

# **ANZ DEFAULT KIWISAVER SCHEME FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

## **CONTENTS**

Statement of Changes in Net Assets	2
Statement of Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
Independent Auditor's Report	29

## STATEMENT OF CHANGES IN NET ASSETS

	Note	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
		2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>For the year ended 31 March</b>															
<b>Investment Activities</b>															
<b>Income</b>															
Distribution income		-	14,206	-	-	-	-	-	-	-	-	-	-	-	14,206
Interest income		24	24	1	1	1	1	2	1	1	-	-	-	28	29
Net changes in fair value of investment assets and liabilities	6	44,922	24,159	1,842	1,412	6,735	5,314	7,315	8,462	7,033	121	103	103	70,815	45,336
<b>Total income</b>		<b>44,946</b>	<b>38,389</b>	<b>1,843</b>	<b>1,413</b>	<b>6,736</b>	<b>5,315</b>	<b>7,317</b>	<b>8,463</b>	<b>7,034</b>	<b>121</b>	<b>103</b>	<b>103</b>	<b>70,843</b>	<b>59,571</b>
<b>Expenses</b>															
Management fees	12	4,720	4,434	288	234	938	701	818	986	703	16	13	13	8,029	6,903
Supervisor fees		163	184	5	5	16	14	15	15	12	1	1	1	217	231
Auditor's fees - statutory financial statements		6	6	6	6	6	6	6	6	6	5	6	6	35	36
Auditor's fees - annual report, supervisor reporting, registry audit, semi-annual controls reporting, custodial audit and overruns		4	2	4	2	4	2	2	4	2	4	2	2	24	12
Interest expense		1	-	-	-	-	-	-	-	-	-	-	-	1	-
Other expenses	12	362	587	1	9	25	39	44	23	35	(8)	(5)	(5)	431	709
<b>Total expenses</b>		<b>5,256</b>	<b>5,213</b>	<b>304</b>	<b>256</b>	<b>989</b>	<b>762</b>	<b>885</b>	<b>1,034</b>	<b>758</b>	<b>18</b>	<b>17</b>	<b>17</b>	<b>8,737</b>	<b>7,891</b>
<b>Net profit</b>		<b>39,690</b>	<b>33,176</b>	<b>1,539</b>	<b>1,157</b>	<b>5,747</b>	<b>4,553</b>	<b>6,432</b>	<b>7,429</b>	<b>6,276</b>	<b>103</b>	<b>86</b>	<b>86</b>	<b>62,106</b>	<b>51,680</b>

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.)

Note	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>For the year ended 31 March</b>														
<b>Membership Activities</b>														
Net Profit	39,690	33,176	1,539	1,157	5,747	4,553	7,598	6,432	7,429	6,276	103	86	62,106	51,680
Contributions from members	92,647	94,486	3,042	2,328	10,528	7,685	10,171	8,453	10,861	8,166	486	422	127,735	121,540
Contributions from employers	54,119	55,275	1,149	1,029	4,216	3,536	4,957	4,245	4,932	3,913	147	134	69,520	68,132
Crown contributions	20,982	20,996	386	338	1,269	1,057	1,508	1,286	1,573	1,256	52	51	25,770	24,984
Transfers in from other schemes	10	356	-	-	-	23	-	15	-	85	-	-	10	479
Transfers in from complying Australian superannuation schemes	1,846	1,363	333	46	307	176	394	173	625	247	49	1	3,554	2,006
Contributions for PIE tax received	20	9	1	-	1	1	2	4	2	25	-	-	26	39
End payment date withdrawals	(15,169)	(13,091)	(788)	(535)	(929)	(678)	(496)	(212)	(450)	(491)	(517)	(416)	(18,349)	(15,423)
Withdrawals for first home purchase	(13,676)	(13,839)	(248)	(173)	(671)	(663)	(1,505)	(808)	(2,295)	(1,319)	(304)	(98)	(18,699)	(16,900)
Withdrawals for significant financial hardship	(2,081)	(1,467)	(3)	(5)	(117)	(52)	(36)	(26)	(80)	(15)	(2)	-	(2,319)	(1,565)
Withdrawals for serious illness	(1,076)	(889)	(8)	(20)	(57)	(3)	(38)	-	-	(19)	-	(16)	(1,179)	(947)
Withdrawals for permanent emigration	(1,099)	(877)	(31)	(3)	(42)	(37)	(83)	(28)	(66)	(19)	(4)	-	(1,325)	(964)
Withdrawals for death	(1,219)	(1,235)	(21)	(7)	(79)	(42)	(69)	(37)	(68)	(52)	-	-	(1,456)	(1,373)
Other permitted withdrawals	(45)	(3)	-	-	-	-	(1)	(1)	-	(1)	-	-	(45)	(5)
Transfers out to complying Australian superannuation schemes	(48)	(34)	-	(60)	-	-	-	-	-	(39)	-	-	(48)	(133)
Transfers out to other schemes	(84,106)	(68,472)	(1,481)	(811)	(4,739)	(3,273)	(5,766)	(4,038)	(5,076)	(4,257)	(100)	(241)	(101,268)	(81,092)
Switches within ANZ Default KiwiSaver	(47,580)	(18,675)	3,295	2,529	13,431	8,003	14,043	4,020	15,480	3,181	1,331	942	-	-
Withdrawals for PIE tax paid	(4,953)	(7,721)	(130)	(130)	(489)	(294)	(657)	(263)	(607)	(140)	(20)	(20)	(6,856)	(8,568)
Membership fees paid	(1,877)	(1,954)	(22)	(20)	(69)	(59)	(81)	(72)	(96)	(81)	(4)	(4)	(2,149)	(2,190)
<b>Net membership activities</b>	(3,305)	44,228	5,474	4,506	22,560	15,380	22,344	12,711	24,735	10,440	1,114	755	72,922	88,020
<b>Benefits accrued to members' accounts</b>	36,385	77,404	7,013	5,663	28,307	19,933	29,942	19,143	32,164	16,716	1,217	841	135,028	139,700
Members' funds at the beginning of the year	1,024,400	946,996	30,431	24,768	88,742	68,809	96,264	77,121	79,574	62,858	4,435	3,594	1,323,846	1,184,146
<b>Members' funds at the end of the year</b>	1,060,785	1,024,400	37,444	30,431	117,049	88,742	126,206	96,264	111,738	79,574	5,652	4,435	1,458,874	1,323,846

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	Note	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
		2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Assets</b>															
Cash and cash equivalents		375	375	8	8	8	8	8	8	8	8	14	14	421	420
Margin accounts		2,611	1,901	-	-	322	55	417	166	424	137	-	-	3,774	2,259
Investment assets	5	1,059,315	1,023,296	37,505	30,480	117,062	88,884	126,232	96,362	111,788	79,688	5,640	4,424	1,457,542	1,323,134
Other receivables	7	6,379	4,416	172	111	599	452	703	615	617	573	22	18	8,492	6,185
<b>Total assets</b>		<b>1,068,680</b>	<b>1,029,988</b>	<b>37,685</b>	<b>30,599</b>	<b>117,991</b>	<b>89,399</b>	<b>127,360</b>	<b>97,151</b>	<b>112,837</b>	<b>80,406</b>	<b>5,676</b>	<b>4,455</b>	<b>1,470,229</b>	<b>1,331,998</b>
<b>Liabilities</b>															
Investment liabilities	5	891	558	37	30	232	120	324	172	362	175	-	-	1,846	1,055
Other payables	8	7,004	5,030	204	138	710	537	830	715	737	657	24	20	9,509	7,097
<b>Total liabilities</b>		<b>7,895</b>	<b>5,588</b>	<b>241</b>	<b>168</b>	<b>942</b>	<b>657</b>	<b>1,154</b>	<b>887</b>	<b>1,099</b>	<b>832</b>	<b>24</b>	<b>20</b>	<b>11,355</b>	<b>8,152</b>
<b>Net assets attributable to members</b>		<b>1,060,785</b>	<b>1,024,400</b>	<b>37,444</b>	<b>30,431</b>	<b>117,049</b>	<b>88,742</b>	<b>126,206</b>	<b>96,264</b>	<b>111,738</b>	<b>79,574</b>	<b>5,652</b>	<b>4,435</b>	<b>1,458,874</b>	<b>1,323,846</b>
<b>Net assets available for benefits</b>		<b>1,060,785</b>	<b>1,024,400</b>	<b>37,444</b>	<b>30,431</b>	<b>117,049</b>	<b>88,742</b>	<b>126,206</b>	<b>96,264</b>	<b>111,738</b>	<b>79,574</b>	<b>5,652</b>	<b>4,435</b>	<b>1,458,874</b>	<b>1,323,846</b>

On behalf of ANZ New Zealand Investments Limited as Manager who authorised the issue of these financial statements on 23 July 2018.



Craig Mulholland  
Director



Bruce Macintyre  
Director

## STATEMENT OF CASH FLOWS

Note	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>For the year ended 31 March</b>														
<b>Cash flows from/(used in) operating activities</b>														
Distributions received	-	14,206	-	-	-	-	-	-	-	-	-	-	-	14,206
Interest received	24	24	1	2	1	2	1	2	1	1	-	-	28	31
Net sales and purchases of investment assets and liabilities	8,526	(53,266)	(5,176)	(4,255)	(21,598)	(14,639)	(21,236)	(11,852)	(9,703)	(23,738)	(1,095)	(738)	(64,317)	(94,453)
Management fees paid	(4,705)	(4,404)	(284)	(230)	(915)	(686)	(1,056)	(803)	(689)	(956)	(15)	(13)	(7,931)	(6,825)
Supervisor fees paid	(170)	(186)	(5)	(5)	(15)	(13)	(16)	(15)	(12)	(14)	(1)	(1)	(221)	(232)
Other expenses paid	(391)	(586)	(10)	(16)	(34)	(45)	(37)	(49)	(41)	(30)	(2)	(3)	(504)	(740)
<b>Net cash flows from/(used in) operating activities</b>	13	3,284	(44,212)	(5,474)	(22,561)	(15,381)	(22,344)	(12,717)	(24,737)	(10,444)	(1,113)	(755)	(72,945)	(88,013)
<b>Cash flows from/(used in) financing activities</b>														
Proceeds from contributions by members	172,809	177,228	12,435	8,764	36,499	24,366	36,734	23,991	38,535	20,842	2,503	2,562	299,515	257,753
Payments for redemptions by members	(169,304)	(123,334)	(6,810)	(4,109)	(13,383)	(8,634)	(13,653)	(10,949)	(13,100)	(10,206)	(1,365)	(1,783)	(217,615)	(159,015)
PIE tax paid on behalf of members	(4,912)	(7,730)	(128)	(131)	(487)	(292)	(655)	(253)	(603)	(111)	(20)	(20)	(6,805)	(8,537)
Membership fees paid	(1,877)	(1,954)	(23)	(20)	(68)	(59)	(82)	(72)	(95)	(81)	(4)	(4)	(2,149)	(2,190)
<b>Net cash flows from/(used in) financing activities</b>		(3,284)	44,210	5,474	22,561	15,381	22,344	12,717	24,737	10,444	1,114	755	72,946	88,011
<b>Net increase/(decrease) in cash and cash equivalents</b>		-	(2)	-	-	-	-	-	-	-	1	-	1	(2)
Cash and cash equivalents at the beginning of the year		375	377	8	8	8	8	8	8	8	13	13	420	422
<b>Cash and cash equivalents at the end of the year</b>		375	375	8	8	8	8	8	8	8	14	13	421	420

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1. REPORTING ENTITY

These financial statements are for the ANZ Default 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 unithised funds in order to gain exposure to cash, equity, fixed interest and property markets.

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

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 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 is currently governed by the Governing Document relating to the ANZ Default KiwiSaver Scheme (Governing Document) dated 9 September 2016.

The financial statements were authorised for issue by the directors of the Manager on 23 July 2018.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

##### (i) Statement of compliance

These financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013 (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. Such estimates will require review in future periods.

##### (iii) Basis of measurement

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

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

There have been no changes in accounting policies or early adoption of accounting standards in the preparation and presentation of the financial statements.

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

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

##### (vi) Aggregation

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

##### (vii) Foreign currency transactions

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

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

#### (b) Revenue recognition

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

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



## NOTES TO THE FINANCIAL STATEMENTS

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

### (c) Income tax

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

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

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

### (d) Assets and liabilities

#### (i) Cash and cash equivalents

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

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

#### (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

### (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 components of comprehensive income other than profit or loss for the year. Consequently, the profit or loss is the total comprehensive income of the Funds.

### (f) Other

#### (i) Offsetting

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

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

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

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

#### **Standards and amendments effective for periods commencing after 1 April 2018**

##### *NZ IFRS 9 Financial Instruments (NZ IFRS 9)*

NZ IFRS 9 was issued 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 Scheme until 1 April 2018. The Manager has assessed the impact of the application of NZ IFRS 9 and after adoption does not expect any impact on the Scheme 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

### 3. CRITICAL ESTIMATES AND JUDGEMENT 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)
- (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 10.

##### **Structured entities**

Refer to Note 5 and Note 6 for details of the Funds involvement with 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 (being those that significantly affect the entity's return) are directed by means of contractual arrangements.

The Manager has concluded that the Funds' investments in unitholdings (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 or governing 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'.

## **NOTES TO THE FINANCIAL STATEMENTS**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 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 prior year's exposures due to a change in the Fund's investment mandates. The table below also sets out interests held by the Funds in unconsolidated structured entities as at balance date.

As at 31 March	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme		Total investee fund net assets		Number of investors in investee funds		
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018	2017	
<b>Investment assets</b>																			
ANZ Wholesale Cash Fund	232,316	234,916	6,779	5,877	16,981	13,043	13,280	10,677	8,288	6,606	5,640	4,424	283,284	275,543	3,877,028	104			
ANZ Wholesale High Grade Bond Fund	94,493	89,410	2,624	2,128	6,534	4,949	5,268	4,000	2,598	1,844	-	-	111,517	102,331	916,593	77			
ANZ Wholesale Sovereign Bond Fund	94,071	89,185	2,623	2,122	6,538	4,946	5,254	3,990	2,601	1,839	-	-	111,087	102,082	1,236,318	78			
ANZ Wholesale International Share Fund	-	-	8,025	6,180	33,969	26,151	49,417	38,111	54,110	38,464	-	-	145,521	108,906	5,068,182	86			
ANZ Wholesale International Sovereign Fund	429,632	410,624	11,981	9,742	29,445	22,201	21,754	16,365	10,043	6,996	-	-	502,855	465,928	3,409,113	60			
ANZ Wholesale Australian Share Fund	23,473	24,388	1,667	1,368	7,111	5,256	8,909	6,572	10,092	6,991	-	-	51,252	44,575	846,747	51			
ANZ Wholesale Australasian Share Fund	26,999	25,636	1,648	1,265	7,414	5,356	10,013	7,183	11,149	7,581	-	-	57,223	47,021	997,965	62			
ANZ Wholesale Trans-Tasman Property Securities Fund	32,759	30,902	1,122	886	4,667	3,465	6,156	4,653	6,501	4,607	-	-	51,205	44,513	695,764	45			
ANZ Wholesale International Property Securities Fund*	-	-	1,034	908	4,390	3,494	6,163	4,770	6,387	4,722	-	-	17,974	13,894	876,027	60			
Blackrock Wholesale Indexed International Equity Fund	-	118,092	-	-	-	-	-	-	-	-	-	-	-	118,092	-	-	-	-	
ANZ Wholesale International Share Index Fund	125,517	-	-	-	-	-	-	-	-	-	-	-	125,517	-	184,816	5			
Forward foreign exchange contracts	50	82	2	4	11	17	16	24	17	24	-	-	96	151	-	-	-	-	
Futures and other derivatives	5	61	-	-	2	6	2	17	2	14	-	-	11	98	-	-	-	-	
<b>Total investment assets</b>	1,059,315	1,023,296	37,505	30,480	117,062	88,884	126,232	96,362	111,788	79,688	5,640	4,424	1,457,542	1,323,134	18,108,553				
<b>Investment liabilities</b>																			
Forward foreign exchange contracts	584	544	37	30	153	120	222	172	244	175	-	-	1,240	1,041	-	-	-	-	
Futures and other derivatives	307	14	-	-	79	-	102	-	118	-	-	-	606	14	-	-	-	-	
<b>Total investment liabilities</b>	891	558	37	30	232	120	324	172	362	175	-	-	1,846	1,055	-	-	-	-	

\*Formerly known as ANZ Wholesale International Property Securities Fund (ex Aus.)

## NOTES TO THE FINANCIAL STATEMENTS

### **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 unitheld 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 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

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

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
For the year ended 31 March														
Net realised change in fair value	33,743	14,671	551	384	1,647	1,353	2,125	1,868	1,945	1,737	38	31	40,049	20,044
Net unrealised change in fair value	11,179	9,488	1,291	1,028	5,088	3,961	6,608	5,447	6,517	5,296	83	72	30,766	25,292
<b>Net changes in fair value of investment assets and liabilities</b>	<b>44,922</b>	<b>24,159</b>	<b>1,842</b>	<b>1,412</b>	<b>6,735</b>	<b>5,314</b>	<b>8,733</b>	<b>7,315</b>	<b>8,462</b>	<b>7,033</b>	<b>121</b>	<b>103</b>	<b>70,815</b>	<b>45,336</b>
Net changes in fair value of investment assets and liabilities designated at fair value on initial recognition	43,384	21,226	1,760	1,320	6,390	4,871	8,226	6,618	7,937	6,307	121	103	67,818	40,445
Net changes in fair value of investment assets and liabilities held for trading	1,538	2,933	82	92	345	443	507	697	525	726	-	-	2,997	4,891
<b>Net changes in fair value of investment assets and liabilities</b>	<b>44,922</b>	<b>24,159</b>	<b>1,842</b>	<b>1,412</b>	<b>6,735</b>	<b>5,314</b>	<b>8,733</b>	<b>7,315</b>	<b>8,462</b>	<b>7,033</b>	<b>121</b>	<b>103</b>	<b>70,815</b>	<b>45,336</b>
Change in fair value of investment assets and liabilities relating to investments in unconsolidated structured entities	43,384	21,226	1,760	1,320	6,390	4,871	8,226	6,618	7,937	6,307	121	103	67,818	40,445

### 7. OTHER RECEIVABLES

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
As at 31 March														
Receivable from members	6,379	4,416	172	111	599	452	703	615	617	573	22	18	8,492	6,185
<b>Other receivables</b>	<b>6,379</b>	<b>4,416</b>	<b>172</b>	<b>111</b>	<b>599</b>	<b>452</b>	<b>703</b>	<b>615</b>	<b>617</b>	<b>573</b>	<b>22</b>	<b>18</b>	<b>8,492</b>	<b>6,185</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 8. OTHER PAYABLES

	Conservative Fund		Conservative Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
As at 31 March	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Accrued expenses	574	584	32	27	108	83	94	114	80	2	2	2	951	870
PIE tax payable on behalf of members	6,430	4,446	172	111	602	454	621	623	577	22	18	18	8,558	6,227
<b>Other payables</b>	<b>7,004</b>	<b>5,030</b>	<b>204</b>	<b>138</b>	<b>710</b>	<b>537</b>	<b>715</b>	<b>737</b>	<b>657</b>	<b>24</b>	<b>20</b>	<b>20</b>	<b>9,509</b>	<b>7,097</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 9. FINANCIAL RISK MANAGEMENT

#### Overview

The Funds' investment portfolios consist of investments in unithised funds, derivatives, margin accounts and cash and cash equivalents that they intend to hold for an indefinite period of time for the purpose of generating a return on investments made by the members. 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 of 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 monthly.

#### 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 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 unithised funds.

Section	Description	Tables on page(s)
<b>Maximum exposure to credit risk</b>	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 with credit risk as 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.	4
<b>Credit quality</b>	Where the Funds invest directly in cash and debt securities, credit quality criteria are in place that limits securities to certain minimum Standard & Poor's ('S&P') or its equivalent (Moody's or Fitch) credit rating as per the Funds' investment mandate. Where the Funds invest in unithised funds managed by the Manager (see Note 5), the investment strategies of these unithised funds ensure an appropriate diversification of investments to manage their credit risk.	17
<b>Concentrations of credit risk</b>	The main concentration to which the Funds are exposed to credit risk arises from the Funds' investments in cash.	17
<b>Collateral management</b>	The Funds use collateral for derivative exposures to mitigate credit risk if a counterparty cannot meet its payment obligations from its expected cashflows. For derivatives, the Funds typically terminate all contracts with the counterparty and settle on a net basis at market levels current at the time of a counterparty default under International Swaps and Derivatives Associate (ISDA) Master Agreements. The Funds' preferred practice is to use a Credit Support Annex (CSA) to the ISDA so that open derivative positions with the counterparty are aggregated and cash collateral (or other forms of eligible collateral) is exchanged each business day. The collateral is provided by the counterparty when their position is out of the money (or provided to the counterparty by the Fund with its position is out of the money).	22

## NOTES TO THE FINANCIAL STATEMENTS

### Credit Quality

Item	Counterparty	S&P credit rating	
		2018	2017
Cash and cash equivalents	ANZ Bank New Zealand (see Note 12)	AA-	AA-
Forward foreign exchange contracts	ANZ Bank New Zealand (see Note 12), Bank of New Zealand, Westpac Banking Corporation	AA-	AA-

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

### Currency risk

Currency 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 currency 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.

## NOTES TO THE FINANCIAL STATEMENTS

Fund	Approach to currency risk management
Conservative Balanced Fund Balanced Growth Fund Growth Fund	International Equities Actively hedged with a benchmark of 65% and a range of 0% to 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 58% (2017: 60%) of their foreign currency exposure in the ANZ Wholesale International Share Fund.
Conservative Fund Conservative Balanced Fund Balanced Fund Balanced Growth Fund Growth Fund	Australasian Equities 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 40% (2017: 48%) of their Australian dollar exposure through their investments in the ANZ Wholesale Australian Share Fund and the ANZ Wholesale Australasian Share Fund.
Conservative Fund	International Equities Actively hedged with a benchmark of 65% and a range of 0% to 100% for their foreign currency exposure through their investment in the ANZ Wholesale International Share Index Fund . As at balance date the fund was hedging approximately 59% of their foreign currency exposure in the ANZ Wholesale International Share Index Fund.
Conservative Balanced Fund Balanced Fund Balanced Growth Fund Growth Fund	International Property Exposure to international property through its investments in the underlying fund is 100% passively hedged within the underlying fund.
Conservative Fund Conservative Balanced Fund Balanced Fund Balanced Growth Fund Growth Fund	International Fixed Interest Exposure to international fixed interest through their investment in the underlying fund is 100% passively hedged within the underlying fund.
Conservative Fund Conservative Balanced Fund Balanced Fund Balanced Growth Fund Growth Fund	Australasian Property Exposure to Australasian property through their investment in the underlying fund is 100% passively hedged within the underlying fund.

The fair value of these contracts is set out in Note 5.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 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 unithised 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 unithised funds which hold cash, fixed interest and debt securities as part of their investment mandate.

### Other price risk

Other price risk is the risk that the value of the Funds' investment portfolios will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk.

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

The Funds trade in financial instruments such as other unithised funds. 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 each business day.

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

	% change in unit price	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
		2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
As at 31 March		3,506	3,941	154	123	500	379	564	428	517	365	-	-	5,241	5,236
Change in the fair value of investments in other unithised funds (excluding ANZ Wholesale Cash Fund) based on the percentage change in their unit prices	<b>+0.50%</b> <b>-0.50%</b>	(3,506)	(3,941)	(154)	(123)	(500)	(379)	(564)	(428)	(517)	(365)	-	-	(5,241)	(5,236)

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

Each business day the Funds are exposed to 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 contractual maturity dates of 12 and 27 April 2018.

Futures contracts are typically settled quarterly. 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 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 on each business day through the review of cash flow information which highlights current and known future levels of redemptions.

## NOTES TO THE FINANCIAL STATEMENTS

### 10. FAIR VALUE MEASUREMENT

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

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

Cash and cash equivalents, margin accounts, other receivables and other payables are not measured at fair value. They are carried at amortised cost and their carrying value approximates their fair value. For purposes of fair value hierarchy, they are considered to be Level 2 assets and liabilities (2017: Level 2).

The forward foreign exchange contracts are considered Level 2 (2017: Level 2) as they are priced using models with observable market inputs. Forward foreign exchange contracts are interpolated using forward rates from WM Company. Margins and swaps used as inputs are generally provided by market participants and brokers.

Level 2 investments also include investments in unithised funds. These investments are priced each business day 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

### 11. OFFSETTING

Financial assets and liabilities are offset in the Statement of Net Assets ( in accordance with NZ IFRS 32 Financial Instruments: Presentation) when there is:

- A current legally enforceable right to set off the recognised amounts in all circumstances; and
- An intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

If the above conditions are not met the financial assets and liabilities are presented on a gross basis.

The Scheme does not have any arrangements that satisfy the conditions necessary to offset financial assets and financial liabilities within the Statement of Net Assets. The financial assets and financial liabilities which have not been offset but which are subject to enforceable master netting agreements (or similar arrangements) and offset in the Statement of Net Assets. Any effect of overcollateralization has been taken into account.

### FINANCIAL ASSETS SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme		
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	
As at 31 March	55	143	2	4	13	23	18	41	19	38	-	-	-	107	249
<b>Derivative instruments</b>															
Gross amounts of recognised financial assets															
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	55	143	2	4	13	23	18	41	19	38	-	-	-	107	249
<b>Related amounts not offset in the Statement of Net Assets:</b>															
Financial instruments (including non-cash collateral)	33	82	2	4	8	17	10	24	12	24	-	-	-	65	151
Cash collateral transferred	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net amount	22	61	-	-	5	6	8	17	7	14	-	-	-	42	98

## NOTES TO THE FINANCIAL STATEMENTS

### FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

As at 31 March	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Derivative instruments</b>														
Gross amounts of recognised financial liabilities	891	558	37	30	232	120	172	362	175	-	-	-	1,846	1,055
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	891	558	37	30	232	120	172	362	175	-	-	-	1,846	1,055
<b>Related amounts not offset in the Statement of Net Assets:</b>														
Financial instruments (including non-cash collateral)	33	82	2	4	8	17	24	12	24	-	-	-	65	151
Cash collateral transferred	307	14	-	-	79	-	102	118	-	-	-	-	606	14
Net amount	551	462	35	26	145	103	148	232	151	-	-	-	1,175	890



## NOTES TO THE FINANCIAL STATEMENTS

### 12. RELATED PARTY TRANSACTIONS

#### The Manager

The Manager is a wholly owned subsidiary of ANZ Bank New Zealand Limited, the ultimate parent of which is Australia and New Zealand Banking Group Limited. All related party transactions are conducted on an arms-length basis in the ordinary course of business and on standard commercial terms and conditions.

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.

#### Investments in products issued by related parties

The Funds invest in:

- Cash and cash equivalents and forward foreign exchange contracts issued by ANZ Bank New Zealand Limited

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
As at 31 March	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Assets:</b>														
Cash and cash equivalents	375	375	8	8	8	8	8	8	8	8	14	13	421	420
Forward foreign exchange contracts	6	71	-	4	-	15	-	20	-	21	-	-	6	131
<b>Total assets</b>	<b>381</b>	<b>446</b>	<b>8</b>	<b>12</b>	<b>8</b>	<b>23</b>	<b>8</b>	<b>28</b>	<b>8</b>	<b>29</b>	<b>14</b>	<b>13</b>	<b>427</b>	<b>551</b>
<b>Liabilities:</b>														
Forward foreign exchange contracts	(557)	(517)	(35)	(28)	(146)	(115)	(211)	(164)	(232)	(167)	-	-	(1,181)	(991)
<b>Total liabilities</b>	<b>(557)</b>	<b>(517)</b>	<b>(35)</b>	<b>(28)</b>	<b>(146)</b>	<b>(115)</b>	<b>(211)</b>	<b>(164)</b>	<b>(232)</b>	<b>(167)</b>	<b>-</b>	<b>-</b>	<b>(1,181)</b>	<b>(991)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Income received from related party transactions were as follows:

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>For the year ended 31 March</b>														
Interest income (cash and cash equivalents and term deposits)	\$000 18	\$000 24	\$000 1	\$000 1	\$000 1	\$000 1	\$000 2	\$000 1	\$000 1	\$000 1	\$000 -	\$000 -	\$000 22	\$000 29
Net change in fair value of investment assets and liabilities held for trading	\$000 846	\$000 1,907	\$000 58	\$000 75	\$000 248	\$000 350	\$000 542	\$000 564	\$000 388	\$000 564	\$000 -	\$000 -	\$000 1,915	\$000 3,438
<b>Total income from related party transactions</b>	\$000 864	\$000 1,931	\$000 59	\$000 76	\$000 249	\$000 351	\$000 544	\$000 376	\$000 389	\$000 565	\$000 -	\$000 -	\$000 1,937	\$000 3,467

### Membership fees

During the reporting period membership fees of \$2,149,000 were deducted from the Scheme and paid to the Manager by cancelling units in members' accounts (2017: \$2,190,000). 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 Default KiwiSaver Scheme	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
The Manager receives the following percentage per annum of the net asset value of the Funds, determined upon each valuation day:	0.45%	0.45%	0.85%	0.85%	0.90%	0.90%	0.95%	0.95%	1.00%	1.00%	0.33%	0.33%		
Management fees payable to the Manager at the end of the year which is paid within 15 days of balance date:	\$000 405	\$000 389	\$000 26	\$000 21	\$000 89	\$000 66	\$000 102	\$000 76	\$000 96	\$000 66	\$000 2	\$000 1	\$000 720	\$000 619

## NOTES TO THE FINANCIAL STATEMENTS

### 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 Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Manager's other costs recognised in the Statement of Changes in Net Assets during the year:	358	583	1	9	25	39	28	44	23	35	(8)	(5)	427	705
Amounts payable to the Manager for reimbursement of expenses at the end of the year which is paid within 15 days of balance date:	131	149	5	4	14	13	15	14	14	11	1	1	180	192

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. RECONCILIATION OF NET PROFIT/(LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Conservative Fund		Conservative Fund		Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
For the year ended 31 March																
Net profit attributable to members of the Fund	39,690	33,176	1,539	1,157	5,747	4,553	7,598	6,432	7,429	6,276	103	86	62,106	51,680		
<b>Movement in operating balances</b>																
Investment assets and margin accounts	(36,729)	(77,914)	(7,025)	(5,695)	(28,445)	(20,065)	(30,121)	(19,327)	(32,387)	(16,899)	(1,216)	(841)	(135,923)	(140,741)		
Accrued expenses	(10)	37	5	6	25	19	27	18	34	16	-	-	81	96		
Investment liabilities	333	489	7	28	112	112	152	160	187	163	-	-	791	952		
<b>Net cash flows from/(used in) operating activities</b>	<b>3,284</b>	<b>(44,212)</b>	<b>(5,474)</b>	<b>(4,504)</b>	<b>(22,561)</b>	<b>(15,381)</b>	<b>(22,344)</b>	<b>(12,717)</b>	<b>(24,737)</b>	<b>(10,444)</b>	<b>(1,113)</b>	<b>(755)</b>	<b>(72,945)</b>	<b>(88,013)</b>		

**NOTES TO THE FINANCIAL STATEMENTS****14. 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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>For the year ended 31 March</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>
<b>Units on issue</b>												
Units on issue at the beginning of the year	624,442	597,175	18,621	15,801	54,364	44,623	58,991	50,833	49,067	42,260	3,178	2,635
Units issued during the year	103,009	109,681	7,362	5,488	21,479	15,442	21,455	15,403	22,427	13,606	1,768	1,854
Units redeemed during the year	(104,907)	(82,414)	(4,135)	(2,668)	(8,206)	(5,701)	(8,392)	(7,245)	(7,974)	(6,799)	(984)	(1,311)
<b>Units on issue at the end of the year</b>	<b>622,544</b>	<b>624,442</b>	<b>21,848</b>	<b>18,621</b>	<b>67,637</b>	<b>54,364</b>	<b>72,054</b>	<b>58,991</b>	<b>63,520</b>	<b>49,067</b>	<b>3,962</b>	<b>3,178</b>

  

	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Units redeemed in April for PIE tax payable at 31 March on behalf of members:</b>	<b>(3,744)</b>	<b>(2,692)</b>	<b>(100)</b>	<b>(68)</b>	<b>(346)</b>	<b>(277)</b>	<b>(402)</b>	<b>(377)</b>	<b>(351)</b>	<b>(353)</b>	<b>(15)</b>	<b>(13)</b>



# Independent Auditor's Report

To the members of:

- Conservative Fund;
- Conservative Balanced Fund;
- Balanced Fund;
- Balanced Growth Fund;
- Growth Fund; and
- Cash Fund

Collectively "ANZ Default 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 28:

- i. present fairly in all material respects the Funds' and Scheme's financial position as at 31 March 2018 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 2018;
- the statement of changes in net assets, and statement of cash flows 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 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 undertaken supervisor reporting in line with our obligations under Section 198 and 199 of the Financial Markets Conduct Act 2013 ("FMC Act 2013") and provided other services to the Scheme in relation to semi-annual controls assurance reporting and registry assurance reporting in line with Section 2018 of the FMC Act 2013. Our firm has also provided other services to the Custodian of the Scheme in relation to custodial controls assurance engagement and custodial regulatory gap analysis and readiness review. Subject to certain restrictions, partners and employees of our firm may also deal with the Scheme on normal terms within the ordinary course of trading activities of the business of the Scheme. These matters have not impaired our independence as auditor of the Scheme. The firm has no other relationship with, or interest in, the 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 independent auditor's report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the 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 members as a body for our audit work, this independent auditor's 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:

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

This description forms part of our independent auditor's report.

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

For and on behalf of

A handwritten signature in blue ink, appearing to read 'John Kensington'.

KPMG  
Auckland

23 July 2018