

Kiwibank PIE Unit Trust

Financial Statements

For the year ended 30 June 2016.

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Financial statements

Statement of profit or loss and other comprehensive income For the year ended 30 June 2016

	Note	Year ended 30 June 2016				Year ended 30 June 2015			
		Online Call	Notice Saver	Term Deposit	Total	Online Call	Notice Saver	Term Deposit	Total
Dollars in thousands		Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
Interest income	3	3,223	83,413	35,732	122,368	4,094	111,398	36,175	151,667
Total revenue		3,223	83,413	35,732	122,368	4,094	111,398	36,175	151,667
Operating expenses		-	-	-	-	-	-	-	-
Profit before taxation		3,223	83,413	35,732	122,368	4,094	111,398	36,175	151,667
Income tax		-	-	-	-	-	-	-	-
Profit after taxation		3,223	83,413	35,732	122,368	4,094	111,398	36,175	151,667
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income for the year		3,223	83,413	35,732	122,368	4,094	111,398	36,175	151,667

Financial statements continued

Statement of changes in net assets attributable to Unit holders For the year ended 30 June 2016

	Year ended 30 June 2016				Year ended 30 June 2015			
	Online Call	Notice Saver	Term Deposit		Online Call	Notice Saver	Term Deposit	
Dollars in thousands	Fund	Fund	Fund	Total	Fund	Fund	Fund	Total
Net assets attributable to Unit holders at beginning of year	137,968	2,734,978	875,305	3,748,251	133,044	2,760,289	797,993	3,691,326
Total comprehensive income	3,223	83,413	35,732	122,368	4,094	111,398	36,175	151,667
Transactions with Unit holders								
Contributions from Unit holders	328,545	1,938,515	1,547,548	3,814,608	260,821	2,036,794	1,325,344	3,622,959
Redemptions by Unit holders	(306,886)	(2,325,397)	(1,488,755)	(4,121,038)	(258,930)	(2,150,928)	(1,274,815)	(3,684,673)
Unit holder attributed taxation	(843)	(17,261)	(9,257)	(27,361)	(1,061)	(22,575)	(9,392)	(33,028)
Movements in net assets attributable to Unit holders for the year	24,039	(320,730)	85,268	(211,423)	4,924	(25,311)	77,312	56,925
Net assets attributable to Unit holders at end of the year	162,007	2,414,248	960,573	3,536,828	137,968	2,734,978	875,305	3,748,251

Financial statements continued

Balance sheet As at 30 June 2016

Dollars in thousands	Note	Year ended 30 June 2016				Year ended 30 June 2015			
		Online Call	Notice Saver	Term Deposit	Total	Online Call	Notice Saver	Term Deposit	Total
		Fund	Fund	Fund		Fund	Fund	Fund	
Assets									
Cash and cash equivalents - related parties		162,007	2,414,248	-	2,576,255	137,968	2,734,978	-	2,872,946
Receivables - other		61	1,132	288	1,481	86	1,808	2,086	3,980
Accrued interest		-	-	13,138	13,138	-	-	14,529	14,529
Investments with related parties		-	-	951,048	951,048	-	-	864,771	864,771
Total assets		162,068	2,415,380	964,474	3,541,922	138,054	2,736,786	881,386	3,756,226
Liabilities									
Tax paid on behalf of Unit holders by Kiwibank		-	-	1,797	1,797	-	-	2,029	2,029
PIE tax payable	2	61	1,132	2,104	3,297	86	1,808	4,052	5,946
Total liabilities (excluding net assets attributable to Unit holders)		61	1,132	3,901	5,094	86	1,808	6,081	7,975
Net assets attributable to Unit holders (liability)		162,007	2,414,248	960,573	3,536,828	137,968	2,734,978	875,305	3,748,251

Signed on behalf of the Board of Directors of Kiwibank Investment Management Limited as Manager on 20 September 2016.

Director



Director



Financial statements continued

Cash flow statement

For the year ended 30 June 2016

	Year ended 30 June 2016				Year ended 30 June 2015			
	Online Call	Notice Saver	Term Deposit	Total	Online Call	Notice Saver	Term Deposit	Total
Dollars in thousands	Fund	Fund	Fund		Fund	Fund	Fund	
Cash flows from operating activities								
Interest received	3,223	83,413	37,123	123,759	4,094	111,398	35,394	150,886
Net purchases of investments	-	-	(86,658)	(86,658)	-	-	(76,531)	(76,531)
Net cash flows from operating activities	3,223	83,413	(49,535)	37,101	4,094	111,398	(41,137)	74,355
Cash flows from financing activities								
Contributions from Unit holders	328,545	1,938,515	1,547,548	3,814,608	260,821	2,036,794	1,325,344	3,622,959
Redemptions by Unit holders	(307,729)	(2,342,658)	(1,498,013)	(4,148,400)	(259,991)	(2,173,503)	(1,284,207)	(3,717,701)
Net cash flows from financing activities	20,816	(404,143)	49,535	(333,792)	830	(136,709)	41,137	(94,742)
Net increase/(decrease) in cash	24,039	(320,730)	-	(296,691)	4,924	(25,311)	-	(20,387)
Opening cash and cash equivalents balance	137,968	2,734,978	-	2,872,946	133,044	2,760,289	-	2,893,333
Closing cash and cash equivalents balance	162,007	2,414,248	-	2,576,255	137,968	2,734,978	-	2,872,946
Reconciliation of net profit attributable to Unit holders to net cash flow from operating activities								
Net profit after tax	3,223	83,413	35,732	122,368	4,094	111,398	36,175	151,667
Deposits placed with Kiwibank Limited	-	-	(86,276)	(86,276)	-	-	(76,426)	(76,426)
Movement in operating balances:								
Movement in payables	(25)	(676)	(2,180)	(2,881)	81	1,712	326	2,119
Movement in receivables	25	676	3,189	3,890	(81)	(1,712)	(1,212)	(3,005)
Net cash flows from operating activities	3,223	83,413	(49,535)	37,101	4,094	111,398	(41,137)	74,355

Notes to the financial statements

1. Summary of significant accounting policies

Reporting entities

The financial statements being reported on are for the Kiwibank PIE Unit Trust (the "**Trust**") and comprise the following Funds:

- Kiwibank PIE Online Call ("**Online Call Fund**")
- Kiwibank Notice Saver ("**Notice Saver Fund**")
- Kiwibank PIE Term Deposit ("**Term Deposit Fund**")

The Trust was established on 26 May 2008 and is domiciled in New Zealand. The Trust has a perpetuity period of 80 years less one day from the date it was established.

Statutory basis

These financial statements have been prepared by Kiwibank Investment Management Limited (the "**Manager**"). The Manager's registered office is Level 8, New Zealand Post House, 7 Waterloo Quay, Wellington, New Zealand.

The Supervisor of the Trust is Trustees Executors Limited.

The financial statements have been prepared in accordance with the Trust Deed and the Financial Reporting Act 2013 ("**FRA 2013**")

The Directors of the Manager authorised these financial statements for issue on 20 September 2016.

Nature of the business

Online Call Fund - The Online Call Fund aims to provide Unit holders with a pre-tax return similar to a deposit in an online call account with Kiwibank.

Term Deposit Fund - The Term Deposit Fund aims to provide Unit holders with a pre-tax return similar to a term deposit with Kiwibank.

Notice Saver Fund - The Notice Saver Fund aims to provide Unit holders with a pre-tax return exceeding that received from a deposit in an online call account with Kiwibank.

Basis of Preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("**NZ GAAP**"). They comply with New Zealand equivalents to International Financial Reporting Standards ("**NZ IFRS**"), International Financial Reporting Standards ("**IFRS**") and other applicable Financial Reporting Standards as appropriate for for-profit entities.

These financial statements have been prepared under the historical cost convention.

These financial statements are presented in New Zealand dollars (\$), which is the Trust's functional currency, on the basis that the Trust's investors are mainly based in New Zealand, with the contributions and redemptions denominated in New Zealand dollars. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Trust and that revenue can be reliably measured. The principal source of revenue is interest income.

For financial instruments measured at amortised cost, the effective interest method is used to measure the interest income recognised in the statement of profit or loss and other comprehensive income.

(b) Income tax

The Trust commenced operations on 6 June 2008 and qualified as and elected to be a Portfolio Investment Entity ("**PIE**") for tax purposes. Under the PIE regime, income is effectively taxed in the hands of the Unit holders and therefore the Trust has no tax expenses or deferred tax assets or liabilities.

Under the PIE regime, the Manager attributes the taxable income of the Trust to the Unit holders in accordance with their proportionate interest in a fund. Income attributed to each unit holder is taxed at the Unit holders "prescribed investor rate" ("**PIR**"), which is capped at 28% as at the balance date (30 June 2015: 28%). The Manager accounts for tax on behalf of natural persons and certain Unit holders and adjusts Unit holders' interests in the Funds to reflect that the Funds pay tax at varying rates on behalf of Unit holders.

Notes to the financial statements continued

(c) Financial instruments

Classification of financial instruments

Financial assets consist of cash and cash equivalents (call balances due from related parties), investments with related parties, deposits to be processed, accrued interest and other receivables from related parties which have been classified as loans and receivables for the purposes of NZ IAS 39 Financial Instruments: Recognition and Measurement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after reporting date which are classified as non-current assets.

Financial assets are derecognised when the right to receive cash flows from the assets have expired or have transferred and the Trust has transferred substantially all risks and rewards of ownership.

The Trust assesses at each reporting date whether there is objective evidence that loans and receivables are impaired. Significant financial difficulties of Kiwibank Limited, or any default or delinquency in payments would be considered indicators of impairment.

(d) Receivables

Trade receivables and investments are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment using the effective interest rate method.

(e) Financial liabilities

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(f) Unit holders' funds

Net assets attributable to Unit holders do not meet the definition of a puttable financial instrument under NZ IAS 32 Financial Instruments: Presentation, as all units on issue do not all have identical features. Therefore they are classified as liabilities in the balance sheet.

(g) Contributions and redemptions

Contributions received for Units in the Funds are recorded net of any entry fees payable prior to the issue of Units in the Funds. Redemptions from the Funds are recorded gross of any exit fees after the cancellation of the Units redeemed.

(h) Critical accounting estimates and judgements

No material accounting estimates or judgements were made in the preparation of these financial statements.

(i) Statement of cash flows

The following are the definitions of the terms used in the cash flow statement:

- Financing activities are those activities relating to contributions from Unit holders and to payment of redemptions and distributions.
- Operating activities include all transactions and other events that are not financing activities.
- Cash and cash equivalents is considered to be cash in hand, negotiable instruments, demand deposits, current accounts in banks, net of bank overdrafts and other highly liquid investments in which the Funds may invest as part of their day to day cash management with original maturities of three months or less.

(j) Comparatives

Comparative balances from the audited financial statements for the year ended 30 June 2015 have been presented.

Notes to the financial statements continued

2. Taxation

As a PIE, each Fund allocates all of its taxable income (or losses) to its investors based on the investor's unit's proportion of current value of the Fund. The Manager has calculated tax payable on such income allocated to each investor at their nominated PIR by deducting the tax from their unit value held in the Funds.

Kiwibank pays PIE tax at 31 March to the IRD for accrued interest on unmatured Term Deposits on behalf of Unit holders. This is repaid as the Unit holder's unit in the Term Deposit Fund matures or when they redeem their unit. At the reporting date the outstanding payable was \$1,797k (30 June 2015: \$2,029k).

	Year ended 30 June 2016				Year ended 30 June 2015			
	Online Call	Notice Saver	Term Deposit		Online Call	Notice Saver	Term Deposit	
Dollars in thousands	Fund	Fund	Fund	Total	Fund	Fund	Fund	Total
Accrued tax payable at beginning of the year	86	1,808	4,052	5,946	5	96	3,287	3,388
Net attributed tax during the period	843	17,261	9,257	27,361	1,061	22,575	9,392	33,028
Tax payments on behalf of Unit holders	(868)	(17,937)	(11,205)	(30,010)	(980)	(20,863)	(8,627)	(30,470)
Accrued tax payable at end of the year	61	1,132	2,104	3,297	86	1,808	4,052	5,946

3. Interest income

	Year ended 30 June 2016				Year ended 30 June 2015			
	Online Call	Notice Saver	Term Deposit		Online Call	Notice Saver	Term Deposit	
Dollars in thousands	Fund	Fund	Fund	Total	Fund	Fund	Fund	Total
Cash and cash equivalents	3,223	83,413	-	86,636	4,094	111,398	-	115,492
Term deposits	-	-	35,732	35,732	-	-	36,175	36,175
Total	3,223	83,413	35,732	122,368	4,094	111,398	36,175	151,667

Notes to the financial statements continued

4. Capital risk management

The Trust's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations of each Fund, as represented by the Unit holders' liability. The Trust achieves this through obtaining contributions from Unit holders and investing these into financial assets with similar liquidity and maturity profiles. The net assets attributable to Unit holders in each Fund represent what the Trust manages as capital.

The Manager may, in certain circumstances, suspend redemption of Units if the Supervisor believes it is not practical or desirable or would be prejudicial to the interests of the Unit holders for Units to be redeemed. The Trust is not subject to any externally imposed capital requirements.

Kiwibank Limited guarantees the payment obligations of the Manager and any amounts owing to Unitholders under the Trust Deed in respect of their Units. Kiwibank agrees to pay to Unitholders any shortfall between the amount they may receive on redeeming their Units or in the winding up of the Trust and the balance of their Unit Accounts.

5. Related parties

KIML is a wholly owned subsidiary of Kiwibank Limited. All transactions between the Funds and related parties are entered into on an "arm's length" basis on normal commercial terms.

At the reporting date the counterparty on all assets held by the Trust is Kiwibank Limited. All income earned by the Trust is from Kiwibank Limited.

The Supervisor is entitled to receive a fee of up to 0.01% per annum of the funds under management of the Trust (plus GST if any) for trustee services.

The terms of the Trust Deed do not currently allow the charging of Management or Trustee fees to the Funds. All costs were borne by the Manager. The following table summarises costs borne by the Manager on behalf of the Trust.

Dollars in thousands	Year ended 30 June 2016	Year ended 30 June 2015
Other expenses	17	123
Trustee fees	357	329
Compliance costs	100	90
Statutory audit of the Kiwibank PIE Unit Trust	19	17
Audit fee – other assurance services*	6	6
Sub-total	499	565

* Other assurance services provided by PricewaterhouseCoopers involve services in relation to registry audits and trustee reporting.

6. Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, and payables.

(a) Fair value of financial assets and financial liabilities.

The Trust's financial assets and liabilities are stated at amortised cost in the balance sheet, which is considered equivalent to their fair value due to the short term nature of the assets and liabilities.

(b) Credit risk

The Trust is exposed to credit risk in that the failure of external counterparties to honour the terms and conditions of a contract

may result in a financial loss to the Trust. The Trust is exposed to credit risk through its investment activities. The maximum credit risk of financial instruments is considered to be the carrying value. All of the Trust's investments are held with Kiwibank Limited whose credit rating at the reporting date is A+ (CreditWatch negative). This credit rating is granted by Standard & Poor's (Australia) Pty Limited.

(c) Transfers of assets

As at reporting date, the Trust had not derecognised any financial assets where it has a continuing involvement (30 June 2015; same).

Notes to the financial statements continued

6. Financial instruments continued

(d) Currency risk

The Trust is not exposed to currency risk as all investments are in New Zealand dollars.

(e) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk primarily results from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads. The Term Deposit Fund is not sensitive to changes in interest rates as the rates are fixed at the reporting date and only change on maturity.

Interest rate risk is managed by matching the interest rates of the Trust's investments and the interest rates on the Trust's obligations.

(f) Liquidity risk

Liquidity risk is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period and that the Funds may therefore not be able to meet its obligations as they fall due. Liquidity risk arises from mismatches in the final maturity of balance sheet assets and liabilities. The Trust mitigates the liquidity risk of the Funds by matching the maturity profile of its investments with the maturity profile of its obligations.

The table below presents the Trust's cash flows by remaining undiscounted contractual maturities as at reporting date.

Dollars in thousands	Year ended 30 June 2016					Total	Carrying value
	On demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years		
Net Assets attributable to Unitholders							
Online Call Fund	162,015	-	-	-	-	162,015	162,007
Notice Saver Fund	97,862	2,316,568	-	-	-	2,414,430	2,414,248
Term Deposit Fund	92,354	374,450	499,827	7,834	-	974,465	951,047
Total financial liabilities	352,231	2,691,018	499,827	7,834	-	3,550,910	3,527,302

Dollars in thousands	Year ended 30 June 2015					Total	Carrying value
	On demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years		
Net Assets attributable to Unitholders							
Online Call Fund	137,978	-	-	-	-	137,978	137,968
Notice Saver Fund	116,490	2,618,788	-	-	-	2,735,278	2,734,978
Term Deposit Fund	139,942	199,866	550,613	1,931	-	892,352	864,771
Total financial liabilities	394,410	2,818,654	550,613	1,931	-	3,765,608	3,737,717

7. Capital commitments and contingencies

There are no capital commitments or contingent assets or liabilities at the reporting date (30 June 2015: nil).

8. Events subsequent to the reporting date

No material event has occurred subsequent to the reporting date that requires recognition in these financial statements.



Independent Auditor's Report

To the readers of Kiwibank PIE Unit Trust's financial statements for the year ended 30 June 2016 comprising the following Funds (the "Funds"):

- Kiwibank PIE Online Call Fund
- Kiwibank Notice Saver Fund
- Kiwibank PIE Term Deposit Fund

The Auditor-General is the auditor of Kiwibank PIE Unit Trust (the "Trust") and the Funds. The Auditor-General has appointed me, Chris Barber, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Trust and the Funds, on her behalf.

Opinion

We have audited the financial statements of the Trust and the Funds on pages 2 to 10, that comprise the balance sheets as at 30 June 2016, the statements of profit or loss and other comprehensive income, statements of changes in net assets attributable to unit holders and cash flow statements for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Trust and the Funds:

present fairly, in all material respects:

the financial position as at 30 June 2016; and

the financial performance and cash flows for the year then ended; and

comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 20 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of Kiwibank Investment Management Limited (the "Manager") and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.



Independent Auditor's Report

Kiwibank PIE Unit Trust

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust's and the Funds financial statements 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 the Trust's and the Funds internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Manager;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

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

Responsibilities of the Manager

The Manager is responsible for the preparation and fair presentation of financial statements for the Trust and the Funds that comply with generally accepted accounting practice in New Zealand, New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

The Manager's responsibilities arise from the Trust Deed as amended on 11 June 2010.

The Manager is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Manager is also responsible for the publication of the financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.



Independent Auditor's Report

Kiwibank PIE Unit Trust

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out assignments in the area of assurance services, which are compatible with those independence requirements. In addition, certain partners and employees of our firm may deal with the Trust on normal terms within the ordinary course of trading activities of the Trust. Other than the audit, these assignments and any dealings within the ordinary course of trading activities, we have no relationship with or interests in the Trust and the Funds.

A handwritten signature in blue ink that reads 'Chris Barber'.

Chris Barber
On behalf of the Auditor-General
Wellington, New Zealand

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers