

**ANZ DEFAULT KIWISAVER SCHEME
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

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STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March	Note	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Investment Activities															
Income															
Interest income		105	52	-	1	1	3	1	3	1	3	-	-	108	62
Net changes in fair value of investments	5	41,015	62,255	304	2,847	(2,063)	9,585	(5,885)	11,431	(8,865)	10,704	200	189	24,706	97,011
Other income		-	61	-	2	-	5	-	6	-	5	-	-	-	79
Total income/(loss)		41,120	62,368	304	2,850	(2,062)	9,593	(5,884)	11,440	(8,864)	10,712	200	189	24,814	97,152
Expenses															
Management fees	11	4,468	4,823	487	364	1,454	1,157	1,656	1,331	1,560	1,248	22	23	9,647	8,946
Supervisor fees		124	140	6	6	18	17	19	18	17	16	1	1	185	198
Auditor's fees - statutory financial statements		6	6	6	6	6	6	6	6	6	6	6	6	36	36
Auditor's fees - annual report, supervisor reporting, registry audit and semi-annual controls reporting		3	2	3	2	3	2	3	2	3	2	3	2	18	12
Interest expense		1	2	-	-	-	-	-	-	-	-	-	-	1	2
Other expenses	11	293	210	6	-	33	17	37	19	32	16	(6)	(6)	395	256
Total expenses		4,895	5,183	508	378	1,514	1,199	1,721	1,376	1,618	1,288	26	26	10,282	9,450
Net profit/(loss)		36,225	57,185	(204)	2,472	(3,576)	8,394	(7,605)	10,064	(10,482)	9,424	174	163	14,532	87,702

STATEMENT OF CHANGES IN NET ASSETS (continued)

For the year ended 31 March	Note	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Membership Activities															
Net Profit/(loss)		36,225	57,185	(204)	2,472	(3,576)	8,394	(7,605)	10,064	(10,482)	9,424	174	163	14,532	87,702
Contributions from members		92,691	87,933	5,825	4,055	14,007	10,511	14,354	11,867	14,714	11,934	838	510	142,429	126,810
Contributions from employers		46,998	50,290	1,786	1,409	5,302	4,592	6,234	5,761	6,355	5,771	318	207	66,993	68,030
Crown contributions		17,386	18,979	605	465	1,676	1,458	1,908	1,710	2,101	1,882	99	60	23,775	24,554
Transfers in from other schemes		96	67	-	-	-	-	-	1	-	-	-	-	96	68
Transfers in from complying Australian superannuation schemes		1,512	1,311	-	35	319	203	587	603	209	478	-	-	2,627	2,630
Contributions for PIE tax received		32	29	4	2	10	7	25	9	59	11	-	-	130	58
End payment date withdrawals		(24,753)	(19,210)	(1,939)	(1,405)	(1,723)	(1,121)	(1,113)	(470)	(791)	(769)	(1,738)	(1,210)	(32,057)	(24,185)
Withdrawals for first home purchase		(18,324)	(16,677)	(451)	(520)	(1,197)	(825)	(1,905)	(1,719)	(3,068)	(2,632)	(998)	(390)	(25,943)	(22,763)
Withdrawals for significant financial hardship		(2,047)	(1,973)	(46)	(18)	(56)	(27)	(127)	(100)	(173)	(94)	-	(9)	(2,449)	(2,221)
Withdrawals for serious illness		(1,540)	(1,651)	-	(44)	(12)	(257)	(67)	(30)	(103)	(11)	-	-	(1,722)	(1,993)
Withdrawals for permanent emigration		(2,973)	(794)	(86)	(16)	(68)	(28)	(177)	(61)	(100)	(109)	-	-	(3,404)	(1,008)
Withdrawals for death		(1,817)	(1,850)	(10)	(1)	(267)	(53)	(174)	(141)	(168)	(37)	(71)	-	(2,507)	(2,082)
Other permitted withdrawals		(900)	(416)	-	-	(1)	(25)	(1)	(3)	(10)	(4)	(1)	-	(913)	(448)
Transfers out to complying Australian superannuation schemes		(205)	(66)	-	-	-	(57)	-	-	-	(148)	(26)	-	(231)	(271)
Transfers out to other schemes		(76,092)	(79,177)	(2,705)	(1,754)	(9,863)	(7,031)	(11,259)	(6,763)	(12,527)	(7,340)	(826)	(180)	(113,272)	(102,245)
Switches within ANZ Default KiwiSaver		(49,253)	(44,766)	8,911	7,994	10,076	12,306	6,945	10,714	5,836	8,930	17,485	4,822	-	-
Withdrawals for PIE tax paid		(10,429)	(6,714)	(342)	(178)	(937)	(613)	(899)	(722)	(646)	(634)	(41)	(25)	(13,294)	(8,886)
Membership fees paid	11	(1,250)	(1,771)	(29)	(29)	(73)	(82)	(81)	(96)	(99)	(118)	(6)	(6)	(1,538)	(2,102)
Net membership activities		(30,868)	(16,456)	11,523	9,995	17,193	18,958	14,250	20,560	11,589	17,110	15,033	3,779	38,720	53,946
Benefits accrued to members' accounts		5,357	40,729	11,319	12,467	13,617	27,352	6,645	30,624	1,107	26,534	15,207	3,942	53,252	141,648
Members' funds at the beginning of the year		1,101,514	1,060,785	49,911	37,444	144,401	117,049	156,830	126,206	138,272	111,738	9,594	5,652	1,600,522	1,458,874
Members' funds at the end of the year		1,106,871	1,101,514	61,230	49,911	158,018	144,401	163,475	156,830	139,379	138,272	24,801	9,594	1,653,774	1,600,522

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	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Assets															
Cash and cash equivalents		1,219	375	4	4	13	13	15	15	13	13	13	13	1,277	433
Margin accounts		5,827	5,948	-	-	-	-	-	-	-	-	-	-	5,827	5,948
Investment assets	4	1,103,916	1,096,576	61,284	49,950	158,155	144,515	163,608	156,963	139,472	138,397	24,792	9,587	1,651,227	1,595,988
Other receivables	6	9,413	9,621	190	312	6	888	390	875	766	631	36	34	8,489	12,361
Total assets		1,120,375	1,112,520	61,478	50,266	158,174	145,416	164,013	157,853	140,251	139,041	24,841	9,634	1,666,820	1,614,730
Liabilities															
Investment liabilities	4	3,442	706	-	-	-	-	-	-	-	-	-	-	3,442	706
Other payables	7	10,062	10,300	248	355	156	1,015	538	1,023	872	769	40	40	10,760	13,502
Total liabilities		13,504	11,006	248	355	156	1,015	538	1,023	872	769	40	40	14,202	14,208
Net assets attributable to members		1,106,871	1,101,514	61,230	49,911	158,018	144,401	163,475	156,830	139,379	138,272	24,801	9,594	1,652,618	1,600,522
Net assets available for benefits		1,106,871	1,101,514	61,230	49,911	158,018	144,401	163,475	156,830	139,379	138,272	24,801	9,594	1,653,774	1,600,522

On behalf of ANZ New Zealand Investments Limited as Manager who authorised the issue of these financial statements on 27 July 2020.



Annis O'Brien
Director



Craig Mulholland
Director

STATEMENT OF CASH FLOWS

For the year ended 31 March	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme		
	Note	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Cash flows from operating activities															
Interest received		105	52	-	1	1	3	1	3	1	3	-	-	108	62
Other income received		-	61	-	2	-	5	-	6	-	5	-	-	-	79
Net sales and purchases of investments		36,532	21,472	(11,030)	(9,635)	(15,703)	(17,778)	(12,530)	(19,207)	(9,940)	(15,843)	(15,005)	(3,758)	(27,676)	(44,749)
Management fees paid		(4,529)	(4,810)	(477)	(355)	(1,437)	(1,140)	(1,643)	(1,309)	(1,550)	(1,229)	(22)	(21)	(9,658)	(8,864)
Supervisor fees paid		(127)	(146)	(5)	(6)	(17)	(17)	(18)	(18)	(17)	(16)	(1)	(1)	(185)	(204)
Other expenses paid		(296)	(242)	(14)	(8)	(38)	(26)	(43)	(27)	(38)	(25)	(3)	(2)	(432)	(330)
Net cash flows from/(used in) operating activities	12	31,685	16,387	(11,526)	(10,001)	(17,194)	(18,953)	(14,233)	(20,552)	(11,544)	(17,105)	(15,031)	(3,782)	(37,843)	(54,006)
Cash flows from financing activities															
Proceeds from contributions by members		158,683	158,580	8,216	5,964	21,304	16,764	23,083	19,942	23,379	20,065	1,255	777	235,920	222,092
Payments for redemptions by members		(128,651)	(121,814)	(5,237)	(3,758)	(13,187)	(9,424)	(14,823)	(9,287)	(16,940)	(11,144)	(3,660)	(1,789)	(182,498)	(157,216)
PIE tax paid on behalf of members		(10,370)	(6,616)	(335)	(174)	(926)	(606)	(891)	(714)	(632)	(623)	(43)	(23)	(13,197)	(8,756)
Switches within ANZ Default KiwiSaver		(49,253)	(44,766)	8,911	7,994	10,076	12,306	6,945	10,714	5,836	8,930	17,485	4,822	-	-
Membership fees paid		(1,250)	(1,771)	(29)	(29)	(73)	(82)	(81)	(96)	(99)	(118)	(6)	(6)	(1,538)	(2,102)
Net cash flows from/(used in) financing activities		(30,841)	(16,387)	11,526	9,997	17,194	18,958	14,233	20,559	11,544	17,110	15,031	3,781	38,687	54,018
Net change in cash and cash equivalents		844	-	-	(4)	-	5	-	7	-	5	-	(1)	844	12
Cash and cash equivalents at beginning of year		375	375	4	8	13	8	15	8	13	8	13	14	433	421
Cash and cash equivalents at end of year		1,219	375	4	4	13	13	15	15	13	13	13	13	1,277	433

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 27 July 2020.

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. Actual results may differ from these estimates.

Discussion of the critical accounting estimates, which include complex or subjective decisions or assessments, are included in Note 4 and Note 9. Such estimates will require review in future periods.

Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these financial statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and house prices). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and
- the effectiveness of government and central bank measures that have been, and will be, put in place to support businesses and consumers through this disruption and economic downturn.

The significant accounting estimates impacted by these uncertainties are predominantly related to fair value measurement. The prospect of substantially reduced global economic activity has caused volatility in the financial markets and such volatility may continue.

NOTES TO THE FINANCIAL STATEMENTS

(iii) Basis of measurement

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

The Manager has assessed the Funds' ability to continue as a going concern considering the impact of COVID-19, including a review of the level of market fluctuations and withdrawals from 31 March 2020 to signing date. There are no indicators that the Funds will not continue to operate as a going concern.

(iv) Changes in accounting policies and adoption of new standards and amendments

There have been no other changes in accounting policies, standards issued not yet effective 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) 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.

(vii) 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.

(viii) 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 and PIE tax which is shown in net in the Statement of Net Assets for the Scheme as disclosed in Note 2(c).

(ix) 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.

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.

(d) Assets and liabilities

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

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

(ii) 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.

(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) Investment entity and subsidiaries

The Scheme has multiple unrelated investors who hold multiple investments.

Ownership interests in the Funds are in the form of units, which are classified as puttable instruments in accordance with NZ IAS 32: Financial Instruments: Presentation, and are exposed to variable returns from changes in the fair value of the Funds' net assets.

These separate financial statements are the only financial statements for the Funds and no consolidated financial statements are required as the Funds meet the definition of an Investment Entity and thus do not consolidate subsidiaries, but account for them at fair value through profit or loss.

3. 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%, 6%, 8% or 10% of their before-tax salary or wages, unless on a savings suspension. 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 (Government Contribution) 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

4. INVESTMENT ASSETS AND LIABILITIES

The Funds held the following investments 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 investee funds
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	2020
Investment assets																
ANZ Wholesale Cash Fund	242,626	238,585	-	-	-	-	-	-	-	-	24,792	9,587	267,418	248,172	4,976,158	87
ANZ Wholesale Conservative Balanced Fund	-	-	61,284	49,950	-	-	-	-	-	-	-	-	61,284	49,950	1,698,834	6
ANZ Wholesale Balanced Fund	-	-	-	-	158,155	144,515	-	-	-	-	-	-	158,155	144,515	3,548,800	9
ANZ Wholesale Balanced Growth Fund	-	-	-	-	-	-	163,608	156,963	-	-	-	-	163,608	156,963	3,536,087	13
ANZ Wholesale Growth Fund	-	-	-	-	-	-	-	-	139,472	138,397	-	-	139,472	138,397	3,488,898	12
ANZ Wholesale High Grade Bond Fund	102,204	98,965	-	-	-	-	-	-	-	-	-	-	102,204	98,965	1,099,923	53
ANZ Wholesale Sovereign Bond Fund	96,161	89,370	-	-	-	-	-	-	-	-	-	-	96,161	89,370	992,624	50
ANZ Wholesale International Sovereign Fund	445,386	444,213	-	-	-	-	-	-	-	-	-	-	445,386	444,213	4,100,117	37
ANZ Wholesale Australian Share Fund	15,828	22,805	-	-	-	-	-	-	-	-	-	-	15,828	22,805	716,191	26
ANZ Wholesale Australasian Share Fund	29,800	28,356	-	-	-	-	-	-	-	-	-	-	29,800	28,356	1,109,981	29
ANZ Wholesale Trans-Tasman Property Securities Fund	12,651	18,055	-	-	-	-	-	-	-	-	-	-	12,651	18,055	579,006	22
ANZ Wholesale International Property Securities Fund	14,206	17,419	-	-	-	-	-	-	-	-	-	-	14,206	17,419	862,353	37
ANZ Wholesale International Share Index Fund	132,284	138,701	-	-	-	-	-	-	-	-	-	-	132,284	138,701	185,382	5
ANZ Wholesale International Listed Infrastructure Fund	8,364	-	-	-	-	-	-	-	-	-	-	-	8,364	-	422,072	13
Forward foreign exchange contracts	3,019	75	-	-	-	-	-	-	-	-	-	-	3,019	75		
Futures and other derivatives	1,387	32	-	-	-	-	-	-	-	-	-	-	1,387	32		
Total investment assets	1,103,916	1,096,576	61,284	49,950	158,155	144,515	163,608	156,963	139,472	138,397	24,792	9,587	1,651,227	1,595,988		
Investment liabilities																
Forward foreign exchange contracts	3,442	706	-	-	-	-	-	-	-	-	-	-	3,442	706		
Total investment liabilities	3,442	706	-	-	-	-	-	-	-	-	-	-	3,442	706		

NOTES TO THE FINANCIAL STATEMENTS

Involvement with unconsolidated structured entities

A Structured Entity (SE) is an entity that has been designed such that the 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 returns) are directed by means of contractual arrangement. A SE often has some or all of the following features or attributes:

- restricted activities;
- a narrow and well defined objective;
- insufficient equity to permit the SE to finance its activities without subordinated financial support; and
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Fund's involvement with unconsolidated SEs is through their investment in other unitised funds. Investments designated 'ANZ' in the table on page 9 are unitised funds managed by ANZ Investments.

The maximum exposure to loss is the carrying amount of the financial assets held. Once a fund has sold all units in an investee fund, the fund ceases 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.

KEY JUDGEMENTS AND ESTIMATES

Significant judgement is required in assessing whether control exists over Structured Entities involved in investment funds. Judgements required in relation to the existence of:

- power over the relevant activities (being those that significantly affect the entity's returns); and
- exposure to variable returns of that entity

NOTES TO THE FINANCIAL STATEMENTS

5. NET CHANGES IN FAIR VALUE OF INVESTMENTS

For the year ended 31 March	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Net realised change in fair value	27,878	30,595	275	6,149	636	22,278	436	28,702	293	28,272	134	72	29,652	116,068
Net unrealised change in fair value	13,137	31,660	29	(3,302)	(2,699)	(12,693)	(6,321)	(17,271)	(9,158)	(17,568)	66	117	(4,946)	(19,057)
Net changes in fair value of investment assets and liabilities	41,015	62,255	304	2,847	(2,063)	9,585	(5,885)	11,431	(8,865)	10,704	200	189	24,706	97,011
Net changes in fair value of investment assets and liabilities designated at fair value on initial recognition	53,371	64,697	304	3,235	(2,063)	11,240	(5,885)	13,819	(8,865)	13,319	200	189	37,062	106,499
Net changes in fair value of investment assets and liabilities held for trading	(12,356)	(2,442)	-	(388)	-	(1,655)	-	(2,388)	-	(2,615)	-	-	(12,356)	(9,488)
Net changes in fair value of investment assets and liabilities	41,015	62,255	304	2,847	(2,063)	9,585	(5,885)	11,431	(8,865)	10,704	200	189	24,706	97,011
Change in fair value of investment assets and liabilities relating to investments in unconsolidated structured entities	53,371	64,697	304	3,235	(2,063)	11,240	(5,885)	13,819	(8,865)	13,319	200	189	37,062	106,499

6. OTHER RECEIVABLES

As at 31 March	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
PIE tax receivable on behalf of members	-	-	-	-	-	-	390	-	766	-	-	-	-	-
Receivables from members	9,413	9,621	190	312	6	888	-	875	-	631	36	34	8,489	12,361
Other receivables	9,413	9,621	190	312	6	888	390	875	766	631	36	34	8,489	12,361

7. OTHER PAYABLES

As at 31 March	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Accrued expenses	501	559	53	41	146	124	160	143	145	132	4	4	1,009	1,003
PIE tax payable on behalf of members	9,561	9,741	195	314	10	891	-	880	-	637	36	36	8,646	12,499
Payable to members	-	-	-	-	-	-	378	-	727	-	-	-	1,105	-
Other payables	10,062	10,300	248	355	156	1,015	538	1,023	872	769	40	40	10,760	13,502

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL RISK MANAGEMENT

Overview

The Funds' investment portfolios consist of investments in unitised funds, futures, forward foreign exchange contracts, 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 unitholders.

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.

In addition, the Funds have financial instruments in the form of cash and cash equivalents, other receivables, investment liabilities and other payables that arise directly from their daily operations.

The financial risk management 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 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 for the purpose of aiming to achieve investment objectives. Divergence from target allocations and the composition of the portfolio is monitored by the Manager 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.

Section	Description	Tables on page(s)
Maximum exposure to credit risk	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
Credit quality	Where the Funds invest in unitised funds managed by the Manager (see Note 4), the investment strategies of these unitised funds ensure an appropriate diversification of investments to manage their credit risk.	13
Concentrations of credit risk	The main concentration to which the Funds are exposed to credit risk arises from the Funds' investments in cash.	13
Collateral management	<p>The Funds use collateral for derivative exposures to mitigate credit risk if a counterparty cannot meet its payment obligations from its expected cashflows.</p> <p>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.</p> <p>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).</p>	16 - 17

NOTES TO THE FINANCIAL STATEMENTS

Credit Quality

Item	Counterparty	S&P Global Ratings credit rating	
		2020	2019
Cash and cash equivalents	ANZ Bank New Zealand (see Note 11)	A-1+	A-1+
Forward foreign exchange contracts	ANZ Bank New Zealand (see Note 11), Bank of New Zealand , Westpac Banking Corporation, Commonwealth Bank of Australia	A-1+	A-1+

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 fair value of a foreign currency denominated financial instrument will fluctuate due to changes in foreign exchange rates.

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.

Fund	Approach to currency risk management
Conservative Fund	Australasian Equities Actively hedged with a benchmark of 50% and a range of 0% - 100% for its Australian dollar exposure through its investments in the ANZ Wholesale Australian Share Fund and ANZ Wholesale Australasian Share Fund. As at balance date, the fund was hedging approximately 24% (2019: 18%) of its Australian dollar exposure through its 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 its investment in the ANZ Wholesale International Share Index Fund. As at balance date the fund was hedging approximately 54% (2019:63%) of its foreign currency exposure in the ANZ Wholesale International Share Index Fund.
Conservative Fund	International Fixed Interest Exposure to international fixed interest through its investment in the underlying fund is 100% passively hedged within the underlying fund.
Conservative Fund	Australasian Property Exposure to Australasian property through its investment in the underlying fund is 100% passively hedged within the underlying fund.

The fair value of these contracts is set out in Note 4.

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

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

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 Funds trade in other unitised funds. 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.

When a fund has investments in other unitised funds, the increase/(decrease) in the net asset value of the fund is due to a reasonably possible change in the unit prices of other unitised funds (with all other variables held constant) and is indicated in the table below.

The Manager has reviewed price sensitivity calculations, considering current market conditions. The price movement has been increased to 1% (2019: .50%) to reflect the impact of COVID-19 and current market volatility.

If the unit price was to increase by the percentage above, the net asset value of the fund would increase by the amount shown, and if the unit price was to decrease by the same percentage, the net asset value of the fund would decrease by the amount shown.

As at 31 March	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Other unitised funds	11,009	5,483	613	250	1,582	723	1,636	785	1,395	692	248	48	16,483	7,981

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 Conservative fund invests 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 16 and 30 April 2020.

Futures contracts are typically settled quarterly. The margin accounts maintained by the Conservative fund 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 4 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. In particular:

- The Manager has not identified significant withdrawals and has not implemented any restrictions or deferrals on withdrawals.
- The Manager has not identified any illiquid investments that would result in restrictions or deferrals on withdrawals.
- The Manager believes that the Funds remain liquid and is able to meet potential withdrawals.

NOTES TO THE FINANCIAL STATEMENTS

9. FAIR VALUE MEASUREMENT

The Fund's investments are carried at fair value on the Statement of Net Assets. Usually the fair value of the investments can be reliably determined within a reasonable range of estimates.

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:

- Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 – valuations using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investments whose values are based on quoted market prices in active markets and are therefore classified within Level 1, include exchange traded derivatives. The Funds do not adjust the quoted price for these instruments.

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

Forward foreign exchange contracts held during the year were considered Level 2 (2019: 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.

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 due to their immediate or short-term nature. For purposes of fair value hierarchy, they are considered to be Level 2 assets and liabilities (2019: Level 2). For more information refer to Note 2.

There have been no changes to the fair value hierarchy classifications during the year ended 31 March 2020 (2019: none)

KEY JUDGEMENTS AND ESTIMATES

The Manager evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and liabilities at balance date.

The majority of valuation models the Manager uses employ only observable market data as inputs. This has not changed as a result of COVID-19. However, for certain financial instruments, the Manager may use data that is not readily observable in current markets. If the Manager uses unobservable market data, then the Manager needs to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation and reconsider the fair value hierarchy disclosed. Generally, the Manager derives unobservable inputs from other relevant market data, such as broker confirmation, and compares them to observed transaction prices where available.

When establishing the fair value of a financial instrument using a valuation technique, the Manager considers valuation adjustments in determining the fair value. The Manager may apply adjustments (such as bid/offer spreads, credit valuation adjustments and funding valuation adjustments) to the techniques used to reflect the Managers assessment of factors that market participants would consider in setting fair value.

NOTES TO THE FINANCIAL STATEMENTS

10. 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 Funds do 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

As at 31 March	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Derivative instruments														
Gross amounts of recognised financial assets	4,406	107	-	-	-	-	-	-	-	-	-	-	4,406	107
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	4,406	107	-	-	-	-	-	-	-	-	-	-	4,406	107
Related amounts not offset in the Statement of Net Assets:														
Financial instruments (including non-cash collateral)	2,808	72	-	-	-	-	-	-	-	-	-	-	2,808	72
Cash collateral transferred	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net amount	1,598	35	-	-	-	-	-	-	-	-	-	-	1,598	35

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		
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	
Derivative instruments															
Gross amounts of recognised financial liabilities	3,442	706	-	-	-	-	-	-	-	-	-	-	-	3,442	706
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	3,442	706	-	-	-	-	-	-	-	-	-	-	-	3,442	706
Related amounts not offset in the Statement of Net Assets:															
Financial instruments (including non-cash collateral)	2,808	72	-	-	-	-	-	-	-	-	-	-	-	2,808	72
Cash collateral transferred	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net amount	634	634	-	-	-	-	-	-	-	-	-	-	-	634	634

NOTES TO THE FINANCIAL STATEMENTS

11. 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.

Investments in products issued by related parties

The Funds invest in:

- Cash and cash equivalents held by ANZ Bank New Zealand Limited
- Forward foreign exchange contracts issued by ANZ Bank New Zealand Limited are held by the Conservative Fund.

As at 31 March	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets:														
Cash and cash equivalents	1,219	375	4	4	13	13	15	15	13	13	13	13	1,277	433
Forward foreign exchange contracts	715	44	-	-	-	-	-	-	-	-	-	-	715	44
Total assets	1,934	419	4	4	13	13	15	15	13	13	13	13	1,992	477
Liabilities:														
Forward foreign exchange contracts	(729)	(675)	-	-	-	-	-	-	-	-	-	-	(729)	(675)
Total liabilities	(729)	(675)	-	-	-	-	-	-	-	-	-	-	(729)	(675)

NOTES TO THE FINANCIAL STATEMENTS

Income/(Loss) received from Related Party transactions were as follows:

For the year ended 31 March	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Income/(Loss) during the period:														
Interest income (cash and cash equivalents)	11	20	-	1	1	2	1	2	1	2	-	-	14	27
Net change in fair value of investment assets and liabilities held for trading	(9,165)	305	-	(150)	-	(659)	-	(954)	-	(1,047)	-	-	(9,165)	(2,505)
Total income/(loss) from related party transactions	(9,154)	325	-	(149)	1	(657)	1	(952)	1	(1,045)	-	-	(9,151)	(2,478)

Membership fees

During the reporting period membership fees of \$1,538,000 were deducted from the Scheme and paid to the Manager by cancelling units in members' accounts (2019: \$2,102,000). 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.

As at 31 March	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
The Manager receives the following percentage per annum of the net asset value of the Funds, determined upon each valuation day:	0.38%	0.45%	0.85%	0.85%	0.90%	0.90%	0.95%	0.95%	1.00%	1.00%	0.19%	0.33%		
Management fees payable to the Manager at the end of the year which is paid within 15 days of balance date:	358	419	44	34	124	107	137	124	125	115	3	3	791	802

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 Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$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*:	290	209	6	-	33	17	37	19	32	16	(6)	(7)	392	254
Amounts payable to the Manager for reimbursement of expenses at the end of the year which is paid within 15 days of balance date:	113	107	6	5	17	13	18	15	16	13	1	1	171	154

* The amounts presented are after the auditor's fee reallocation. This may result in negative Managers' costs.

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 reallocations and other expense refunds by the Manager to the Funds.

NOTES TO THE FINANCIAL STATEMENTS

Investments in unconsolidated subsidiaries

As at balance date the Conservative Fund holding in the following unconsolidated subsidiary is detailed below:

As at 31 March	Conservative Fund	
	2020	2019
	%	%
ANZ Wholesale International Share Index Fund	71	70

The Conservative Fund invests in this unconsolidated subsidiary by purchasing units. Units can be redeemed daily. Units can be redeemed at anytime; however, under extraordinary circumstances, the unconsolidated subsidiary has the ability to suspend redemptions. As at balance date, the funds net (sales) and purchases in the unconsolidated subsidiary were:

As at 31 March	Conservative Fund	
	2020	2019
	\$000	\$000
ANZ Wholesale International Share Index Fund	(7,306)	1,878

Movements in the fair value of the funds' investments can be positive or negative.

As at balance date, the maximum exposure of the Funds is the carrying value of their investments in the funds above. Refer to Note 4 for the investment values.

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

For the year ended 31 March	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund		ANZ Default KiwiSaver Scheme	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Net profit/(loss)	36,225	57,185	(204)	2,472	(3,576)	8,394	(7,605)	10,064	(10,482)	9,424	174	163	14,532	87,702
Movement in operating balances														
Investment assets and margin accounts	(7,219)	(40,598)	(11,334)	(12,445)	(13,640)	(27,131)	(6,645)	(30,314)	(1,075)	(26,185)	(15,205)	(3,947)	(55,118)	(140,620)
Accrued expenses	(57)	(15)	12	9	22	16	17	22	13	18	-	2	7	52
Investment liabilities	2,736	(185)	-	(37)	-	(232)	-	(324)	-	(362)	-	-	2,736	(1,140)
Net cash flows from/(used in) operating activities	31,685	16,387	(11,526)	(10,001)	(17,194)	(18,953)	(14,233)	(20,552)	(11,544)	(17,105)	(15,031)	(3,782)	(37,843)	(54,006)

NOTES TO THE FINANCIAL STATEMENTS

13. 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.

For the year ended 31 March	Conservative Fund		Conservative Balanced Fund		Balanced Fund		Balanced Growth Fund		Growth Fund		Cash Fund	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's
Number of units on issue												
Units on issue at the beginning of the year	613,272	622,544	27,518	21,848	78,215	67,637	83,333	72,054	72,736	63,520	6,574	3,962
Units issued during the year	94,406	95,731	13,150	10,698	24,511	22,040	23,147	21,323	21,946	19,673	14,249	4,739
Units redeemed during the year	(111,137)	(105,003)	(7,129)	(5,028)	(15,840)	(11,462)	(16,339)	(10,044)	(16,647)	(10,457)	(4,133)	(2,127)
Number of units on issue at the end of the year	596,541	613,272	33,539	27,518	86,886	78,215	90,141	83,333	78,035	72,736	16,690	6,574
Units issued/(redeemed) in April for PIE tax receivable/(payable) at 31 March on behalf of members:	(5,071)	(5,355)	(104)	(172)	(3)	(481)	208	(464)	407	(332)	(24)	(24)

14. SUBSEQUENT EVENTS

There are no significant impacts that require adjustments or changes to the financial statements as a result of COVID-19.

The units on issue and unit price as at 31 March 2020 and 30 June 2020 are disclosed below.

	Units on Issue			Unit Price		
	31-Mar-20	30-Jun-20	% change	31-Mar-20	30-Jun-20	% change
	000's	000's				
Conservative Fund	596,541	602,127	0.94%	1.8561	1.9360	4.30%
Conservative Balanced Fund	33,539	34,951	4.21%	1.8257	1.9421	6.38%
Balanced Fund	86,886	90,262	3.89%	1.8188	1.9723	8.44%
Balanced Growth Fund	90,141	92,896	3.06%	1.8135	2.0025	10.42%
Growth Fund	78,035	81,969	5.04%	1.7861	2.0077	12.41%
Cash Fund	16,690	15,703	-5.91%	1.4858	1.4916	0.39%



Independent Auditor's Report

To the members of the:

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

Collectively "ANZ Default KiwiSaver Scheme" (the "Funds and Scheme").

Report on the audit of the financial statements

Opinion

In our opinion, the accompanying financial statements of the Funds and Scheme on pages 2 to 23:

- i. present fairly in all material respects the Funds' and Scheme's financial position as at 31 March 2020 and their 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 2020;
- 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 Funds and Scheme in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Our firm has also 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 Funds and Scheme in relation to semi-annual controls assurance reporting and registry assurance reporting in line with Section 218 of

the FMC Act 2013. Subject to certain restrictions, partners and employees of our firm may also deal with the Funds and Scheme on normal terms within the ordinary course of trading activities of the business of the Funds. These matters have not impaired our independence as auditor of the Funds and Scheme. The firm has no other relationship with, or interest in, the Funds or Scheme.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

COVID-19

The COVID-19 pandemic has created additional risks, particularly with the valuation of investments, liquidity and going concern. Some investments may have become more difficult to value, as they either experience significant events, or become less liquid and actively traded. Additional disclosures may be required to ensure there is adequate disclosure of changes to fair value levels for securities, liquidity risks, market risks and subsequent events where there are material withdrawals, other material impacts on liquidity and changes to the value of the Funds and Scheme. While the key audit matter “Existence and valuation of investments”, detailed below, is unchanged from last year, the underlying audit risk has increased which impacted the extent and nature of audit evidence that we had to gather.

The key audit matter

How the matter was addressed in our audit

Existence and valuation of investments

Refer to Note 2 (a) (ii) Use of estimates and assumptions (for COVID-19) and Note 4 Investment assets and liabilities (for existence and valuation) to the financial statements.

The Funds’ portfolio of investments is the most significant asset making up in excess of 95% of total assets. These comprise liquid investments including bank accounts and fund-to-fund investments and simple derivatives.

The investment portfolio in total, due to its materiality in the context of the financial statements as a whole, is our most significant area of audit focus.

COVID-19 has meant that greater uncertainty exists around the valuation of investments and the fair value hierarchy level attributed to each. This required some additional judgement in these areas.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio; this included evaluating the control environment in place at the administration manager by obtaining and reading the service organisation reports issued by an independent auditor on the design and operation of those controls throughout the period;
- agreeing investment holdings to confirmations received from the registrar and external fund manager;
- agreeing the valuation of fund-to-fund investments to the redemption value per unit as reported by the manager;
- for derivatives, engaging our valuation specialists to check the reasonableness of the inputs to information available from independent third-party pricing sources;
- for bank accounts, agreeing the closing book value to bank confirmations;

The key audit matter

How the matter was addressed in our audit

- consideration of the fair value hierarchy level assigned to each investment and the appropriateness of the valuation information available; and
- consideration of the adequacy of the impact of the COVID-19 additional disclosures.

Calculation of management fees

Refer to Note 11 to the financial statements.

Under the terms of the Governing Document, ANZ New Zealand Investments Limited (the “Manager”) is entitled to receive a management fee, calculated as a percentage of the daily net asset value of the Funds.

As the Manager calculates and pays the fee on behalf of the Funds to itself, there is an inherent risk that the Manager could manipulate the calculation to boost its own earnings from its administrative duties.

Due to the inherent risk of fraud as the management could override controls we identified the calculation of management fees as an area which had a significant effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the process in place to calculate and capture management fees as well as the processes to generate underlying information such as daily unit pricing. This included evaluating the control environment in place at the administration manager by obtaining and reading the service organisation reports issued by an independent auditor on the design and operation of those controls throughout the period;
- assessing the calculation of the management fees by comparing the net asset values to daily unit pricing for selected days and management fee rates to the “Other Material Information” which forms part of the offer documents as applicable for the period; and
- reviewing manual journal entries to test whether any unauthorised or not supported adjustment has been made to the management fees to address the risk of management overriding controls.

Other information

The Manager, on behalf of the Funds and Scheme, is responsible for the other information included in the Funds’ and Scheme’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 Disclose website. 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 controls 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-2/>

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

KPMG
Auckland

27 July 2020