

ASB KiwiSaver Scheme Financial Statements

For the year ended 31 March 2017

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Statements of Changes in Net Assets Available for Benefits

	Note	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
		2017	2016	2017	2016	2017	2016	2017	2016
\$ thousands									
For the year ended 31 March									
Revenue									
Dividend/distribution income		-	-	19,439	21,631	5,746	5,853	4,240	3,242
Interest income		45	74	386	628	135	207	103	158
Net gains on financial instruments at fair value through profit or loss		9,612	11,443	140,049	120,571	67,222	44,707	73,903	33,575
Wholesale fee rebate		24	23	406	398	136	119	96	78
Other income		-	-	-	1	-	1	-	-
Total revenue		9,681	11,540	160,280	143,229	73,239	50,887	78,342	37,053
Total comprehensive income		9,681	11,540	160,280	143,229	73,239	50,887	78,342	37,053
Total members' funds at the beginning of the year		360,010	311,548	3,008,067	2,602,915	1,000,078	814,827	766,871	623,381
Total comprehensive income		9,681	11,540	160,280	143,229	73,239	50,887	78,342	37,053
Employer contributions		17,794	16,954	161,280	152,586	54,563	48,295	38,655	35,181
Member contributions		36,136	33,268	327,497	299,402	110,797	94,763	78,492	69,029
Grant contributions		9,163	9,732	69,765	75,964	20,969	20,882	13,186	12,944
Transfers from other scheme providers		18,317	13,844	96,554	86,569	44,949	37,719	36,603	26,415
Member withdrawals		(28,427)	(27,445)	(131,334)	(107,792)	(37,512)	(29,377)	(21,102)	(17,332)
Management fee deducted	2	(1,299)	(1,140)	(12,647)	(10,950)	(6,473)	(5,276)	(5,416)	(4,399)
Administration fee deducted		(1,113)	(1,112)	(7,937)	(7,861)	(1,982)	(1,882)	(1,218)	(1,151)
Transfers to other scheme providers		(14,059)	(12,133)	(167,242)	(144,795)	(37,073)	(28,517)	(28,072)	(19,470)
Switches within the scheme		(2,201)	6,854	(54,263)	(54,167)	2,152	5,589	11,945	11,618
PIE tax paid/payable		(1,478)	(1,900)	(15,547)	(27,033)	(5,308)	(7,832)	(4,873)	(6,398)
Allocated contributions		-	-	-	-	-	-	-	-
Unallocated contributions		-	-	-	-	-	-	-	-
Total members' funds at the end of the year		402,524	360,010	3,434,473	3,008,067	1,218,399	1,000,078	963,413	766,871

These statements are to be read in conjunction with the notes on pages 8 to 21 and the Independent Auditor's Report on pages 22 to 23.

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

	Note	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
		2017	2016	2017	2016	2017	2016
Revenue							
Dividend/distribution income		1,887	1,668	-	-	31,312	32,394
Interest income		109	177	-	-	778	1,244
Net gains on financial instruments at fair value through profit or loss		103,444	34,743	-	-	394,230	245,039
Wholesale fee rebate		94	66	-	-	756	684
Other income		-	-	-	-	-	2
Total revenue		105,534	36,654	-	-	427,076	279,363
Total comprehensive income		105,534	36,654	-	-	427,076	279,363
Total members' funds at the beginning of the year		795,379	630,356	11,386	16,411	5,941,791	4,999,438
Total comprehensive income		105,534	36,654	-	-	427,076	279,363
Employer contributions		44,070	36,253	-	-	316,362	289,269
Member contributions		89,488	71,135	-	-	642,410	567,597
Crown contributions		15,507	14,509	-	-	128,590	134,031
Transfers from other scheme providers		42,092	28,663	-	-	238,515	193,210
Member withdrawals		(23,012)	(16,535)	21	-	(241,366)	(198,481)
Management fee deducted	2	(6,167)	(4,855)	-	-	(32,002)	(26,620)
Administration fee deducted		(1,711)	(1,545)	-	-	(13,961)	(13,551)
Transfers to other scheme providers		(41,453)	(23,360)	-	-	(287,899)	(228,275)
Switches within the scheme		42,367	30,106	-	-	-	-
PIE tax paid/payable		(4,871)	(6,002)	-	-	(32,077)	(49,165)
Allocated contributions		-	-	(11,386)	(16,411)	(11,386)	(16,411)
Unallocated contributions		-	-	19,938	11,386	19,938	11,386
Total members' funds at the end of the year		1,057,223	795,379	19,959	11,386	7,095,991	5,941,791

These statements are to be read in conjunction with the notes on pages 8 to 21 and the Independent Auditor's Report on pages 22 to 23.

Statements of Net Assets Available for Benefits


	Note	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
		2017	2016	2017	2016	2017	2016	2017	2016
\$ thousands									
As at 31 March									
Assets									
Cash and cash equivalents		2,005	2,695	22,296	33,097	7,810	9,792	7,234	7,642
Financial assets at fair value through profit or loss	3	401,884	359,076	3,426,338	3,000,884	1,215,439	997,886	960,652	765,450
Receivables	4	3	4	51	46	19	15	16	10
Total assets		403,892	361,775	3,448,685	3,034,027	1,223,268	1,007,693	967,902	773,102
Liabilities									
Payables	5	1,368	1,765	14,212	25,960	4,869	7,615	4,489	6,231
Total liabilities		1,368	1,765	14,212	25,960	4,869	7,615	4,489	6,231
Net assets attributable to members		402,524	360,010	3,434,473	3,008,067	1,218,399	1,000,078	963,413	766,871
Represented by:									
Liability for promised retirement benefits		402,524	360,010	3,434,473	3,008,067	1,218,399	1,000,078	963,413	766,871

These statements are to be read in conjunction with the notes on pages 8 to 21 and the independent Auditor's Report on pages 22 to 23.

Statements of Net Assets Available for Benefits (continued)


	Note	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
		2017	2016	2017	2016	2017	2016
\$ thousands							
As at 31 March							
Assets							
Cash and cash equivalents		7,563	7,325	20,263	11,664	67,171	72,215
Financial assets at fair value through profit or loss	3	1,054,031	793,869	-	-	7,058,344	5,917,165
Receivables	4	19	9	-	-	108	84
Total assets		1,061,613	801,203	20,263	11,664	7,125,623	5,989,464
Liabilities							
Payables	5	4,390	5,824	304	278	29,632	47,673
Total liabilities		4,390	5,824	304	278	29,632	47,673
Net assets attributable to members		1,057,223	795,379	19,959	11,386	7,095,991	5,941,791
Represented by:							
Liability for promised retirement benefits		1,057,223	795,379	19,959	11,386	7,095,991	5,941,791

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



 Director

 31 July 2017



 Director

 31 July 2017

These statements are to be read in conjunction with the notes on pages 8 to 21 and the Independent Auditor's Report on pages 22 to 23.

Cash Flow Statements

	Note	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
		2017	2016	2017	2016	2017	2016	2017	2016
Cash flows from operating activities									
Cash was provided from:									
Dividends/Distribution income		-	-	19,439	21,631	5,746	5,853	4,240	3,242
Interest income		46	77	388	651	136	213	103	163
Sale of investments		8,478	8,982	736,865	264,285	326,436	100,070	302,791	89,612
Wholesale fee rebate		24	23	399	418	131	125	90	81
Other income		-	-	-	1	-	1	-	-
Total cash inflows provided from operating activities		8,548	9,082	757,091	286,986	332,449	106,262	307,224	93,098
Cash was applied to:									
Purchase of investments		(41,674)	(44,847)	(1,022,270)	(525,078)	(476,767)	(234,939)	(424,090)	(195,838)
Total cash outflows applied to operating activities		(41,674)	(44,847)	(1,022,270)	(525,078)	(476,767)	(234,939)	(424,090)	(195,838)
Net cash flows from operating activities	8	(33,126)	(35,765)	(265,179)	(238,092)	(144,318)	(128,677)	(116,866)	(102,740)
Cash flows from financing activities									
Cash was provided from:									
Employer contributions		17,794	16,954	161,280	152,586	54,563	48,295	38,655	35,181
Member contributions		36,136	33,268	327,497	299,402	110,797	94,763	78,492	69,029
Crown contributions		9,163	9,732	69,765	75,964	20,969	20,882	13,186	12,944
Transfers from other scheme providers		18,317	13,844	96,554	86,569	44,949	37,719	36,603	26,415
Switches within the scheme		-	6,854	-	-	2,152	5,589	11,945	11,618
Unallocated contributions		-	-	-	-	-	-	-	-
Total cash inflows provided from financing activities		81,410	80,652	655,096	614,521	233,430	207,248	178,881	155,187
Cash was applied to:									
Member withdrawals		(28,427)	(27,445)	(131,334)	(107,792)	(37,512)	(29,377)	(21,102)	(17,332)
Management fees deducted		(1,299)	(1,140)	(12,647)	(10,950)	(6,473)	(5,276)	(5,416)	(4,399)
Administration fees deducted		(1,113)	(1,112)	(7,937)	(7,861)	(1,982)	(1,882)	(1,218)	(1,151)
Transfers out to other schemes		(14,059)	(12,133)	(167,242)	(144,795)	(37,073)	(28,517)	(28,072)	(19,470)
Switches within the scheme		(2,201)	-	(54,263)	(54,167)	-	-	-	-
PIE tax (paid)/received on behalf of members		(1,875)	(1,928)	(27,295)	(30,551)	(8,054)	(7,737)	(6,615)	(5,490)
Total cash outflows applied to financing activities		(48,974)	(43,758)	(400,718)	(356,116)	(91,094)	(72,789)	(62,423)	(47,842)
Net cash flows from financing activities		32,436	36,894	254,378	258,405	142,336	134,459	116,458	107,345
Summary of movements in cash flows									
Net (decrease)/increase in cash and cash equivalents		(690)	1,129	(10,801)	20,313	(1,982)	5,782	(408)	4,605
Add: cash and cash equivalents at beginning of the year		2,695	1,566	33,097	12,784	9,792	4,010	7,642	3,037
Cash and cash equivalents at end of the year		2,005	2,695	22,296	33,097	7,810	9,792	7,234	7,642

These statements are to be read in conjunction with the notes on pages 8 to 21 and the Independent Auditor's Report on pages 22 to 23.

Cash Flow Statements (continued)

	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2017	2016	2017	2016	2017	2016
\$ thousands For the year ended 31 March						
Cash flows from operating activities						
Cash was provided from:						
Dividends/Distribution income	1,887	1,668	-	-	31,312	32,394
Interest income	108	184	-	-	781	1,288
Sale of investments	274,801	77,679	-	-	1,649,371	540,628
Wholesale fee rebate	85	69	-	-	729	716
Other income	-	-	-	-	-	2
Total cash inflows provided from operating activities	276,881	79,600	-	-	1,682,193	575,028
Cash was applied to:						
Purchase of investments	(431,519)	(206,141)	-	-	(2,396,320)	(1,206,843)
Total cash outflows applied to operating activities	(431,519)	(206,141)	-	-	(2,396,320)	(1,206,843)
Net cash flows from operating activities	(154,638)	(126,541)	-	-	(714,127)	(631,815)
Cash flows from financing activities						
Cash was provided from:						
Employer contributions	44,070	36,253	(5,358)	(5,708)	311,004	283,561
Member contributions	89,488	71,135	(3,042)	(7,205)	639,368	560,392
Crown contributions	15,507	14,509	(34)	(124)	128,556	133,907
Transfers from other scheme providers	42,092	28,663	(2,952)	(3,373)	235,563	189,837
Switches within the scheme	42,367	30,106	-	-	56,464	54,167
Unallocated contributions	-	-	19,938	11,386	19,938	11,386
Total cash inflows provided from financing activities	233,524	180,666	8,552	(5,024)	1,390,893	1,233,250
Cash was applied to:						
Member withdrawals	(23,012)	(16,535)	21	-	(241,366)	(198,481)
Management fees deducted	(6,167)	(4,855)	-	-	(32,002)	(26,620)
Administration fees deducted	(1,711)	(1,545)	-	-	(13,961)	(13,551)
Transfers out to other schemes	(41,453)	(23,360)	-	-	(287,899)	(228,275)
Switches within the scheme	-	-	-	-	(56,464)	(54,167)
PIE tax (paid)/received on behalf of members	(6,305)	(4,394)	26	(83)	(50,118)	(50,183)
Total cash outflows applied to financing activities	(78,648)	(50,689)	47	(83)	(681,810)	(571,277)
Net cash flows from financing activities	154,876	129,977	8,599	(5,107)	709,083	661,973
Summary of movements in cash flows						
Net (decrease)/increase in cash and cash equivalents	238	3,436	8,599	(5,107)	(5,044)	30,158
Add: cash and cash equivalents at beginning of the year	7,325	3,889	11,664	16,771	72,215	42,057
Cash and cash equivalents at end of the year	7,563	7,325	20,263	11,664	67,171	72,215

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These statements are to be read in conjunction with the notes on pages 8 to 21 and the Independent Auditor's Report on pages 22 to 23.

Notes to the Financial Statements

For the year ended 31 March 2017

1 Statement of Accounting Policies

General Accounting Policies

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

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

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

The Supervisor of the Scheme is Public Trust. The Supervisor's registered office is Level 9, 34 Shortland Street, PO Box 1598, Shortland Street, Auckland 1140. The Manager of the Scheme is ASB Group Investments Limited. The Manager's registered office is ASB North Wharf, 12 Jellicoe Street, Auckland Central, Auckland 1010. On 1 July 2016 the Manager obtained its Managed Investment Scheme Manager Licence under Part 6 of the Financial Markets Conduct Act 2013 (the "Act"). The Scheme became a registered scheme in accordance with the Act on 18 August 2016.

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

These general purpose financial statements are for the year ended 31 March 2017 and have been drawn up in accordance with the requirements of the Trust Deed and the Act.

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

The following new standards relevant to the Scheme have been issued. The Scheme does not intend to apply these standards until their effective dates:

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

NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Under NZ IFRS 9 a new expected credit losses model replaces the incurred loss impairment model for financial assets used in NZ IAS 39. There are no changes to classification and measurement rules for financial liabilities. However, for financial liabilities that have been designated at fair value through profit or loss, fair value changes attributable to changes in credit risk must be presented in other comprehensive income.

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

Notes to the Financial Statements

For the year ended 31 March 2017

1 Statement of Accounting Policies (continued)

General Accounting Policies (continued)

Basis of Preparation

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

Presentation Currency and Rounding

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

Particular Accounting Policies

There have been no changes to accounting policies in the year ended 31 March 2017. All policies have been applied on a basis consistent with that used in the year ended 31 March 2016.

- **Basis of Consolidation**

The Scheme meets the definition of an investment entity and as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified as fair value through profit or loss, and measured at fair value. The Scheme has applied the consolidation exemption available under NZ IFRS 10 *Consolidated Financial Statements* and is accounting for its investment in the following subsidiaries at fair value through profit or loss:

Subsidiary	Place of business	Ownership Interest 2017	Ownership Interest 2016
Investors Wholesale Cash Trust	Auckland, New Zealand	83%	83%
Investors Wholesale NZ Fixed Interest Trust	Auckland, New Zealand	78%	75%
Investors Wholesale NZ Corporate Bond Trust	Auckland, New Zealand	77%	75%

- **Revenue Recognition**

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

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

- **Expense Recognition**

Expenses are recognised on an accruals basis.

- **Taxation**

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

Notes to the Financial Statements

For the year ended 31 March 2017

1 Statement of Accounting Policies (continued)

Particular Accounting Policies (continued)

- **Financial Instruments**

RECOGNITION AND DERECOGNITION

The Scheme recognises financial assets on the date it becomes a party to the contractual agreement and recognises financial liabilities when an obligation arises.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired. Derecognition also occurs when the rights to receive cash flows from financial assets have been transferred together with substantially all of their risks and rewards. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

CLASSIFICATION AND MEASUREMENT

Financial instruments are classified under the following categories:

Financial Instruments at Fair Value through Profit or Loss

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

Loans and Receivables

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

Loans and receivables include:

- *Cash and cash equivalents*

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

- *Receivables*

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

Financial Liabilities at Amortised Cost

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

OFFSETTING FINANCIAL INSTRUMENTS

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

Notes to the Financial Statements

For the year ended 31 March 2017

1 Statement of Accounting Policies (continued)

Particular Accounting Policies (continued)

- **Cash Flow Statement**

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

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

Critical Accounting Estimates and Judgements

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

Net Assets Attributable to Members

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

Contributions and Withdrawals

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

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

Changes to Comparatives

Certain comparatives have been restated to ensure consistency with the current period's presentation.

Notes to the Financial Statements

For the year ended 31 March 2017

2 Management Fees

A management fee is deducted from members' funds as set out in the following tables. It is used by the Manager to pay all fees and expenses incurred by the Scheme (including audit fees) and by the Manager in their management of the Scheme's assets on behalf of the members. The management fee is calculated monthly and is a percentage of the gross value of the members' balances in the respective funds on the first day of the relevant month. The Product Disclosure Statement provides further information about this fee.

%	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund		Growth Fund	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
For the year ended 31 March	0.340	0.340	0.390	0.390	0.580	0.580	0.620	0.620	0.670	0.670
Management fees	0.340	0.340	0.390	0.390	0.580	0.580	0.620	0.620	0.670	0.670

Management fees reflect the effective rate charged to investors during the year.

3 Financial Assets at Fair Value through Profit or Loss

\$ thousands	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2017	2016	2017	2016	2017	2016	2017	2016
As at 31 March	401,884	359,076	3,426,338	3,000,884	1,215,439	997,886	960,652	765,450
Managed funds investments								
Investors Wholesale Australasian Equity (Index) Trust	-	-	345,507	274,075	257,423	161,990	305,324	155,387
Investors Wholesale Cash Trust	401,884	359,076	802,952	577,122	137,479	91,251	50,700	31,463
Investors Wholesale NZ Fixed Interest Trust	-	-	448,893	365,026	128,636	101,135	38,748	52,776
Investors Wholesale Global Credit (Index) Trust	-	-	275,991	543,943	79,560	150,719	96,784	83,282
Investors Wholesale Global Government Bond (Index) Trust	-	-	552,158	181,297	183,657	50,235	135,540	27,758
Investors Wholesale Global Equity (Index) Trust	-	-	344,636	331,592	134,499	180,424	217,542	253,861
Investors Wholesale Global Inflation Linked Bond (Index) Trust	-	-	-	181,154	-	50,195	-	27,737
Investors Wholesale NZ Corporate Bond Trust	-	-	656,201	546,675	196,054	151,466	58,134	79,042
Investors Wholesale Global Property (Index) Trust	-	-	-	-	49,466	60,471	9,778	54,144
Investors Wholesale Emerging Markets Equities Trust	-	-	-	-	48,665	-	48,102	-
Total financial assets at fair value through profit and loss	401,884	359,076	3,426,338	3,000,884	1,215,439	997,886	960,652	765,450

Notes to the Financial Statements

For the year ended 31 March 2017

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

\$ thousands As at 31 March	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2017	2016	2017	2016	2017	2016
Managed funds investments						
Investors Wholesale Australasian Equity (Index) Trust	372,243	225,599	-	-	1,280,497	817,051
Investors Wholesale Cash Trust	12,898	8,741	-	-	1,405,913	1,067,653
Investors Wholesale NZ Fixed Interest Trust	26,573	28,976	-	-	642,850	547,913
Investors Wholesale Global Credit (Index) Trust	-	43,187	-	-	452,335	821,131
Investors Wholesale Global Government Bond (Index) Trust	122,166	14,394	-	-	993,521	273,684
Investors Wholesale Global Equity (Index) Trust	366,007	359,038	-	-	1,062,684	1,124,915
Investors Wholesale Global Inflation Linked Bond (Index) Trust	-	14,383	-	-	-	273,469
Investors Wholesale NZ Corporate Bond Trust	42,525	43,397	-	-	952,914	820,580
Investors Wholesale Global Property (Index) Trust	48,282	56,154	-	-	107,526	170,769
Investors Wholesale Emerging Markets Equities Trust	63,337	-	-	-	160,104	-
Total financial assets at fair value through profit and loss	1,054,031	793,869	-	-	7,058,344	5,917,165

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

Notes to the Financial Statements

For the year ended 31 March 2017

4 Receivables

\$ thousands As at 31 March	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2017	2016	2017	2016	2017	2016	2017	2016
Accrued income - interest receivable from ASB Bank Limited	1	2	13	15	5	6	4	4
Accrued fee rebate receivable from ASB Group Investments Limited	2	2	38	31	14	9	12	6
Total receivables	3	4	51	46	19	15	16	10

\$ thousands As at 31 March	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2017	2016	2017	2016	2017	2016
Accrued income - interest receivable from ASB Bank Limited	5	4	-	-	28	31
Accrued fee rebate receivable from ASB Group Investments Limited	14	5	-	-	80	53
Total receivables	19	9	-	-	108	84

None of these receivables are past due or impaired.

Notes to the Financial Statements

For the year ended 31 March 2017

5 Payables

\$ thousands As at 31 March	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2017	2016	2017	2016	2017	2016	2017	2016
Inland Revenue PIE tax payable	1,368	1,765	14,212	25,960	4,869	7,615	4,489	6,231
Total payables	1,368	1,765	14,212	25,960	4,869	7,615	4,489	6,231

\$ thousands As at 31 March	Growth Fund		Scheme Transactions Account		ASB Kiwisaver Scheme	
	2017	2016	2017	2016	2017	2016
Inland Revenue PIE tax payable	4,390	5,824	304	278	29,632	47,673
Total payables	4,390	5,824	304	278	29,632	47,673

Notes to the Financial Statements

For the year ended 31 March 2017

6 Related Party Transactions and Balances

The following are considered to be related parties:

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

Transactions with related parties:

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

Balances with related parties:

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

All transactions entered into with related parties during the year ended 31 March 2017 were conducted on an arm's length basis and on normal commercial terms.

Notes to the Financial Statements

For the year ended 31 March 2017

7 Fair Value of Financial Instruments

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

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

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

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

The Scheme considers transfers between levels, if any, to have occurred at the end of the reporting period for which the financial statements are prepared. There were no transfers between levels for the year ended 31 March 2017.

As at 31 March 2017 and 31 March 2016, the Scheme's financial assets at fair value through profit or loss have been classified as Level 2 in the fair value hierarchy. These assets comprise managed funds investments (refer to note 3 for further detail).

The managed funds investments are not traded in an active market and their fair value is determined using valuation techniques. The value is based primarily on the latest available withdrawal price of the respective Funds. In some instances, the Scheme may make adjustments to take into account the liquidity of the fund or its underlying investments, the value date of the net asset value provided, or any restrictions on withdrawals. As at 31 March 2017 and 31 March 2016 there were no significant adjustments made to the latest available withdrawal price of the respective Funds.

The carrying amounts of financial assets and liabilities not measured at fair value are considered to be reasonable approximations of their fair values as at 31 March 2017 and 31 March 2016.

Notes to the Financial Statements

For the year ended 31 March 2017

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

\$ thousands	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2017	2016	2017	2016	2017	2016	2017	2016
For the year ended 31 March								
Total comprehensive income	9,681	11,540	160,280	143,229	73,239	50,887	78,342	37,053
Net change in investments	(42,808)	(47,307)	(425,454)	(381,365)	(217,553)	(179,576)	(195,202)	(139,801)
Net change in receivables	1	2	(5)	44	(4)	12	(6)	8
Net cash flows from operating activities	(33,126)	(35,765)	(265,179)	(238,092)	(144,318)	(128,677)	(116,866)	(102,740)

\$ thousands	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2017	2016	2017	2016	2017	2016
For the year ended 31 March						
Total comprehensive income	105,534	36,654	-	-	427,076	279,363
Net change in investments	(260,162)	(163,205)	-	-	(1,141,179)	(911,254)
Net change in receivables	(10)	10	-	-	(24)	76
Net cash flows from operating activities	(154,638)	(126,541)	-	-	(714,127)	(631,815)

The net change in receivables is exclusive of PIE tax.

Notes to the Financial Statements

For the year ended 31 March 2017

9 Financial Risk Management

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

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

Market Risk

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

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

Market Price Risk

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

Had the market price of the managed funds investments increased or decreased by 5% with all other variables held constant, the increase or decrease respectively in income and net assets (excluding tax) would amount to the following:

\$ thousands	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
For the year ended 31 March	2017	2016	2017	2016	2017	2016	2017	2016
Increase/decrease in: income/net assets	20,094	17,954	171,317	150,044	60,772	49,894	48,033	38,273
\$ thousands	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme			
For the year ended 31 March	2017	2016	2017	2016	2017	2016	2017	2016
Increase/decrease in: income/net assets	52,702	39,693	-	-	352,918	295,858		

A variable of 5% was selected for potential market price sensitivity based on historical experience. Actual movements may be significantly different from this.

Notes to the Financial Statements

For the year ended 31 March 2017

9 Financial Risk Management (continued)

Interest Rate Risk

Holdings of interest earning financial assets, being cash and cash equivalents, create exposures to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. There may also be indirect exposure to interest rate risk through the managed funds investments, which does not affect the interest rate sensitivity analysis below.

Had the interest rate increased or decreased by 1% with all other variables held constant, the increase or decrease respectively in income and net assets (excluding tax) would amount to approximately:

\$ thousands	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2017	2016	2017	2016	2017	2016	2017	2016
For the year ended 31 March	20	27	223	331	78	98	72	76
Increase/decrease in: income/net assets								
\$ thousands	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme			
	2017	2016	2017	2016	2017	2016		
For the year ended 31 March	76	73	203	117	672	722		
Increase/decrease in: income/net assets								

A variable of 1% was selected for interest rate sensitivity as this is a reasonably possible movement based on historic rate trends. However, the actual movements may be significantly different from this.

Foreign Exchange Risk

There is no direct foreign exchange risk. However, there may be indirect exposure to foreign exchange risk through the assets and liabilities held by the managed funds investments as disclosed in note 3.

Liquidity and Cash Flow Risk

In accordance with the Scheme's policy, the Manager monitors the Scheme's liquidity position on a daily basis. Liquidity management is designed to ensure that the Scheme has the ability to generate sufficient cash in a timely manner to meet its financial commitments and normal levels of withdrawals. The Manager regularly monitors market volatility and withdrawal levels to establish the Scheme's appropriate liquidity levels within allowable benchmark ranges. In the event of abnormal levels of withdrawals, timing of payments may depend on the ability of the Scheme to realise its underlying investments on a timely basis.

The Scheme holds financial assets that are highly liquid.

Members are able to transfer their balances to other KiwiSaver schemes subject to the consent (if required) of the Manager or Supervisor of that scheme, and any transfer provisions of that scheme. As such, the liability for promised retirement benefits is deemed to be repayable on demand. All other financial liabilities of the Scheme are due within 3 months.

Notes to the Financial Statements

For the year ended 31 March 2017

9 Financial Risk Management (continued)

Credit Risk

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

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

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

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

At balance date, there is a credit exposure to ASB Bank Limited which has an S&P credit rating of AA- (2016 AA-) equal to the amount of cash and cash equivalents as disclosed. The same amount represents the direct economic sector concentration in the finance and bank sectors.

Capital Management

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

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

- Employer contribution: required to contribute 3% of an employee's pre-tax salary or wages to the extent these contributions are matched by the employee (31 March 2016 3%).
- Member contribution: 3%, 4% or 8% of employee's pre-tax salary or wages (31 March 2016 3%, 4% or 8%).
- Self-employed and non-waged members: voluntary (31 March 2016 voluntary).

If a member is eligible, the Government will pay 50 cents for every dollar of member contribution annually up to a maximum payment of \$521.43 (referred to as the Member Tax Credit) (31 March 2016 50 cents, \$521.43).

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

10 Capital Commitments and Contingent Liabilities

The Scheme had no capital commitments or contingent liabilities as at 31 March 2017 (31 March 2016 nil).

11 Events after the Reporting Period

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

Independent Auditor's Report



Independent auditor's report

to the members of ASB KiwiSaver Scheme (the "Scheme") comprising the following funds:

NZ Cash Fund
Conservative Fund
Moderate Fund
Balanced Fund
Growth Fund
(collectively, the "Funds")

The Funds' and the Scheme's financial statements comprise:

- the statements of net assets available for benefits as at 31 March 2017;
- the statements of changes in net assets available for benefits for the year then ended;
- the cash flow statements for the year then ended; and
- the notes to the financial statements, which include statements of accounting policies and other explanatory information.

Our opinion

In our opinion, the Funds' and the Scheme's financial statements present fairly, in all material respects, the net assets of the Funds and the Scheme as at 31 March 2017, their change in net assets and their cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

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

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

We are independent of the Scheme in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) 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.

Other than in our capacities as auditor and providers of other assurance services relating to custody of the Scheme's assets and the members' register, we have no relationship with, or interests in, the Funds or the Scheme.

Information other than the financial statements and auditor's report

The Directors of ASB Group Investments Limited (the "Manager"), on behalf of the Manager, are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information.



In connection with our audit of the financial statements, if other information is included in the annual report, 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 to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, 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.

Responsibilities of the Manager for the financial statements

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

In preparing the financial statements, the Manager is responsible for assessing each Fund's and the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Funds or the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

A handwritten signature in cursive script that reads 'Philip Taylor'.

Chartered Accountants
31 July 2017

Auckland