



BNZ Cash PIE and BNZ Term PIE

Financial Statements for the period/year
ended 3 March 2020/31 March 2020

Contents

Statements of Comprehensive Income	2
Statements of Changes in Net Assets Attributable to Scheme Participants	3
Statements of Financial Position	4
Statements of Cash Flows	5
Notes to and Forming Part of the Financial Statements	6
Independent Auditor's Report	12

Statements of Comprehensive Income

For the period/year ended 3 March 2020/31 March 2020

	BNZ Cash PIE		BNZ Term PIE	
	Period ended 3 March 2020 \$'000	Year ended 31 March 2019 \$'000	Year ended 31 March 2020 \$'000	Year ended 31 March 2019 \$'000
Income				
Interest income on financial assets at amortised cost	12	22	51,731	53,462
Total income and operating profit	12	22	51,731	53,462
Finance costs - Distributions to Scheme Participants	-	-	(51,731)	(53,462)
Total comprehensive income for the period/year attributable to Scheme Participants	12	22	-	-

The accounting policies and notes form part of, and should be read in conjunction with, these Financial Statements.

Statements of Changes in Net Assets Attributable to Scheme Participants

For the period/year ended 3 March 2020/31 March 2020

	Notes	BNZ Cash PIE		BNZ Term PIE	
		Period ended 3 March 2020 \$'000	Year ended 31 March 2019 \$'000	Year ended 31 March 2020 \$'000	Year ended 31 March 2019 \$'000
Net assets attributable to Scheme Participants at the beginning of the period/year		17,064	26,739	1,531,902	1,467,493
Proceeds from units issued		2,173	8,751	2,255,120	2,199,016
Redemption of units		(19,237)	(18,422)	(2,289,902)	(2,129,040)
Distributions		(12)	(22)	-	-
Scheme Participants' tax liabilities		-	(4)	(4,183)	(5,567)
Net (decrease)/increase from transactions in units		(17,076)	(9,697)	(38,965)	64,409
Total comprehensive income for the period/year attributable to Scheme Participants	2.3	12	22	-	-
Net assets attributable to Scheme Participants at the end of the period/year		-	17,064	1,492,937	1,531,902

The BNZ Term PIE's units are classified as a liability under New Zealand equivalents to International Accounting Standards ("NZ IAS") 32 Financial Instruments: Presentation. As such the BNZ Term PIE has no equity and the information above for BNZ Term PIE is provided for information purposes only.

	BNZ Cash PIE		BNZ Term PIE	
	Period ended 3 March 2020 Units '000	Year ended 31 March 2019 Units '000	Year ended 31 March 2020 Units '000	Year ended 31 March 2019 Units '000
Units on issue at the beginning of the period/year	17,064	26,739	1,531,902	1,467,493
Units issued	2,173	8,751	2,255,120	2,199,016
Units redeemed	(19,237)	(18,422)	(2,289,902)	(2,129,040)
Scheme Participants' tax liabilities - units	-	(4)	(4,183)	(5,567)
Units on issue at the end of the period/year	-	17,064	1,492,937	1,531,902

The accounting policies and notes form part of, and should be read in conjunction with, these Financial Statements.

Statements of Financial Position

As at 3 March 2020/31 March 2020

	Notes	BNZ Cash PIE		BNZ Term PIE	
		As at 3 March 2020 \$'000	As at 31 March 2019 \$'000	As at 31 March 2020 \$'000	As at 31 March 2019 \$'000
Assets					
Cash and cash equivalents		-	17,064	1,492,937	1,531,902
Accrued interest		-	-	120	449
Total assets		-	17,064	1,493,057	1,532,351
Liabilities					
Distributions payable		-	-	120	449
Net assets attributable to Scheme Participants classified as financial liabilities	2.2	-	-	1,492,937	1,531,902
Total liabilities		-	-	1,493,057	1,532,351
Net assets attributable to Scheme Participants classified as equity		-	17,064	-	-
Total liabilities and Net assets attributed to Scheme Participants		-	17,064	1,493,057	1,532,351

The accounting policies and notes form part of, and should be read in conjunction with, these Financial Statements.

The Directors of BNZ Investment Services Limited authorised these Financial Statements for issue on 21 July 2020.

For and on behalf of the Manager



Dick Morath
Jul 21, 2020 2:43 PM AEST

Director



Graham Ansell
Jul 21, 2020 2:06 PM NZST

Director

Statements of Cash Flows

For the period/year ended 3 March 2020/31 March 2020

	Notes	BNZ Cash PIE		BNZ Term PIE	
		Period ended 3 March 2020 \$'000	Year ended 31 March 2019 \$'000	Year ended 31 March 2020 \$'000	Year ended 31 March 2019 \$'000
Cash flows from operating activities					
Interest income		12	22	52,060	53,455
Net cash flows from operating activities	7	12	22	52,060	53,455
Cash (outflows)/inflows from financing activities					
Proceeds from units issued		2,173	8,751	2,255,120	2,199,016
Redemptions of units		(19,237)	(18,426)	(2,294,085)	(2,134,607)
Distributions		(12)	(22)	(52,060)	(53,455)
Net cash (outflows)/inflows from financing activities		(17,076)	(9,697)	(91,025)	10,954
Net (decrease)/increase in cash and cash equivalents		(17,064)	(9,675)	(38,965)	64,409
Cash and cash equivalents at the beginning of the period/year		17,064	26,739	1,531,902	1,467,493
Cash and cash equivalents at the end of the period/year		-	17,064	1,492,937	1,531,902

The accounting policies and notes form part of, and should be read in conjunction with, these Financial Statements.

Notes to and Forming Part of the Financial Statements

For the period/year ended 3 March 2020/31 March 2020

1. General information

1.1 Reporting entity

The reporting entities included in these Financial Statements are the BNZ Cash PIE and BNZ Term PIE. They are referred to throughout these Financial Statements as the 'Schemes' and individually as the 'Scheme'.

The BNZ Cash PIE was originally established under a Master Trust Deed executed by BNZ Investment Services Limited (the "Manager") and The New Zealand Guardian Trust Company Limited (the "Supervisor") on 23 October 2008 as amended and restated by the Deed of Amendment and Restatement dated 24 July 2012, and commenced operations on 24 October 2008. The BNZ Term PIE was established under a Supplemental Deed to the Master Trust Deed between the Manager and the Supervisor dated 23 September 2010 and commenced operations on 23 September 2010. The Master Trust Deed was amended by the Deed of Amendment and Restatement dated 24 July 2012. In May 2016, the Financial Markets Authority granted the Manager a Managed Investment Scheme Licence, effective 29 August 2016. Effective 30 August 2016, the Trust Deed was substituted and replaced entirely with the BNZ Cash PIE and BNZ Term PIE Governing Document (the "Governing Document"). In accordance with the terms of the Governing Document, the existing entities are to be constituted and administered as separate Schemes under the Financial Markets Conduct Act 2013 (the "FMCA"). The Schemes have transitioned to the terms and conditions of the FMCA. The Schemes are exempt from the licensing requirements with the Financial Markets Authority.

The BNZ Cash PIE ceased its operation and was closed on 3 March 2020.

The BNZ Term PIE will terminate on the earlier of the date appointed by the Manager (after giving no less than three months' written notice) to the Supervisor and the Scheme Participants, or the date determined by an Extraordinary Resolution of Scheme Participants, or determined in the Governing Document or by operation of law.

The BNZ Cash PIE's objective was to provide Scheme Participants with an investment that was a potentially tax efficient alternative to (with a pre-tax return similar to) a deposit in a call account with Bank of New Zealand ("BNZ"). The objective of the BNZ Term PIE is to provide Scheme Participants with a potentially tax efficient alternative to a term deposit with BNZ. The Schemes seek to achieve their objectives by investing exclusively in call deposits with BNZ. The principal activity of the Schemes is investment.

The Schemes' investment activities are managed by the Manager. The registered office for BNZ Investment Services Limited is Level 4, 80 Queen Street, Auckland. The Schemes are domiciled in New Zealand.

1.2 Statutory base

The Schemes are separate schemes subject to the terms of the Governing Document and the FMCA.

2. Summary of significant accounting policies

2.1 Basis of preparation

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied throughout the reporting periods presented, unless otherwise stated.

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). For the purpose of complying with NZ GAAP, the Schemes are for-profit entities. These Financial Statements comply with the New Zealand Equivalent to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-orientated entities. The Financial Statements also comply with International Financial Reporting Standards ("IFRS").

These Financial Statements have been prepared under the historical cost convention.

The financial statements of the BNZ Term PIE have been prepared on a going concern basis. The BNZ Cash PIE financial statements have been prepared on a cessation basis due to the Scheme having ceased on 3 March 2020.

(a) Presentation

The Statements of Financial Position have been prepared using the liquidity format of presentation as this is the most relevant to the user of the Financial Statements. All amounts are presented in New Zealand dollars, which is the Schemes' functional and presentation currency, rounded to the nearest \$'000 unless otherwise stated.

(b) New standards and amendments

There were no new standards or amendments to existing standards that were effective for the financial period/year commencing on 1 April 2019 that had a material effect on the Financial Statements of the Schemes. There were also no standards issued but not yet effective that could have a material effect on the Schemes.

(c) Reporting periods and comparatives

The BNZ Cash PIE financial statements are for the period ended 3 March 2020. The comparative figures are for the year ended 31 March 2019. The BNZ Term PIE financial statements are for the year ended 31 March 2020. The comparative figures are for the year ended 31 March 2019.

Notes to and Forming Part of the Financial Statements continued

2. Summary of significant accounting policies continued

2.2 Financial instruments

All financial instruments of the Schemes are measured at amortised cost. Financial assets at amortised costs consist of:

- (a) **Cash and cash equivalents** include cash in hand and deposits held at call with banks, denominated in New Zealand dollars.
- (b) **Receivables** include amounts due for interest.

Financial liabilities at amortised cost consist of:

- (a) **Payables** include distributions payable and withdrawals payable.
- (b) **Net assets attributable to Scheme Participants classified as financial liabilities.** See Note 2.3 for more details.

The Schemes' recognise financial assets and liabilities at amortised cost on the date they become parties to the contractual agreement. Financial assets and liabilities at amortised cost are initially recognised at fair value plus or minus transaction costs directly attributable to their acquisition or issue. Subsequent to initial recognition, all financial assets and liabilities at amortised cost are measured at amortised cost using the effective interest method, less any impairment for financial assets. Any impairment charge is recognised in the Statements of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Schemes have transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or have expired.

The carrying amount of the Schemes' financial assets and liabilities approximates to their fair value.

2.3 Net assets attributable to Scheme Participants

BNZ Cash PIE

The BNZ Cash PIE issues units that are redeemable at the Scheme Participants' option and have identical features. The Scheme's redeemable units meet the definition of puttable instruments classified as equity instruments under NZ IAS 32. The units can be put back to the Scheme at any time for cash based on the redemption unit price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit prices) as at the reporting date if Scheme Participants exercised their right to put the units back to the Scheme.

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the Scheme Participants' option at the lesser of \$1 per unit and the Unit Value for the Scheme. The Scheme's Unit Value is calculated by dividing the Net assets attributable to Scheme Participants with the total number of outstanding units of the Scheme.

The issue and redemption of units and distribution on units are accounted for as equity transactions.

BNZ Term PIE

The BNZ Term PIE issues units that are redeemable at the Scheme Participants' option and do not have identical features, and are therefore classified as financial liabilities. The units can be put back to the BNZ Term PIE at any time for cash, based on the redemption price plus accrued interest, based on the return agreed with the Scheme Participant at the issue of the units and assuming the units will be held until their agreed maturity date. A break fee may be levied by the Manager for a redemption of units in the BNZ Term PIE prior to the maturity date.

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions of units in the BNZ Term PIE are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the Scheme Participant's option at prices based on the return agreed with the Scheme Participant at the issue of the units.

Units are accounted for as a liability and distributions on units are accounted for as finance costs (distributions to Scheme Participants).

Creditors of the Schemes will rank ahead of Scheme Participants' claims in the event of one or the other of the Schemes being wound up. Scheme Participants' claims will rank equally with the claims of other Scheme Participants in the Schemes in proportion to the number of units held.

2.4 Investment income

Interest income

Interest income on cash and cash equivalents is included as interest in the Statements of Comprehensive Income as it accrues using the effective interest rate.

2.5 Income tax

The Schemes both qualify as and have elected to be Portfolio Investment Entities ("PIEs") for tax purposes. Under the PIE regime income is effectively taxed in the hands of the Scheme Participants, and therefore, the Schemes have no income tax expense. Accordingly, no income tax expense is recognised in the Statements of Comprehensive Income. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in Scheme Participants' tax liabilities in the Statements of Changes in Net Assets Attributable to Scheme Participants.

Under the PIE regime, the Manager attributes the taxable income of the BNZ Cash PIE to Scheme Participants in accordance with the proportion of their interest in the Scheme. The Manager attributes the taxable income of the BNZ Term PIE to units in proportion to the rates of return attached to those units. The income attributed to each Scheme Participant is taxed at the Scheme Participant's "Prescribed Investor Rate" on redemptions and annually on or around 31 March each year.

2.6 Goods and services tax ("GST")

The Schemes are not registered for GST. The Statements of Comprehensive Income and Statements of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Statements of Financial Position are stated inclusive of GST.

Notes to and Forming Part of the Financial Statements continued

3. Significant accounting estimates and judgements

The Manager of the Schemes makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next reporting period. Estimates are continually evaluated and are based on historical experience among other factors, but also include expectations of future events that are believed to be reasonable under the circumstances.

Net assets attributable to Scheme Participants

BNZ Cash PIE units are classified as equity instruments in accordance with NZ IAS 32. The Manager continues to assess the classification of the redeemable units to ensure that they have all the features or meet all of the conditions set out in paragraphs 16A and 16B of NZ IAS 32.

4. Financial risk management

4.1 Financial risk factors

The Schemes are exposed to credit risk and liquidity risk.

The Schemes' overall risk management programme seeks to maximise the returns derived for the level of risk to which the Scheme is exposed and seeks to minimise potential adverse effects on the Schemes' financial performance for the creation of Scheme Participant's value.

All security investments present a risk loss of capital. The Schemes hold cash and cash equivalents where the maximum loss of capital is limited to the carrying value of those positions.

The Manager is responsible for identifying and managing the Schemes' risks. In addition, financial risk is also managed by the setting of an investment policy, agreed with and monitored by the Supervisor.

The Schemes use different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

4.2 Interest rate risk

Cash flow interest rate risk

Cash flow interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the future cash flow.

BNZ Cash PIE distributions to Scheme Participants were based on the proportion of the income of the Scheme, which was attributable to each Scheme Participant. The BNZ Term PIE currently invests solely in a New Zealand dollar, interest bearing call deposit with BNZ. BNZ pays the BNZ Term PIE interest on this deposit that matches the returns payable before-tax and expenses (if any), on all of the Scheme Participants' investments in the BNZ Term PIE. Therefore, the Schemes are exposed to an insignificant level of interest rate risk, and sensitivity analysis is not presented.

4.3 Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of an obligation to the Schemes. The Schemes are primarily exposed to credit risk through their investment activities. The Schemes invest exclusively in call deposits with BNZ on which the maximum credit risk is considered to be the carrying value.

As disclosed in the BNZ Disclosure Statement for the six months ended 31 March 2020, BNZ has the following credit ratings applicable to its long-term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

Rating Agency	Current Credit Rating	Qualification
Fitch Australia Pty Limited	A+	Outlook Negative
Moody's Investors Service Pty Limited	A1	Outlook Stable
Standard & Poor's (Australia) Pty Limited	AA-	Outlook Negative

The Scheme measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management consider the probability of default to be close to zero as the instruments have a low risk of default and 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 expected credit losses as any such impairment would be wholly insignificant to the Scheme.

Notes to and Forming Part of the Financial Statements continued

4. Financial risk management continued

4.4 Liquidity risk

Liquidity risk is the risk that the Scheme may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The BNZ Cash PIE was exposed only to the daily redemptions of units. The BNZ Term PIE is exposed only to the redemptions of units at the agreed maturity dates. The Manager considers the Schemes' policy of investing solely in call deposits with BNZ that can be readily accessed allows it to meet the obligations as they come due.

Under the terms of the Governing Document, the Manager can suspend withdrawals from the Schemes if the Manager forms the opinion that it is not desirable or would be prejudicial to the interests of Scheme Participants for withdrawals to be made. As the Schemes invest exclusively in call deposits with BNZ, the Manager considers it unlikely that circumstances will arise which would require the Manager to suspend withdrawals from the Schemes.

The table below analyses the Schemes' financial assets and liabilities into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows:

	BNZ Cash PIE		BNZ Term PIE	
	As at 3 March 2020 \$'000	As at 31 March 2019 \$'000	As at 31 March 2020 \$'000	As at 31 March 2019 \$'000
Financial liabilities				
Less than 7 days				
Net assets attributable to Scheme Participants	-	-	65,390	39,176
Distribution payable	-	-	5	11
7 days to 1 month				
Net assets attributable to Scheme Participants	-	-	128,040	117,836
Distribution payable	-	-	10	35
1 - 3 months				
Net assets attributable to Scheme Participants	-	-	337,381	322,815
Distribution payable	-	-	27	95
3 - 6 months				
Net assets attributable to Scheme Participants	-	-	420,489	379,240
Distribution payable	-	-	34	111
6 months to 1 year				
Net assets attributable to Scheme Participants	-	-	340,822	484,410
Distribution payable	-	-	27	142
1 - 2 years				
Net assets attributable to Scheme Participants	-	-	96,893	84,142
Distribution payable	-	-	8	25
2 - 5 years				
Net assets attributable to Scheme Participants	-	-	103,922	104,282
Distribution payable	-	-	9	31
	-	-	1,493,057	1,532,351

Notes to and Forming Part of the Financial Statements continued

5. Capital risk management

The Schemes' capital is represented by Net assets attributable to Scheme Participants. As a result of the ability to issue, repurchase and resell units, the Net assets attributable to Scheme Participants can vary depending on demand for applications and redemptions. The Schemes' objectives when managing capital are to provide returns for Scheme Participants through investing in income generating call deposits.

The Schemes strive to invest the funds received from Scheme Participant applications in investments that meet the Schemes' objectives while maintaining sufficient liquidity to meet Scheme Participants' redemptions.

The Schemes do not have any externally imposed capital requirements. Units may be redeemed on any business day of the month, subject to receipt of the redemption request. Redemptions from the BNZ Term PIE made before the contractual maturity date may be subject to break fees.

Neither the Supervisor, the Manager, BNZ, any members of their groups of companies nor any other person guarantees (either partially or fully) the capital value or performance of the investment.

6. Related parties

6.1 General

BNZ Investment Services Limited is the Manager and Issuer of the BNZ Cash PIE and the BNZ Term PIE. BNZ Investment Services Limited is a wholly owned subsidiary of BNZ, whose ultimate parent is National Australia Bank Limited. As at 3 March 2020, BNZ Investment Services Limited held Nil units with a market value of \$Nil in the BNZ Cash PIE (31 March 2019: 13.05 units; market value \$13.05). As at 31 March 2020, BNZ Investment Services Limited held 10.00 units with a market value of \$10.00 in the BNZ Term PIE (31 March 2019: 10.00 units; market value \$10.00) representing the initial investment in each of the Schemes and reinvested income.

BNZ and its Directors are considered to be related persons of the Schemes. Under NZ IFRS, BNZ is considered to have control of the Schemes and the Schemes are consolidated into the BNZ's financial statements for financial reporting purposes.

The New Zealand Guardian Trust Company Limited is the Supervisor of the Schemes. The Manager is responsible for paying any fees due to the Supervisor. The Supervisor's fee is payable out of the Schemes if the Manager fails to pay that fee.

The Schemes did not owe any amounts to related parties as at 3 March/31 March 2020 (31 March 2019: Nil).

The BNZ Cash PIE and the BNZ Term PIE invest solely in call deposits with BNZ.

6.2 Related party investments

The value of investments held with related parties as at the reporting date were:

	BNZ Cash PIE		BNZ Term PIE	
	As at 3 March 2020 \$'000	As at 31 March 2019 \$'000	As at 31 March 2020 \$'000	As at 31 March 2019 \$'000
BNZ	-	17,064	1,493,057	1,532,351

The income from investments held with related parties during the reporting period was:

	BNZ Cash PIE		BNZ Term PIE	
	Period ended 3 March 2020 \$'000	Year ended 31 March 2019 \$'000	Year ended 31 March 2020 \$'000	Year ended 31 March 2019 \$'000
BNZ	12	22	51,731	53,462

6.3 Key management personnel

Key management personnel are defined as being Directors of the Manager and Directors of BNZ. No compensation was paid by the Schemes to key management personnel during the period/year ended 3 March/31 March 2020 (year ended 31 March 2019: Nil). As at 3 March 2020, key management personnel held Nil units (31 March 2019: Nil units) in the BNZ Cash PIE. As at 31 March 2020, key management personnel held Nil units in the BNZ Term PIE (31 March 2019: Nil units).

7. Reconciliation of income and operating profit to net cash flows from operating activities

	BNZ Cash PIE		BNZ Term PIE	
	Period ended 3 March 2020 \$'000	Year ended 31 March 2019 \$'000	Year ended 31 March 2020 \$'000	Year ended 31 March 2019 \$'000
Total income and operating profit	12	22	51,731	53,462
Net change in accrued interest	-	-	329	(7)
Net cash flows from operating activities	12	22	52,060	53,455

Notes to and Forming Part of the Financial Statements continued

8. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 3 March/31 March 2020 (31 March 2019: Nil).

9. Events occurring after the reporting date

No significant events have occurred since the reporting date which would impact on the financial position of the Schemes disclosed in the Statements of Financial Position as at 3 March/31 March 2020 or on the financial results and cash flows of the Schemes for the reporting period ended on that date.

Independent Auditor's Report



Chartered Accountants

Independent auditor's report to the Scheme Participants of BNZ Cash PIE and BNZ Term PIE

Opinion

We have audited the financial statements of BNZ Cash PIE and BNZ Term PIE (each a "Scheme", together the "Schemes") on pages 2 to 11, which comprise the statement of financial position of the BNZ Cash PIE as at 3 March 2020 and of the BNZ Term PIE as at 31 March 2020, and the statement of comprehensive income, statement of changes in net assets attributable to scheme participants and the statement of cash flows for the periods then ended of each Scheme, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 2 to 11 present fairly, in all material respects, the financial position of the BNZ Cash PIE as at 3 March 2020 and of the BNZ Term PIE as at 31 March 2020 and their financial performance and cash flows for the periods then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to each Scheme's participants, as separate bodies. Our audits have been undertaken so that we might state to each Scheme's participants those matters 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 each Scheme and each Scheme's participants, as separate bodies, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (New Zealand). 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 are independent of the Schemes 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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Ernst & Young provides other assurance services and agreed upon procedures to the Schemes. Partners and employees of our firm may deal with the Schemes on normal terms within the ordinary course of trading activities of the business of the Schemes. We have no other relationship with, or interest in, the Schemes.

Emphasis of Matter (BNZ Cash PIE) – Basis of Preparation of the Financial Statements

The financial statements for the BNZ Cash PIE have been prepared on a cessation basis as described in Note 2.1. This basis differs from the normal convention in that financial statements are usually prepared on the basis that the Scheme will carry on business as a going concern. Under the cessation basis, the financial statements include adjustments to the net book value of assets, reducing them to the amounts expected to be realised, together with additional provisions and liabilities which will arise as a result of the Scheme ceasing to trade. There were no adjustments required to the carrying values of assets and liabilities as a result of the Scheme ceasing to trade.

Our opinion is not qualified in this respect.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the financial statements of the current year. These matters were addressed in the context of our audits of the financial statements as a whole, and in forming our opinions thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audits addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audits included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent Auditor's Report continued

In respect of the BNZ Cash PIE we determined there were no key audit matters to report.

Cash and cash equivalents (Key Audit Matter for BNZ Term PIE only)

Why significant	How our audit addressed the key audit matter
The BNZ Term PIE scheme's cash and cash equivalents exceeds 99% of the scheme's total assets.	Our audit procedures included receiving a confirmation directly from the custodian for the Scheme, of the cash balance held as at 31 March 2020 and agreeing the accounting records to the confirmation.

Information other than the financial statements and auditor's report

The Manager of the Schemes is responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits 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 during the audit, or otherwise appears to be materially misstated.

If, based upon 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.

Manager's responsibilities for the financial statements

The Manager is responsible, on behalf of the Schemes, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, 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 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 Scheme or 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 International Standards on Auditing (New Zealand) 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.

As part of an audit in accordance with International Standards on Auditing (New Zealand), the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- ▶ Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of each Scheme's internal control.

Independent Auditor's Report continued

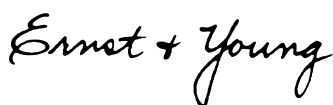
- ▶ Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- ▶ In respect of BNZ Term PIE, concludes on the appropriateness of the use of the going concern basis of accounting by the Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on each Scheme's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause each Scheme to cease to continue as a going concern.
- ▶ In respect of BNZ Cash PIE, concludes on the appropriateness of the Manager's use of the going concern basis of accounting. When such use is inappropriate and the Manager uses an alternative basis of accounting, we conclude on the appropriateness of the Manager's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- ▶ Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font.

Chartered Accountants
Auckland
21 July 2020

BNZ INVESTMENTS

•

0800 275 269

•

VISIT YOUR LOCAL BRANCH