

ASB KiwiSaver Scheme Financial Statements

For the year ended 31 March 2019

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Statements of Changes in Net Assets Available for Benefits

\$ thousands For the year ended 31 March	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2019	2018	2019	2018	2019	2018	2019	2018
Income								
Distribution income	10,453	1,937	43,883	22,836	11,338	7,096	10,020	6,851
Interest income	38	42	298	357	136	137	127	116
Net gains on financial instruments at fair value through profit or loss	310	7,929	186,685	143,588	105,729	73,528	112,626	80,031
Wholesale fee rebate	14	17	412	440	192	179	181	153
Total income attributable to members	10,815	9,925	231,278	167,221	117,395	80,940	122,954	87,151
Employer contributions	18,462	18,788	154,724	169,232	58,025	55,433	53,263	44,012
Member contributions	41,504	43,096	338,943	335,636	169,037	141,348	142,955	117,738
Crown contributions	8,815	9,290	64,078	69,515	24,087	22,471	19,315	15,154
Transfers from other scheme providers	18,825	16,919	53,087	69,549	59,677	67,135	79,588	91,548
Member withdrawals	(48,880)	(34,648)	(192,733)	(147,947)	(67,051)	(46,247)	(41,648)	(27,899)
Management fee expenses deducted	(1,518)	(1,419)	(14,548)	(13,952)	(9,084)	(7,753)	(9,350)	(7,143)
Administration fee expenses deducted	(1,032)	(1,098)	(7,227)	(7,764)	(2,199)	(2,089)	(1,755)	(1,417)
Transfers to other scheme providers	(18,841)	(17,593)	(172,591)	(183,180)	(48,551)	(40,544)	(47,893)	(31,271)
Switches within the scheme	5,129	(10,389)	(284,500)	(224,454)	(35,220)	(39,829)	62,521	66,315
PIE tax paid/payable	(1,617)	(1,485)	(25,434)	(20,678)	(9,294)	(6,864)	(7,562)	(5,985)
Allocated contributions	-	-	-	-	-	-	-	-
Unallocated contributions	-	-	-	-	-	-	-	-
Net benefits accrued to members	31,662	31,386	145,077	213,178	256,822	224,001	372,388	348,203
Total members' funds at the beginning of the year	433,910	402,524	3,647,651	3,434,473	1,442,400	1,218,399	1,311,616	963,413
Total members' funds at the end of the year	465,572	433,910	3,792,728	3,647,651	1,699,222	1,442,400	1,684,004	1,311,616

These statements are to be read in conjunction with the notes on pages 8 to 23 and the Independent Auditor's Report on pages 24 to 27.

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

S thousands For the year ended 31 March	Note	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
		2019	2018	2019	2018	2019	2018
Income							
Distribution income		3,558	3,215	-	-	79,252	41,935
Interest income		168	136	-	-	767	788
Net gains on financial instruments at fair value through profit or loss		176,498	115,026	-	-	581,848	420,102
Wholesale fee rebate		247	186	-	-	1,046	975
Total income attributable to members		180,471	118,563	-	-	662,913	463,800
Employer contributions		86,319	60,996	-	-	370,793	348,461
Member contributions		195,498	137,044	-	-	887,937	774,862
Crown contributions		29,179	20,690	-	-	145,474	137,120
Transfers from other scheme providers		127,470	132,195	-	-	338,647	377,346
Member withdrawals	5	(45,953)	(32,529)	8,151	52	(388,114)	(289,218)
Management fee expenses deducted	6	(13,224)	(9,075)	-	-	(47,724)	(39,342)
Administration fee expenses deducted	6	(2,909)	(2,179)	-	-	(15,122)	(14,547)
Transfers to other scheme providers		(80,638)	(49,099)	-	-	(368,514)	(321,687)
Switches within the scheme		252,070	208,357	-	-	-	-
PIE tax paid/payable		(7,203)	(7,513)	-	-	(51,110)	(42,525)
Allocated contributions		-	-	(23,791)	(19,959)	(23,791)	(19,959)
Unallocated contributions		-	-	1,644	23,739	1,644	23,739
Net benefits accrued to members		721,080	577,450	(13,996)	3,832	1,513,033	1,398,050
Total members' funds at the beginning of the year		1,634,673	1,057,223	23,791	19,959	8,494,041	7,095,991
Total members' funds at the end of the year		2,355,753	1,634,673	9,795	23,791	10,007,074	8,494,041

These statements are to be read in conjunction with the notes on pages 8 to 23 and the Independent Auditor's Report on pages 24 to 27.

Statements of Net Assets Available for Benefits

	Note	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
		2019	2018	2019	2018	2019	2018	2019	2018
\$ thousands									
As at 31 March									
Assets									
Cash and cash equivalents		2,587	2,789	31,796	28,822	14,980	10,725	14,620	10,768
Financial assets at fair value through profit or loss	2	464,396	432,586	3,785,127	3,639,711	1,693,278	1,438,485	1,676,918	1,306,574
Receivables	3	3	80	45	371	24	443	23	652
Total assets		466,986	435,455	3,816,968	3,668,904	1,708,282	1,449,653	1,691,561	1,317,994
Liabilities									
Payables	4	1,414	1,545	24,240	21,253	9,060	7,253	7,557	6,378
Total liabilities		1,414	1,545	24,240	21,253	9,060	7,253	7,557	6,378
Net assets attributable to members		465,572	433,910	3,792,728	3,647,651	1,699,222	1,442,400	1,684,004	1,311,616
Represented by:									
Liability for promised retirement benefits		465,572	433,910	3,792,728	3,647,651	1,699,222	1,442,400	1,684,004	1,311,616


These statements are to be read in conjunction with the notes on pages 8 to 23 and the Independent Auditor's Report on pages 24 to 27.

Statements of Net Assets Available for Benefits (continued)

	Note	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
		2019	2018	2019	2018	2019	2018
Assets							
Cash and cash equivalents		20,389	14,510	10,387	24,193	94,759	91,807
Financial assets at fair value through profit or loss	2	2,342,717	1,627,354	-	-	9,962,436	8,444,710
Receivables	3	36	763	-	-	131	2,309
Total assets		2,363,142	1,642,627	10,387	24,193	10,057,326	8,538,826
Liabilities							
Payables	4	7,389	7,954	592	402	50,252	44,785
Total liabilities		7,389	7,954	592	402	50,252	44,785
Net assets attributable to members		2,355,753	1,634,673	9,795	23,791	10,007,074	8,494,041
Represented by:							
Liability for promised retirement benefits		2,355,753	1,634,673	9,795	23,791	10,007,074	8,494,041

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


 Director
 31 July 2019


 Director
 31 July 2019

These statements are to be read in conjunction with the notes on pages 8 to 23 and the Independent Auditor's Report on pages 24 to 27.

Cash Flow Statements

	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2019	2018	2019	2018	2019	2018	2019	2018
Cash flows from operating activities								
Total income attributable to members	10,815	9,925	231,278	167,221	117,395	80,940	122,954	87,151
Reconciliation of total income to net cash flows from operating activities								
Non cash items:								
Unrealised loss/(gain) on financial instruments at fair value through profit or loss	4,080	(4,591)	74,079	(83,918)	(73,336)	(53,844)	(83,387)	(62,400)
Distribution income reinvested	(10,453)	(1,937)	(43,883)	(22,836)	(11,338)	(7,096)	(10,020)	(6,851)
Net change in investments	(25,437)	(24,174)	(175,612)	(106,619)	(170,119)	(162,106)	(276,937)	(276,671)
Net change in receivables	1	(1)	10	(4)	(1)	(4)	(2)	(5)
Net cash flows from operating activities	(20,994)	(20,778)	85,872	(46,156)	(137,399)	(142,110)	(247,392)	(258,776)
Cash flows from financing activities								
Cash was provided from:								
Employer contributions	18,462	18,788	154,724	169,232	58,025	55,433	53,263	44,012
Member contributions	41,504	43,096	338,943	335,636	169,037	141,348	142,955	117,738
Crown contributions	8,815	9,290	64,078	69,515	24,087	22,471	19,315	15,154
Transfers from other scheme providers	18,825	16,919	53,087	69,549	59,677	67,135	79,588	91,548
Switches within the scheme	5,090	-	-	-	-	-	62,767	66,069
Unallocated contributions	-	-	-	-	-	-	-	-
Total cash inflows provided from financing activities	92,696	88,093	610,832	643,932	310,826	286,387	357,888	334,521
Cash was applied to:								
Member withdrawals	(48,976)	(34,552)	(194,257)	(146,423)	(67,649)	(45,649)	(42,061)	(27,486)
Management fees deducted	(1,518)	(1,419)	(14,548)	(13,952)	(9,084)	(7,753)	(9,350)	(7,143)
Administration fees deducted	(1,032)	(1,098)	(7,227)	(7,764)	(2,199)	(2,089)	(1,755)	(1,417)
Transfers out to other schemes	(18,841)	(17,593)	(172,591)	(183,180)	(48,551)	(40,544)	(47,893)	(31,271)
Switches within the scheme	-	(10,350)	(285,133)	(223,821)	(35,183)	(39,866)	-	-
PIE tax paid on behalf of members	(1,537)	(1,519)	(19,974)	(16,110)	(6,506)	(5,461)	(5,585)	(4,894)
Total cash outflows applied to financing activities	(71,904)	(66,531)	(693,730)	(591,250)	(169,172)	(141,362)	(106,644)	(72,211)
Net cash flows from financing activities	20,792	21,562	(82,898)	52,682	141,654	145,025	251,244	262,310
Summary of movements in cash flows								
Net (decrease)/increase in cash and cash equivalents	(202)	784	2,974	6,526	4,255	2,915	3,852	3,534
Add: cash and cash equivalents at beginning of the year	2,789	2,005	28,822	22,296	10,725	7,810	10,768	7,234
Cash and cash equivalents at end of the year	2,587	2,789	31,796	28,822	14,980	10,725	14,620	10,768
Additional operating cash flow information								
Interest received as cash	38	41	302	355	136	135	126	114
Purchase of investments	(54,344)	(44,310)	(1,037,736)	(305,400)	(289,902)	(226,361)	(400,679)	(336,018)
Sale of investments	28,907	20,136	862,124	198,781	119,783	64,255	123,742	59,347

These statements are to be read in conjunction with the notes on pages 8 to 23 and the Independent Auditor's Report on pages 24 to 27.

Cash Flow Statements (continued)

	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2019	2018	2019	2018	2019	2018
\$ thousands						
For the year ended 31 March						
Cash flows from operating activities						
Total income attributable to members	180,471	118,563	-	-	662,913	463,800
Reconciliation of total income to net cash flows from operating activities						
Non cash items:						
Unrealised gain on financial instruments at fair value through profit or loss	(138,408)	(92,070)	-	-	(216,972)	(296,823)
Distribution income reinvested	(3,558)	(3,215)	-	-	(79,252)	(41,935)
Net change in investments	(573,397)	(478,038)	-	-	(1,221,502)	(1,047,608)
Net change in receivables	(9)	(8)	-	-	(1)	(22)
Net cash flows from operating activities	(534,901)	(454,768)	-	-	(854,814)	(922,588)
Cash flows from financing activities						
Cash was provided from:						
Employer contributions	86,319	60,996	(1,045)	(1,979)	369,748	346,482
Member contributions	195,498	137,044	(18,269)	(3,206)	869,668	771,656
Crown contributions	29,179	20,690	(1)	(185)	145,473	136,935
Transfers from other scheme providers	127,470	132,195	(4,424)	(14,568)	334,223	362,778
Switches within the scheme	252,459	207,968	-	-	320,316	274,037
Unallocated contributions	-	-	1,644	23,739	1,644	23,739
Total cash inflows/(outflows) provided from financing activities	690,925	558,893	(22,095)	3,801	2,041,072	1,915,627
Cash was applied to:						
Member withdrawals	(46,394)	(32,088)	8,099	31	(391,238)	(286,167)
Management fees deducted	(13,224)	(9,075)	-	-	(47,724)	(39,342)
Administration fees deducted	(2,909)	(2,179)	-	-	(15,122)	(14,547)
Transfers out to other schemes	(80,638)	(49,099)	-	-	(368,514)	(321,687)
Switches within the scheme	-	-	-	-	(320,316)	(274,037)
PIE tax (paid)/received on behalf of members	(6,980)	(4,737)	190	98	(40,392)	(32,623)
Total cash (outflows)/inflows applied to financing activities	(150,145)	(97,178)	8,289	129	(1,183,306)	(968,403)
Net cash flows from financing activities	540,780	461,715	(13,806)	3,930	857,766	947,224
Summary of movements in cash flows						
Net increase/(decrease) in cash and cash equivalents	5,879	6,947	(13,806)	3,930	2,952	24,636
Add: cash and cash equivalents at beginning of the year	14,510	7,563	24,193	20,263	91,807	67,171
Cash and cash equivalents at end of the year	20,389	14,510	10,387	24,193	94,759	91,807
Additional operating cash flow information						
Interest received as cash	165	133	-	-	767	778
Purchase of investments	(828,961)	(560,223)	-	-	(2,611,622)	(1,472,312)
Sale of investments	255,564	82,185	-	-	1,390,120	424,704

These statements are to be read in conjunction with the notes on pages 8 to 23 and the Independent Auditor's Report on pages 24 to 27.

Notes to the Financial Statements

For the year ended 31 March 2019

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, Moderate Fund, Balanced Fund and Growth Fund, as well as the 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 (Disclose Register Scheme number SCH10678). 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. The Manager holds a Managed Investment Scheme Manager Licence under Part 6 of the Financial Markets Conduct Act 2013 (the "Act"). The Scheme is a registered scheme in accordance with the Act.

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 2019 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 for-profit entities. These financial statements also comply with International Financial Reporting Standards.

New standards effective 1 April 2018

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

NZ IAS 26 *Accounting and Reporting of Retirement Benefit Plans*, requires the Scheme to measure investments at fair value. In respect of other financial instruments, NZ IFRS 9, which replaced NZ IAS 39 *Financial Instruments: Recognition and Measurement* ("NZ IAS 39"), was adopted on 1 April 2018. The standard covers three broad topics: classification and measurement, impairment and hedge accounting. Under NZ IFRS 9, classification and measurement of financial instruments is driven by the entity's business model for managing the financial instrument and the contractual cash flow characteristics of the financial instrument.

NZ IFRS 9 also introduces a new expected credit loss ("ECL") impairment model that replaces the incurred loss impairment model for financial assets used in NZ IAS 39.

As permitted by the transitional provisions of NZ IFRS 9, the Scheme has elected not to restate comparative information on initial application of NZ IFRS 9. Any adjustments to the carrying amount of financial assets and liabilities at the date of transition were recognised in opening liability for promised retirement benefits.

On transition, there was no change to the classification or measurement of financial instruments as outlined in the "New Accounting Standards Adopted 1 April 2018" section below. Specific NZ IFRS 9 accounting policies applied in the current year (as well as the previous NZ IAS 39 accounting policies applied for the year ended 31 March 2018) are described within each relevant accounting policy section below. The Scheme's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption of the new impairment model. The Scheme does not apply hedge accounting.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2018 that have a material effect on the financial statements of the Scheme.

New standards, amendments and interpretations effective after 1 April 2019

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements.

Notes to the Financial Statements

For the year ended 31 March 2019

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

The following particular accounting policies have been applied on a consistent basis except where noted.

- **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* ("NZ IFRS 10") and is accounting for its investment in the following subsidiaries at fair value through profit or loss.

Subsidiary	Place of business	Ownership Interest 2019	Ownership Interest 2018
Investors Wholesale Cash Trust	Auckland, New Zealand	73%	75%
Investors Wholesale NZ Corporate Bond Trust	Auckland, New Zealand	74%	77%
Investors Wholesale Global Property (Index) Trust	Auckland, New Zealand	76%	69%

- **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:

- Distribution income is recognised when the right to a distribution is established with any related foreign withholding tax recorded as an expense.
- Interest income is recognised using the effective interest method.
- Any unrealised gains or losses arising from the revaluation of financial assets and liabilities, along with realised gains or losses from the sale of investments during the year are included in the Statements of Changes in Net Assets Available for Benefits as net gains/(losses) on financial instruments at fair value through profit or loss.
- Other income and wholesale fee rebates are recognised on an accrual 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 Statements 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 through redemptions of units, 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 2019

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.

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.

Accounting policy effective 1 April 2018

CLASSIFICATION AND MEASUREMENT

Financial asset debt instruments are classified on the basis of two criteria

- the business model within which financial assets are managed, and
- their contractual cashflow characteristics (whether the cashflows represent 'solely payments of principal and interest' ("SPPI")).

The Scheme assesses the business model at a portfolio level. Information that is considered in determining the business model includes:

- policies and objectives for the relevant portfolio;
- how the performance and risks of the portfolio are managed, evaluated and reported to management; and
- the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

In assessing whether contractual cashflows are SPPI, the Scheme considers the contractual terms of the instrument. In making the assessment, the Scheme also considers the following primary terms and assesses if the contractual cashflows of the instruments meet the SPPI test:

- performance linked features
- non-recourse arrangements
- prepayment and extension terms,
- contingent and leverage features, and
- features that modify elements of the time value of money.

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit and loss where transaction costs are expensed as incurred.

Equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

Notes to the Financial Statements

For the year ended 31 March 2019

1 Statement of Accounting Policies (continued) Particular Accounting Policies (continued)

Financial instruments are classified under the following categories:

Financial Assets Measured at Amortised Cost

Financial assets with contractual cash flows that comprise SPPI, and which are held in a business model whose objective is to collect their contractual cash flows are measured at amortised cost. Financial assets measured at amortised cost are initially recognised at fair value including transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial assets measured at amortised cost 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. Unallocated 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, contributions or distributions. The consideration to be received from the sales of investments that are unsettled as at balance date are also included in receivables.

Financial Instruments at Fair Value through Profit or Loss

Financial assets with contractual cash flows that do not represent SPPI, or which are held under a different business model (i.e. not held to collect contractual cash flows) are subsequently measured at fair value through profit or loss. The portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the documented investment strategy. The Scheme is primarily focused on fair value information and uses that information to assess performance and to make decisions. The collection of contractual cash flows is only incidental to achieving the Scheme's business model's objective. The Scheme has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at fair value through profit or loss.

Any change in the fair values of financial assets and liabilities at fair value through profit or loss are disclosed in the Statements of Changes in Net Assets Available for Benefits as net gains/(losses) on financial instruments at fair value through profit or loss.

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 may include payables comprising accrued expenses, withdrawals payable or the consideration to be paid for the purchase of investments that are unsettled as at balance date.

Impairment on Financial Assets

The Scheme only holds receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, applies the simplified approach for ECL under NZ IFRS 9 to all its receivables. Therefore the Scheme does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date.

The Scheme's approach to ECL reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Scheme uses a provision matrix as a practical expedient to measuring ECL on receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables.

Any impairment losses are recognised in the Statements of Changes in Net Assets Available for Benefits.

Notes to the Financial Statements

For the year ended 31 March 2019

1 Statement of Accounting Policies (continued)

Particular Accounting Policies (continued)

Accounting policy prior to 1 April 2018:

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 Statements 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 the Statements 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 Statements of Changes in Net Assets Available for Benefits.

Loans and receivables include Cash and cash equivalents and 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, withdrawals payable and consideration to be paid for purchases of investments that are unsettled as at balance date.

• Cash Flow Statements

The Cash Flow Statements have been prepared using the indirect method by which total income is adjusted for non-cash transactions and movements in Statement of Net Assets Available for Benefits accounts relating to operating activities. For presentation purposes, payments and receipts relating to the purchase and sale of investments are classified as cash flows from operating activities, as trading in the fair value of these investments represents the Scheme's main income-generating activity.

Net Assets Attributable to Members (represented by the liability for promised retirement benefits)

The value attributable to the members is the residual value of the assets of the Scheme after all liabilities have been deducted. 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*.

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 Statements of Changes in Net Assets Available for Benefits, rather than as contributions and withdrawals.

Notes to the Financial Statements

For the year ended 31 March 2019

1 Statement of Accounting Policies (continued)

Particular Accounting Policies (continued)

New Accounting Standards Adopted 1 April 2018

The following table shows the original measurement classifications under NZ IAS 39 and the new measurement classifications under NZ IFRS 9 for each of the Scheme's financial assets and financial liabilities.

Note	Original classification under NZ IAS 39	New classification under NZ IFRS 9
	Loans and receivables	Amortised cost
	Designated at fair value through profit or loss	Mandatorily at fair value through profit or loss
	Loans and receivables	Amortised cost
	Amortised cost	Amortised cost

Financial Assets

Cash and cash equivalents

Financial assets at fair value through profit or loss
(a)

Receivables

Financial Liabilities

Payables

(a) Under NZ IAS 39, these financial assets were designated as at fair value through profit or loss as they were managed on a fair value basis and their performance was monitored on this basis. These assets are now mandatorily measured at fair value through profit or loss under NZ IFRS 9.

There has been no impact to the carrying amounts of financial assets or financial liabilities and no impact on the liability for promised retirement benefits.

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. Estimates are continually evaluated and are based on historical experience among other factors, including expectation of future events that are believed to be reasonable under the circumstances. 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. See note 7 *Fair Value of Financial Instruments* for further details.

Classification as an investment entity

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

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

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

- It holds more than one investment;
- It has more than one investor; and
- Ownership interest in the Scheme is represented by units of members' interests.

This conclusion is reassessed on a regular basis and if the characteristics change. Refer to "Basis of Consolidation" section above for the subsidiaries that are not consolidated.

Notes to the Financial Statements

For the year ended 31 March 2019

2 Financial Assets at Fair Value through Profit or Loss

	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2019	2018	2019	2018	2019	2018	2019	2018
Investors Wholesale Australasian Equity (Index) Trust	-	-	621,357	363,948	364,266	302,010	539,909	411,490
Investors Wholesale Cash Trust	464,396	432,586	730,089	851,332	189,557	162,361	85,633	68,535
Investors Wholesale NZ Fixed Interest Trust	-	-	344,403	476,633	179,239	152,125	67,518	52,643
Investors Wholesale Global Credit (Index) Trust	-	-	514,394	294,709	110,673	94,621	168,405	132,236
Investors Wholesale Global Government Bond (Index) Trust	-	-	908,640	585,972	253,761	217,079	234,269	184,045
Investors Wholesale Global Equity (Index) Trust	-	-	152,901	370,548	187,570	161,072	379,431	299,307
Investors Wholesale NZ Corporate Bond Trust	-	-	513,343	696,569	271,413	231,793	100,641	78,960
Investors Wholesale Global Property (Index) Trust	-	-	-	-	68,739	59,419	16,979	13,496
Investors Wholesale Emerging Markets Equities Trust	-	-	-	-	68,060	58,005	84,133	65,862
Total financial assets at fair value through profit or loss	464,396	432,586	3,785,127	3,639,711	1,693,278	1,438,485	1,676,918	1,306,574

	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2019	2018	2019	2018	2019	2018
Investors Wholesale Australasian Equity (Index) Trust	836,285	568,291	-	-	2,361,817	1,645,739
Investors Wholesale Cash Trust	25,866	20,555	-	-	1,495,541	1,535,369
Investors Wholesale NZ Fixed Interest Trust	94,200	40,898	-	-	685,360	722,299
Investors Wholesale Global Credit (Index) Trust	-	-	-	-	793,472	521,566
Investors Wholesale Global Government Bond (Index) Trust	175,123	187,918	-	-	1,571,793	1,175,014
Investors Wholesale Global Equity (Index) Trust	811,811	570,516	-	-	1,531,713	1,401,443
Investors Wholesale NZ Corporate Bond Trust	152,114	65,433	-	-	1,037,511	1,072,755
Investors Wholesale Global Property (Index) Trust	106,467	75,502	-	-	192,185	148,417
Investors Wholesale Emerging Markets Equities Trust	140,851	98,241	-	-	293,044	222,108
Total financial assets at fair value through profit or loss	2,342,717	1,627,354	-	-	9,962,436	8,444,710

As ASB Group Investments Limited is the Manager of the Investors Wholesale Trusts (the "Trusts"), these Trusts are deemed to be related parties (refer to note 6).

Notes to the Financial Statements

For the year ended 31 March 2019

3 Receivables

\$ thousands As at 31 March	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2019	2018	2019	2018	2019	2018	2019	2018
Interest receivable from ASB Bank Limited	2	2	11	15	7	7	7	6
Fee rebate receivable from ASB Group Investments Limited	1	2	34	40	17	16	16	15
Contributions receivable	-	76	-	316	-	420	-	631
Total receivables	3	80	45	371	24	443	23	652

\$ thousands As at 31 March	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2019	2018	2019	2018	2019	2018
Interest receivable from ASB Bank Limited	11	8	-	-	38	38
Fee rebate receivable from ASB Group Investments Limited	25	19	-	-	93	92
Contributions receivable	-	736	-	-	-	2,179
Total receivables	36	763	-	-	131	2,309

These receivables are not past due or impaired.

Notes to the Financial Statements

For the year ended 31 March 2019

4 Payables

\$ thousands As at 31 March	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2019	2018	2019	2018	2019	2018	2019	2018
PIE tax payable to Inland Revenue	1,414	1,334	24,240	18,780	9,060	6,272	7,557	5,580
Withdrawals payable	-	211	-	2,473	-	981	-	798
Total payables	1,414	1,545	24,240	21,253	9,060	7,253	7,557	6,378

\$ thousands As at 31 March	Growth Fund		Scheme Transactions Account		ASB Kiwisaver Scheme	
	2019	2018	2019	2018	2019	2018
PIE tax payable to Inland Revenue	7,389	7,166	592	402	50,252	39,534
Withdrawals payable	-	788	-	-	-	5,251
Total payables	7,389	7,954	592	402	50,252	44,785

Notes to the Financial Statements

For the year ended 31 March 2019

5 Member Withdrawals

During the year withdrawals made by members were categorised as follows:

\$ thousands For the year ended 31 March	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2019	2018	2019	2018	2019	2018	2019	2018
Retirement	24,257	19,436	98,405	66,868	32,610	17,769	18,661	10,173
Withdrawals for death	611	684	4,821	4,970	1,738	1,624	1,732	1,397
Withdrawals for serious illness	1,017	260	3,399	2,761	1,509	901	897	487
Withdrawals for significant financial hardship	1,133	1,387	6,402	8,537	1,952	1,741	1,331	985
Withdrawals for first home purchase	21,474	12,123	75,258	60,694	27,596	22,624	16,753	13,320
Withdrawals for permanent emigration	314	747	3,555	3,295	1,333	1,351	1,081	1,082
Other permitted withdrawals	74	11	893	822	313	237	1,193	455
Total withdrawals	48,880	34,648	192,733	147,947	67,051	46,247	41,648	27,899

\$ thousands For the year ended 31 March	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2019	2018	2019	2018	2019	2018
Retirement	11,298	6,758	-	-	185,231	121,004
Withdrawals for death	991	615	-	-	9,893	9,290
Withdrawals for serious illness	699	513	-	-	7,521	4,922
Withdrawals for significant financial hardship	2,421	1,851	-	-	13,239	14,501
Withdrawals for first home purchase	28,250	21,081	-	-	169,331	129,842
Withdrawals for permanent emigration	1,790	1,416	-	-	8,073	7,891
Other permitted withdrawals	504	295	(8,151)	(52)	(5,174)	1,768
Total withdrawals	45,953	32,529	(8,151)	(52)	388,114	289,218

Notes to the Financial Statements

For the year ended 31 March 2019

6 Related Party Transactions and Balances

All transactions entered into with related parties during the year ended 31 March 2019 and 31 March 2018 were conducted on an arm's length basis and on normal commercial terms. The following are considered to be related parties:

- ASB Group Investments Limited (the Manager) and ASB Bank Limited. ASB Group Investments Limited is a wholly owned subsidiary of ASB Bank Limited. Both companies are members of the Commonwealth Bank of Australia Group. All other members of the Commonwealth Bank of Australia Group are considered to be related parties;
- Public Trust (the Supervisor); and
- Investors Wholesale Trusts (the Trusts) as listed in note 2.

Transactions with related parties:

- All income recognised by the Scheme are from related parties;
- The administration and management fees deducted by the Manager are disclosed in the Statements of Changes in Net Assets Available for Benefits. The Manager accounts for fees on behalf of members through the redemption of units. The fees are recorded by the Scheme once they are deducted. The Management fees and Administration fees that have not yet been deducted from member funds for March 2019 are \$4,512,000 and \$1,277,000 respectively. The administration fee is waived for employees of the Commonwealth Bank of Australia Group.
- The Scheme has invested into the Trusts. The Scheme and the Trusts have the same Manager. Management fees charged to those Trusts are rebated and shown under "Wholesale fee rebate" in the Statements of Changes in Net Assets Available for Benefits;
- The Manager incurs audit and supervisor fees on behalf of the Scheme. During the year:
 - PricewaterhouseCoopers charged the Manager: \$41,000 for the audit of the Scheme's financial statements (2018: \$40,000) and \$9,000 for Registry and Regulatory reporting compliance services for the Scheme (2018: \$8,000); and
 - Public Trust charged the Manager \$1,789,000 for supervisor fees (2018: \$1,525,000).
- Purchases and sales of investments in the Trusts are separately disclosed in the Cash Flow Statements;
- Related parties such as ASB Bank Limited offer financial products (for example, derivatives, term deposits or as an arranger of corporate bonds) that the Trusts may invest in. ASB Group Investments Limited ensures all related party financial products are purchased on arm's length terms and are authorised investments of the Scheme; and
- The Directors of the Manager and other related parties may be members of the Scheme. They contribute on the same basis and have the same rights as the other members.

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;
- Investments held in the Trusts as detailed in note 2; and
- Amounts due from related parties as detailed in note 3.

Notes to the Financial Statements

For the year ended 31 March 2019

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 2019 and 31 March 2018.

As at 31 March 2019 and 31 March 2018, 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 2 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 managed 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 2019 and 31 March 2018 there were no significant adjustments made to the latest available withdrawal price of the respective managed 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 2019 and 31 March 2018.

Notes to the Financial Statements

For the year ended 31 March 2019

8 Financial Risk Management

The overall investment objective is to achieve capital growth through investing in a selection of debt and equity instruments. 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 on the basis of the fund's direct investments (refer to note 2) and not on a look through basis for investments held directly through the 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.

Price Risk

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. Price risk is controlled by ensuring a diverse range of investments, limits on counterparty exposure and restrictions on types of instruments. For investments denominated in New Zealand dollars but with an indirect foreign exchange exposure, the price risk sensitivity disclosures below include this indirect foreign exchange exposure.

Had the daily market price of the managed funds investments increased or decreased by the percentages outlined in the table below (volatility estimate) with all other variables held constant, the increase or decrease respectively in income and net assets attributable to members (excluding tax) would amount to the following:

	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2019	2018 [*]	2019	2018 [*]	2019	2018 [*]	2019	2018 [*]
\$ thousands For the year ended 31 March	2,322	2,163	37,851	36,397	33,866	28,770	41,923	32,664
Increase/decrease in: income/net assets attributable to members	0.5%	0.5%	1.0%	1.0%	2.0%	2.0%	2.5%	2.5%
Volatility estimate								

	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2019	2018 [*]	2019	2018 [*]	2019	2018 [*]
\$ thousands For the year ended 31 March	70,282	48,821	-	-	186,244	148,815
Increase/decrease in: income/net assets attributable to members	3.0%	3.0%	N/A	N/A	1.9%	1.8%
Volatility estimate						

The percentages of volatility estimate were selected as the reasonably possible change based on historical experience. Actual movements may be significantly different from this and will vary by fund depending on the investments held. In the prior year, 5% was applied to each fund however this has been updated to the above volatility estimates which are deemed to better reflect the reasonable sensitivity of each fund.

^{*} Prior year comparatives have been restated to conform with current year presentation

Notes to the Financial Statements

For the year ended 31 March 2019

8 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 is not reflected in 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 attributable to members (excluding tax) would amount to approximately:

	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2019	2018	2019	2018	2019	2018	2019	2018
Increase/decrease in: income/net assets attributable to members	26	28	318	288	150	107	146	108

	Growth Fund		Scheme Transactions Account		ASB KiwiSaver Scheme	
	2019	2018	2019	2018	2019	2018
Increase/decrease in: income/net assets attributable to members	204	145	104	242	948	918

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 managed funds investments. Where these investments are denominated in New Zealand dollars but subject to an indirect foreign exchange exposure, their sensitivity to foreign exchange exposure is reflected within the price risk sensitivity disclosed above.

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.

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 12 months.

Notes to the Financial Statements

For the year ended 31 March 2019

8 Financial Risk Management (continued)

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Scheme by failing to discharge an obligation. The Scheme is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. The majority of the Scheme's assets are Investments (Financial assets at fair value through profit or loss), which is not in scope of NZ IFRS 9's impairment requirements. The Scheme is also exposed to counterparty credit risk on receivables and cash and cash equivalents (subject to NZ IFRS 9's impairment requirements). 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.

The Scheme invests in the Trusts as detailed in Note 2. Where the Trusts hold cash or 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-.

The Manager considers the disclosed restrictions on credit quality of the Trusts, along with the process of diversification, provision for in specie redemptions and/or stock lending, custodian, banker, auditor of the Trusts, and whether the Trusts have a rating from one of the major consultants such as Mercer. The Manager looks through the Trusts 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. The investment mandate provides for an appropriate diversification of investments such that there is no significant concentration of credit.

The Scheme measures credit risk on direct assets using probability of default, exposure at default and loss given default. 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.

At balance date, there is a credit exposure to ASB Bank Limited which has a long term S&P credit rating of AA- (2018: AA-), equal to the amount of cash and cash equivalents. The same amount represents the direct economic sector concentration in the finance and bank sectors.

At 31 March 2019 and 2018, all receivables are held with related counterparties and are due to be settled within 1 month. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on lifetime ECL as any such impairment would be wholly insignificant to the Scheme.

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 2018: 3%).
- Member contribution: 3%, 4% or 8% of employee's pre-tax salary or wages (31 March 2018: 3%, 4% or 8%).

In addition voluntary contributions may have also been received from members. From 1 April 2019, member contribution rates also include an option of 6% and 10% of employee's pre-tax salary or wages. 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 2018: 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 is to safeguard its ability to continue as a going concern in order to provide returns to its members and to maximise the Scheme's members' value as well as ensuring its net assets attributable to members are sufficient to meet all present and future obligations. In order to meet its objectives for capital management the Manager reviews the Scheme's performance on a regular basis.

Notes to the Financial Statements

For the year ended 31 March 2019

9 Capital Commitments and Contingent Liabilities

The Scheme had no capital commitments or contingent liabilities as at 31 March 2019 (31 March 2018: nil)

10 Events after the Reporting Period

ASB KiwiSaver Positive Impact Fund was established on 9 May 2019 and from that date is included in the Scheme. This has no impact on these financial statements but will be included in the Scheme's Financial Statements for the period ended 31 March 2020.

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



Independent auditor's report

To the members of ASB KiwiSaver Scheme (the "Scheme") which comprises:

NZ Cash Fund

Conservative Fund

Moderate Fund

Balanced Fund

Growth Fund

(Collectively referred to as the "Funds")

We have audited the Funds' and the Scheme's financial statements which comprise:

- the statements of net assets available for benefits as at 31 March 2019;
- 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 a statement of accounting policies.

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 2019, their changes 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.

We have provided the following services to ASB Group Investments Limited (the "Manager"): registry compliance assurance reporting and a review of data migration activities. Subject to certain restrictions, employees of our firm may invest in the Funds and the Scheme on normal market terms. These services and relationships have not impaired our independence as auditor of the Funds and the Scheme.

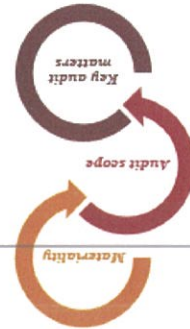
Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. We determine materiality for each Fund and the Scheme separately.

Our materiality is calculated based on approximately 1% of the net assets of each Fund and the Scheme. We used this benchmark because, in our view, the objective of the Funds and the Scheme is to provide members with a total return on the Funds' and the Scheme's net assets, taking account of both capital and income returns.

Because of the significance of the investments to the financial statements, we have determined there is one key audit matter: valuation and existence of financial assets at fair value through profit or loss.



Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the Funds' and the Scheme's financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the Funds' and the Scheme's financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Funds' and the Scheme's financial statements as a whole, taking into account the structure of the Funds and the Scheme, the types of investments held by the Funds, the accounting processes and controls, the use of third party service providers and the industry in which the Funds and the Scheme operate. Certain operational processes which are critical to financial reporting for the Funds and the Scheme are undertaken outside of New Zealand. For these processes we worked with another PwC member firm to understand and evaluate the effectiveness of the controls over those processes and considered the implications for our audit.

The Manager is responsible for the governance and control activities of the Funds and the Scheme. Public Trust (the "Custodian") has been appointed to act as custodian of the Funds' and the Scheme's investments. The Manager has outsourced investment accounting services to Colonial First State Investments Limited (the "Administrator").

In establishing our overall audit approach we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the control environment in place at the Manager and the Administrator.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Funds' and the Scheme's financial statements of the current year. We have one key audit matter, which is valuation and existence of financial assets at fair value through profit or loss. This matter was addressed in the context of our audit of the Funds' and the Scheme's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter

How our audit addressed the key audit matter

Valuation and existence of financial assets at fair value through profit or loss

Refer to note 2 to the financial statements for disclosures of financial assets at fair value through profit or loss for the Funds and the Scheme.

This was an area of focus for our audit as it represents the majority of the net assets of the Funds and the Scheme.

The Funds and the Scheme invest solely into unlisted investment funds managed by the Manager.

The register of the unlisted investment funds is administered by the Administrator and the fair value is based on the redemption price established by the Administrator.

All financial assets are held by the Custodian on behalf of the Funds and the Scheme.

We assessed the processes employed by the Manager for recording and valuing the financial assets at fair value through profit or loss, including the relevant controls operated by the Administrator.

Our assessment of processes included obtaining the service organisation internal control reports over investment accounting and registry services provided by the Administrator. We evaluated the evidence provided by the internal controls report over the design and operating effectiveness of the key controls operated by the Administrator.

We received the Administrator's service organisation internal controls report which covers the period from 1 July 2017 to 30 June 2018 and, for the remaining period to 31 March 2019, we tested the design and operating effectiveness of the key controls operated by the Administrator.

Valuation
For the valuation of the unlisted investment funds, we agreed the redemption price at 31 March 2019 to the confirmation provided by the Administrator.

Existence
For the existence of the unlisted investment funds, we confirmed the Funds' and the Scheme's holdings in the unlisted investment funds with the Custodian and the Administrator.

From the procedures performed, we have no matters to report.

Information other than the financial statements and auditor's report

The Manager is 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. At the time of our audit, there was no other information available to us.

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 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.

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/assurance-standards/auditors-responsibilities/audit-report-1/>

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 Phillip Taylor. For and on behalf of:



Chartered Accountants

31 July 2019

Auckland