for the financial statements

The Manager is responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

KPMG

- we have obtained all the information and explanations that we have required; and
  - in our opinion, proper accounting records have been kept by the Funds and Scheme as far as appears from our examination of those records.
- In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

### Report on other legal and regulatory requirements

- give a true and fair view of the financial position of the Funds and Scheme as at 31 March 2016 and of their financial performance and cash flows for the year then ended.
- comply with International Financial Reporting Standards;
- comply with generally accepted accounting practice in New Zealand;

In our opinion the financial statements on pages 2 to 25:

### Opinion

Our firm has also provided other assurance services to the Funds and Scheme in relation to prospectus reporting, summary financial statements, trustee reporting, and semi-annual controls reporting. Subject to certain restrictions, partners and employees of our firm may also deal with the Funds and Scheme on normal terms within the ordinary course of business of the Funds and Scheme. These matters have not impaired our independence as auditor of the Funds and Scheme. The firm has no other relationship with, or interest in, the Funds and Scheme.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Funds' and Scheme's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' and Scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.