

**ANZ KIWISAVER SCHEME
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2017

CONTENTS

| | |
|------------------------------------|----|
| Statement of Changes in Net Assets | 2 |
| Statement of Net Assets | 4 |
| Cash Flow Statement | 5 |
| Notes to the Financial Statements | 6 |
| Independent Auditor's Report | 26 |

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2017

| | Note | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|---|------|-------------------|---------------|----------------------------|---------------|---------------|---------------|----------------------|---------------|----------------|---------------|---------------|---------------|----------------------|----------------|
| | | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| Investment Activities | | | | | | | | | | | | | | | |
| Income | | | | | | | | | | | | | | | |
| Interest income | | 5 | 20 | 6 | 23 | 13 | 52 | 11 | 45 | 29 | 75 | 2 | 4,151 | 66 | 4,366 |
| Net changes in fair value of investment assets and liabilities | 6 | 21,751 | 24,484 | 36,056 | 28,419 | 99,611 | 59,219 | 102,795 | 48,203 | 192,540 | 77,491 | 7,803 | 3,827 | 460,556 | 241,643 |
| Total income | | 21,756 | 24,504 | 36,062 | 28,442 | 99,624 | 59,271 | 102,806 | 48,248 | 192,569 | 77,566 | 7,805 | 7,978 | 460,622 | 246,009 |
| Expenses | | | | | | | | | | | | | | | |
| Management fees | 10 | 4,991 | 4,047 | 5,908 | 4,676 | 13,128 | 10,365 | 11,438 | 9,045 | 19,244 | 16,142 | 958 | 793 | 55,667 | 45,068 |
| Supervisor fees | | 126 | 124 | 150 | 143 | 314 | 299 | 259 | 247 | 415 | 420 | 63 | 72 | 1,327 | 1,305 |
| Auditor's fees - statutory financial statements | | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 36 | 36 |
| Auditor's fees - annual report, supervisor reporting, registry audit and semi-annual controls reporting | | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 1 | 12 | 6 |
| Interest expense | | - | - | - | - | - | 1 | 1 | 1 | 1 | 1 | - | - | 2 | 3 |
| Other expenses | 10 | 247 | 233 | 295 | 271 | 627 | 573 | 520 | 473 | 832 | 806 | 118 | 111 | 2,639 | 2,467 |
| Total expenses | | 5,372 | 4,411 | 6,361 | 5,097 | 14,077 | 11,245 | 12,226 | 9,773 | 20,500 | 17,376 | 1,147 | 983 | 59,683 | 48,885 |
| Net profit | | 16,384 | 20,093 | 29,701 | 23,345 | 85,547 | 48,026 | 90,580 | 38,475 | 172,069 | 60,190 | 6,658 | 6,995 | 400,939 | 197,124 |

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



STATEMENT OF CHANGES IN NET ASSETS (cont.)

for the year ended 31 March 2017

| Note | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|---|-------------------|----------------|----------------------------|----------------|------------------|------------------|----------------------|------------------|------------------|------------------|----------------|----------------|----------------------|------------------|
| | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| Membership Activities | | | | | | | | | | | | | | |
| Net Profit | 16,384 | 20,093 | 29,701 | 23,345 | 85,547 | 48,026 | 90,580 | 38,475 | 172,069 | 60,190 | 6,658 | 6,995 | 400,939 | 197,124 |
| Contributions from members | 58,638 | 51,892 | 68,781 | 62,923 | 144,899 | 126,242 | 125,210 | 108,099 | 208,108 | 177,629 | 30,583 | 24,992 | 636,219 | 551,777 |
| Contributions from employers | 23,390 | 20,699 | 29,435 | 25,642 | 73,924 | 63,401 | 67,811 | 58,171 | 119,867 | 104,291 | 12,265 | 10,450 | 326,692 | 282,654 |
| Crown contributions | 12,814 | 12,431 | 14,164 | 13,748 | 31,569 | 30,437 | 26,343 | 25,446 | 51,291 | 55,298 | 6,486 | 6,659 | 142,667 | 144,019 |
| Transfers in from other schemes | 25,045 | 22,667 | 30,161 | 29,767 | 76,698 | 85,358 | 67,692 | 73,935 | 94,258 | 109,369 | 10,960 | 8,929 | 304,814 | 330,025 |
| Transfers in from complying Australian superannuation schemes | 1,971 | 1,558 | 3,042 | 1,642 | 8,122 | 6,164 | 6,139 | 4,060 | 6,768 | 5,620 | 1,526 | 1,546 | 27,568 | 20,590 |
| Contributions for PIE tax received | 12 | 65 | 14 | 122 | 56 | 317 | 159 | 458 | 1,748 | 879 | - | - | 1,989 | 1,841 |
| End payment date withdrawals | (19,721) | (16,616) | (11,210) | (9,404) | (8,362) | (6,063) | (2,706) | (2,777) | (3,487) | (2,373) | (44,450) | (37,440) | (89,936) | (74,673) |
| Withdrawals for first home purchase | (12,793) | (8,369) | (9,564) | (6,412) | (21,173) | (16,128) | (24,965) | (20,338) | (70,467) | (60,860) | (7,878) | (5,924) | (146,840) | (118,031) |
| Withdrawals for significant financial hardship | (1,398) | (1,115) | (1,788) | (1,333) | (4,590) | (4,540) | (3,940) | (3,752) | (4,722) | (3,839) | (730) | (514) | (17,168) | (15,093) |
| Withdrawals for serious illness | (1,437) | (1,065) | (1,671) | (1,267) | (2,110) | (1,473) | (554) | (609) | (559) | (512) | (324) | (189) | (6,655) | (5,115) |
| Withdrawals for permanent emigration | (342) | (169) | (608) | (270) | (1,071) | (595) | (1,236) | (491) | (2,346) | (1,049) | (75) | (150) | (5,678) | (2,724) |
| Withdrawals for death | (2,001) | (955) | (1,220) | (1,050) | (1,399) | (1,529) | (703) | (521) | (895) | (903) | (982) | (763) | (7,200) | (5,721) |
| Other permitted withdrawals | (33) | (12) | (35) | (96) | (23) | (114) | (39) | (136) | (53) | (124) | - | (603) | (183) | (1,085) |
| Transfers out to other schemes | (17,129) | (9,565) | (18,062) | (11,397) | (50,057) | (30,797) | (52,151) | (30,551) | (99,478) | (62,371) | (9,866) | (5,157) | (246,743) | (149,838) |
| Transfers out to complying Australian superannuation schemes | (2) | (27) | (15) | (83) | (50) | (109) | (65) | (61) | (43) | (38) | (8) | (3) | (183) | (321) |
| Switches within ANZ KiwiSaver | 17,718 | 20,005 | 14,649 | 19,052 | 933 | (1,581) | (8,646) | (7,183) | (77,137) | (78,142) | 52,483 | 47,849 | - | - |
| Withdrawals for PIE tax paid | (2,739) | (4,164) | (2,645) | (4,108) | (4,078) | (7,365) | (2,596) | (4,901) | (1,872) | (4,666) | (1,189) | (1,174) | (15,119) | (26,378) |
| Membership fees paid | (985) | (939) | (985) | (914) | (2,121) | (1,925) | (1,802) | (1,635) | (6,196) | (5,968) | (710) | (668) | (12,799) | (12,049) |
| Net membership activities | 81,008 | 86,321 | 112,443 | 116,562 | 241,167 | 239,700 | 193,951 | 197,214 | 214,785 | 232,241 | 48,091 | 47,840 | 891,445 | 919,878 |
| Benefits accrued to members' accounts | 97,392 | 106,414 | 142,144 | 139,907 | 326,714 | 287,726 | 284,531 | 235,689 | 386,854 | 292,431 | 54,749 | 54,835 | 1,292,384 | 1,117,002 |
| Members' funds at the beginning of the year | 534,327 | 427,913 | 624,545 | 484,638 | 1,299,485 | 1,011,759 | 1,068,967 | 833,278 | 1,747,638 | 1,455,207 | 263,216 | 208,381 | 5,538,178 | 4,421,176 |
| Members' funds at the end of the year | 631,719 | 534,327 | 766,689 | 624,545 | 1,626,199 | 1,299,485 | 1,353,498 | 1,068,967 | 2,134,492 | 1,747,638 | 317,965 | 263,216 | 6,830,562 | 5,538,178 |

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



STATEMENT OF NET ASSETS

as at 31 March 2017

| | Note | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|---|------|-------------------|----------------|----------------------------|----------------|------------------|------------------|----------------------|------------------|------------------|------------------|----------------|----------------|----------------------|------------------|
| | | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| Assets | | | | | | | | | | | | | | | |
| Cash and cash equivalents | | 48 | 98 | 48 | 107 | 49 | 205 | 48 | 194 | 48 | 295 | 13 | 40 | 254 | 939 |
| Margin accounts | | 665 | - | 1,684 | - | 4,385 | - | 6,702 | - | 7,220 | - | - | - | 20,656 | - |
| Investment assets | 5 | 631,932 | 534,751 | 766,375 | 625,037 | 1,625,516 | 1,300,619 | 1,350,522 | 1,069,928 | 2,134,210 | 1,749,421 | 318,111 | 263,309 | 6,826,666 | 5,543,065 |
| Other receivables | 7 | 1,251 | 2,525 | 2,315 | 2,344 | 6,666 | 3,481 | 7,151 | 1,767 | 10,089 | 766 | 1,049 | 1,103 | 28,521 | 11,220 |
| Total assets | | 633,896 | 537,374 | 770,422 | 627,488 | 1,636,616 | 1,304,305 | 1,364,423 | 1,071,889 | 2,151,567 | 1,750,482 | 319,173 | 264,452 | 6,876,097 | 5,555,224 |
| Liabilities | | | | | | | | | | | | | | | |
| Investment liabilities | 5 | 353 | 20 | 715 | 25 | 2,191 | 119 | 2,400 | 119 | 4,721 | 317 | - | - | 10,380 | 600 |
| Other payables | 8 | 1,824 | 3,027 | 3,018 | 2,918 | 8,226 | 4,701 | 8,525 | 2,803 | 12,354 | 2,527 | 1,208 | 1,236 | 35,155 | 16,446 |
| Total liabilities | | 2,177 | 3,047 | 3,733 | 2,943 | 10,417 | 4,820 | 10,925 | 2,922 | 17,075 | 2,844 | 1,208 | 1,236 | 45,535 | 17,046 |
| Net assets attributable to members | | 631,719 | 534,327 | 766,689 | 624,545 | 1,626,199 | 1,299,485 | 1,353,498 | 1,068,967 | 2,134,492 | 1,747,638 | 317,965 | 263,216 | 6,830,562 | 5,538,178 |
| Net assets available for benefits | | 631,719 | 534,327 | 766,689 | 624,545 | 1,626,199 | 1,299,485 | 1,353,498 | 1,068,967 | 2,134,492 | 1,747,638 | 317,965 | 263,216 | 6,830,562 | 5,538,178 |

On behalf of ANZ New Zealand Investments Limited as Manager who authorised the issue of these financial statements on 24 July 2017:



Craig Mulholland
Director



Bruce Macintyre
Director

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

CASH FLOW STATEMENT

for the year ended 31 March 2017

| | Note | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|--|------|-------------------|---------------|-------------------------------|---------------|---------------|---------------|-------------------------|---------------|---------------|---------------|---------------|---------------|----------------------|---------------|
| | | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| Cash flows from operating activities | | | | | | | | | | | | | | | |
| Interest received | | 5 | 20 | 6 | 23 | 13 | 52 | 11 | 45 | 29 | 75 | 2 | 6,188 | 66 | 6,403 |
| Net sales and purchases of investment assets and liabilities | | (75,762) | (81,961) | (106,276) | (111,541) | (227,599) | (228,628) | (182,220) | (187,608) | (195,065) | (215,001) | (46,999) | (86,462) | (833,921) | (911,201) |
| Management fees paid | | (4,920) | (3,973) | (5,805) | (4,576) | (12,876) | (10,153) | (11,209) | (8,862) | (18,915) | (15,906) | (942) | (782) | (54,667) | (44,252) |
| Supervisor fees paid | | (126) | (123) | (149) | (141) | (310) | (296) | (255) | (244) | (413) | (421) | (63) | (76) | (1,316) | (1,301) |
| Other expenses paid | | (243) | (236) | (286) | (273) | (597) | (568) | (495) | (472) | (796) | (812) | (120) | (115) | (2,537) | (2,476) |
| Net cash flows from operating activities | 11 | (81,046) | (86,273) | (112,510) | (116,508) | (241,369) | (239,593) | (194,168) | (197,141) | (215,160) | (232,065) | (48,122) | (81,247) | (892,375) | (952,827) |
| Cash flows from financing activities | | | | | | | | | | | | | | | |
| Proceeds from contributions by members | | 208,452 | 192,576 | 240,377 | 226,700 | 441,336 | 412,446 | 392,190 | 369,343 | 510,155 | 489,102 | 129,617 | 115,663 | 1,922,127 | 1,805,830 |
| Payments for redemptions by members | | (123,732) | (101,217) | (124,318) | (105,237) | (194,026) | (163,773) | (194,000) | (166,051) | (289,050) | (247,106) | (79,627) | (65,981) | (1,004,753) | (849,365) |
| PIE tax received/(paid) on behalf of members | | (2,739) | (4,137) | (2,623) | (4,028) | (3,976) | (7,108) | (2,366) | (4,495) | 4 | (3,837) | (1,185) | (1,176) | (12,885) | (24,781) |
| Membership fees paid | | (985) | (939) | (985) | (914) | (2,121) | (1,925) | (1,802) | (1,635) | (6,196) | (5,968) | (710) | (668) | (12,799) | (12,049) |
| Net cash flows from financing activities | | 80,996 | 86,283 | 112,451 | 116,521 | 241,213 | 239,640 | 194,022 | 197,162 | 214,913 | 232,191 | 48,095 | 47,838 | 891,690 | 919,635 |
| Net increase/(decrease) in cash and cash equivalents | | (50) | 10 | (59) | 13 | (156) | 47 | (146) | 21 | (247) | 126 | (27) | (33,409) | (685) | (33,192) |
| Cash and cash equivalents at the beginning of the year | | 98 | 88 | 107 | 94 | 205 | 158 | 194 | 173 | 295 | 169 | 40 | 33,449 | 939 | 34,131 |
| Cash and cash equivalents at the end of the year | | 48 | 98 | 48 | 107 | 49 | 205 | 48 | 194 | 48 | 295 | 13 | 40 | 254 | 939 |

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



NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2017

1. REPORTING ENTITY

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

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

The Scheme is a defined contribution KiwiSaver scheme domiciled in New Zealand.

The main purpose of the Scheme is to provide benefits to Members in accordance with the KiwiSaver Act 2006 (KiwiSaver Act).

Members of the Scheme can contribute to any of the above Funds. The Funds invest into a variety of unitised funds in order to gain exposure to cash, equity, fixed interest and property markets.

The retirement benefits are determined by contributions to the Scheme together with investment earnings, and increases and decreases in value, on these contributions over the period of the membership with adjustment for fees and a member's tax rate.

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

The New Zealand Guardian Trust Company Limited (Supervisor) is the Supervisor (prior to the transition of the Financial Markets Conduct Act 2013 (FMCA) the Trustee) of the Scheme. The Supervisor is a trustee corporation licensed under the Financial Markets Supervisors Act 2011 to act as a Supervisor. The registered address of the Supervisor is Level 14, 191 Queen Street, Auckland.

The Supervisor is also the custodian of the Scheme.

The Scheme was established by a trust deed dated 22 May 2007, as amended and restated on 21 September 2012 (existing deed).

Six deeds of establishment dated 27 September 2007, each as amended and restated on 21 September 2012, (existing deeds of establishment) established the six Funds within the Scheme.

The Scheme is currently governed by a Governing Document dated 9 September 2016. The Manager and the Supervisor have amended the existing deed and the existing deeds of establishment by substituting the Governing Document for them for the purposes of:

- ensuring that the Governing Document complies with the requirements of the FMCA, the KiwiSaver Act and all other relevant legislation.
- making a number of other minor amendments to the existing deed as a consequence of the introduction of the FMCA and the amendments to other legislation or for the more efficient operation of the Scheme.

On 3 November 2016 the Scheme was registered under the FMCA.

The financial statements were authorised for issue by the directors of the Manager on 24 July 2017.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with the FMCA and the Governing Document.

These financial statements comply with:

- New Zealand Generally Accepted Accounting Practice, as defined in the Financial Reporting Act 2013
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for publicly accountable profit-oriented entities
- International Financial Reporting Standards (IFRS)

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

(ii) Use of estimates and assumptions

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

(iii) Basis of measurement

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

(iv) Changes in accounting policies

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

(v) Presentation currency and rounding

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

(vi) Aggregation

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

(vii) Foreign currency transactions

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

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

(b) Revenue recognition

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(c) Income tax

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

Under the PIE regime, income is effectively taxed in the hands of the members. The Manager attributes the taxable income of the Funds to members in accordance with their proportionate interest in each Fund. Income attributed to each member is taxed at the member's Prescribed Investor Rate. The Manager accounts for tax by adjusting the members' interest in each Fund.

PIE tax transactions are typically processed at the end of each tax year and upon full exit from a fund, by cancelling or issuing units equal to the value of the tax liability or refund.

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

(d) Assets and liabilities

(i) Cash and cash equivalents

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

(ii) Margin Accounts

Margin accounts represent margin deposits held in respect of open exchange traded futures contracts. They are separately disclosed in the Statement of Net Assets and do not form part of the cash and cash equivalents.

(iii) Financial assets and liabilities

Recognition

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

Measurement

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

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

(iv) Other receivables and other payables

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Members' funds

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

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

(f) Other

(i) Offsetting

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

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

(ii) Accounting standard not early adopted

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

Standards and amendments effective for periods commencing after 1 April 2018

NZ IFRS 9 Financial Instruments

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

There are no other new standards, amendments or interpretations that are expected to have an impact on the Funds financial statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2017

3. CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

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

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

Critical judgements in applying the Funds' accounting policies

Financial instruments at fair value

Investment assets and liabilities are required to be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities and are often thinly capitalised with a reliance on debt financing for support.

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

- (i) The voting rights in the investee funds are not dominant rights in deciding who controls them as they relate to administrative tasks only
- (ii) Each investee fund's activities are restricted by its offer documents
- (iii) The investee funds have narrow and well defined objectives to provide investment opportunities to investors

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

Refer to Note 5 and Note 6 for more information.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

4. FUNDING POLICY

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

5. INVESTMENT ASSETS AND LIABILITIES

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

| | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | | Total investee fund net assets | Number of investors in investee funds |
|--|-------------------|----------------|----------------------------|----------------|------------------|------------------|----------------------|------------------|------------------|------------------|----------------|----------------|----------------------|------------------|--------------------------------|---------------------------------------|
| | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2017 |
| Investment assets | | | | | | | | | | | | | | | | |
| ANZ Wholesale Cash Fund | 146,442 | 144,063 | 150,640 | 157,916 | 242,579 | 267,333 | 159,844 | 190,287 | 162,993 | 236,704 | 318,111 | 263,309 | 1,180,609 | 1,259,612 | 3,538,730 | 108 |
| ANZ Wholesale High Grade Bond Fund | 54,654 | 46,379 | 53,811 | 44,258 | 91,313 | 73,373 | 56,652 | 45,596 | 50,117 | 41,789 | - | - | 306,547 | 251,395 | 790,718 | 72 |
| ANZ Wholesale Sovereign Bond Fund | 54,516 | 37,173 | 53,675 | 35,348 | 91,083 | 58,678 | 56,642 | 36,118 | 49,990 | 33,143 | - | - | 305,906 | 200,460 | 1,121,584 | 72 |
| ANZ Wholesale New Zealand Yield Fund | - | 9,288 | - | 8,988 | - | 14,823 | - | 9,025 | - | 8,717 | - | - | - | 50,841 | - | - |
| ANZ Wholesale Australasian Share Fund | 14,658 | 12,382 | 31,791 | 25,768 | 97,858 | 77,334 | 101,026 | 79,915 | 201,282 | 164,901 | - | - | 446,615 | 360,300 | 890,758 | 62 |
| ANZ Wholesale Australian Share Fund | 14,596 | 9,838 | 28,688 | 21,777 | 88,171 | 62,051 | 90,123 | 64,033 | 184,646 | 137,926 | - | - | 406,224 | 295,625 | 721,064 | 49 |
| ANZ Wholesale International Sovereign Fund | 252,920 | 207,791 | 245,216 | 189,771 | 406,092 | 304,085 | 229,978 | 165,175 | 187,739 | 135,349 | - | - | 1,321,945 | 1,002,171 | 2,990,499 | 56 |
| ANZ Wholesale International Property Securities Fund (ex Aus.) | 9,596 | 8,069 | 22,904 | 17,993 | 64,753 | 50,020 | 68,270 | 52,114 | 129,017 | 106,663 | - | - | 294,540 | 234,859 | 625,207 | 57 |
| ANZ Wholesale International Share Fund | 75,221 | 50,937 | 157,162 | 102,961 | 479,688 | 335,917 | 521,847 | 368,249 | 1,042,718 | 764,343 | - | - | 2,276,636 | 1,622,407 | 4,240,018 | 78 |
| ANZ Wholesale Trans-Tasman Property Securities Fund | 9,268 | 8,012 | 22,303 | 18,620 | 63,405 | 51,782 | 65,481 | 53,744 | 124,568 | 107,976 | - | - | 285,025 | 240,134 | 465,747 | 39 |
| Forward foreign exchange contracts | 50 | 819 | 102 | 1,637 | 313 | 5,223 | 337 | 5,672 | 687 | 11,910 | - | - | 1,489 | 25,261 | | |
| Futures and other derivatives | 11 | - | 83 | - | 261 | - | 322 | - | 453 | - | - | - | 1,130 | - | | |
| Total investment assets | 631,932 | 534,751 | 766,375 | 625,037 | 1,625,516 | 1,300,619 | 1,350,522 | 1,069,928 | 2,134,210 | 1,749,421 | 318,111 | 263,309 | 6,826,666 | 5,543,065 | 15,384,325 | |
| Investment liabilities | | | | | | | | | | | | | | | | |
| Forward foreign exchange contracts | 353 | 20 | 715 | 25 | 2,191 | 119 | 2,337 | 119 | 4,721 | 317 | - | - | 10,317 | 600 | | |
| Futures and other derivatives | - | - | - | - | - | - | 63 | - | - | - | - | - | 63 | - | | |
| Total investment liabilities | 353 | 20 | 715 | 25 | 2,191 | 119 | 2,400 | 119 | 4,721 | 317 | - | - | 10,380 | 600 | | |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

5. INVESTMENT ASSETS AND LIABILITIES (cont.)

Involvement with unconsolidated structured entities

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

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

The Funds' investment portfolios consist of investments in other unitised funds that they intend to hold for an indefinite period of time. However, to meet redemption requirements the Funds must trade in investee funds on a regular basis. Refer to Note 9(e) for liquidity risk information.

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

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

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

At balance date there were no amounts due to investee funds for unsettled purchases.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

6. NET CHANGES IN THE FAIR VALUE OF INVESTMENT ASSETS AND LIABILITIES

| | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|---|-------------------|---------------|-------------------------------|---------------|---------------|---------------|-------------------------|---------------|----------------|---------------|---------------|---------------|-------------------------|----------------|
| | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| Net realised change in fair value | 7,289 | 8,707 | 10,740 | 11,228 | 27,190 | 20,067 | 27,052 | 13,306 | 46,960 | 15,297 | 511 | 60 | 119,742 | 68,665 |
| Net unrealised change in fair value | 14,462 | 15,777 | 25,316 | 17,191 | 72,421 | 39,152 | 75,743 | 34,897 | 145,580 | 62,194 | 7,292 | 3,767 | 340,814 | 172,978 |
| Net changes in fair value of investment assets and liabilities | 21,751 | 24,484 | 36,056 | 28,419 | 99,611 | 59,219 | 102,795 | 48,203 | 192,540 | 77,491 | 7,803 | 3,827 | 460,556 | 241,643 |
| Net changes in fair value of investment assets and liabilities designated at fair value on initial recognition | 20,559 | 27,632 | 33,421 | 33,695 | 90,636 | 74,036 | 92,546 | 63,689 | 172,293 | 111,353 | 7,803 | 3,827 | 417,258 | 314,232 |
| Net changes in fair value of investment assets and liabilities held for trading | 1,192 | (3,148) | 2,635 | (5,276) | 8,975 | (14,817) | 10,249 | (15,486) | 20,247 | (33,862) | - | - | 43,298 | (72,589) |
| Net changes in fair value of investment assets and liabilities | 21,751 | 24,484 | 36,056 | 28,419 | 99,611 | 59,219 | 102,795 | 48,203 | 192,540 | 77,491 | 7,803 | 3,827 | 460,556 | 241,643 |
| Change in fair value of investment assets and liabilities relating to investments in unconsolidated structured entities | 20,559 | 27,632 | 33,421 | 33,695 | 90,636 | 74,036 | 92,546 | 63,689 | 172,293 | 111,353 | 7,803 | 3,827 | 417,258 | 314,232 |

7. OTHER RECEIVABLES

| | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|---|-------------------|---------------|-------------------------------|---------------|---------------|---------------|-------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------|---------------|
| | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| PIE tax receivable on behalf of members | - | - | - | - | - | - | - | - | - | 766 | - | - | - | - |
| Receivable from members | 1,251 | 2,525 | 2,315 | 2,344 | 6,666 | 3,481 | 7,151 | 1,767 | 10,089 | - | 1,049 | 1,103 | 28,521 | 11,220 |
| Other receivables | 1,251 | 2,525 | 2,315 | 2,344 | 6,666 | 3,481 | 7,151 | 1,767 | 10,089 | 766 | 1,049 | 1,103 | 28,521 | 11,220 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

8. OTHER PAYABLES

| | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|--------------------------------------|-------------------|---------------|-------------------------------|---------------|---------------|---------------|-------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------|---------------|
| | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| Accrued expenses | 559 | 476 | 676 | 555 | 1,501 | 1,207 | 1,303 | 1,036 | 2,149 | 1,773 | 143 | 121 | 6,331 | 5,168 |
| PIE tax payable on behalf of members | 1,265 | 2,551 | 2,342 | 2,363 | 6,725 | 3,494 | 7,222 | 1,767 | 10,205 | - | 1,065 | 1,115 | 28,824 | 10,524 |
| Payable to members | - | - | - | - | - | - | - | - | - | 754 | - | - | - | 754 |
| Other payables | 1,824 | 3,027 | 3,018 | 2,918 | 8,226 | 4,701 | 8,525 | 2,803 | 12,354 | 2,527 | 1,208 | 1,236 | 35,155 | 16,446 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

9. FINANCIAL RISK MANAGEMENT

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

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

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

(a) Credit risk

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

9. FINANCIAL RISK MANAGEMENT (cont.)

FINANCIAL ASSETS SUBJECT TO ENFORCABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

| | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|---|-------------------|---------------|-------------------------------|---------------|---------------|---------------|-------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------|---------------|
| | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| Derivative instruments | | | | | | | | | | | | | | |
| Gross amounts of recognised financial assets | 61 | 819 | 185 | 1,637 | 574 | 5,223 | 659 | 5,672 | 1,140 | 11,910 | - | - | 2,619 | 25,261 |
| Gross amounts of recognised financial liabilities offset in the Statement of Net Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net amounts of financial assets presented in the Statement of Net Assets | 61 | 819 | 185 | 1,637 | 574 | 5,223 | 659 | 5,672 | 1,140 | 11,910 | - | - | 2,619 | 25,261 |
| Related amounts not offset in the Statement of Net Assets: | | | | | | | | | | | | | | |
| Financial instruments (including non cash collateral) | 50 | 20 | 102 | 25 | 313 | 119 | 337 | 119 | 687 | 317 | - | - | 1,489 | 600 |
| Cash collateral transferred | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net amount | 11 | 799 | 83 | 1,612 | 261 | 5,104 | 322 | 5,553 | 453 | 11,593 | - | - | 1,130 | 24,661 |

FINANCIAL LIABILITIES SUBJECT TO ENFORCABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

| | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|--|-------------------|---------------|-------------------------------|---------------|---------------|---------------|-------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------|---------------|
| | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| Derivative instruments | | | | | | | | | | | | | | |
| Gross amounts of recognised financial liabilities | 353 | 20 | 715 | 25 | 2,191 | 119 | 2,400 | 119 | 4,721 | 317 | - | - | 10,380 | 600 |
| Gross amounts of recognised financial assets offset in the Statement of Net Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net amounts of financial liabilities presented in the Statement of Net Assets | 353 | 20 | 715 | 25 | 2,191 | 119 | 2,400 | 119 | 4,721 | 317 | - | - | 10,380 | 600 |
| Related amounts not offset in the Statement of Net Assets: | | | | | | | | | | | | | | |
| Financial instruments (including non cash collateral) | 50 | 20 | 102 | 25 | 313 | 119 | 337 | 119 | 687 | 317 | - | - | 1,489 | 600 |
| Cash collateral transferred | - | - | - | - | - | - | 63 | - | - | - | - | - | 63 | - |
| Net amount | 303 | - | 613 | - | 1,878 | - | 2,000 | - | 4,034 | - | - | - | 8,828 | - |

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2017

9. FINANCIAL RISK MANAGEMENT (cont.)

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

Cash and cash equivalents are held with ANZ Bank New Zealand Limited (see Note 10), which has a Standard & Poor's credit rating of AA- at balance date (2016: AA-). Margin accounts are held with UBS AG which has a Standard & Poor's credit rating of A+(2016: A).

Forward foreign exchange contracts are held with ANZ Bank New Zealand Limited (see Notes 5 & 10) and Bank of New Zealand. Both banks have a Standard & Poor's credit rating of AA- as at balance date (2016: AA-).

(b) Foreign exchange risk

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

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

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

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

The Funds (with the exception of the Cash Fund) are actively hedged with a benchmark of 65% and a range of 0% - 100% for their foreign currency exposure through their investment in the ANZ Wholesale International Share Fund. As at balance date, the Funds were hedging approximately 60% (2016: 50%) of their foreign currency exposure in the ANZ Wholesale International Share Fund.

The Funds are also actively hedged with a benchmark of 50% and a range of 0% - 100% for their Australian dollar exposure through their investments in the ANZ Wholesale Australian Share Fund and ANZ Wholesale Australasian Share Fund. As at balance date, the Funds were hedging approximately 48% (2016: 51%) of their Australian dollar exposure through their investments in the ANZ Wholesale Australian Share Fund and the ANZ Wholesale Australasian Share Fund.

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

(c) Interest rate risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

9. FINANCIAL RISK MANAGEMENT (cont.)

(d) Market price risk

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

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

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

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

| | % change in unit price | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|---|------------------------|-------------------|---------------|----------------------------|---------------|---------------|---------------|----------------------|---------------|---------------|---------------|---------------|---------------|----------------------|---------------|
| | | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| Change in the fair value of investments in other unitised funds (excluding ANZ Wholesale Cash Fund) based on the percentage change in their unit prices | +0.50% | 2,427 | 1,949 | 3,078 | 2,327 | 6,913 | 5,140 | 5,952 | 4,370 | 9,853 | 7,504 | - | - | 28,223 | 21,290 |
| | -0.50% | (2,427) | (1,949) | (3,078) | (2,327) | (6,913) | (5,140) | (5,952) | (4,370) | (9,853) | (7,504) | - | - | (28,223) | (21,290) |

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

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2017

9. FINANCIAL RISK MANAGEMENT (cont.)

(e) Liquidity risk

Liquidity risk is the risk that the Funds may not be able to generate sufficient cash resources to settle their obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Funds are exposed to daily cash redemptions of units. Accordingly, all material investments are readily convertible to cash in normal market conditions.

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

The Funds may also invest in derivatives. Investments in derivative contracts include forward foreign exchange contracts and futures contracts. Forward foreign exchange contracts that were held at balance date had a contractual maturity date of 27 April 2017.

Futures contracts are typically settled on a quarterly basis. The margin accounts maintained by the Funds are for the purpose of posting margin on the futures contracts.

The derivatives could be in a loss position at balance date that may affect the future cash flows of the Funds. Refer to Note 5 for these derivatives in a loss position at balance date.

Financial liabilities of the Funds comprise other payables, which have no contractual maturity date, but are typically settled within 30 days or within the timeframe as set out in the Governing Document.

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

(f) Fair value information

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

For cash and cash equivalents, other receivables and other payables their carrying value approximates their fair value. They are considered to be Level 2 assets and liabilities (2016: Level 2).

The forward foreign exchange contracts are considered Level 2 (2016: Level 2) as they are priced using models with observable market inputs. Forward foreign exchange are interpolated using forward rates from WM Company. Margins and swaps used as inputs are generally provided by market participants and brokers.

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

10. RELATED PARTY TRANSACTIONS

The Manager

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

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

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

The Directors of the Manager can be members of the Scheme. They contribute on the same basis and have the same rights as other members.

Transactions between the Manager of the Funds and related parties

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

| | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|------------------------------------|-------------------|---------------|-------------------------------|---------------|---------------|---------------|-------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------|---------------|
| | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| Assets: | | | | | | | | | | | | | | |
| Cash and cash equivalents | 48 | 98 | 48 | 107 | 49 | 205 | 48 | 194 | 48 | 295 | 13 | 40 | 254 | 939 |
| Forward foreign exchange contracts | 44 | 774 | 91 | 1,546 | 281 | 4,946 | 302 | 5,342 | 612 | 11,294 | - | - | 1,330 | 23,902 |
| Total assets | 92 | 872 | 139 | 1,653 | 330 | 5,151 | 350 | 5,536 | 660 | 11,589 | 13 | 40 | 1,584 | 24,841 |
| Liabilities: | | | | | | | | | | | | | | |
| Forward foreign exchange contracts | 337 | 20 | 683 | 25 | 2,092 | 119 | 2,233 | 119 | 4,506 | 317 | - | - | 9,851 | 600 |
| Total liabilities | 337 | 20 | 683 | 25 | 2,092 | 119 | 2,233 | 119 | 4,506 | 317 | - | - | 9,851 | 600 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

10. RELATED PARTY TRANSACTIONS (cont.)

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

| | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|---|-------------------|----------------|-------------------------------|----------------|---------------|-----------------|-------------------------|-----------------|---------------|-----------------|---------------|---------------|-------------------------|-----------------|
| | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| Income during the year | | | | | | | | | | | | | | |
| Interest income (cash and cash equivalents and term deposits) | 5 | 20 | 6 | 23 | 13 | 52 | 11 | 45 | 29 | 75 | 2 | 1,959 | 66 | 2,174 |
| Net change in fair value of investment assets and liabilities designated at fair value on initial recognition | - | - | - | - | - | - | - | - | - | - | - | (6) | - | (6) |
| Net change in fair value of investment assets and liabilities held for trading | 772 | (3,423) | 1,626 | (6,123) | 5,246 | (17,712) | 6,070 | (18,590) | 11,918 | (39,713) | - | - | 25,632 | (85,561) |
| Total income/(loss) from related party transactions | 777 | (3,403) | 1,632 | (6,100) | 5,259 | (17,660) | 6,081 | (18,545) | 11,947 | (39,638) | 2 | 1,953 | 25,698 | (83,393) |

Membership fees

During the reporting period membership fees of \$12,799,000 were deducted from the Scheme and paid to the Manager by cancelling units in members' accounts (2016: \$12,049,000). Membership fees on a Fund basis are shown in the Statement of Changes in Net Assets.

Management fees

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

| | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|--|-------------------|--------------|-------------------------------|--------------|----------------|--------------|-------------------------|--------------|----------------|----------------|-------------|-------------|-------------------------|----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| The Manager receives the following percentage per annum of the net asset value of the Funds, determined upon each valuation day: | 0.85% | 0.85% | 0.85% | 0.85% | 0.90% | 0.90% | 0.95% | 0.95% | 1.00% | 1.00% | 0.33% | 0.33% | | |
| Management fees payable at the end of the year, which is paid within 15 days of balance date: | \$000 451 | \$000 380 | \$000 547 | \$000 444 | \$000 1,228 | \$000 976 | \$000 1,076 | \$000 847 | \$000 1,791 | \$000 1,462 | \$000 89 | \$000 73 | \$000 5,182 | \$000 4,182 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

10. RELATED PARTY TRANSACTIONS (cont.)

Reimbursement of expenses

Under the terms of the Governing Document, the Manager and Supervisor are entitled to be reimbursed for expenses such as audit costs, postage and legal fees incurred on behalf of the Funds. Allowance for these expenses is charged to the Funds daily and is reflected in the unit price of each fund. To ensure fair allocation of one-off type expenses and fees incurred annually, the Funds are charged a set capped rate as a percentage of each fund's net asset value on a daily basis. The total of this daily accrual is the maximum that the Funds will pay the Manager for reimbursement of expenses, which is paid within 15 days of balance date. Where the actual expenses paid by the Manager are higher, the Manager may carry amounts forward to be recovered in future periods.

| | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|--|-------------------|---------------|-------------------------------|---------------|---------------|---------------|-------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------|---------------|
| | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| Manager's other costs recognised in the Statement of Changes in Net Assets during the year: | 240 | 231 | 286 | 269 | 608 | 569 | 500 | 469 | 805 | 801 | 115 | 110 | 2,554 | 2,449 |
| Amounts payable to the Manager for reimbursement of expenses at the end of the year which is paid 15 days of balance date: | 76 | 64 | 92 | 74 | 194 | 154 | 160 | 127 | 253 | 208 | 39 | 32 | 814 | 659 |

Other expenses within the Statement of Changes in Net Assets include the other costs noted above and bank fees. The amounts presented above are after the auditor's fee reallocation. In the prior year, the Auditor also provided prospectus reporting.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

11. RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

| | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | | ANZ KiwiSaver Scheme | |
|---|-------------------|-----------------|-------------------------------|------------------|------------------|------------------|-------------------------|------------------|------------------|------------------|-----------------|-----------------|-------------------------|------------------|
| | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 | 2017 \$000 | 2016 \$000 |
| Net profit attributable to members of the Fund | 16,384 | 20,093 | 29,701 | 23,345 | 85,547 | 48,026 | 90,580 | 38,475 | 172,069 | 60,190 | 6,658 | 6,995 | 400,939 | 197,124 |
| Movement in operating balances | | | | | | | | | | | | | | |
| Investment assets and margin accounts | (97,846) | (106,246) | (143,022) | (139,595) | (329,282) | (286,861) | (287,296) | (234,762) | (392,009) | (290,349) | (54,802) | (90,289) | (1,304,257) | (1,148,102) |
| Other receivables | - | - | - | - | - | - | - | - | - | - | - | 2,037 | - | 2,037 |
| Other payables | 83 | 79 | 121 | 107 | 294 | 228 | 267 | 195 | 376 | 237 | 22 | 10 | 1,163 | 856 |
| Investment liabilities | 333 | (199) | 690 | (365) | 2,072 | (986) | 2,281 | (1,049) | 4,404 | (2,143) | - | - | 9,780 | (4,742) |
| Net cash flows from operating activities | (81,046) | (86,273) | (112,510) | (116,508) | (241,369) | (239,593) | (194,168) | (197,141) | (215,160) | (232,065) | (48,122) | (81,247) | (892,375) | (952,827) |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

12. MEMBERS' FUNDS

Members are entitled to one vote per unit at a meeting of the members of the Funds, and rank equally with regard to each fund's assets.

| | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | |
|---|-------------------|----------------|-------------------------------|----------------|----------------|----------------|-------------------------|----------------|------------------|------------------|----------------|----------------|
| | 2017 000's | 2016 000's | 2017 000's | 2016 000's | 2017 000's | 2016 000's | 2017 000's | 2016 000's | 2017 000's | 2016 000's | 2017 000's | 2016 000's |
| Units on issue | | | | | | | | | | | | |
| Units on issue at the beginning of the year | 342,395 | 285,505 | 391,984 | 316,791 | 807,686 | 654,746 | 663,779 | 538,467 | 1,094,927 | 946,569 | 207,086 | 168,973 |
| Units issued during the year | 131,567 | 72,072 | 147,973 | 86,344 | 267,940 | 199,077 | 236,952 | 171,969 | 310,888 | 290,388 | 100,798 | 41,979 |
| Units redeemed during the year | (80,468) | (15,182) | (78,777) | (11,151) | (121,504) | (46,137) | (119,742) | (46,657) | (180,308) | (142,030) | (63,391) | (3,866) |
| Units on issue at the end of the year | 393,494 | 342,395 | 461,180 | 391,984 | 954,122 | 807,686 | 780,989 | 663,779 | 1,225,507 | 1,094,927 | 244,493 | 207,086 |
| | | | | | | | | | | | | |
| | Conservative Fund | | Conservative Balanced Fund | | Balanced Fund | | Balanced Growth Fund | | Growth Fund | | Cash Fund | |
| | 2017 000's | 2016 000's | 2017 000's | 2016 000's | 2017 000's | 2016 000's | 2017 000's | 2016 000's | 2017 000's | 2016 000's | 2017 000's | 2016 000's |
| On 1 April units issued/(redeemed) for PIE tax receivable/(payable) on behalf of members were: | (779) | (1,618) | (1,393) | (1,471) | (3,911) | (2,164) | (4,126) | (1,097) | (5,793) | 473 | (806) | (868) |

13. MEMBER TAX CREDIT

Some of the Manager's KiwiSaver members since 2009 have received an additional member tax credit (MTC) due to internal processing errors. A claim was made on behalf of impacted KiwiSaver members to Inland Revenue for the additional MTC to be credited to those customers' KiwiSaver accounts. Post balance date \$4.1m was received into the Scheme. The Manager has also agreed to credit impacted investors KiwiSaver accounts with the investment returns that would have put them in at least the same position they would have been if the error had not occurred. At this time the value is still being determined. The Manager believes it is unlikely that the amounts are material enough to warrant an adjustment to these financial statements.

Independent Auditor's Report

To the members of

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

which comprises the ANZ KiwiSaver Scheme (the "Funds and Scheme").

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of the Funds and Scheme on pages 2 to 25:

- i. present fairly in all material respects the Funds' and Scheme's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of net assets as at 31 March 2017;
- the statement of changes in net assets and cash flows statement for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

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

Other Information

The Manager, on behalf of the Funds and Scheme, is responsible for the other information included in the entity's Annual Report. The Annual Report prepared at the same time as the financial statements includes a link to where the audited financial statements can be found on the Companies Office. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this Independent Auditor's Report

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



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the Funds and Scheme, is responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page6.aspx

This description forms part of our Independent Auditor's Report.

A handwritten signature in blue ink that reads 'John Kensington'.

John Kensington

For and on behalf of

KPMG

Auckland

24 July 2017