

Bonus Bonds Scheme

Annual Report | For the year ended 31 March 2019

Manager:
ANZ Investment Services (New Zealand) Limited



Welcome

I'm pleased to present this annual report for the Bonus Bonds Scheme (the scheme) for the year ended 31 March 2019.

Bonus Bonds remains an incredibly popular iconic investment for New Zealanders, having been in existence since 1970.

During the financial year, over \$39 million of prizes were awarded to bondholders, including 12 lucky bondholders who won \$1 million each, and 24 others who won prizes of \$100,000 or \$50,000 each. In total, last year we distributed over 1.1 million prizes to investors.

This year's prize pool has reduced from the previous year. This has been primarily driven by falling interest rates which reduces the schemes current and expected future income. We remain committed to maintaining an attractive offer by distributing after-tax income through prize draws, while following a conservative investment approach.

We have reduced our management fee by 28 basis points from 1.15% to 0.87% from 1 July 2019. This means more of the scheme's returns will be available for prizes.

Our focus for the coming year is to continue to invest in the Bonus Bonds infrastructure and to improve the experience of Bondholders coming into ANZ branches.

This year, the scheme recorded a small profit, which has increased the level of reserves. Each year, the scheme may experience small profits or losses, but these amounts don't have a significant impact on the prizes available or the security of your investment. Rather, these are the result of how we manage reserve levels to meet the changes in market conditions, the amount of money invested in Bonus Bonds and variability in the scheme's income, tax, prizes and expenses each year. We closely monitor the reserves to ensure enough money is available to pay out prizes and any bondholders who wish to cash in their bonds. We are comfortable that the reserves continue to be at a reasonable level.

I would like to take this opportunity to thank you for choosing to invest with Bonus Bonds and wish you the best of luck in future prize draws.



Mark Davies

General Manager Funds

On behalf of the manager

ANZ Investment Services (New Zealand) Limited

Details of the scheme

Name of the Scheme

Bonus Bonds Scheme (**scheme**).

Manager

ANZ Investment Services (New Zealand) Limited (**ANZIS, manager, we, us and our**).

Supervisor

Trustees Executors Limited (**supervisor**).

Product Disclosure Statement

The scheme's latest product disclosure statement is dated 31 August 2018 and has an 'open for applications' status.

Financial Statements and Auditor's Report

The scheme's latest financial statements for the 12 months ended 31 March 2019, and the auditor's report on those financial statements, was dated 28 June 2019 and was lodged with the Registrar on 5 July 2019. See page 5 for more details.

Description of the scheme

The scheme is a managed investment scheme. Money invested in the scheme is pooled with other bondholders' money and invested in fixed interest assets and cash and cash equivalents. Instead of earning interest or receiving investment gains, each eligible Bonus Bond gives the holder one entry into the monthly prize draw. The scheme is governed by a governing document, which details the requirements for how the scheme will be managed.

The scheme was established on 17 September 1990*.

Information on composition of the scheme

Number of managed investment products

The number of managed investment products on issue at the start and end of the year were:

Investment products	Units on issue at 31 March 2018 \$000s	Units on issue at 31 March 2019 \$000s
Bonus Bonds	3,301,574	3,177,423

* While Bonus Bonds was established in 1970, it transitioned to a managed investment scheme in 1990 following the sale of the Post Office Bank Limited to ANZ Bank New Zealand Limited.

Changes relating to the scheme

This section describes any material changes to the scheme's nature, property and management during the year.

Changes to the governing document

There were no material changes to the governing document for the scheme during the year.

Changes to the terms of offer of interests in the scheme

There were no material changes to the terms of offer of interests in the scheme during the year.

Changes to the Statement of Investment Policy and Objectives (SIPO)

There were no material changes to the SIPO over the period.

The SIPO was updated on 31 August 2018 to make the document easier for investors to understand, improve our ability to manage the fund within the scope of the SIPO and ultimately improve scheme returns. The key changes were:

- the scheme continues to be rated by Standard and Poor's, with the rating published for investors in the "Other Material Information" document available in the offer register at disclose-register.companiesoffice.govt.nz (click on 'Search Offers' and search 'Bonus Bonds Scheme – Offer Number OFR11095'). Maintaining a specific Standard and Poor's rating is no longer a requirement in the SIPO, which provides greater flexibility for our investment manager to balance risk and return of the portfolio,
- there is greater scope to invest in fixed interest assets and cash and cash equivalents of ANZ, ASB, BNZ and Westpac to align the investment levels to the New Zealand banking market, and
- the credit duration of the portfolio has been simplified.

We believe that these changes will help us to better manage the performance of the scheme for investors while maintaining a conservative risk profile.

Changes to the nature or scale of related party transactions

There were no material changes to the nature or scale of related party transactions entered into for the scheme during the year. All related party transactions were conducted on arm's-length terms.

Changes to valuation and pricing methodologies

There were no material changes to the scheme's valuation and pricing methodologies during the year.

Financial condition and performance of the scheme

Total assets of the scheme decreased by 3.5% over the year as a result of the reduction in Bonus Bonds on issue. There was no significant change in the scheme's financial condition over the year, with reserves being 1.77% of Bonus Bonds on issue as at 31 March 2019.

Summary Balance Sheet

	31 March 2019 \$000s	31 March 2018 \$000s	Change %
Cash and investments	3,245,689	3,362,253	-3.5%
Income tax receivable	0	1,311	n/a
Deferred tax asset	95	0	n/a
Total assets	3,245,784	3,363,564	-3.5%
Prizes payable	3,247	3,768	-13.8%
Management fees, expenses and tax payable	4,858	3,929	23.6%
Securities settlements payable	3,900	0	n/a
Total prizes and expenses payable	12,005	7,697	56.0%
Scheme assets, net of prizes and expenses payable	3,233,779	3,355,867	-3.6%
<i>Represented by:</i>			
Bonus Bonds on issue	3,177,423	3,301,574	-3.8%
Reserves	56,356	54,293	3.8%
Total Bonus Bonds and reserves	3,233,779	3,355,867	-3.6%
Reserves as a percentage of Bonus Bonds on issue	1.77%	1.64%	

Summary of Financial Performance

Prizes awarded for the year ended 31 March 2019 were lower than the previous year, including lower interest rates on the cash and fixed interest investments the scheme holds, along with total assets of the scheme decreasing over the year as a result of the reduction of Bonus Bonds on issue.

	31 March 2019 \$000s	31 March 2018 \$000s	Change %
Investment income	99,018	100,984	-1.9%
<i>less:</i>			
Fees and expenses	40,753	43,837	-7.0%
Tax	16,331	16,001	-2.1%
Credit impairment release	(60)	-	
Scheme returns	41,994	41,146	1.9%
<i>less</i> Prizes awarded	39,645	45,871	-13.6%
Net income/(loss) after tax and decrease in reserves	2,349	(4,725)	
Scheme returns as a percentage of Bonus Bonds and reserves	1.30%	1.21%	
Prizes awarded as a percentage of the scheme's assets*	1.20%	1.34%	
Average odds of winning a prize in each monthly prize draw	1 in 32,294	1 in 26,875	

* The figures shown illustrate the collective returns to all bondholders in the scheme; they do not represent your returns.

Fees

The following fees and expenses were paid by the scheme during the year ended 31 March 2019:

	\$000s	As a percentage of scheme property
Fees and expenses charged by the manager and its associated persons	39,616	1.20%
Fees and expenses charged by the supervisor	1,137	0.03%
Total fees and expenses	40,753	1.23%

Fees and expenses charged by the manager and its associated persons was made up of a management fee of 1.15%, GST on the management fee of 0.02% and expenses of 0.03%.

From 1 April 2018, we reduced the expenses charged to the scheme by 0.05% on the previous year.

From 1 July 2019, we have reduced the management fee from 1.15% to 0.87%.

The fees and expenses payable in respect of the scheme may change, as follows:

- Management fees can be changed by giving one month's prior written notice to the supervisor. The percentage of the management fee that is subject to GST is agreed between the Financial Services Council and Inland Revenue (on behalf of the industry).
- The supervisor's fee may be amended by agreement between the supervisor and us.
- The expenses vary each year.
- The manager's removal fee can only be changed by amending the governing document. We would require bondholder approval if the fee change was material.

We will not notify you if we make changes to these fees. The current fees will be disclosed in the current product disclosure statement available in the offer register at disclose-register.companiesoffice.govt.nz (click on 'Search Offers' and search 'Bonus Bonds Scheme – Offer Number OFR11095').

Scheme property

As at 31 March 2019, the scheme invested in fixed interest assets and cash and cash equivalents, issued in New Zealand dollars by the types of issuers listed in the SIPO. These investments included but were not limited to:

- for fixed interest assets, debt securities issued in New Zealand by a government, corporation, local authority or bank, and
- for cash and cash equivalents, deposits, short-term debt securities or floating rate notes issued by New Zealand registered banks:

	31 March 2019		31 March 2018		Change %
	\$000s	% of total	\$000s	% of total	
Deposits with New Zealand registered banks	1,481,082	45.6%	1,310,897	39.0%	13.0%
Securities issued by New Zealand registered banks	1,394,459	43.0%	1,660,007	49.4%	-16.0%
Securities issued by the New Zealand Government	370,485	11.4%	391,349	11.6%	-5.3%
Gross cash and investments	3,246,026	100.0%	3,362,253	100.0%	-3.5%
Provision for credit impairment	(337)		-		
Net cash and investments	3,245,689		3,362,253		-3.5%

The SIPO restricts the manager to invest no more than 30% of the scheme's investments with ANZIS's parent company ANZ Bank New Zealand Limited.

Changes to persons involved in the scheme

Manager

ANZ Investment Services (New Zealand) Limited was the manager of the scheme throughout the year.

Directors of the manager

The directors of the manager as at 31 March 2019 were:

- Ronald Bruce Macintyre (Chairman)
- Paul Robert Daley
- Craig Andrew Mulholland
- Annis Gail O'Brien
- Antonia Margaret Watson.

Paul Robert Daley was appointed as Director on 21 May 2018.

Key personnel of the manager

The following changes have taken place since 1 April 2018:

- Graham Ansell resigned as Chief Investment Officer on 6 April 2018
- Paul Huxford was appointed as Chief Investment Officer on 11 July 2018
- Debbie Eyre resigned as General Manager Wealth Operations on 1 December 2018
- Keren Roberts was appointed as General Manager Wealth Operations on 1 December 2018
- Ana-Marie Lockyer resigned as General Manager Wealth Products on 21 December 2018
- Mark Davies was appointed as General Manager Funds on 21 December 2018.

Supervisor and Custodian

Trustees Executors Limited was the supervisor and custodian of the scheme throughout the year.

Directors of the supervisor and custodian

The directors of the supervisor and custodian as at 31 March 2019 were:

- Franceska Banga – resigned 5 April 2018
- David Neidhart – resigned 28 February 2019
- Robert Russell – resigned 17 May 2018
- Andrew Scott-Howman – resigned 15 June 2018
- Matthew Sale – appointed 17 May 2018
- Mark Darrow – appointed 18 June 2018
- Sarah Roberts – appointed 16 July 2018.

Investment Manager

ANZ New Zealand Investments Limited was the investment manager of the scheme throughout the year.

Registrar

ANZ Bank New Zealand Limited was the registrar of the scheme throughout the year.

Auditor

KPMG was the auditor to the scheme throughout the year.

How to find further information

On disclose

Disclose is a website that contains two registers – an offer register and a scheme register. These include current information on the scheme, including the governing document, financial statements, SIPO and product disclosure statement.

 disclose-register.companiesoffice.govt.nz

Search 'Bonus Bonds Scheme' on both the offer and scheme register.

On our website

Other valuable information and resources to help you manage your Bonus Bonds, including winning numbers, forms, frequently asked questions and access to MyBonusBonds, are available at:


 bonusbonds.co.nz


You can also obtain a copy of any of the above information on request and free of charge by contacting us (contact details below).

Contact details and complaints

Manager and Registrar

 info@comms.bonusbonds.co.nz


 0800 266 374

 Bonus Bonds Centre
71 George Street, Dunedin Central
Freepost Bonus Bonds
PO Box 898, Dunedin 9054

Supervisor

 cts@trustees.co.nz

 09 308 7100


 Trustees Executors Limited
Level 5, 10 Customhouse Quay, Wellington
PO Box 4197, Shortland Street, Auckland 1140


If you have a complaint

Contact us first

If you have any problems with the scheme, please let us know. As the manager of the scheme, we're committed to resolving your complaint as quickly as possible.


 info@comms.bonusbonds.co.nz

 0800 266 374


 Bonus Bonds Centre
71 George Street, Dunedin Central
Freepost Bonus Bonds, PO Box 898, Dunedin 9054

Contact the supervisor next

You can contact Trustees Executors Limited at:

 gio@trustees.co.nz

 09 308 7100

 Trustees Executors Limited
Level 5, 10 Customhouse Quay, Wellington
PO Box 4197, Shortland Street, Auckland 1140


If you're still not happy


If you have contacted us and the supervisor, and you're still not happy, you can get free independent assistance from the following respective dispute resolution schemes.

Our dispute resolution scheme

You can contact the Banking Ombudsman at:

 help@bankomb.org.nz


 0800 805 950


 The Banking Ombudsman
1 Post Office Square, Wellington 6011
Freepost 218002, PO Box 25327, Featherston Street, Wellington 6146

The supervisor's dispute resolution scheme

You can contact Financial Services Complaints Limited at:

 info@fscl.org.nz

 0800 347 257

 Financial Services Complaints Limited
101 Lambton Quay, Wellington
PO Box 5967, Wellington 6145

You won't be charged a fee

You won't be charged a fee by us, the supervisor or the dispute resolution scheme for investigating or resolving a complaint.

Investments in the scheme are not deposits in ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited, or their subsidiaries (together ANZ Group), nor are they liabilities of ANZ Group. ANZ Group does not stand behind or guarantee the scheme. Investments are subject to investment risk, including possible delays in repayment, and loss of income and principal invested. ANZ Group will not be liable to you for the capital value or performance of your investment.

Your investment in the scheme is not guaranteed by ANZ Group, Trustees Executors Limited, any of their directors or any other person.

Our security and privacy policy is the same as ANZ Bank New Zealand Limited's and can be found at anz.co.nz/auxiliary/help/help/website-security-privacy/. You should read it as if references to ANZ are to ANZIS. It explains how we protect your privacy and confidentiality and how we treat your personal information.

