

# ASB KiwiSaver Scheme Financial Statements

For the year ended 31 March 2020

# Contents

<b>Statements of Changes in Net Assets Available for Benefits</b>	<b>2</b>
<b>Statements of Net Assets Available for Benefits</b>	<b>4</b>
<b>Cash Flow Statements</b>	<b>6</b>
<b>Notes to the Financial Statements</b>	
1 Statement of Accounting Policies	8
2 Financial Assets at Fair Value through Profit or Loss	12
3 Receivables	13
4 Payables	14
5 Member Withdrawals	15
6 Related Party Transactions and Balances	16
7 Fair Value of Financial Instruments	17
8 Financial Risk Management	18
9 Capital Commitments and Contingent Liabilities	21
10 Events after the Reporting Period	21
<b>Independent Auditor's Report</b>	<b>22</b>

# Statements of Changes in Net Assets Available for Benefits

\$ thousands For the year ended 31 March	Note	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
		2020	2019	2020	2019	2020	2019	2020	2019
<b>Income</b>									
Distribution income		9,325	10,453	49,259	43,883	13,578	11,338	13,141	10,020
Interest income		30	38	208	298	111	136	116	127
Net (losses)/gains on financial instruments at fair value through profit or loss		(821)	310	25,940	186,685	(43,451)	105,729	(82,529)	112,626
Wholesale fee rebate		12	14	418	412	249	192	265	181
<b>Total income/(loss) attributable to members</b>		<b>8,546</b>	<b>10,815</b>	<b>75,825</b>	<b>231,278</b>	<b>(29,513)</b>	<b>117,395</b>	<b>(69,007)</b>	<b>122,954</b>
<b>Contributions and Deductions</b>									
Employer contributions		18,640	18,462	139,554	154,724	60,298	58,025	60,543	53,263
Member contributions		47,349	41,504	416,671	338,943	262,056	169,037	209,513	142,955
Crown contributions		8,173	8,815	55,881	64,078	24,738	24,087	22,692	19,315
Transfers from other scheme providers		21,647	18,825	42,204	53,087	56,657	59,677	73,437	79,588
Member withdrawals	5	(77,470)	(48,880)	(264,148)	(192,733)	(85,792)	(67,051)	(47,863)	(41,648)
Management fee expenses deducted	6	(1,624)	(1,518)	(15,517)	(14,548)	(11,238)	(9,084)	(12,399)	(9,350)
Administration fee expenses deducted	6	(973)	(1,032)	(6,599)	(7,227)	(2,244)	(2,199)	(1,970)	(1,755)
Transfers to other scheme providers		(19,694)	(18,841)	(162,803)	(172,591)	(57,532)	(48,551)	(62,103)	(47,893)
Switches within the scheme		342,404	5,129	(128,071)	(284,500)	(155,522)	(35,220)	(105,132)	62,521
PIE tax (paid/payable)/received/receivable		(1,271)	(1,617)	(22,111)	(25,434)	(4,395)	(9,294)	2,996	(7,562)
Allocated contributions/Member withdrawal payments		-	-	-	-	-	-	-	-
Unallocated contributions		-	-	-	-	-	-	-	-
<b>Net benefits accrued to members</b>		<b>345,727</b>	<b>31,662</b>	<b>130,886</b>	<b>145,077</b>	<b>57,513</b>	<b>256,822</b>	<b>70,707</b>	<b>372,388</b>
<b>Total members' funds at the beginning of the year</b>		<b>465,572</b>	<b>433,910</b>	<b>3,792,728</b>	<b>3,647,651</b>	<b>1,699,222</b>	<b>1,442,400</b>	<b>1,684,004</b>	<b>1,311,616</b>
<b>Total members' funds at the end of the year</b>		<b>811,299</b>	<b>465,572</b>	<b>3,923,614</b>	<b>3,792,728</b>	<b>1,756,735</b>	<b>1,699,222</b>	<b>1,754,711</b>	<b>1,684,004</b>

These statements are to be read in conjunction with the notes on pages 8 to 21 and the Independent Auditor's Report on pages 22 to 25.

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

\$ thousands For the year/period ended 31 March	Note	Growth Fund		Positive Impact Fund	Scheme Transactions Account		Total ASB KiwiSaver Scheme	
		2020	2019	2020 (46 weeks)	2020	2019	2020	2019
<b>Income</b>								
Distribution income		5,031	3,558	-	-	-	90,334	79,252
Interest income		183	168	1	-	-	649	767
Net (losses)/gains on financial instruments at fair value through profit or loss		(233,522)	176,498	(1,786)	-	-	(336,169)	581,848
Wholesale fee rebate		442	247	-	-	-	1,386	1,046
<b>Total (loss)/income attributable to members</b>		<b>(227,866)</b>	<b>180,471</b>	<b>(1,785)</b>	<b>-</b>	<b>-</b>	<b>(243,800)</b>	<b>662,913</b>
<b>Contributions and other movements</b>								
Employer contributions		113,306	86,319	334	-	-	392,675	370,793
Member contributions		272,590	195,498	5,101	-	-	1,213,280	887,937
Crown contributions		39,744	29,179	(3)	-	-	151,225	145,474
Transfers from other scheme providers		143,467	127,470	2,065	-	-	339,477	338,647
Member withdrawals	5	(58,062)	(45,953)	(199)	7	8,151	(533,527)	(388,114)
Management fee expenses deducted	6	(19,950)	(13,224)	(63)	-	-	(60,791)	(47,724)
Administration fee expenses deducted	6	(3,674)	(2,909)	(8)	-	-	(15,468)	(15,122)
Transfers to other scheme providers		(121,403)	(80,638)	(139)	-	-	(423,674)	(368,514)
Switches within the scheme		26,130	252,070	20,191	-	-	-	-
PIE tax (paid/payable)/received/receivable		17,119	(7,203)	(76)	-	-	(7,738)	(51,110)
Allocated contributions/Member withdrawal payments		-	-	-	(9,795)	(23,791)	(9,795)	(23,791)
Unallocated contributions		-	-	-	5,793	1,644	5,793	1,644
<b>Net benefits accrued to members</b>		<b>181,401</b>	<b>721,080</b>	<b>25,418</b>	<b>(3,995)</b>	<b>(13,996)</b>	<b>807,657</b>	<b>1,513,033</b>
<b>Total members' funds at the beginning of the year/period</b>		<b>2,355,753</b>	<b>1,634,673</b>	<b>-</b>	<b>9,795</b>	<b>23,791</b>	<b>10,007,074</b>	<b>8,494,041</b>
<b>Total members' funds at the end of the year/period</b>		<b>2,537,154</b>	<b>2,355,753</b>	<b>25,418</b>	<b>5,800</b>	<b>9,795</b>	<b>10,814,731</b>	<b>10,007,074</b>

These statements are to be read in conjunction with the notes on pages 8 to 21 and the Independent Auditor's Report on pages 22 to 25.



# Statements of Net Assets Available for Benefits

\$ thousands		NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
As at 31 March	Note	2020	2019	2020	2019	2020	2019	2020	2019
<b>Assets</b>									
Cash and cash equivalents		14,152	2,587	86,677	31,796	35,644	14,980	33,873	14,620
Financial assets at fair value through profit or loss	2	799,170	464,396	3,857,160	3,785,127	1,725,254	1,693,278	1,716,860	1,676,918
Receivables	3	662	3	2,948	45	1,041	24	4,472	23
<b>Total assets</b>		<b>813,984</b>	<b>466,986</b>	<b>3,946,785</b>	<b>3,816,968</b>	<b>1,761,939</b>	<b>1,708,282</b>	<b>1,755,205</b>	<b>1,691,561</b>
<b>Liabilities</b>									
Payables	4	2,685	1,414	23,171	24,240	5,204	9,060	494	7,557
<b>Total liabilities</b>		<b>2,685</b>	<b>1,414</b>	<b>23,171</b>	<b>24,240</b>	<b>5,204</b>	<b>9,060</b>	<b>494</b>	<b>7,557</b>
<b>Net assets attributable to members</b>		<b>811,299</b>	<b>465,572</b>	<b>3,923,614</b>	<b>3,792,728</b>	<b>1,756,735</b>	<b>1,699,222</b>	<b>1,754,711</b>	<b>1,684,004</b>
<b>Represented by:</b>									
Liability for promised retirement benefits		811,299	465,572	3,923,614	3,792,728	1,756,735	1,699,222	1,754,711	1,684,004

These statements are to be read in conjunction with the notes on pages 8 to 21 and the Independent Auditor's Report on pages 22 to 25.

# Statements of Net Assets Available for Benefits (continued)

\$ thousands		Growth Fund		Positive Impact Fund	Scheme Transactions Account		Total ASB KiwiSaver Scheme	
As at 31 March	Note	2020	2019	2020	2020	2019	2020	2019
<b>Assets</b>								
Cash and cash equivalents		47,273	20,389	501	14,055	10,387	232,175	94,759
Financial assets at fair value through profit or loss	2	2,471,519	2,342,717	25,014	-	-	10,594,977	9,962,436
Receivables	3	18,658	36	25	-	-	27,806	131
<b>Total assets</b>		<b>2,537,450</b>	<b>2,363,142</b>	<b>25,540</b>	<b>14,055</b>	<b>10,387</b>	<b>10,854,958</b>	<b>10,057,326</b>
<b>Liabilities</b>								
Payables	4	296	7,389	122	8,255	592	40,227	50,252
<b>Total liabilities</b>		<b>296</b>	<b>7,389</b>	<b>122</b>	<b>8,255</b>	<b>592</b>	<b>40,227</b>	<b>50,252</b>
<b>Net assets attributable to members</b>		<b>2,537,154</b>	<b>2,355,753</b>	<b>25,418</b>	<b>5,800</b>	<b>9,795</b>	<b>10,814,731</b>	<b>10,007,074</b>
<b>Represented by:</b>								
Liability for promised retirement benefits		2,537,154	2,355,753	25,418	5,800	9,795	10,814,731	10,007,074

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



Director

29 July 2020



Director

29 July 2020

These statements are to be read in conjunction with the notes on pages 8 to 21 and the Independent Auditor's Report on pages 22 to 25.

# Cash Flow Statements

\$ thousands For the year ended 31 March	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Cash flows from operating activities</b>								
Total income/(loss) attributable to members	8,546	10,815	75,825	231,278	(29,513)	117,395	(69,007)	122,954
<b>Reconciliation of total income/(loss) to net cash flows from operating activities</b>								
Non cash items:								
Unrealised loss/(gain) on financial instruments at fair value through profit or loss	5,300	4,080	70,344	74,079	131,017	(73,336)	131,314	(83,387)
Distribution income reinvested	(9,325)	(10,453)	(49,259)	(43,883)	(13,578)	(11,338)	(13,141)	(10,020)
Net change in investments	(330,749)	(25,437)	(93,118)	(175,612)	(149,415)	(170,119)	(158,115)	(276,937)
Net change in receivables	(5)	1	(4)	10	5	(1)	1	(2)
<b>Net cash flows from operating activities</b>	<b>(326,233)</b>	<b>(20,994)</b>	<b>3,788</b>	<b>85,872</b>	<b>(61,484)</b>	<b>(137,399)</b>	<b>(108,948)</b>	<b>(247,392)</b>
<b>Cash flows from financing activities</b>								
Cash was provided from:								
Employer contributions	18,640	18,462	139,554	154,724	60,298	58,025	60,543	53,263
Member contributions	46,695	41,504	413,772	338,943	261,034	169,037	208,139	142,955
Crown contributions	8,173	8,815	55,881	64,078	24,738	24,087	22,692	19,315
Transfers from other scheme providers	21,647	18,825	42,204	53,087	56,657	59,677	73,437	79,588
Switches within the scheme	342,404	5,090	-	-	-	-	-	62,767
Unallocated contributions	-	-	-	-	-	-	-	-
Total cash inflows provided from financing activities	437,559	92,696	651,411	610,832	402,727	310,826	364,811	357,888
Cash was applied to:								
Member withdrawals	(75,853)	(48,976)	(259,989)	(194,257)	(84,225)	(67,649)	(47,369)	(42,061)
Management fees deducted	(1,624)	(1,518)	(15,517)	(14,548)	(11,238)	(9,084)	(12,399)	(9,350)
Administration fees deducted	(973)	(1,032)	(6,599)	(7,227)	(2,244)	(2,199)	(1,970)	(1,755)
Transfers out to other schemes	(19,694)	(18,841)	(162,803)	(172,591)	(57,532)	(48,551)	(62,103)	(47,893)
Switches within the scheme	-	-	(128,071)	(285,133)	(155,522)	(35,183)	(105,132)	-
PIE tax paid on behalf of members	(1,617)	(1,537)	(27,339)	(19,974)	(9,818)	(6,506)	(7,637)	(5,585)
Total cash outflows applied to financing activities	(99,761)	(71,904)	(600,318)	(693,730)	(320,579)	(169,172)	(236,610)	(106,644)
<b>Net cash flows from financing activities</b>	<b>337,798</b>	<b>20,792</b>	<b>51,093</b>	<b>(82,898)</b>	<b>82,148</b>	<b>141,654</b>	<b>128,201</b>	<b>251,244</b>
<b>Summary of movements in cash flows</b>								
Net increase/(decrease) in cash and cash equivalents	11,565	(202)	54,881	2,974	20,664	4,255	19,253	3,852
Add: cash and cash equivalents at beginning of the year	2,587	2,789	31,796	28,822	14,980	10,725	14,620	10,768
<b>Cash and cash equivalents at end of the year</b>	<b>14,152</b>	<b>2,587</b>	<b>86,677</b>	<b>31,796</b>	<b>35,644</b>	<b>14,980</b>	<b>33,873</b>	<b>14,620</b>
<b>Additional operating cash flow information</b>								
Interest received as cash	26	38	207	302	116	136	119	126
Purchase of investments	(367,175)	(54,344)	(562,682)	(1,037,736)	(599,895)	(289,902)	(491,401)	(400,679)
Sale of investments	36,426	28,907	469,564	862,124	450,480	119,783	333,286	123,742

These statements are to be read in conjunction with the notes on pages 8 to 21 and the Independent Auditor's Report on pages 22 to 25.



# Cash Flow Statements (continued)

\$ thousands For the year/period ended 31 March	Growth Fund		Positive Impact Fund	Scheme Transactions Account		Total ASB KiwiSaver Scheme	
	2020	2019	2020 (46 weeks)	2020	2019	2020	2019
<b>Cash flows from operating activities</b>							
Total (loss)/income attributable to members	(227,866)	180,471	(1,785)	-	-	(243,800)	662,913
<b>Reconciliation of total (loss)/income to net cash flows from operating activities</b>							
Non cash items:							
Unrealised loss/(gain) on financial instruments at fair value through profit or loss	296,448	(138,408)	1,789	-	-	636,212	(216,972)
Distribution income reinvested	(5,031)	(3,558)	-	-	-	(90,334)	(79,252)
Net change in investments	(420,219)	(573,397)	(26,803)	-	-	(1,178,419)	(1,221,502)
Net change in receivables	4	(9)	-	-	-	1	(1)
<b>Net cash flows from operating activities</b>	<b>(356,664)</b>	<b>(534,901)</b>	<b>(26,799)</b>	<b>-</b>	<b>-</b>	<b>(876,340)</b>	<b>(854,814)</b>
<b>Cash flows from financing activities</b>							
Cash was provided from:							
Employer contributions	113,306	86,319	334	(28)	(1,045)	392,647	369,748
Member contributions	270,687	195,498	5,076	(1,273)	(18,269)	1,204,130	869,668
Crown contributions	39,744	29,179	(3)	-	(1)	151,225	145,473
Transfers from other scheme providers	143,467	127,470	2,065	(343)	(4,424)	339,134	334,223
Switches within the scheme	26,130	252,459	20,191	-	-	388,725	320,316
Unallocated contributions	-	-	-	5,793	1,644	5,793	1,644
Total cash inflows/(outflows) provided from financing activities	593,334	690,925	27,663	4,149	(22,095)	2,481,654	2,041,072
Cash was applied to:							
Member withdrawals	(57,766)	(46,394)	(146)	(1,339)	8,099	(526,687)	(391,238)
Management fees deducted	(19,950)	(13,224)	(63)	-	-	(60,791)	(47,724)
Administration fees deducted	(3,674)	(2,909)	(8)	-	-	(15,468)	(15,122)
Transfers out to other schemes	(121,403)	(80,638)	(139)	-	-	(423,674)	(368,514)
Switches within the scheme	-	-	-	-	-	(388,725)	(320,316)
PIE tax (paid)/received on behalf of members	(6,993)	(6,980)	(7)	858	190	(52,553)	(40,392)
Total cash (outflows)/inflows applied to financing activities	(209,786)	(150,145)	(363)	(481)	8,289	(1,467,898)	(1,183,306)
<b>Net cash flows from financing activities</b>	<b>383,548</b>	<b>540,780</b>	<b>27,300</b>	<b>3,668</b>	<b>(13,806)</b>	<b>1,013,756</b>	<b>857,766</b>
<b>Summary of movements in cash flows</b>							
Net increase/(decrease) in cash and cash equivalents	26,884	5,879	501	3,668	(13,806)	137,416	2,952
Add: cash and cash equivalents at beginning of the year/period	20,389	14,510	-	10,387	24,193	94,759	91,807
<b>Cash and cash equivalents at end of the year/period</b>	<b>47,273</b>	<b>20,389</b>	<b>501</b>	<b>14,055</b>	<b>10,387</b>	<b>232,175</b>	<b>94,759</b>
<b>Additional operating cash flow information</b>							
Interest received as cash	189	165	1	-	-	658	767
Purchase of investments	(950,599)	(828,961)	(26,943)	-	-	(2,998,695)	(2,611,622)
Sale of investments	530,380	255,564	140	-	-	1,820,276	1,390,120

These statements are to be read in conjunction with the notes on pages 8 to 21 and the Independent Auditor's Report on pages 22 to 25.

# Notes to the Financial Statements

For the year ended 31 March 2020

## 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 Positive Impact Fund (the "New Fund") was established on 9 May 2019 and the New Fund's financial statements are for the period from the date of establishment to 31 March 2020. As the New Fund was not in existence in the prior year, no comparative period is presented. 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 2020 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 2019***

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2019. None of these have a material effect on the financial statements.

### ***New standards not yet effective***

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2020, 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.

### **Basis of Preparation**

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

The assets and the performance of the Scheme have been affected during the reporting period by the COVID-19 global pandemic in March 2020. An assessment on the impact of COVID-19 has been performed and no indicators affecting the Scheme's ability to operate as a going concern were identified. As such, these financial statements have been prepared on a going concern basis.

### **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.

- **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:



# Notes to the Financial Statements

For the year ended 31 March 2020

## 1 Statement of Accounting Policies (continued)

Subsidiary	Place of business	Ownership Interest	
		2020	2019
Investors Wholesale Cash Trust	Auckland, New Zealand	76%	73%
Investors Wholesale NZ Corporate Bond Trust	Auckland, New Zealand	75%	74%
Investors Wholesale Global Property (Index) Trust	Auckland, New Zealand	76%	76%
Investors Wholesale Global Credit Positive Impact Trust	Auckland, New Zealand	93%	N/A
Investors Wholesale Global Equities Positive Impact Trust	Auckland, New Zealand	93%	N/A

### • Revenue Recognition

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 offset against the distribution income.
- 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.
- Wholesale fee rebates are recognised on an accrual basis.

### • Income Tax

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.

### • 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.

#### 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")).

# Notes to the Financial Statements

For the year ended 31 March 2020

## 1 Statement of Accounting Policies (continued)

### Particular Accounting Policies (continued)

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.

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. 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 expected credit losses ("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 2020

## 1 Statement of Accounting Policies (continued)

### Particular Accounting Policies (continued)

#### • 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.

#### 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 2020

## 2 Financial Assets at Fair Value through Profit or Loss

\$ thousands As at 31 March	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2020	2019	2020	2019	2020	2019	2020	2019
Investors Wholesale Australasian Equity (Index) Trust	-	-	588,873	621,357	501,967	364,266	542,932	539,909
Investors Wholesale Cash Trust	799,170	464,396	699,980	730,089	142,474	189,557	45,142	85,633
Investors Wholesale NZ Fixed Interest Trust	-	-	362,302	344,403	193,121	179,239	73,425	67,518
Investors Wholesale Global Credit (Index) Trust	-	-	538,601	514,394	118,474	110,673	184,456	168,405
Investors Wholesale Global Government Bond (Index) Trust	-	-	971,158	908,640	276,487	253,761	258,898	234,269
Investors Wholesale Global Equity (Index) Trust	-	-	155,716	152,901	87,236	187,570	394,015	379,431
Investors Wholesale NZ Corporate Bond Trust	-	-	540,530	513,343	293,142	271,413	109,742	100,641
Investors Wholesale Global Property (Index) Trust	-	-	-	-	66,119	68,739	16,469	16,979
Investors Wholesale Emerging Markets Equities Trust	-	-	-	-	46,234	68,060	91,781	84,133
<b>Total financial assets at fair value through profit or loss</b>	<b>799,170</b>	<b>464,396</b>	<b>3,857,160</b>	<b>3,785,127</b>	<b>1,725,254</b>	<b>1,693,278</b>	<b>1,716,860</b>	<b>1,676,918</b>

\$ thousands As at 31 March	Growth Fund		Positive Impact Fund	Scheme Transactions Account		Total ASB KiwiSaver Scheme	
	2020	2019	2020	2020	2019	2020	2019
Investors Wholesale Australasian Equity (Index) Trust	867,518	836,285	-	-	-	2,501,290	2,361,817
Investors Wholesale Cash Trust	2,174	25,866	-	-	-	1,688,940	1,495,541
Investors Wholesale NZ Fixed Interest Trust	103,543	94,200	-	-	-	732,391	685,360
Investors Wholesale Global Credit (Index) Trust	-	-	-	-	-	841,531	793,472
Investors Wholesale Global Government Bond (Index) Trust	198,897	175,123	-	-	-	1,705,440	1,571,793
Investors Wholesale Global Equity (Index) Trust	864,184	811,811	-	-	-	1,501,151	1,531,713
Investors Wholesale NZ Corporate Bond Trust	169,067	152,114	-	-	-	1,112,481	1,037,511
Investors Wholesale Global Property (Index) Trust	108,169	106,467	-	-	-	190,757	192,185
Investors Wholesale Emerging Markets Equities Trust	157,967	140,851	-	-	-	295,982	293,044
Investors Wholesale Global Credit Positive Impact Trust	-	-	9,532	-	-	9,532	-
Investors Wholesale Global Equities Positive Impact Trust	-	-	15,482	-	-	15,482	-
<b>Total financial assets at fair value through profit or loss</b>	<b>2,471,519</b>	<b>2,342,717</b>	<b>25,014</b>	<b>-</b>	<b>-</b>	<b>10,594,977</b>	<b>9,962,436</b>

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 2020

## 3 Receivables

\$ thousands	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>As at 31 March</b>								
Interest receivable from ASB Bank Limited	6	2	12	11	2	7	4	7
Fee rebate receivable from ASB Group Investments Limited	2	1	37	34	17	17	18	16
PIE tax rebate receivable from Inland Revenue	-	-	-	-	-	-	3,076	-
Contributions receivable	654	-	2,899	-	1,022	-	1,374	-
<b>Total receivables</b>	<b>662</b>	<b>3</b>	<b>2,948</b>	<b>45</b>	<b>1,041</b>	<b>24</b>	<b>4,472</b>	<b>23</b>

\$ thousands	Growth Fund		Positive Impact Fund	Scheme Transactions Account		Total ASB Kiwisaver Scheme	
	2020	2019	2020	2020	2019	2020	2019
<b>As at 31 March</b>							
Interest receivable from ASB Bank Limited	5	11	-	-	-	29	38
Fee rebate receivable from ASB Group Investments Limited	27	25	-	-	-	101	93
PIE tax rebate receivable from Inland Revenue	16,723	-	-	-	-	19,799	-
Contributions receivable	1,903	-	25	-	-	7,877	-
<b>Total receivables</b>	<b>18,658</b>	<b>36</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>27,806</b>	<b>131</b>

These receivables are not past due or impaired.



# Notes to the Financial Statements

For the year ended 31 March 2020

## 4 Payables

\$ thousands As at 31 March	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2020	2019	2020	2019	2020	2019	2020	2019
PIE tax payable to Inland Revenue	1,068	1,414	19,012	24,240	3,637	9,060	-	7,557
Withdrawals payable	1,617	-	4,159	-	1,567	-	494	-
Other payables	-	-	-	-	-	-	-	-
<b>Total payables</b>	<b>2,685</b>	<b>1,414</b>	<b>23,171</b>	<b>24,240</b>	<b>5,204</b>	<b>9,060</b>	<b>494</b>	<b>7,557</b>

  

\$ thousands As at 31 March	Growth Fund		Positive Impact Fund	Scheme Transactions Account		Total ASB Kiwisaver Scheme	
	2020	2019	2020	2020	2019	2020	2019
PIE tax payable to Inland Revenue	-	7,389	69	1,450	592	25,236	50,252
Withdrawals payable	296	-	53	-	-	8,186	-
Other payables	-	-	-	6,805	-	6,805	-
<b>Total payables</b>	<b>296</b>	<b>7,389</b>	<b>122</b>	<b>8,255</b>	<b>592</b>	<b>40,227</b>	<b>50,252</b>

# Notes to the Financial Statements

For the year ended 31 March 2020

## 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	
	2020	2019	2020	2019	2020	2019	2020	2019
Retirement	34,839	24,257	152,862	98,405	45,888	32,610	21,931	18,661
Withdrawals for death	710	611	5,307	4,821	1,531	1,738	2,124	1,732
Withdrawals for serious illness	1,153	1,017	3,712	3,399	1,615	1,509	1,078	897
Withdrawals for significant financial hardship	766	1,133	4,861	6,402	1,852	1,952	1,510	1,331
Withdrawals for first home purchase	38,899	21,474	92,333	75,258	33,280	27,596	19,762	16,753
Withdrawals for permanent emigration	711	314	3,768	3,555	1,220	1,333	1,091	1,081
Other permitted withdrawals	392	74	1,305	893	406	313	367	1,193
<b>Total withdrawals</b>	<b>77,470</b>	<b>48,880</b>	<b>264,148</b>	<b>192,733</b>	<b>85,792</b>	<b>67,051</b>	<b>47,863</b>	<b>41,648</b>

\$ thousands For the year/period ended 31 March	Growth Fund		Positive Impact Fund (46 weeks)	Scheme Transactions Account		Total ASB KiwiSaver Scheme	
	2020	2019	2020	2020	2019	2020	2019
Retirement	12,399	11,298	4	-	-	267,923	185,231
Withdrawals for death	1,426	991	-	-	-	11,098	9,893
Withdrawals for serious illness	1,310	699	-	-	-	8,868	7,521
Withdrawals for significant financial hardship	2,645	2,421	2	-	-	11,636	13,239
Withdrawals for first home purchase	36,825	28,250	170	-	-	221,269	169,331
Withdrawals for permanent emigration	2,152	1,790	23	-	-	8,965	8,073
Other permitted withdrawals	1,305	504	-	(7)	(8,151)	3,768	(5,174)
<b>Total withdrawals</b>	<b>58,062</b>	<b>45,953</b>	<b>199</b>	<b>(7)</b>	<b>(8,151)</b>	<b>533,527</b>	<b>388,114</b>

# Notes to the Financial Statements

For the year ended 31 March 2020

## 6 Related Party Transactions and Balances

All transactions entered into with related parties during the year ended 31 March 2020 and 31 March 2019 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). The Manager is a wholly owned subsidiary of ASB Bank Limited, the ultimate parent of which is the Commonwealth Bank of Australia. The Manager is a member 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 is 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 2020 are \$4,848,000 (March 2019: \$4,512,000) and \$1,302,000 (March 2019: \$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. Any management fees and operation and administration costs incurred in these 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: \$44,000 for the audit of the Scheme's financial statements (2019: \$41,000) and \$12,000 for Registry and Regulatory reporting compliance services for the Scheme (2019: \$9,000); and
  - Public Trust charged the Manager \$2,150,000 for supervisor fees (2019: \$1,789,000).
- 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 transacted 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 2020

## 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.

There are three levels in the hierarchy of fair value measurements which are based on the observability of 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 2020 and 31 March 2019.

As at 31 March 2020 and 31 March 2019, 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 2020 and 31 March 2019 there were no significant adjustments made to the latest available withdrawal price of the respective managed funds and as at 31 March 2020, there is no material valuation uncertainty or changes in valuation methodology as a result of declines in investment markets due to COVID-19.

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 2020 and 31 March 2019.

# Notes to the Financial Statements

For the year ended 31 March 2020

## 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:

\$ thousands For the year ended 31 March	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2020	2019	2020	2019	2020	2019	2020	2019
Increase/decrease in: income/net assets attributable to members	<b>3,996</b>	2,322	<b>38,572</b>	37,851	<b>43,131</b>	33,866	<b>68,674</b>	41,923
Volatility estimate	<b>0.5%</b>	0.5%	<b>1.0%</b>	1.0%	<b>2.5%</b>	2.0%	<b>4.0%</b>	2.5%

  

\$ thousands For the year/period ended 31 March	Growth Fund		Positive Impact Fund	Scheme Transactions Account		ASB Kiwisaver Scheme	
	2020	2019	2020 (46 weeks)	2020	2019	2020	2019
Increase/decrease in: income/net assets attributable to members	<b>148,291</b>	70,282	<b>1,251</b>	-	-	<b>303,915</b>	186,244
Volatility estimate	<b>6.0%</b>	3.0%	<b>5.0%</b>	N/A	N/A	<b>2.9%</b>	1.9%

The volatility estimate percentages 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. The percentages applied to certain Funds have been revised from 2019, to reflect the reasonably possible price fluctuations observed in the year ended 31 March 2020.



# Notes to the Financial Statements

For the year ended 31 March 2020

## 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:

\$ thousands For the year ended 31 March	NZ Cash Fund		Conservative Fund		Moderate Fund		Balanced Fund	
	2020	2019	2020	2019	2020	2019	2020	2019
Increase/decrease in: income/net assets attributable to members	142	26	867	318	356	150	339	146

  

\$ thousands For the year/period ended 31 March	Growth Fund		Positive Impact Fund	Scheme Transactions Account		Total ASB KiwiSaver Scheme	
	2020	2019	2020 (46 weeks)	2020	2019	2020	2019
Increase/decrease in: income/net assets attributable to members	473	204	5	141	104	2,323	948

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

### Foreign Exchange Risk

There is no direct foreign exchange risk. However, there may be indirect exposure to foreign exchange risk through the Managed Funds Investments.

### 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.

The impact of COVID-19 has caused the Manager to closely monitor withdrawal and transfer requests to ensure that no material restrictions or delays are experienced by members. The Manager believes the Scheme remains appropriately liquid, having considered the liquidity of underlying investments and the level of potential withdrawals and transfers.

# Notes to the Financial Statements

For the year ended 31 March 2020

## 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 BBB-.

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- (March 2019: 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 2020 and 2019, all receivables 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 2019: 3%).
- Member contribution: 3%, 4%, 6%, 8% or 10% of employee's pre-tax salary or wages (31 March 2019: 3%, 4% or 8%).

In addition voluntary contributions may have also been received from members.

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 2019: 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 2020

## **9 Capital Commitments and Contingent Liabilities**

The Scheme had no capital commitments or contingent liabilities as at 31 March 2020 (31 March 2019: nil).

## **10 Events after the Reporting Period**

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





## *Independent auditor's report*

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

NZ Cash Fund  
Conservative Fund  
Moderate Fund  
Balanced Fund  
Growth Fund  
Positive Impact Fund  
(collectively referred to as the "Funds")

We have audited the financial statements which comprise:

- the statements of net assets available for benefits as at 31 March 2020;
- 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 accompanying financial statements of the Funds and the Scheme present fairly, in all material respects, the financial position of the Funds and the Scheme as at 31 March 2020, their financial performance 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).

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### *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 Funds and 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 registry compliance assurance services to ASB Group Investments Limited (the "Manager"). Subject to certain restrictions, employees of our firm may invest in the Funds and the Scheme on normal market terms. These matters have not impaired our independence as auditor of the Funds and the Scheme.

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### *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: *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
<p><i>Valuation and existence of financial assets at fair value through profit or loss</i></p> <p>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.</p> <p>This was an area of focus for our audit as it represents the majority of the net assets of the Funds and the Scheme.</p> <p>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 Colonial First State Investments Limited (the “Administrator”) and the fair value is based on the redemption price established by the Administrator.</p> <p>Management assessed the impact of COVID-19 on the Scheme’s financial statements including financial assets at fair value through profit or loss.</p> <p>All financial assets are held by Newburg Nominees Limited (the “Custodian”, a subsidiary of Public Trust) on behalf of the Funds and the Scheme.</p>	<p>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.</p> <p>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, noting no significant impact of COVID-19.</p> <p>We received the Administrator’s service organisation internal controls report which covers the period from 1 July 2018 to 30 June 2019 and, for the remaining period to 31 March 2020, we tested the design and operating effectiveness of the key controls operated by the Administrator.</p> <p><i>Valuation</i></p> <p>For the valuation of the unlisted investment funds, we agreed the redemption price at 31 March 2020 to the confirmation provided by the Administrator.</p> <p>We have considered the impact of COVID-19 on the valuation of financial assets at fair value through profit or loss, including the disclosures in the financial statements.</p> <p><i>Existence</i></p> <p>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.</p>

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## Our audit approach

### Overview

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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.

As mentioned earlier, we have determined that there is one key audit matter: *Valuation and existence of financial assets at fair value through profit or loss.*

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### 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. 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 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.

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### 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.



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

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### *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.

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

For and on behalf of:

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written over a thin horizontal line.

Chartered Accountants  
29 July 2020

Auckland