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Welcome

I’m pleased to present this annual report for the Bonus Bonds Scheme (the scheme) for the year ended 31 March 2017.

It’s been a busy year for the scheme as it transitioned into a new regulatory regime in November 2016. As part of the change we now produce this annual report. We believe this is a positive step towards keeping bondholders up to date on the scheme’s performance.

The number of Bonus Bonds on issue grew to a record high during the year. This shows that New Zealanders continue to find Bonus Bonds an attractive investment. $49.3 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.

The low interest rate environment in New Zealand has impacted scheme returns, which has resulted in a reduction in the prize pool compared to previous years. We remain committed to maintaining an attractive offer by distributing after-tax income through prize draws, while following a conservative investment approach. Any future increase in market interest rates should result in increased investment income and give us the ability to increase the payout ratio over time. An increased payout ratio will generally result in your odds of winning a prize improving.

The scheme recorded a small loss, which impacts the level of reserves. 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 are at a reasonable level.

Ana-Marie Lockyer
General Manager Wealth Products
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 21 November 2016 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 2017, and the auditor’s report on those financial statements, were dated 13 June 2017 and were lodged with the Registrar on 23 June 2017. See page 4 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:

<table>
<thead>
<tr>
<th>Investment products</th>
<th>Units on issue at 31 March 2016 $000s</th>
<th>Units on issue at 31 March 2017 $000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonus Bonds</td>
<td>3,374,348</td>
<td>3,412,343</td>
</tr>
</tbody>
</table>
Changes relating to the scheme

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

Transition to the Financial Markets Conduct Act 2013

On 28 November 2016, the scheme transitioned to the Financial Markets Conduct Act 2013 (FMC Act) regime. Before transition, the scheme was a unit trust governed by the Unit Trusts Act 1960 and offered to the public under the Securities Act 1978.

The transition included activities such as:
• ANZIS becoming an authorised body under ANZ New Zealand Investment Limited’s licence to act as a manager of registered schemes
• introducing a product disclosure statement for the scheme
• replacing the prospectus for the scheme with documents and entries on the Disclose offer register, and
• updating the scheme’s trust deed (renamed the governing document) and statement of investment policy and objectives (SIPO).

Changes to the governing document

The scheme’s governing document (previously known as the trust deed) was amended on 3 November 2016, with the amendments taking effect from 28 November 2016.

The manager and the supervisor amended the existing trust deed by substituting the governing document for the existing trust deed in order to:
• constitute the scheme as the Bonus Bonds Scheme
• ensure that the governing document complies with the requirements of the FMC Act and other relevant legislation.

Changes to the terms of offer of interests in the scheme

As part of the transition to the FMC Act noted above:
• a product disclosure statement was introduced for the scheme, and
• the prospectus for the scheme was replaced with documents and entries on the Disclose offer register.

Changes to the SIPO

The SIPO was updated as part of the transition to the FMC Act noted above. The maximum maturity of scheme investments was extended by half a year to allow for the extended settlement of new issue bonds.

Changes to the nature or scale of the related party transactions

There were no material changes to the nature or scale of the 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 increased by 0.4% over the year as a result of additional investments. There was no significant change in the scheme’s financial condition over the year, with reserves being 1.73% of Bonus Bonds on issue as at 31 March 2017.

Summary Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>31 March 2017 $000s</th>
<th>31 March 2016 $000s</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>3,479,198</td>
<td>3,463,806</td>
<td>0.4%</td>
</tr>
<tr>
<td>Income tax receivable</td>
<td>112</td>
<td>–</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>3,479,310</td>
<td>3,463,806</td>
<td>0.4%</td>
</tr>
<tr>
<td>Prizes payable</td>
<td>3,890</td>
<td>4,228</td>
<td>-8.0%</td>
</tr>
<tr>
<td>Management fees, expenses and tax payable*</td>
<td>4,059</td>
<td>24,687</td>
<td>-83.6%</td>
</tr>
<tr>
<td><strong>Total prizes and expenses payable</strong></td>
<td>7,949</td>
<td>28,915</td>
<td>-72.5%</td>
</tr>
<tr>
<td>Scheme assets, net of prizes and expenses payable</td>
<td>3,471,361</td>
<td>3,434,891</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Represented by:

<table>
<thead>
<tr>
<th></th>
<th>31 March 2017 $000s</th>
<th>31 March 2016 $000s</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonus Bonds on issue</td>
<td>3,412,343</td>
<td>3,374,348</td>
<td>1.1%</td>
</tr>
<tr>
<td>Reserves</td>
<td>59,018</td>
<td>60,543</td>
<td>-2.5%</td>
</tr>
<tr>
<td><strong>Total Bonus Bonds and reserves</strong></td>
<td>3,471,361</td>
<td>3,434,891</td>
<td>1.1%</td>
</tr>
<tr>
<td>Reserves as a percentage of Bonus Bonds on issue</td>
<td>1.73%</td>
<td>1.79%</td>
<td></td>
</tr>
</tbody>
</table>

* The amount for 31 March 2016 includes $18.3 million for income tax paid by ANZ Bank New Zealand Limited on behalf of the scheme. The scheme reimbursed ANZ Bank New Zealand Limited during the year ended 31 March 2017.
Summary of Financial Performance

Prizes awarded for the year ended 31 March 2017 were lower than the previous year, reflecting lower interest rates on the cash and fixed interest investments the scheme holds.

<table>
<thead>
<tr>
<th></th>
<th>31 March 2017 $000s</th>
<th>31 March 2016 $000s</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment income</strong></td>
<td>111,502</td>
<td>125,596</td>
<td>-11.2%</td>
</tr>
<tr>
<td><strong>Fees and expenses</strong></td>
<td>45,137</td>
<td>42,001</td>
<td>7.5%</td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>18,582</td>
<td>23,407</td>
<td>-20.6%</td>
</tr>
<tr>
<td><strong>Scheme returns</strong></td>
<td>47,783</td>
<td>60,188</td>
<td>-20.6%</td>
</tr>
<tr>
<td>less Prizes awarded</td>
<td>49,308</td>
<td>55,615</td>
<td>-11.3%</td>
</tr>
<tr>
<td><strong>Net profit/(loss) after tax and increase/(decrease) in reserves</strong></td>
<td>(1,525)</td>
<td>4,573</td>
<td>-133.3%</td>
</tr>
</tbody>
</table>

|                             | 1.36%               | 1.84%               |
| Scheme returns as a percentage of Bonus Bonds and reserves |                       |
| Prizes awarded as a percentage of the scheme’s assets* | 1.39%               | 1.69%               |
| Average odds of winning a prize in each monthly prize draw | 1 in 25,003           | 1 in 19,731         |

* 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 2017:

<table>
<thead>
<tr>
<th>Description</th>
<th>$000s</th>
<th>As a percentage of scheme property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees and expenses charged by the manager and its associated persons</td>
<td>43,925</td>
<td>1.25%</td>
</tr>
<tr>
<td>Fees and expenses charged by the supervisor</td>
<td>1,212</td>
<td>0.03%</td>
</tr>
<tr>
<td>Total fees and expenses</td>
<td>45,137</td>
<td>1.28%</td>
</tr>
</tbody>
</table>

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

- We can change the management fee at any time by giving one month’s prior written notice to the supervisor. There is no limit to how much we can change the management fee. The percentage of the management fee that is subject to GST is dictated by an agreement between the Financial Services Council and Inland Revenue.
- 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 companiesoffice.govt.nz/disclose (click on ‘Search offers’ and search ‘Bonus Bonds Scheme – Offer Number OFR11095’).
Scheme property

As at 31 March 2017, 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:

<table>
<thead>
<tr>
<th></th>
<th>31 March 2017</th>
<th>31 March 2016</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000s</td>
<td>% of total</td>
<td>$000s</td>
</tr>
<tr>
<td>Deposits with New Zealand registered banks</td>
<td>1,511,823</td>
<td>43.5%</td>
<td>1,684,367</td>
</tr>
<tr>
<td>Bonds issued by New Zealand registered banks</td>
<td>1,572,810</td>
<td>45.2%</td>
<td>1,401,359</td>
</tr>
<tr>
<td>Securities issued by the New Zealand Government</td>
<td>394,565</td>
<td>11.3%</td>
<td>364,401</td>
</tr>
<tr>
<td>Securities issued by other corporations and local authorities</td>
<td>-</td>
<td>0.0%</td>
<td>13,679</td>
</tr>
<tr>
<td><strong>Total cash and investments</strong></td>
<td><strong>3,479,198</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>3,463,806</strong></td>
</tr>
</tbody>
</table>
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 2017 were:
- Ronald Bruce Macintyre (Chairman)
- Penelope Jane Ford
- Craig Andrew Mulholland
- Annis Gail O’Brien
- Antonia Margaret Watson.

The following changes to the directors of the manager of the scheme have taken place since 1 April 2016:
- Stewart Creswell Brentnall was appointed on 28 October 2016 and resigned with effect from 10 March 2017
- Craig Andrew Mulholland was appointed on 14 February 2017
- Annis Gail O’Brien was appointed on 25 May 2016, resigned with effect from 28 October 2016 and was reappointed on 14 February 2017
- Antonia Margaret Watson was appointed on 14 February 2017
- Russell Peter Jacobson resigned with effect from 28 October 2016
- Ronald Bruce Macintyre was appointed on 28 October 2016
- Penelope Jane Ford of Auckland was appointed on 28 October 2016.

Key personnel of the manager

The following directors are (or were) executive directors of the manager, as they are (or were) employees of the manager or ANZ Bank New Zealand Limited. Therefore, the changes relating to these directors that have taken place since 1 April 2016 are also changes to the key personnel of the manager:
- John Robert Body
- Russell Peter Jacobson
- Ronald Bruce Macintyre
- Craig Andrew Mulholland
- Penelope Jane Ford
- Annis Gail O’Brien
- Antonia Margaret Watson.

The following changes have also taken place since 1 April 2016:
- John Robert Body ceased to be the Managing Director Retail, Business Banking and Wealth on 24 December 2016
- Craig Andrew Mulholland was appointed Managing Director Wealth on 14 February 2017.
Supervisor and Custodian

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

- Peter Andrew Metz resigned as a director of the supervisor with effect from 6 May 2016
- Paul Raymond Shelley Hocking resigned as a director of the supervisor with effect from 7 December 2016.

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.

companiesoffice.govt.nz/disclose

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

- 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 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.