

# ASB KiwiSaver Scheme Financial Statements

For the year ended 31 March 2016

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# Statements of Changes in Net Assets Available for Benefits

S thousands For the year ended 31 March	Note	Balanced Fund		Conservative Fund		NZ Cash Fund		Growth Fund	
		2016	2015	2016	2015	2016	2015	2016	2015
<b>Revenue</b>									
Dividend/distribution income		3,242	1,972	21,631	14,612	-	-	1,668	977
Interest income		158	150	628	671	74	82	177	167
Net gains on financial instruments at fair value through profit or loss		33,575	70,347	120,571	192,508	11,443	11,403	34,743	79,771
Wholesale fee rebate		78	65	398	360	23	20	66	54
Other income		-	3	1	9	-	-	-	5
<b>Total revenue</b>		<b>37,053</b>	<b>72,537</b>	<b>143,229</b>	<b>208,160</b>	<b>11,540</b>	<b>11,505</b>	<b>36,654</b>	<b>80,974</b>
<b>Total comprehensive income</b>		<b>37,053</b>	<b>72,537</b>	<b>143,229</b>	<b>208,160</b>	<b>11,540</b>	<b>11,505</b>	<b>36,654</b>	<b>80,974</b>
<b>Total members' funds at the beginning of the year</b>		<b>623,381</b>	<b>409,690</b>	<b>2,602,915</b>	<b>1,989,786</b>	<b>311,548</b>	<b>264,251</b>	<b>630,356</b>	<b>396,613</b>
Total comprehensive income		37,053	72,537	143,229	208,160	11,540	11,505	36,654	80,974
Employer contributions		35,181	29,454	152,586	146,773	16,954	16,376	36,253	27,937
Member contributions		69,029	56,953	299,402	283,803	33,268	31,666	71,135	54,020
Crown contributions		12,944	12,378	75,964	86,988	9,732	10,942	14,509	13,065
Transfers from other scheme providers		26,415	63,538	86,569	180,292	13,844	20,841	28,663	64,541
Member withdrawals		(17,332)	(8,439)	(107,792)	(68,227)	(27,445)	(22,480)	(16,535)	(9,193)
Management fee deducted		(4,399)	(3,130)	(10,950)	(8,836)	(1,140)	(981)	(4,855)	(3,310)
Administration fee deducted	2	(1,151)	(1,007)	(7,861)	(7,562)	(1,112)	(1,111)	(1,545)	(1,288)
Transfers to other scheme providers		(19,470)	(16,263)	(144,795)	(136,779)	(12,133)	(10,458)	(23,360)	(17,898)
Switches within the scheme		11,618	13,142	(54,167)	(40,470)	6,854	(7,080)	30,106	29,217
PIE tax paid/payable		(6,398)	(5,472)	(27,033)	(31,013)	(1,900)	(1,923)	(6,002)	(4,322)
Allocated contributions		-	-	-	-	-	-	-	-
Unallocated contributions		-	-	-	-	-	-	-	-
<b>Total members' funds at the end of the year</b>		<b>766,871</b>	<b>623,381</b>	<b>3,008,067</b>	<b>2,602,915</b>	<b>360,010</b>	<b>311,548</b>	<b>795,379</b>	<b>630,356</b>

These statements are to be read in conjunction with the notes on pages 8 to 22 and the Independent Auditor's Report on pages 23 to 24.

# Statements of Changes in Net Assets Available for Benefits (continued)

	Note	Moderate Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
		2016	2015	2016	2015	2016	2015
<b>\$ thousands</b>							
<b>For the year ended 31 March</b>							
<b>Revenue</b>							
Dividend/distribution income		5,853	3,663	-	-	32,394	21,224
Interest income		207	201	-	-	1,244	1,271
Net gains on financial instruments at fair value through profit or loss		44,707	77,032	-	-	245,039	431,061
Wholesale fee rebate		119	101	-	-	684	600
Other income		1	3	-	-	2	20
<b>Total revenue</b>		<b>50,887</b>	<b>81,000</b>	<b>-</b>	<b>-</b>	<b>279,363</b>	<b>454,176</b>
<b>Total comprehensive income</b>		<b>50,887</b>	<b>81,000</b>	<b>-</b>	<b>-</b>	<b>279,363</b>	<b>454,176</b>
<b>Total members' funds at the beginning of the year</b>		<b>814,827</b>	<b>563,158</b>	<b>16,411</b>	<b>15,722</b>	<b>4,999,438</b>	<b>3,639,220</b>
Total comprehensive income		50,887	81,000	-	-	279,363	454,176
Employer contributions		48,295	44,710	-	-	289,269	265,250
Member contributions		94,763	86,452	-	-	567,597	512,894
Crown contributions		20,882	21,127	-	-	134,031	144,500
Transfers from other scheme providers		37,719	64,258	-	-	193,210	393,470
Member withdrawals		(29,377)	(15,489)	-	-	(198,481)	(123,828)
Management fee deducted		(5,276)	(3,908)	-	-	(26,620)	(20,165)
Administration fee deducted	2	(1,882)	(1,705)	-	-	(13,551)	(12,673)
Transfers to other scheme providers		(28,517)	(22,191)	-	-	(228,275)	(203,589)
Switches within the scheme		5,589	5,191	-	-	-	-
PIE tax paid/payable		(7,832)	(7,776)	-	-	(49,165)	(50,506)
Allocated contributions		-	-	(16,411)	(15,722)	(16,411)	(15,722)
Unallocated contributions		-	-	11,386	16,411	11,386	16,411
<b>Total members' funds at the end of the year</b>		<b>1,000,078</b>	<b>814,827</b>	<b>11,386</b>	<b>16,411</b>	<b>5,941,791</b>	<b>4,999,438</b>

These statements are to be read in conjunction with the notes on pages 8 to 22 and the Independent Auditor's Report on pages 23 to 24.

# Statements of Net Assets Available for Benefits

	Note	Balanced Fund		Conservative Fund		NZ Cash Fund		Growth Fund	
		2016	2015	2016	2015	2016	2015	2016	2015
<b>\$ thousands</b>									
<b>As at 31 March</b>									
<b>Assets</b>									
Cash and cash equivalents		7,642	3,037	33,097	12,784	2,695	1,566	7,325	3,889
Financial assets at fair value through profit or loss	3	765,450	625,649	3,000,884	2,619,519	359,076	311,769	793,869	630,664
Receivables	4	10	18	46	90	4	6	9	19
<b>Total assets</b>		<b>773,102</b>	<b>628,704</b>	<b>3,034,027</b>	<b>2,632,393</b>	<b>361,775</b>	<b>313,341</b>	<b>801,203</b>	<b>634,572</b>
<b>Liabilities</b>									
Payables	5	6,231	5,323	25,960	29,478	1,765	1,793	5,824	4,216
<b>Total liabilities</b>		<b>6,231</b>	<b>5,323</b>	<b>25,960</b>	<b>29,478</b>	<b>1,765</b>	<b>1,793</b>	<b>5,824</b>	<b>4,216</b>
<b>Net assets attributable to members</b>		<b>766,871</b>	<b>623,381</b>	<b>3,008,067</b>	<b>2,602,915</b>	<b>360,010</b>	<b>311,548</b>	<b>795,379</b>	<b>630,356</b>
<b>Represented by:</b>									
Liability for promised retirement benefits		766,871	623,381	3,008,067	2,602,915	360,010	311,548	795,379	630,356

These statements are to be read in conjunction with the notes on pages 8 to 22 and the Independent Auditor's Report on pages 23 to 24.

# Statements of Net Assets Available for Benefits (continued)

	Note	Moderate Fund		Scheme Transactions Account		ASB Kiwisaver Scheme	
		2016	2015	2016	2015	2016	2015
<b>\$ thousands</b>							
<b>As at 31 March</b>							
<b>Assets</b>							
Cash and cash equivalents		9,792	4,010	11,664	16,771	72,215	42,057
Financial assets at fair value through profit or loss	3	997,886	818,310	-	-	5,917,165	5,005,911
Receivables	4	15	27	-	-	84	160
<b>Total assets</b>		<b>1,007,693</b>	<b>822,347</b>	<b>11,664</b>	<b>16,771</b>	<b>5,989,464</b>	<b>5,048,128</b>
<b>Liabilities</b>							
Payables	5	7,615	7,520	278	360	47,673	48,690
<b>Total liabilities</b>		<b>7,615</b>	<b>7,520</b>	<b>278</b>	<b>360</b>	<b>47,673</b>	<b>48,690</b>
<b>Net assets attributable to members</b>		<b>1,000,078</b>	<b>814,827</b>	<b>11,386</b>	<b>16,411</b>	<b>5,941,791</b>	<b>4,999,438</b>
<b>Represented by:</b>							
Liability for promised retirement benefits		<b>1,000,078</b>	<b>814,827</b>	<b>11,386</b>	<b>16,411</b>	<b>5,941,791</b>	<b>4,999,438</b>

The Board of Directors of the Manager authorised these financial statements for issue on:

  
Director

2016

2016

8 July

2016

These statements are to be read in conjunction with the notes on pages 8 to 22 and the Independent Auditor's Report on pages 23 to 24.

# Cash Flow Statements

	Note	Balanced Fund		Conservative Fund		NZ Cash Fund		Growth Fund	
		2016	2015	2016	2015	2016	2015	2016	2015
<b>Cash flows from operating activities</b>									
Cash was provided from:									
Dividends/Distribution income		3,242	1,972	21,631	14,612	-	-	1,668	977
Interest income		163	145	651	654	77	81	184	160
Sale of investments		89,612	47,993	264,285	134,227	8,982	9,563	77,679	42,755
Wholesale fee rebate		81	62	418	348	23	19	69	52
Other income		-	3	1	9	-	-	-	5
Total cash inflows provided from operating activities		93,098	50,175	286,986	149,850	9,082	9,663	79,600	43,949
Cash was applied to:		(195,838)	(192,851)	(525,078)	(573,216)	(44,847)	(45,837)	(206,141)	(196,439)
Purchase of investments		(195,838)	(192,851)	(525,078)	(573,216)	(44,847)	(45,837)	(206,141)	(196,439)
Total cash outflows applied to operating activities		(102,740)	(142,676)	(238,092)	(423,366)	(35,765)	(36,174)	(126,541)	(152,490)
<b>Net cash flows from operating activities</b>	8								
<b>Cash flows from financing activities</b>									
Cash was provided from:									
Employer contributions		35,181	29,454	152,586	146,773	16,954	16,376	36,253	27,937
Member contributions		69,029	56,953	299,402	283,803	33,268	31,666	71,135	54,020
Crown contributions		12,944	12,378	75,964	86,988	9,732	10,942	14,509	13,065
Transfers from other scheme providers		26,415	63,538	86,569	180,292	13,844	20,841	28,663	64,541
Switches within the scheme		11,618	13,142	-	-	6,854	-	30,106	29,217
Unallocated contributions		-	-	-	-	-	-	-	-
Total cash inflows provided from financing activities		155,187	175,465	614,521	697,856	80,652	79,825	180,666	188,780
Cash was applied to:		(17,332)	(8,439)	(107,792)	(68,227)	(27,445)	(22,480)	(16,535)	(9,193)
Member withdrawals		(4,399)	(3,130)	(10,950)	(8,836)	(1,140)	(981)	(4,855)	(3,310)
Management fees deducted		(1,151)	(1,007)	(7,861)	(7,562)	(1,112)	(1,111)	(1,545)	(1,288)
Administration fees deducted		(19,470)	(16,263)	(144,795)	(136,779)	(12,133)	(10,458)	(23,360)	(17,898)
Transfers out to other schemes		-	-	(54,167)	(40,470)	-	(7,080)	-	-
Switches within the scheme		(5,490)	(2,971)	(30,551)	(9,866)	(1,928)	(1,302)	(4,394)	(3,131)
PIE tax (paid)/received on behalf of members		(47,842)	(31,810)	(356,116)	(271,740)	(43,758)	(43,412)	(50,689)	(34,820)
Total cash outflows applied to financing activities		107,345	143,655	258,405	426,116	36,894	36,413	129,977	153,960
<b>Net cash flows from financing activities</b>									
<b>Summary of movements in cash flows</b>									
Net increase/(decrease) in cash and cash equivalents		4,605	979	20,313	2,750	1,129	239	3,436	1,470
Add: cash and cash equivalents at beginning of the year		3,037	2,058	12,784	10,034	1,566	1,327	3,889	2,419
<b>Cash and cash equivalents at end of the year</b>		<b>7,642</b>	<b>3,037</b>	<b>33,097</b>	<b>12,784</b>	<b>2,695</b>	<b>1,566</b>	<b>7,325</b>	<b>3,889</b>

These statements are to be read in conjunction with the notes on pages 8 to 22 and the Independent Auditor's Report on pages 23 to 24.

# Cash Flow Statements (continued)

S. thousands For the year ended 31 March	Note	Moderate Fund		Scheme Transactions Account		ASB Kiwisaver Scheme	
		2016	2015	2016	2015	2016	2015
<b>Cash flows from operating activities</b>							
Cash was provided from:							
Dividends/Distribution income		5,853	3,663	-	-	32,394	21,224
Interest income		213	195	-	-	1,288	1,235
Sale of investments		100,070	53,906	-	-	540,628	288,444
Wholesale fee rebate		125	96	-	-	716	577
Other income		1	3	-	-	2	20
Total cash inflows provided from operating activities		106,262	57,863	-	-	575,028	311,500
Cash was applied to:							
Purchase of investments		(234,939)	(231,828)	-	-	(1,206,843)	(1,240,171)
Total cash outflows applied to operating activities		(234,939)	(231,828)	-	-	(1,206,843)	(1,240,171)
<b>Net cash flows from operating activities</b>	8	(128,677)	(173,965)	-	-	(631,815)	(928,671)
<b>Cash flows from financing activities</b>							
Cash was provided from:							
Employer contributions		48,295	44,710	(5,708)	(3,356)	283,561	261,894
Member contributions		94,763	86,452	(7,205)	(7,360)	560,392	505,534
Grown contributions		20,882	21,127	(124)	(146)	133,907	144,354
Transfers from other scheme providers		37,719	64,258	(3,373)	(4,860)	189,837	388,610
Switches within the scheme		5,589	5,191	-	-	54,167	47,550
Unallocated contributions		-	-	11,386	16,411	11,386	16,411
Total cash inflows provided from financing activities		207,248	221,738	(5,024)	689	1,233,250	1,364,353
Cash was applied to:							
Member withdrawals		(29,377)	(15,489)	-	-	(198,481)	(123,828)
Management fees deducted		(5,276)	(3,908)	-	-	(26,620)	(20,165)
Administration fees deducted		(1,882)	(1,705)	-	-	(13,551)	(12,673)
Transfers out to other schemes		(28,517)	(22,191)	-	-	(228,275)	(203,589)
Switches within the scheme		-	-	-	-	(54,167)	(47,550)
PIE tax (paid)/received on behalf of members		(7,737)	(3,230)	(83)	201	(50,183)	(20,299)
Total cash outflows applied to financing activities		(72,789)	(46,523)	(83)	201	(571,277)	(428,104)
<b>Net cash flows from financing activities</b>		134,459	175,215	(5,107)	890	661,973	936,249
<b>Summary of movements in cash flows</b>							
Net increase/(decrease) in cash and cash equivalents		5,782	1,250	(5,107)	890	30,158	7,578
Add: cash and cash equivalents at beginning of the year		4,010	2,760	16,771	15,881	42,057	34,479
<b>Cash and cash equivalents at end of the year</b>		9,792	4,010	11,664	16,771	72,215	42,057

These statements are to be read in conjunction with the notes on pages 8 to 22 and the Independent Auditor's Report on pages 23 to 24.



# Notes to the Financial Statements

For the year ended 31 March 2016

## 1 Statement of Accounting Policies

### General Accounting Policies

These financial statements have been prepared for each of the funds included in the ASB KiwiSaver Scheme (the "Scheme"), comprising Balanced Fund, Conservative Fund, NZ Cash Fund, Growth Fund, Moderate Fund, as well as the ASB KiwiSaver Scheme. The financial statements also include information for the "Scheme Transactions Account" that form part of the Scheme and comprise client monies and unallocated contributions (refer to "Cash and cash equivalents" of the Particular Accounting Policies Section for additional details).

The Scheme is a registered KiwiSaver Scheme under the KiwiSaver Act 2006, registration number KSS10006. The Scheme is governed by the ASB KiwiSaver Scheme Trust Deed. The Scheme is a Defined Contribution Scheme and was available to the public from 1 July 2007. The Scheme is domiciled and registered in New Zealand.

In accordance with the Trust Deed, the liabilities of the Scheme are not limited to a particular group of assets in an individual fund of the Scheme. The results of the Scheme's funds have been disclosed in the financial statements to provide more useful and meaningful information to the user of the financial statements of the Scheme and should be read in conjunction with the Scheme's results.

The Trustee of the Scheme is Public Trust. The Trustee's registered office is Level 10, 141 Willis Street, Wellington 6011. The Manager of the Scheme is ASB Group Investments Limited. The Manager's registered office is ASB North Wharf, 12 Jellicoe Street, Auckland Central, Auckland 1010.

Members' funds are invested in a range of investments in accordance with the terms of the Trust Deed.

These general purpose financial statements are for the year ended 31 March 2016 and have been drawn up in accordance with the requirements of the Trust Deed, the Superannuation Schemes Act 1989 (as modified by the KiwiSaver Act 2006) and the Financial Reporting Act 1993.

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards ("IFRS").

The following relevant standard has been issued which the Scheme does not intend to apply until its effective date:

NZ IFRS 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 *Financial Instruments: Recognition and Measurement* that relates to the classification and measurement of financial instruments.

NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments that are not held for trading will be measured at fair value with the irrevocable option of presenting gains and losses in other comprehensive income. These accumulated gains and losses in other comprehensive income cannot be transferred to profit or loss upon disposal of the equity instruments. There is now a new expected credit losses model that replaces the incurred loss impairment model for financial assets used in NZ IAS 39. There are no changes to classification and measurement rules for financial liabilities. However for financial liabilities that have been designated at fair value through profit or loss, fair value changes attributable to changes in credit risk must be presented in other comprehensive income.

NZ IFRS 9 relaxes the requirements for hedge effectiveness by removing the 80% to 125% hedge effectiveness threshold. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as that used by management for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for the Scheme's reporting period beginning on 1 April 2018. The full impact of NZ IFRS 9 is yet to be assessed.

# Notes to the Financial Statements

For the year ended 31 March 2016

## 1 Statement of Accounting Policies (continued)

### Basis of Preparation

The measurement base adopted is that of fair value except where otherwise stated.

### Presentation Currency and Rounding

The functional and presentation currency is New Zealand dollars. The amounts contained in these financial statements are presented in thousands, unless otherwise stated.

### Particular Accounting Policies

There have been no changes to accounting policies in the year ended 31 March 2016. All policies have been applied on a basis consistent with that used in the year ended 31 March 2015.

- **Basis of Consolidation**

The Scheme meets the definition of an investment entity, and as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified as fair value through profit or loss, and measured at fair value. The Scheme has applied the consolidation exemption and is accounting for its investment in the following subsidiary at fair value through profit or loss:

Subsidiary	Place of business	Ownership Interest 2016	Ownership Interest 2015
Investors Wholesale Cash Trust	Auckland, New Zealand	83%	83%

- **Revenue Recognition**

Revenue is recognised to the extent that it is probable that there will be economic benefits and that revenue can be reliably measured. Revenue is recognised for each principal source as follows:

- Interest income is recognised using the effective interest method. The interest earned, if any, of financial assets measured at fair value through profit or loss is also included in interest income.
- Any unrealised gains or losses arising from the revaluation of financial assets and liabilities, along with realised gains and losses on the sale of investments during the year are included in the Statement of Changes in Net Assets Available for Benefits.
- Dividend/distribution income is recognised when the right to dividend/distribution is established with any related foreign withholding tax recorded as an expense.
- Other income and wholesale fee rebates are recognised on an accruals basis.

- **Expense Recognition**

Expenses are recognised on an accruals basis.

- **Taxation**

The Scheme has elected to be a Portfolio Investment Entity ("PIE") under the Income Tax Act 2007. Under the PIE regime, income is effectively taxed in the hands of the members and accordingly no tax expense is recognised in the Statement of Changes in Net Assets Available for Benefits. The Manager attributes the taxable income of the Scheme to members in accordance with the proportion of their interests in the Scheme. The taxable income attributed to each member is taxed at the member's Prescribed Investor Rate ("PIR"), which is capped at 28%. The Manager accounts for tax on behalf of members with a PIR of greater than zero as redemptions, and undertakes any necessary adjustments to the member's interests in the Scheme to reflect that the Scheme pays tax on behalf of members.

# Notes to the Financial Statements

For the year ended 31 March 2016

## 1 Statement of Accounting Policies (continued)

### Particular Accounting Policies (continued)

- **Financial Instruments**

#### RECOGNITION AND DERECOGNITION

The Scheme recognises financial assets on the date it becomes a party to the contractual agreement and recognises financial liabilities when an obligation arises. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired. Derecognition also occurs when the rights to receive cash flows from financial assets have been transferred together with substantially all of their risks and rewards. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### CLASSIFICATION AND MEASUREMENT

Financial instruments are classified under the following categories:

##### Financial Instruments at Fair Value through Profit or Loss

Financial instruments in this category are initially recognised at fair value with subsequent changes in their fair value recognised in the Statement of Changes in Net Assets Available for Benefits. Transaction costs are expensed as incurred. Any change in the fair values of financial assets and liabilities at fair value through profit or loss are disclosed in Statement of Changes in Net Assets Available for Benefits as net gains/(losses) on financial instruments at fair value through profit or loss. This includes investments in unlisted managed funds that have been designated at fair value through profit or loss upon initial recognition. The investments are managed on a fair value basis in accordance with a documented investment strategy.

##### Loans and Receivables

Assets in this category are financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value including transaction costs and subsequently measured at amortised cost using the effective interest method. The carrying amounts of these financial assets are reviewed at each balance date to determine if there is any objective basis of impairment. If any such basis exists, the financial asset's recoverable amount is estimated. If the estimated recoverable amount is less than its carrying amount, a provision is made and an impairment loss is recognised in the Statement of Changes in Net Assets Available for Benefits.

Loans and receivables include:

- *Cash and cash equivalents*

Cash and cash equivalents include operational bank accounts and client monies accounts held with ASB Bank Limited. Client monies primarily include contributions received through the Scheme's bank account but are yet to be allocated to the members' accounts. Included within client monies accounts are tax monies that relate to member withdrawals that are yet to be transferred to the Inland Revenue Department. Due to their nature as clearing accounts, client monies and the corresponding unallocated withdrawals are separately presented in the "Scheme Transactions Account" column of the financial statements, as applicable.

For Cash Flow Statement presentation purposes payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading in the fair value of these securities represents the Scheme's main income-generating activity.

- *Receivables*

Receivables may include amounts for dividends, interest income and distributions. The consideration to be received from the sales of securities and investments that are unsettled as at balance date are also included in receivables.

##### Financial Liabilities at Amortised Cost

Liabilities in this category are initially recognised at fair value including transaction costs and subsequently measured at amortised cost using the effective interest method. This includes payables comprising accrued expenses and consideration to be paid for purchases of securities and investments that are unsettled as at balance date.

#### OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset where there is currently a legally enforceable right to set-off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# Notes to the Financial Statements

For the year ended 31 March 2016

## 1 Statement of Accounting Policies (continued)

### Particular Accounting Policies (continued)

- **Foreign Currency Translation**

All foreign currency monetary assets and liabilities are converted at the rates of exchange ruling at balance date. Foreign currency transactions are converted using the exchange rates prevailing at the date of the transaction. Unrealised gains and losses arising from these revaluations are recognised immediately in the Statement of Changes in Net Assets Available for Benefits.

- **Cash Flow Statement**

The Cash Flow Statement has been prepared using the direct method.

### Critical Accounting Estimates and Judgements

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Judgment was applied in selecting the accounting policy to designate financial assets at fair value through profit or loss upon initial recognition. This policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair values of all managed funds investments using valuation techniques. There are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets at balance date. However as with all investments, their value is subject to variation due to market fluctuations. Judgment was also applied in the categorisation of financial assets at fair value through profit or loss in accordance with the fair value hierarchy under *NZ IFRS 13 Fair Value* as disclosed in note 7.

### Net Assets Attributable to Members

Members have unlimited access to their funds once they reach the required retirement age in accordance with the Trust Deed. Subject to conditions of the Trust Deed, members have restricted access to their funds prior to reaching this required age. Members can redeem their investments in the Scheme at any time for cash equal to a proportionate share of the Scheme's net asset value, once the specific conditions of the Trust Deed have been met. Members are able to transfer their balances to another KiwiSaver scheme or to a superannuation scheme which permits transfer from the scheme, subject to the consent (if required) of the manager or trustee of that scheme, and any transfer provisions of that scheme. Therefore net assets attributable to members are classified as financial liabilities in accordance with *NZ IAS 32 Financial Instruments: Presentation*. The value attributable to the members is the residual value of the assets of the Scheme after all other liabilities have been deducted.

### Contributions and Withdrawals

Contributions to the Scheme are recorded net of any entry fees payable. Withdrawals from the Scheme are recorded gross of any exit fees payable.

Switches between Funds within the Scheme are disclosed as such in the Statement of Changes in Net Assets Available for Benefits, rather than as contributions and withdrawals.



# Notes to the Financial Statements

For the year ended 31 March 2016

## 3 Financial Assets at Fair Value through Profit or Loss

\$ thousands As at 31 March	Balanced Fund		Conservative Fund		NZ Cash Fund		Growth Fund	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Managed funds investments</b>								
Investors Wholesale Australasian Equity (Index) Trust	155,387	129,254	274,075	242,966	-	-	225,599	182,749
Investors Wholesale Cash Trust	31,463	19,965	577,122	485,904	359,076	311,769	8,741	-
Investors Wholesale NZ Fixed Interest Trust	52,776	43,513	365,026	321,104	-	-	28,976	23,237
Investors Wholesale Global Credit (Index) Trust	83,282	68,787	543,943	479,046	-	-	43,187	34,707
Investors Wholesale Global Government Bond (Index) Trust	27,758	22,985	181,297	159,862	-	-	14,394	11,612
Investors Wholesale Global Equity (Index) Trust	253,861	208,150	331,592	289,816	-	-	359,038	286,694
Investors Wholesale Global Inflation Linked Bond (Index) Trust	27,737	22,963	181,154	159,740	-	-	14,383	11,620
Investors Wholesale NZ Corporate Bond Trust	79,042	65,311	546,675	481,081	-	-	43,397	34,875
Investors Wholesale Global Property Trust	54,144	44,721	-	-	-	-	56,154	45,170
<b>Total financial assets at fair value through profit and loss</b>	<b>765,450</b>	<b>625,649</b>	<b>3,000,884</b>	<b>2,619,519</b>	<b>359,076</b>	<b>311,769</b>	<b>793,869</b>	<b>630,664</b>

# Notes to the Financial Statements

For the year ended 31 March 2016

## 3 Financial Assets at Fair Value through Profit or Loss (continued)

	Moderate Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2016	2015	2016	2015	2016	2015
\$ thousands As at 31 March						
<b>Managed funds investments</b>						
Investors Wholesale Australasian Equity (Index) Trust	161,990	135,103	-	-	817,051	690,072
Investors Wholesale Cash Trust	91,251	67,799	-	-	1,067,653	885,437
Investors Wholesale NZ Fixed Interest Trust	101,135	83,625	-	-	547,913	471,479
Investors Wholesale Global Credit (Index) Trust	150,719	124,787	-	-	821,131	707,327
Investors Wholesale Global Government Bond (Index) Trust	50,235	41,582	-	-	273,684	236,041
Investors Wholesale Global Equity (Index) Trust	180,424	148,324	-	-	1,124,915	932,984
Investors Wholesale Global Inflation Linked Bond (Index) Trust	50,195	41,606	-	-	273,469	235,929
Investors Wholesale NZ Corporate Bond Trust	151,466	125,407	-	-	820,580	706,674
Investors Wholesale Global Property Trust	60,471	50,077	-	-	170,769	139,968
<b>Total financial assets at fair value through profit and loss</b>	<b>997,886</b>	<b>818,310</b>	<b>-</b>	<b>-</b>	<b>5,917,165</b>	<b>5,005,911</b>

As ASB Group Investments Limited is the Manager of the Investors Wholesale Unit Trusts above, they are deemed to be related parties.

# Notes to the Financial Statements

For the year ended 31 March 2016

## 4 Receivables

\$ thousands As at 31 March	Balanced Fund		Conservative Fund		NZ Cash Fund		Growth Fund	
	2016	2015	2016	2015	2016	2015	2016	2015
Accrued income - interest receivable from ASB Bank Limited	4	9	15	39	2	4	4	12
Accrued fee rebate receivable from the Wholesale Trusts	6	9	31	51	2	2	5	7
<b>Total receivables</b>	<b>10</b>	<b>18</b>	<b>46</b>	<b>90</b>	<b>4</b>	<b>6</b>	<b>9</b>	<b>19</b>

\$ thousands As at 31 March	Moderate Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2016	2015	2016	2015	2016	2015
Accrued income - interest receivable from ASB Bank Limited	6	12	-	-	31	76
Accrued fee rebate receivable from the Wholesale Trusts	9	15	-	-	53	84
<b>Total receivables</b>	<b>15</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>84</b>	<b>160</b>

None of these receivables are past due or impaired.

## 5 Payables

\$ thousands As at 31 March	Balanced Fund		Conservative Fund		NZ Cash Fund		Growth Fund	
	2016	2015	2016	2015	2016	2015	2016	2015
Inland Revenue PIE tax payable	6,231	5,323	25,960	29,478	1,765	1,793	5,824	4,216
<b>Total payables</b>	<b>6,231</b>	<b>5,323</b>	<b>25,960</b>	<b>29,478</b>	<b>1,765</b>	<b>1,793</b>	<b>5,824</b>	<b>4,216</b>

\$ thousands As at 31 March	Moderate Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2016	2015	2016	2015	2016	2015
Inland Revenue PIE tax payable	7,615	7,520	278	360	47,673	48,690
<b>Total payables</b>	<b>7,615</b>	<b>7,520</b>	<b>278</b>	<b>360</b>	<b>47,673</b>	<b>48,690</b>



# Notes to the Financial Statements

For the year ended 31 March 2016

## 6 Related Party Transactions and Balances

During the year, the Scheme entered into transactions with related parties. These transactions were conducted on an arm's length basis and on normal commercial terms.

The following are considered to be related parties:

- ASB Group Investments Limited (the Manager) and ASB Bank Limited. ASB Group Investments Limited is a wholly owned subsidiary of ASB Bank Limited. Both companies are members of the Commonwealth Bank of Australia Group;
- Public Trust (the Trustee); and
- Investors Wholesale Unit Trusts where managed funds investments are made as listed in note 3.

### Transactions with related parties:

- All revenue recognised by the Scheme is from related parties.
- The administration and management fees deducted by the Manager are disclosed in the Statement of Changes in Net Assets Available for Benefits.
- Refer to the Cash Flow Statements for purchases and sales of investments in Investors Wholesale Unit Trusts.

### Balances with related parties:

- Cash and cash equivalents as well as client monies accounts (for contributions receivable and withdrawals payable) are held with ASB Bank Limited and are presented in the Statements of Net Assets Available for Benefits.
- Refer to note 3 for investments held with Investors Wholesale Unit Trusts.
- Refer to note 4 for amounts due from related parties.



# Notes to the Financial Statements

For the year ended 31 March 2016

## 7 Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received to sell a financial asset, or paid to transfer a financial liability, in an orderly transaction between market participants at the measurement date.

The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where a quoted market price for a financial instrument is not available, its fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or in a limited number of instances, rely on inputs which are unobservable but are reasonable assumptions based on market conditions.

There are three levels in the hierarchy of fair value measurements which are based on the inputs used to measure fair values:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the Scheme can access.
- Level 2: where quoted market prices are not available, fair values have been estimated using present value or other valuation techniques using inputs that are observable for the financial asset or financial liability, either directly or indirectly.
- Level 3: fair values are estimated using inputs that are unobservable for the financial asset or financial liability.

The Scheme considers transfers between levels, if any, to have occurred at the end of the reporting period for which the financial statements are prepared.

As at 31 March 2016 and 31 March 2015, the Scheme's financial assets at fair value through profit or loss have been classified as Level 2 in the fair value hierarchy. These assets comprise managed funds investments (refer to note 3 for further detail).

The managed funds investments are not traded in an active market and their fair value is determined using valuation techniques. The value is based primarily on the latest available withdrawal price of the respective Funds. In some instances, the Scheme may make adjustments to take into account the liquidity of the fund or its underlying investments, the value date of the net asset value provided, or any restrictions on withdrawals. As at 31 March 2016 and 31 March 2015 there were no significant adjustments made to the latest available withdrawal price of the respective Funds.

The carrying amounts of financial assets and liabilities not measured at fair value are considered to be reasonable approximations of their fair values as at 31 March 2016 and 31 March 2015.

# Notes to the Financial Statements

For the year ended 31 March 2016

## 8 Reconciliation of Total Comprehensive Income to Net Cash Flows from Operating Activities

\$ thousands For the year ended 31 March	Balanced Fund		Conservative Fund		NZ Cash Fund		Growth Fund	
	2016	2015	2016	2015	2016	2015	2016	2015
Total comprehensive income	37,053	72,537	143,229	208,160	11,540	11,505	36,654	80,974
Net change in investments	(139,801)	(215,205)	(381,365)	(631,497)	(47,307)	(47,677)	(163,205)	(233,455)
Net change in receivables	8	(8)	44	(29)	2	(2)	10	(9)
<b>Net cash flows from operating activities</b>	<b>(102,740)</b>	<b>(142,676)</b>	<b>(238,092)</b>	<b>(423,366)</b>	<b>(35,765)</b>	<b>(36,174)</b>	<b>(126,541)</b>	<b>(152,490)</b>

\$ thousands For the year ended 31 March	Moderate Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2016	2015	2016	2015	2016	2015
Total comprehensive income	50,887	81,000	-	-	279,363	454,176
Net change in investments	(179,576)	(254,954)	-	-	(91,254)	(1,382,788)
Net change in receivables	12	(11)	-	-	76	(59)
<b>Net cash flows from operating activities</b>	<b>(128,677)</b>	<b>(173,965)</b>	<b>-</b>	<b>-</b>	<b>(631,815)</b>	<b>(928,671)</b>

The net change in receivables is exclusive of PIE tax.

# Notes to the Financial Statements

For the year ended 31 March 2016

## 9 Financial Risk Management

The overall investment objective is to achieve capital growth through investing in a selection of debt and equity instruments through unlisted trusts. This results in exposure to market risk, liquidity and cash flow risk and credit risk. The risk management programme focuses on the unpredictability of financial markets and minimisation of potential adverse effects on financial performance.

The following financial risk disclosures have been prepared based on direct investment profiles and not on a look through basis for investments held indirectly through unlisted trusts.

### Market Risk

Market risk is the risk that movements in the level or volatility of market rates and prices will affect the Scheme's income or the value of its holdings of financial instruments.

Market risk includes price risk, interest rate risk and foreign exchange risk, which are explained as follows:

### Market Price Risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments of a specific type traded in the market. Market price risk is controlled by ensuring a diverse range of investments, limits on counterparty exposure and restrictions on types of instruments.

Had the market price of the managed funds investments increased or decreased by 10% with all other variables held constant, the increase or decrease respectively in income and net assets would amount to the following:

\$ thousands For the year ended 31 March	Balanced Fund		Conservative Fund		NZ Cash Fund		Growth Fund	
	2016	2015	2016	2015	2016	2015	2016	2015
Increase/decrease in: income/net assets	76,545	62,565	300,088	261,952	35,908	31,177	79,387	63,066
\$ thousands For the year ended 31 March	Moderate Fund		Scheme Transactions Account		ASB Kiwisaver Scheme			
	2016	2015	2016	2015	2016	2015	2016	2015
Increase/decrease in: income/net assets	99,789	81,831	-	-	-	-	591,717	500,591

A variable of 10% was selected for potential market price sensitivity based on historical experience. Actual movements may differ from this.



# Notes to the Financial Statements

For the year ended 31 March 2016

## 9 Financial Risk Management (continued)

### Credit Risk

Credit risk arises from the possible failure of external counterparties to honour the terms and conditions of a contract that may result in a financial loss. The maximum exposure to credit risk of financial instruments is considered to be their carrying value. A regular review of the investment mandate is implemented by the Investment Manager. The intention is not necessarily to hold the financial assets to maturity, but to realise and purchase similar assets as part of the ongoing management of the investments.

Where the Manager invests directly in cash and debt securities, a credit quality criteria has been put in place that limits securities to certain minimum Standard & Poor's (Australia) Pty ("S&P") or Moody's Investors Service Pty Limited ("Moody's") credit ratings in accordance with the investment mandate or policy. The minimum S&P short term credit rating which is applicable to cash and short term deposits is A-2 and the minimum Moody's short term rating is P-2. The minimum S&P long term credit rating which is applicable to fixed interest securities and other long term debt securities is A-.

Where the Manager invests in an external unit trust, the Manager considers the disclosed restrictions on credit quality of the trust, along with the process of diversification, provision for in specie redemptions and/or stock lending, custodian, banker, auditor of the trust, and whether the trust has a rating from one of the major consultants such as Mercer. The Manager looks through the trust to the securities held and where credit risk is taken, considers the external fund manager's processes and risk controls to diversify and mitigate credit risk.

None of the financial assets are past due or impaired. A past due asset is any credit exposure where a counterparty has failed to make a payment when contractually due but is not an impaired asset. An impaired asset is any credit exposure for which an impairment loss is required. The investment mandate provides for an appropriate diversification of investments such that there is no significant concentration of credit risk other than noted below.

At balance date, there is a credit exposure to ASB Bank Limited which has an S&P credit rating of AA- (2015: AA-) equal to the amount of cash and cash equivalents as disclosed. The same amount represents the economic sector concentration in the finance and bank sectors.

### Capital Management

The net assets attributable to members (as represented by the liability for promised retirement benefits) are primarily determined by contributions to the Scheme together with the change in fair value on these contributions over the period of membership. The timing of the payment of retirement benefits is determined by the requirements of the KiwiSaver Act 2006.

Under the terms of the Trust Deed contributions can be made by the Scheme members, by their employers and the Government. During the year, contributions by Scheme members, employers and the Government have been at the following rates:

- Employer contribution: required to contribute 3% of an employee's pre-tax salary or wages to the extent these contributions are matched by the employee (31 March 2015 3%).
- Member contribution: 3%, 4% or 8% of employee's pre-tax salary or wages (31 March 2015 3%, 4% or 8%).
- Self-employed and non-waged members: voluntary (31 March 2015 voluntary).

If a member is eligible, the Government will pay 50 cents for every dollar of member contribution annually up to a maximum payment of \$521.43 (referred to as the Member Tax Credit) (31 March 2015 50 cents, \$521.43).

Net assets attributable to members are considered to be the Scheme's capital for the purposes of capital management. The Scheme does not have to comply with externally imposed capital requirements. The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and to maximise the Scheme's members' value as well as ensuring its net assets attributable to members are sufficient to meet all present and future obligations. In order to meet its objectives for capital management the Manager reviews the Scheme's performance on a regular basis.

# Notes to the Financial Statements

For the year ended 31 March 2016

## 10 Capital Commitments and Contingent Liabilities

The Scheme had no capital commitments or contingent liabilities as at 31 March 2016 (31 March 2015 nil).

## 11 Events after the Reporting Period

There were no events subsequent to the reporting period which would materially affect the financial statements.

# Independent Auditor's Report



# Independent Auditor's Report (continued)



## ***Independent Auditor's Report***

to the members of the ASB KiwiSaver Scheme

### ***Report on the Financial Statements***

We have audited the financial statements of the ASB KiwiSaver Scheme (the "Scheme") on pages 2 to 22, which comprise the statement of net assets available for benefits as at 31 March 2016, the statement of changes in net assets available for benefits and the cash flow statement for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

### ***Manager's Responsibility for the Financial Statements***

The Manager is responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Manager determines are 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) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 the internal controls relevant to the Scheme's preparation of 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 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 overall presentation of the financial statements.

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

We are independent of the Scheme. Other than in our capacity as auditors and providers of other related assurance services we have no relationship with, or interests in, the Scheme.



## ***Independent Auditor's Report***

ASB KiwiSaver Scheme

### ***Opinion***

In our opinion, the financial statements on pages 2 to 22:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the net assets of the Scheme as at 31 March 2016, and its change in net assets and cash flows for the year then ended.

### ***Report on Other Legal and Regulatory Requirements***

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2016:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Scheme as far as appears from an examination of those records.

### ***Restriction on Use of our Report***

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

A handwritten signature in blue ink, appearing to read 'P. Waterhouse', is written over a faint, larger version of the same signature.

Chartered Accountants  
8 July 2016

Auckland