

**BNZ KiwiSaver Scheme
Financial Statements
For The Year Ended 31 March 2016**

BNZ KiwiSaver Scheme
Statement of Changes in Net Assets
For the year ended 31 March 2016

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015
Dollars in thousands														
Investment income	1,617	70	10	114	322	67	47	33	123	67	92	33	3,649	331
Interest income	-	1,757	8	10,593	14,046	8,650	5,886	3,953	12,711	11,890	11,890	3,953	49,186	30,211
Dividends and distribution income	799	-	140	(101)	(9,182)	2,491	2,947	(6,591)	(9,048)	2,491	(6,591)	3,404	(31,033)	6,741
Net gain/(loss) on financial instruments at fair value through profit or loss	2,416	1,827	158	7,834	5,186	11,208	8,652	2,391	3,788	11,208	6,790	6,790	21,771	39,283
Net investment income	2,416	1,827	158	7,834	5,186	11,208	8,652	2,391	3,788	11,208	6,790	6,790	21,771	39,283
Expenses	244	157	14	(876)	1,460	(486)	680	523	1,177	(487)	971	(219)	(2,752)	2,867
Management fees	-	-	(6)	(876)	(844)	(486)	(351)	(408)	(817)	(487)	(408)	(219)	(2,752)	(1,540)
Management fee rebates	244	157	8	370	616	383	329	562	560	329	562	307	2,360	1,357
Total expenses	2,172	1,670	150	7,464	4,570	10,845	8,553	1,828	3,226	10,845	8,463	8,463	19,411	37,926
Profit attributable to Members	66,810	36,994	165,387	72,118	130,572	58,929	41,970	27,743	95,318	41,970	69,131	27,743	527,198	237,654
Opening net assets available for benefits	10,288	8,053	509	19,976	23,369	15,372	12,034	7,746	16,697	12,034	12,520	7,746	99,911	63,181
Contributions	5,967	4,770	20,905	11,973	12,082	8,595	6,213	4,001	8,519	6,213	6,073	4,001	53,834	36,652
Member contributions	399	1,339	4,359	7,666	768	2,406	1,798	631	604	1,798	631	1,836	6,761	15,045
Employer contributions	13,246	17,423	8,333	53,391	31,623	39,574	26,632	18,609	22,467	26,632	18,609	20,726	142,077	157,746
Transfers in from other scheme providers	2,882	2,000	7,543	3,851	5,067	3,169	2,061	1,328	3,363	2,061	2,373	1,328	21,229	12,409
Member tax credits	4,186	1,213	3,347	844	4,015	1,470	2,101	3,540	4,900	2,101	7,098	3,540	27,321	9,168
Switches in from other BNZ KiwiSaver Funds	36,951	34,798	12,476	97,701	76,824	70,696	50,839	39,177	56,530	70,696	47,304	39,177	351,133	293,401
Total contributions in the Scheme	(4,621)	(2,672)	(195)	(5,905)	(7,783)	(3,754)	(2,456)	(2,183)	(5,648)	(2,456)	(4,882)	(2,183)	(36,362)	(16,960)
Benefits paid	(1,331)	(688)	(1,516)	(878)	(543)	(244)	(146)	(67)	(280)	(146)	(80)	(67)	(3,750)	(2,405)
Transfers out to other scheme providers	(2,569)	(1,255)	(415)	(1,055)	(1,866)	(1,110)	(88)	(28)	(1,900)	(1,110)	(72)	(88)	(1,062)	(460)
Retirement	(3,160)	(1,055)	(6,339)	(2,148)	(4,371)	(1,449)	(667)	(488)	(2,726)	(1,449)	(2,142)	(488)	(19,151)	(5,927)
Death and disability	(284)	(238)	(671)	(347)	(200)	(207)	(178)	(100)	(181)	(178)	(145)	(100)	(1,484)	(1,060)
First home	(3,343)	(1,088)	(7,531)	(3,343)	(8,739)	(2,565)	(1,405)	(777)	(5,621)	(2,565)	(3,855)	(777)	(27,321)	(9,168)
Hardship	(81)	(52)	(467)	(188)	(62)	(40)	(11)	(40)	(62)	(40)	(64)	(40)	(746)	(331)
Other permitted withdrawals	(13,069)	(6,139)	(30,071)	(13,019)	(19,974)	(8,389)	(4,381)	(11,240)	(14,707)	(8,389)	(11,240)	(3,683)	(89,906)	(36,231)
Total benefits paid from the Scheme	(246)	(203)	(689)	(405)	(983)	(299)	(195)	(231)	(280)	(299)	(231)	(162)	(1,828)	(1,256)
Other member movements	(382)	(280)	(1,507)	(1,425)	(1,165)	(1,306)	(848)	(594)	(837)	(1,306)	(594)	(427)	(4,467)	(4,294)
Administration fee	25,428	29,816	96,124	83,249	59,942	71,743	53,348	37,108	43,872	53,348	41,388	41,388	274,323	289,544
Members' administration fee	92,236	66,810	11,751	165,367	100,514	130,672	95,318	106,239	138,280	130,672	95,318	89,131	801,521	527,198
Members' PIE tax	62,564	35,785	145,879	89,621	111,013	55,629	38,044	25,154	78,584	55,629	38,044	25,154	453,153	225,514
Net benefits accrued to Members	34,369	33,114	12,405	89,841	65,558	63,994	44,765	33,652	46,820	63,994	44,765	33,652	303,688	285,346
Closing net assets available for benefits	84,095	62,564	223,595	145,879	150,044	111,013	78,584	83,246	112,175	111,013	78,584	55,113	872,874	452,153
Units on Issue (Units in thousands)	-	-	-	69,621	111,013	55,629	38,044	25,154	78,584	55,629	38,044	25,154	453,153	225,514
Balance at the beginning of the period	34,369	33,114	12,405	89,841	65,558	63,994	44,765	33,652	46,820	63,994	44,765	33,652	303,688	285,346
Contributions - units	(12,849)	(6,316)	(28,769)	(13,593)	(16,527)	(8,910)	(5,225)	(8,919)	(13,229)	(8,910)	(5,225)	(8,919)	(64,167)	(37,707)
Withdrawals - units	84,095	62,564	11,529	145,879	150,044	111,013	78,584	83,246	112,175	111,013	78,584	55,113	872,874	452,153
Balance at the end of the period														

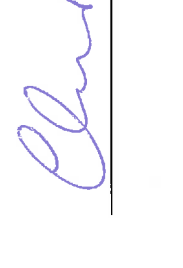
The accounting policies and other notes form part of, and should be read in conjunction with, these Financial Statements.

Dollars in thousands	Notes	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
		As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
Current assets															
Cash and cash equivalents	5	956	66,801	251	1,481	57,082	1,481	11,661	923	4,011	773	2,871	8,845	142,426	
Financial assets at fair value through profit or loss	6	91,576	-	11,162	190,063	100,886	190,063	118,316	139,151	91,709	103,840	66,263	797,649	386,184	
Management fee rebate receivable		-	-	2	86	56	86	57	42	42	42	26	304	181	
Contributions receivable		164	408	383	514	970	514	1,021	283	541	391	475	2,604	3,155	
Other receivables		34	30	-	-	25	-	5	-	2	-	1	34	55	
Total assets		92,730	67,239	11,798	192,144	167,019	192,144	132,060	140,420	95,305	107,046	69,656	807,613	532,279	
Current liabilities															
Management fees payable	5	23	17	5	144	82	144	101	117	82	97	66	513	348	
Redemptions payable		117	137	21	338	220	338	132	207	83	182	48	1,274	621	
PIE tax payable on behalf of Members		354	275	21	1,148	1,350	1,148	1,255	806	822	528	410	4,305	4,112	
Total liabilities (excluding net assets attributable to Members)		494	429	47	1,630	1,652	1,630	1,488	1,130	987	807	525	6,092	5,081	
Net assets available for benefits		92,236	66,810	11,751	190,514	165,367	190,514	130,572	139,290	95,318	106,239	69,131	801,521	527,198	
Represented by:															
Net assets attributable to Members		92,236	66,810	11,751	190,514	165,367	190,514	130,572	139,290	95,318	106,239	69,131	801,521	527,198	

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

The Board of Directors of BNZ Investment Services Limited authorised these Financial Statements for issue on 21 July 2016.

For and on behalf of the Manager



Director

BNZ KiwiSaver Scheme
Cash Flow Statement

For the year ended 31 March 2016

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	Year ended 31 March 2016	Year ended 31 March 2015	Period ended 31 March 2016	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016
Dollars in thousands														
Cash flows to/from operating activities														
Cash was provided from:														
Proceeds from sale of financial instruments at fair value through profit or loss	437	65,983	38	121	85,608	386	10,893	721	3,491	1,509	2,552	3,182	151,387	
Interest income	1,647	40	10	1,510	89	327	62	125	45	93	32	3,712	269	
Cash was applied to:														
Purchase of financial instruments at fair value through profit or loss	(91,248)	(27,985)	(11,069)	(144,584)	(95,780)	(65,927)	(60,834)	(44,275)	(44,915)	(38,621)	(34,811)	(385,734)	(264,035)	
Operating expenses	(238)	(149)	(9)	(689)	(579)	(913)	(721)	(773)	(577)	(694)	(442)	(8,319)	(2,468)	
	(69,402)	38,059	(11,029)	(143,652)	(27,662)	(66,187)	(50,610)	(44,202)	(41,956)	(37,713)	(32,669)	(392,155)	(114,639)	
Net cash inflow/(outflow) from operating activities														
Cash flows from financing activities														
Cash was provided from:														
Contributions	37,185	34,568	12,115	121,010	97,508	77,431	70,328	56,808	50,745	47,389	39,044	351,948	282,383	
Cash was applied to:														
Benefits paid	(13,339)	(6,249)	(834)	(30,370)	(13,284)	(20,161)	(8,563)	(14,842)	(5,149)	(11,339)	(3,834)	(91,080)	(37,089)	
Members' PIE tax	(393)	(109)	(1)	(1,409)	(291)	(1,293)	(223)	(852)	(153)	(498)	(89)	(4,294)	(855)	
	23,557	28,310	11,280	89,031	83,933	55,977	61,512	41,114	45,443	35,615	35,121	256,574	254,319	
Net increase in cash and cash equivalents	(65,845)	66,589	251	(54,621)	56,271	(10,180)	10,902	(3,088)	3,487	(2,098)	2,452	(133,581)	139,481	
Cash and cash equivalents at the beginning of the period	66,801	432	-	57,082	811	11,881	759	4,011	524	2,871	419	142,428	2,945	
Cash and cash equivalents at the end of the period	856	66,801	251	2,461	57,082	1,481	11,661	923	4,011	773	2,871	8,845	142,428	

Notes

8 Cash flows to/from operating activities
Cash was provided from:
Proceeds from sale of financial instruments at fair value through profit or loss
Interest income
Cash was applied to:
Purchase of financial instruments at fair value through profit or loss
Operating expenses

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Net cash inflow/(outflow) from operating activities
Cash flows from financing activities
Cash was provided from:
Contributions
Cash was applied to:
Benefits paid
Members' PIE tax

8

Net cash inflow from financing activities
Net increase in cash and cash equivalents
Cash and cash equivalents at the beginning of the period
Cash and cash equivalents at the end of the period

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

1. General information

1.1 Reporting entities

These financial statements are for the BNZ KiwiSaver Scheme (the "Scheme") which comprises the following six funds (each a "Fund", together the "Funds"):

- Cash Fund
- First Home Buyer Fund
- Conservative Fund
- Moderate Fund
- Balanced Fund
- Growth Fund

Each Member of the Scheme owns units in the Fund or Funds chosen by them.

The Scheme was established and is governed by a Trust Deed between BNZ Investment Services Limited and The New Zealand Guardian Trust Company Limited, dated 8 January 2013. The Scheme was registered under the KiwiSaver Act 2006 on 16 January 2013. The Scheme began accepting Members on 11 February 2013. The First Home Buyer Fund was established on 16 September 2015, and began accepting Members on 17 September 2015. The Scheme is designed to help members save for their retirement. The Scheme enables members to invest into one of the six established funds to spread their contributions among several Funds. With the exception of the Cash Fund, each Fund invests across a number of investment sectors, countries and companies, primarily through other unit trusts offered by Russell Investment Group Limited or Nikko Asset Management NZ Limited. Each Fund offers a different investment mix and differs in levels of potential return. The principal activity of the Scheme is investment. The Scheme is domiciled in New Zealand. The Financial Statements have been prepared for the year ended 31 March 2016. The comparative period is for the year ended 31 March 2015. With the exception of the First Home Buyer Fund which has been prepared for the period from 17 September 2015, ended 31 March 2015, with no comparative period.

The Scheme's investment activities are managed by BNZ Investment Services Limited (the "Manager"). The Manager is a wholly owned subsidiary of Bank of New Zealand ("BNZ") incorporated in New Zealand, who in turn is wholly owned by National Australia Bank Limited, a licensed bank in Australia. The registered office of the Manager is Level 4, 80 Queen Street, Auckland. The Manager is the issuer of Membership interests in the Scheme for the purposes of the Securities Act 1978 and is responsible to Members for managing and administering the Scheme.

The Trustee of the Scheme is The New Zealand Guardian Trust Company Limited (the "Trustee"). The registered office of the Trustee is Level 13, 191 Queen Street, Auckland.

The Trustee is the external supervisor of the Scheme, responsible for supervising the performance of the Manager and for the custody of Scheme assets as well as assessing financial hardship and serious illness based withdrawal applications.

The Manager may terminate, close or alter any Funds, or amalgamate any two or more Funds on such terms and conditions as it thinks fit, subject to providing prior written notice to the Trustees.

1.2 Statutory base

The Scheme is a defined contribution superannuation scheme established under the KiwiSaver Act 2006 (the "Act") and is subject to the provisions of that Act.

Contributions are made by Members on a voluntary basis. The Funds are utilised products. Unit prices are calculated each business day. Units in the Scheme are offered under a registered prospectus.

These Financial Statements have been prepared in accordance with the requirements of the Superannuation Scheme Act 1989, the KiwiSaver Act 2006, the Financial Reporting Act 1993 and the provisions of the Trust Deed.

The Financial Statements were authorised for issue by the Directors of the Manager on 21 July 2016

2. Summary of significant accounting policies

(2.1) Basis of preparation

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

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). For the purposes of complying with NZ GAAP, the Scheme is a profit-oriented entity. These Financial Statements have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"). The Financial Statements also comply with International Financial Reporting Standards ("IFRS"). These Financial Statements have been prepared under the historical cost method except for financial assets and liabilities measured at fair value through profit or loss.

The preparation of Financial Statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Directors of the Manager to exercise their judgement in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 3.

(a) Presentation

The financial statements of the Scheme are presented in New Zealand dollars, which is the Scheme's functional currency. All amounts are rounded to the nearest thousand unless otherwise stated.

(b) Standards and amendments to existing standards effective 1 April 2015 impacting the Scheme

NZ IAS 24 Amendments to NZ IAS 24 Related party disclosures (effective for annual periods commencing on or after 1 July 2014), NZ IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the Scheme ("management entity"). The Scheme is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the Scheme by the management entity for services provided. The Manager of the Scheme has considered the amendment to the standard and is satisfied that the financial statements are in compliance with the disclosures as prescribed by the amendment to the standard.

(c) The following new standards and amendments to existing standards are not a comprehensive list of standards and amendments not yet effective but are only those that are considered relevant to the Fund.
NZ IFRS 9 Financial Instruments (NZ IFRS 9) (effective for annual periods beginning on or after 1 January 2018). NZ IFRS 9 requires financial assets to be classified on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortised cost or fair value. The requirements for classifying and measuring financial liabilities have been added to the standard and were applied to the Fund on 1 April 2015. The Fund has adopted NZ IAS 39 Financial Instruments: Recognition and Measurement. However, the requirements related to the fair value option for financial liabilities were changed to address the issue of own credit risk. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities. The Fund has adopted NZ IFRS 9 for all financial periods commencing 1 April 2016.
Amendments to NZ IFRS 10 Consolidated financial statements and NZ IAS 28 Investments in associates (effective for periods commencing on or after 1 January 2016). It confirms that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties. The Manager of the Scheme is satisfied that the Scheme applied the approach, prescribed by the amendment to the standards on a consistent basis since inception of the exemption criteria of investments entities from consolidation.

Amendments to NZ IAS 1 Presentation of financial statements (effective for periods commencing on or after 1 January 2016). The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosures of accounting policies. The amendments form part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. Upon adopting the new amendment for the year commencing 1 April 2016, the Manager will consider the Fund's financial statements in light of these clarifications and whether there are opportunities to clarify or improve the disclosures.

(2.2) Interest income

Interest income on assets at fair value through profit or loss is included as interest in the Statement of Changes in Net Assets on an accrual basis. Changes in fair value of such instruments are recorded in accordance with the policies described in Note 2.0.

(2.3) Dividend and distribution income

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded in the Statement of Changes in Net Assets Available for Benefits within Members' PIE tax. Unit trust distributions are recognised on a present entitlement basis.

(2.4) Investment gains and losses

Realised and unrealised gains and losses are reflected in the Statement of Changes in Net Assets Available as net gain/(loss) on financial instruments at fair value through profit or loss.

Unrealised gains or losses include the change in fair value of investments held as at reporting date. Realised gains or losses are calculated based on the gross sale proceeds and the weighted average cost of the investments sold.

2. Summary of significant accounting policies (continued)

(2.5) Expenses

All expenses are recognised in the Statement of Changes in Net Assets on an accrual basis.

(2.6) Income tax

The Scheme qualifies as and has elected to be a Portfolio Investment Entity ("PIE") for tax purposes. Under the PIE regime, detailed in the Income Tax Act 2007, income is effectively taxed in the hands of the Members, and therefore, the Scheme has no income tax expense. Accordingly, no income tax expense is recognised in the Statement of Changes in Net Assets. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in Members' PIE tax in the Statement of Changes in Net Assets.

Under the PIE regime, the Manager attributes the taxable income of each Fund to Members in accordance with the proportion of their interest in the Fund. The income attributed to each Member is taxed at the Member's "prescribed investor rate" on redemption and annually on or around 31 March each year.

Member PIE tax disclosed in the Statement of Changes in Net Assets consist of withdrawals (or contributions from Member rebates) under the PIE regime and any resident and foreign withholding taxes deducted at source.

(2.7) Goods and services tax (GST)

The Scheme is not registered for GST. The Statement of Changes in Net Assets and Cash Flow Statement have been prepared so that all components are stated inclusive of GST. All items in the Statement of Changes in Net Assets are stated inclusive of any GST.

(2.8) Financial instruments

(a) Classification

The Scheme's financial instruments are classified as financial assets or financial liabilities at fair value through profit or loss, loans and receivables and other financial liabilities.

Financial assets or financial liabilities at fair value through profit or loss

This category has two sub-categories: financial assets or financial liabilities held for trading and those designated at fair value through profit or loss at inception.

Financial instruments held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together, and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are categorised as held for trading. These include forward currency contracts, interest rate futures and interest rate swaps. Derivatives are carried as assets (liabilities) when the fair value is positive (negative). The Scheme does not designate any derivatives as hedges in a hedging instrument for hedge accounting purposes.

Financial instruments designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's policy is for the Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information. These are investments in Australia and New Zealand unitised unit trusts.

The designation of financial instruments at fair value through profit or loss is consistent with the Scheme's risk management and investment strategy.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and may include cash and cash equivalents, rebates on management fees, amounts receivable for dividends, interest and trust distributions, amounts due from brokers for securities sold that have been contracted for but not yet delivered at the end of the accounting period and contributions receivable.

Cash and cash equivalents include cash in hand and deposits held at call with banks. Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Scheme's main income generating activity.

Other financial liabilities

These amounts represent liabilities and accrued expenses owed by the Scheme at period end and may include amounts due to brokers for securities purchased that have been contracted for but not yet delivered at period end, withdrawals owed to Members and Net Assets attributable to Members. These amounts are recognised initially at fair value and subsequently stated at amortised cost.

Net assets attributable to members

The Net assets attributable to Members represent the liability for promised retirement benefits and is the Scheme's present obligation to pay benefits to Members. This has been calculated as the difference between carrying amounts of the assets and carrying amounts of the liabilities at the reporting date. The Funds issue units that are redeemable subject to the requirements of the Act at the Members' option and do not have identical features and are therefore classified as financial liabilities. The units can be put back to the Funds at any time for purposes of permitted withdrawals (such as reaching the retirement age of 65 or significant financial hardship) transfer to another Fund within the BNZ KiwiSaver Scheme or to a separate KiwiSaver Scheme and which are equal to a proportionate share of the respective Funds' net asset value which is the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the period end date if Members exercise their right to put the units back to the Funds.

As stipulated in the Trust Deed, each unit represents a right to an individual share in the respective Fund and does not extend to a right in the underlying assets of the respective Fund. There are no separate classes of units within each Fund and each unit has the same rights attaching to it as all other units in the respective Fund.

Contributions received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed subject to the requirements of the KiwiSaver Act 2008 at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption. The Funds' net asset value per unit is calculated by dividing the net assets attributable to the holders of each Fund with the total number of outstanding units of each Fund. There are currently no entry or exit fees payable.

2. Summary of significant accounting policies (continued)

(2.b) Financial Instruments (continued)

(b) Recognition, derecognition and measurement

The Scheme recognises financial assets on the date it becomes party to the contractual agreement (trade date). Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Changes in Net Assets.

Financial assets are derecognised when the right to receive cash flows from the investments have expired or the Scheme has transferred substantially all of the risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the financial instruments designated at fair value through profit or loss are presented in the Statement of Changes in Net Assets within net gain/(loss) on financial instruments at fair value through profit or loss in the period in which they arise.

Loans and receivables are initially recognised at fair value, being the amounts receivable. They are subsequently measured at amortised cost, reduced for impairment as appropriate. Any impairment charge is recognised in the Statement of Changes in Net Assets.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

(c) Fair value estimation

The Scheme measures its financial assets and liabilities at fair value at reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants without any deductions for transaction costs at the reporting date.

- Fair value in an inactive or unquoted market

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

Investments in other unlisted unit trusts, including any investments in unconsolidated funds that are controlled by the Scheme, are recorded at the redemption value per unit as reported by the managers of such funds. Where the units of the other funds are not publicly traded, redemption can only be made by the Funds on the redemption dates and subject to the required notice periods specified in the offering documents of the other funds. The rights of the Scheme to request redemption of its investments in other funds may vary in frequency from daily to annual redemptions. As a result, the carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Scheme may be materially affected by the actions of other investors who have invested in other funds in which the Scheme has invested.

3. Critical accounting estimates and judgements

The Manager of the Scheme makes estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience amongst other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Classification as an investment entity

The Scheme meets the definition of an investment entity as defined by NZ IFRS 10 because of the following characteristics:

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

The Scheme also displays all four typical characteristics that are associated with an investment entity:

- * It holds more than one investment;
- * It has more than one investor;
- * It has investors that are not related to the Scheme; and
- * Ownership interest in the Scheme is represented by units of members' interests.

4. Commitments and contingent liabilities

There were no material contingent liabilities or capital commitments as at 31 March 2016 (31 March 2015: nil).

5. Related parties

The Manager is responsible for the administration of the Scheme. The Manager is ultimately owned by BNZ. One Director of the Manager was invested in the Scheme during the period ended 31 March 2016 and their holding as at 31 March 2016 was less than 0.01% of the Scheme.

Management fees are a related party expense paid to the Manager and are shown in the Statement of Changes in Net Assets under "Management fees". Where the Funds have invested into other funds, the management fees and other in-fund costs charged to these funds are rebated and are shown under "Management fee rebates" in the Statement of Changes in Net Assets. Management fee rebates are mainly settled by the allocation of additional units in the underlying investments. Management fees payable and management fee rebates receivable are shown in the Statement of Net Assets.

The Manager incurs the ordinary administrative expenses of the Scheme which it pays from the management fee it receives from the Scheme. The Manager also incurs the costs in relation to the audit and trustee fees of the Scheme which it also pays from the management fee it receives from the Scheme.

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

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

The Trustee is considered a related party.

Prior to 31 March 2015 each of the Funds invested in the BNZ Cash PIE. The BNZ Cash PIE is also issued and managed by the Manager. The BNZ Cash PIE is a unit trust established under the Unit Trusts Act 1980. Prior to 31 March 2016, the Funds invested in on-call Treasury bank deposits with BNZ. All related party investments and income earned is detailed below:
Investments held with related parties at balance date:

Dollars in Thousands	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
	956	65,801	251		2,461	57,082	1,461	11,851	923	4,011	773	2,871	6,845	142,726
	956	65,801	251		2,461	57,082	1,461	11,851	923	4,011	773	2,871	6,845	142,420
Total														

The Scheme invests into the following:
BNZ Bank Account

5. Related Parties (continued)

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015
Dollars in Thousands	1,917	1,757	6	10	1,485	1,152	322	274	123	88	60	8	3,649	3,329
BNZ Cash PIE	-	70	-	-	-	114	-	67	-	47	-	-	33	-
BNZ Bank Account	1,917	1,757	6	10	1,485	1,152	322	274	123	88	60	8	3,649	3,329
Total	1,917	1,827	18	10	1,485	1,266	322	341	123	133	92	93	3,657	3,660

Income earned by the Scheme from the following investments with related parties:

Management fees are calculated and accrued daily based on a percentage of the gross asset value of the fund. The rates are exclusive of GST.

Management fee percentage per annum

6. Financial assets held at fair value through profit or loss

Russell Investment Group Limited ceased to be the Scheme's investment manager on 17 September 2015 and was appointed as an investment advisor to the Scheme on this date. The Funds Invest Into investment products as follows:

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
Dollars in Thousands	91,576	91,576	1,354	2,277	37,279	25,033	52,240	38,460	51,712	37,884	54,844	37,714	197,629	139,111
Russell Global Opportunities Fund NZ Hedged Class A Fund	-	-	2,277	57,384	86,736	58,214	86,736	58,214	52,402	34,949	21,240	13,309	254,865	163,858
Russell Global Bond Fund Class B Fund	-	-	367	8,650	15,433	10,042	16,825	10,042	20,334	12,079	20,178	12,018	73,137	42,789
Russell New Zealand Shares Fund	-	-	28,309	17,819	28,309	17,819	19,281	12,580	10,482	6,797	5,321	3,242	63,962	40,436
Russell NZ Fixed Interest Fund	-	-	6,615	-	67,066	-	14,981	-	4,221	-	4,157	-	208,556	10,436
Nikko AM Wholesale NZ Cash Fund Two	-	-	-	-	280,037	108,886	190,083	119,316	139,151	91,709	106,640	66,283	787,849	368,191
Total	91,576	91,576	11,182	77,663	280,037	108,886	190,083	119,316	139,151	91,709	106,640	66,283	787,849	368,191

The Scheme invests into the following unlisted unit trusts:

- Russell Global Opportunities Fund NZ Hedged Class A Fund
- Russell Global Bond Fund Class B Fund
- Russell New Zealand Shares Fund
- Russell NZ Fixed Interest Fund
- Nikko AM Wholesale NZ Cash Fund Two

BNZ KiwiSaver Scheme KiwiSaver Scheme
Notes to the Financial Statements
For the year ended 31 March 2016

7. Financial instruments by category

Dollars in Thousands	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
Assets														
Designated at fair value through profit or loss at inception	91,576	-	11,182	-	260,037	108,886	190,063	119,316	139,151	91,709	105,640	65,283	797,849	386,194
Financial assets at fair value through profit or loss	91,576	-	11,182	-	260,037	108,886	190,063	119,316	139,151	91,709	105,640	65,283	797,849	386,194
Total financial assets designated at fair value through profit or loss at inception	91,576	-	11,182	-	260,037	108,886	190,063	119,316	139,151	91,709	105,640	65,283	797,849	386,194
Total financial assets at fair value through profit or loss	91,576	-	11,182	-	260,037	108,886	190,063	119,316	139,151	91,709	105,640	65,283	797,849	386,194
Loans and receivables														
Contributions receivable	164	406	363	886	970	514	1,021	283	541	475	391	475	2,601	3,415
Other receivables	34	30	-	-	25	-	6	-	-	2	-	-	34	53
Management fee rebate receivable	-	-	2	86	57	42	56	42	284	26	284	161	284	161
Cash and cash equivalents	956	66,801	251	2,481	57,062	1,481	11,661	773	4,011	2,871	142,420	2,871	6,846	142,420
Total loans and receivables	1,154	67,239	616	3,458	59,133	2,081	12,744	1,269	4,596	3,373	1,206	3,373	9,784	146,085
Total financial assets	92,730	67,239	11,798	263,475	167,019	192,144	132,060	140,420	140,420	96,305	107,046	69,656	807,613	532,278
Liabilities														
At amortised cost														
Management fees payable	23	17	5	127	82	144	101	117	117	82	97	66	513	348
Redemptions payable	117	137	21	409	220	338	132	207	207	83	182	49	1,274	621
PIE tax payable on behalf of Members	358	275	21	1,448	806	1,255	410	806	822	410	528	410	4,305	4,112
Net assets attributable to Members	92,236	66,810	11,751	261,491	165,367	190,514	130,572	138,230	138,230	95,318	106,239	69,131	801,521	527,198
Total financial liabilities	92,730	67,239	11,798	263,475	167,019	192,144	132,060	140,420	140,420	96,305	107,046	69,656	807,613	532,278

8. Reconciliation of profit/(loss) attributable to members to net cash (outflow)/inflow from operating activities

Dollars in Thousands	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015
Profit attributable to Members before membership activities	2,172	1,670	150	7,464	10,395	4,570	10,845	3,226	8,533	1,829	6,483	19,411	37,926	
Proceeds from sale of financial instruments at fair value through profit or loss	437	65,663	38	121	66,608	366	10,883	721	3,491	1,509	2,552	3,182	151,397	
Purchase of financial instruments at fair value through profit or loss	(91,248)	(27,595)	(11,069)	(144,594)	(95,780)	(65,927)	(60,634)	(44,275)	(44,915)	(38,621)	(34,811)	(395,734)	(284,035)	
Net (gain)/loss on financial instruments designated at fair value through profit or loss	(799)	(799)	(1,400)	4,151	101	9,182	(2,457)	9,048	(2,947)	9,591	(3,404)	31,033	(6,741)	
Change in other receivables	30	(27)	(2)	(10)	(49)	(24)	(36)	(20)	(25)	(15)	(16)	(41)	(153)	
Change in management fees payable	8	8	5	46	41	43	58	35	48	31	41	165	166	
Non-cash items:														
Management Fee Rebates	-	-	(3)	(329)	(394)	(311)	(364)	(226)	(273)	(147)	(161)	(1016)	(1,212)	
Distribution reinvested	-	(1,750)	(8)	(10,495)	(10,582)	(14,041)	(8,548)	(12,708)	(5,866)	(11,868)	(3,351)	(48,141)	(30,207)	
Foreign withholding tax	-	-	-	(5)	(2)	(5)	(3)	(3)	(2)	(1)	(2)	(14)	(6)	
Net cash inflow/(outflow) from operating activities	(61,574)	36,389	(11,179)	(151,116)	(38,057)	(70,727)	(61,455)	(47,428)	(50,489)	(39,542)	(39,152)	(411,588)	(152,764)	
	(69,402)	38,059	(11,029)	(143,652)	(27,662)	(66,157)	(50,610)	(44,202)	(41,956)	(37,113)	(32,669)	(392,155)	(114,636)	

8. Financial risk management

The Trust Deed of the Scheme requires the Manager to invest the assets of each Fund of the Scheme in accordance with the investment guidelines, as notified to the Trustee from time to time. The Scheme's activities result in exposure to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Manager's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Funds are exposed and seeks to minimise potential adverse effects of financial risks on the Funds' financial performance.

The Manager delegated the investment management of the Funds to Russell Investments Group Limited ("Russell Investments") until 17 September 2015, at which date Russell Investments ceased to be an Investment Manager and was appointed an investment advisor to the Funds. However it is important to note that the delegation did not relieve the Manager of responsibility for the investment management of the Funds. Russell Investments oversees risk on a day-to-day basis, using qualitative and quantitative methods, both at an asset allocation level, as well as within asset classes. Russell provides regular performance and risk reporting to the Manager. This reporting is also reviewed by BNZ's Wealth & Private Bank Research Team and the BNZ Investment Review Committee.

All securities investments present a risk of loss of capital. The maximum exposure on unlisted unit trusts is limited to the fair value of those securities.

The various types of risk to which the Funds are exposed are explained below.

(a) Credit risk

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

The Funds may be indirectly exposed to credit risk through their investments in unlisted unit trusts, who in turn, invest in direct assets such as debt instruments issued by domestic and international companies and governments.

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

(b) Liquidity risk

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

Liquidity management is designed to ensure that each of the Funds has the ability to generate sufficient cash in a timely manner to meet their financial commitments and normal levels of withdrawals. Each Fund has benchmark liquidity levels which are monitored and maintained on a daily basis. Liquidity risk is managed by holding liquid investments to enable each of the Funds to meet liabilities as they fall due and unit withdrawals when requested. In the event of abnormal levels of withdrawals, timing of payment may be dependent on the ability of the particular Fund to realise its underlying investments on a timely basis.

At balance date, all the Funds invest primarily in unlisted unit trusts and where a Fund invests into other investment funds, those underlying funds allow for withdrawals to match the Scheme's daily redemption policy. However, underlying funds may be subject to weekly or monthly redemption options or discretionary redemption restrictions exercisable by the manager of the underlying fund, including the ability to suspend withdrawals or withhold varying amounts of any withdrawals requested.

Management fees payable and redemptions payable are due for settlement within one month of balance date. The Manager does not expect any significant levels of withdrawals in the short to medium term for any Fund within the Scheme.

(c) Currency risk

Foreign currency risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in foreign exchange rates.

The Scheme held no direct monetary assets denominated in foreign currency during the period and therefore has no direct exposure to currency risk.

The Scheme is indirectly exposed when a unit trust it invests in has a functional currency of New Zealand dollars, but has investments that are denominated in a foreign currency.

The Manager has hedging policies. Certain underlying unit trusts enter into foreign exchange derivatives both to hedge the foreign currency risk implicit in the value of the portfolio securities denominated in a foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities.

9. Financial risk management (continued)

(d) Cash flow and fair value interest rate risk

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of a financial instrument. The Scheme's direct exposure to interest rate risk is through its on call bank account balances with BNZ. The following table summarises the sensitivity of the Scheme's profit and net asset attributable to Members to changes in interest rate movements at balance date. The analysis is based on the assumptions that the relevant interest rate increased/decreased by 1%, with all other variables held constant. This represents the Manager's best estimate of a reasonable shift in the interest rates, with regard to historical volatility of those rates.

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
+1% change	10	688	3	25	571	15	117	9	40	8	29	70	1,424	
-1% change	(10)	(688)	(3)	(25)	(571)	(15)	(117)	(9)	(40)	(8)	(29)	(70)	(1,424)	

The movement of the Funds within the Scheme arises mainly from cash flow variability of cash and cash equivalents. The Funds may be indirectly exposed to interest rate risk arising from interest rate sensitive financial assets or liabilities (including certain derivatives) which are held by unit trusts to which the Funds invest into and therefore the above sensitivity analysis may not fully indicate the total effect on the profit before membership activities and net asset attributable to members of the Scheme of future movements in interest rates.

(e) Price risk

Price risk is the risk that the value of each Fund's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by diversification and by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits.

The following table summarises the sensitivity of the Scheme's profit attributable to members and net assets attributable to Members to price movements of non monetary assets at balance date. The analysis is based on a price move of 5% which represents the Managers best estimate of a reasonable shift in prices with regard to historical volatility. If the prices of investments which the Funds invest in at balance date had increased or decreased by 5% with all other variables held constant, this would have increased(decreased) profit, and Net assets attributable to Members by approximately:

	Cash Fund		First Home Buyer Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund		Total BNZ KiwiSaver Scheme	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
+5% change	4,579	-	559	15,002	5,444	9,503	5,958	6,968	4,585	5,282	3,314	39,883	19,309	
-5% change	(4,579)	-	(559)	(15,002)	(5,444)	(9,503)	(5,958)	(6,968)	(4,585)	(5,282)	(3,314)	(39,883)	(19,309)	

The Funds also manage their exposure to price risk by analysing and monitoring the weighting to various investment sectors. The Scheme's policy is to concentrate the investment portfolios in sectors where the Manager believes the Funds can maximise the returns derived for the level of risk to which the respective Fund is exposed. This is achieved largely through investing into other unit trusts. A breakdown of concentrations is disclosed in Note 6.

9. Financial risk management (continued)

(f) Fair values of financial assets and financial liabilities

All financial assets and financial liabilities included in the Statement of Net Assets are carried at amounts that represent or approximate fair value.

(g) Fair value estimation

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the period end date. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Manager uses a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used for non-standardised financial instruments such as over-the-counter derivatives, include the use of comparable recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

For instruments for which there is no active market, the Manager may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The Scheme classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market.

All Funds primarily invest in unlisted unit trusts. The values of these underlying unit trusts are determined by the manager of the underlying unit trust and therefore these investments are classified as Level 2 in the fair value hierarchy. The Manager believes that the Scheme could have redeemed their investments at the net asset value per unit recognised at the balance date. The Scheme holds no financial assets that are classified as Level 1 or Level 3 within the fair value hierarchy.

(h) Capital risk management

The Scheme manages its Net assets attributable to Members as capital, notwithstanding Net assets attributable to Members is classified as a liability. The Net assets attributable to Members can change significantly on a daily basis as the Funds are subject to daily contributions and withdrawals which are at the discretion of Members. The Scheme's objective when managing capital is to safeguard the Scheme's ability to continue as a going concern in order to provide returns for Members and to maintain a strong capital base to support the development of the investment activities of the Scheme. In order to maintain or adjust the capital structure, the Scheme's policy is to perform the following:

- a) monitor the level of daily contributions and redemptions relative to the assets it expects to be able to liquidate within 7 days;
- b) redeem and issue new units in accordance with the constitutional documents of the Scheme, which include the ability to restrict withdrawals and require certain minimum holdings and subscriptions.

The Scheme receives funding from Member contributions, Member's employees and the New Zealand Government via the Inland Revenue Department (IRD) in the form of a \$1,000 kick start contribution (which ceased at 2pm, 21 May 2015) and annual Member tax credits. The Scheme strives to invest Members' contributions in investments that meet the Scheme's objectives while maintaining sufficient liquidity to meet Member redemptions.

The Scheme does not have any externally imposed capital requirements.

Neither the Trustee, the Manager, BNZ, their Directors, nor any members of their groups of companies nor any other person promises or guarantees the performance or returns of the Funds.

All investments made with the moneys of a Fund are held exclusively for that Fund, and for the exclusive benefit of the members who have Units in that Fund. This means that all liabilities incurred in relation to a Fund are met only from the assets held for (or apportioned to) that Fund, except where the Manager transfers value between the Funds to accommodate BNZ KiwiSaver Scheme being a single taxpayer, or where (and only to the extent that) there are insufficient assets in a Fund to meet a liability for tax attributable to that Fund. The Manager does not permit the assets or liabilities of any Fund to become intermingled with those of any other Fund, and maintains separate records in respect of each Fund.

10. Events occurring after balance date

No significant events have occurred since the balance date which would impact the financial position of the Funds disclosed in the balance sheet as at 31 March 2016 or on the results and cashflows of the Funds for the year ended on that date. In May 2016 the Financial Markets Authority granted the Manager a Managed Investment Scheme License, effective 29 August 2016.

Independent Auditor's Report

To the Members of BNZ KiwiSaver Scheme

Report on the Financial Statements

We have audited the financial statements of the Cash Fund, the First Home Buyer Fund, the Conservative Fund, the Moderate Fund, the Balanced Fund and the Growth Fund (the "Funds") and the combination of those funds (the "Scheme") on pages 2 to 13, which comprise the statement of net assets of the Funds as at 31 March 2016, and the statement of changes in net assets, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation of the 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 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 the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing 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 our 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, we have considered the internal control relevant to the entity'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 entity'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 we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interest in, the Scheme.

Partners and employees of our firm may deal with the funds on normal terms within the ordinary course of trading activities of the business of the Scheme.

Opinion

In our opinion, the financial statements on pages 2 to 13:

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

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- ▶ We have obtained all the information and explanations that we have required.
- ▶ In our opinion proper accounting records have been kept by the Scheme as far as appears from our examination of those records.

Ernst & Young
21 July 2016
Auckland

