

Bonus Bonds Scheme

Annual Report | For the year ended 31 March 2021

Manager:
ANZ Investment Services (New Zealand) Limited



Welcome

Annual report for the Bonus Bonds Scheme (the scheme) for the year ended 31 March 2021.

In our last annual report, we confirmed the scheme had been closed to new investment and that we intended to wind up the scheme. The decision to close the scheme was due to low interest rates reducing investment returns of the scheme, which was impacting the prize pool.

From 9pm on 31 October 2020, the scheme was placed into wind-up. This means that any Bonus Bond not redeemed before then is now locked in while we work through the process of realising investments, paying expenses and preparing to return funds to investors. At the time the wind-up commenced, we shared with investors that we were confident those remaining in the scheme would receive at least \$1 for each Bonus Bond they held. Since then, we've confirmed that we expect investors to receive at least \$1.10 for each Bonus Bond held in the wind-up.

While we're disappointed to have closed such a popular scheme, we did so because we ultimately believed it was in the best interest of investors.

In the period between 26 August 2020 (when we announced that the scheme would be closed to new investment) and 31 October (when the wind-up began), over \$2.5 billion in Bonus Bonds was redeemed by investors. The remaining assets in the scheme, less expenses, will be distributed to just over one million Bondholders in proportion to the number of Bonus Bonds they hold.

Since the wind-up began, work has been progressing to establish a programme to collect bank account details from investors and ensure that technology systems are able to process the distribution of funds. We began contacting the remaining bondholders in June 2021 to collect bank account details for the distributions. With over one million bondholders to contact, this is a large undertaking and we expect to make a distribution payment to investors in December 2021, with a possible further distribution payment once the wind-up is closer to completion.

You can stay up to date on the wind-up by regularly checking bonusbonds.co.nz. Here you'll find the latest information, including answers to frequently asked questions.



Ben Kelleher

Director, ANZ Investment Services (New Zealand) Limited

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 19 August 2019. The product disclosure statement status is 'closed for applications'.

Financial Statements and Auditor's Report

The scheme's latest financial statements for the 12 months ended 31 March 2021, and the auditor's report on those financial statements, were dated 7 July 2021 and were lodged with the Registrar on 23 July 2021.

Description of the scheme

The scheme is a managed investment scheme. Money invested in the scheme was 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 gave the holder one entry into the monthly prize draw.

On 26 August 2020, we announced that we were no longer accepting investments from new or existing investors, and that we intended to start winding up the scheme no later than the end of October 2020.

From 9pm on 31 October 2020, the directors of the scheme passed a resolution to place the scheme into wind-up, with no further prize draws held. The scheme now invests in cash and cash equivalents (including term deposits). The scheme is governed by a governing document that details the requirements for how the scheme will be managed.

The scheme was established on 17 September 1990*.

* 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.

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 2021 000s	Units on issue at 31 March 2020 000s
Bonus Bonds	778,318	3,125,672

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

The governing document was amended on 30 October 2020 to make a number of changes that were necessary to undertake the wind-up of the scheme, including that:

- the supervisor will take steps to wind up the scheme, including (but not limited to) cashing in assets and making a distribution, as directed by the manager
- the supervisor may make interim distribution payments if expedient to do so, and
- during the wind-up, the manager remains responsible for the management and administration of the scheme and the supervisor remains responsible for the functions that are attributable to it as supervisor of the scheme.

Changes to the terms of offer of interests in the scheme

The offer of interests in the scheme was closed to new investments on 25 August 2020. From 9pm on 31 October 2020, due to the scheme being in wind-up, bondholders were no longer able to redeem their investments and no further prize draws occurred.

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

The SIPO was updated on 26 August 2020 to reflect that the scheme had stopped accepting new investments and the manager intended to start winding up the scheme no later than the end of October 2020. The investment strategy was changed to generate liquidity to fund the monthly prize pool and redemptions. Other changes included:

- the removal of 'Restrictions on investment liquidity' given the strategy of the scheme is to generate liquidity, and
- clarification that funds held in bank accounts for the purpose of funding investor redemptions are excluded from the maximum percentage of the scheme's investments by New Zealand-registered banks, so that we can hold liquid funds in the scheme's bank account to pay investor redemptions.

The SIPO was then updated on 28 August 2020 to ready the scheme further for any intended wind-up, including:

- an additional bullet point to the scheme's investment strategy to enable, to the extent reasonably practicable, prompt distributions to bondholders, in the intended wind-up of the scheme, of the \$1 subscription price for each Bonus Bond, while minimising the risk of distributions to bondholders, in the intended wind-up of the scheme, being less than the \$1 subscription price for each Bonus Bond
- updated investment objectives to maintain the redemption value of each Bonus Bond at \$1 and, so far as possible, achieve a distribution of at least \$1 per Bonus Bond in the intended wind-up of the scheme, by maintaining a sufficient level of reserves, and maintain sufficient liquidity in the scheme
- clarification about when ANZ New Zealand Investments Limited measures performance
- clarification that the SIPO will be reviewed until the SIPO is no longer required
- clarification around investment liquidity, given the closed status of the scheme and primary objectives of the SIPO, there are no defined minimum or maximum liquidity levels
- changes to the maximum exposures by credit rating and issuer type that the scheme can hold, and
- changes to the guidelines for the duration of investments.

Changes to the nature or scale of related party transactions

On 29 September 2020, the manager and ANZ New Zealand Investments Limited, the manager of the ANZ Wholesale Cash Fund, entered into two deeds to assign certain term deposits held by the scheme to The New Zealand Guardian Trust Company Limited, the custodian of the ANZ Wholesale Cash Fund. The term deposits were assigned on 20 October 2020. The transactions were conducted on arm's-length terms.

The scheme's exposure to ANZ Bank New Zealand Limited has increased since the change to the maximum exposure limit (referred to above under Changes to the Statement of Investment Policy and Objectives (SIPO)). The scheme's typical exposure to ANZ Bank New Zealand Limited has previously been approximately 25% and, as at 31 March 2021, 40.68% of the scheme's assets were invested with ANZ Bank New Zealand Limited. This exposure was elevated due to the beneficial rates of return in investing with ANZ Bank New Zealand Limited as at 31 March 2021. The scheme's exposure to ANZ Bank New Zealand Limited as at 22 June 2021 was 32.08%.

There were no other 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

From 1 April 2020, tradeable investment securities – that is, those investments other than term deposits – are measured at fair value. This change resulted in a \$14.5 million after-tax increase in net assets of the scheme as at 1 April 2020.

Financial condition and performance of the scheme

Total assets of the scheme decreased by 72.0% over the year as a result of redemptions following the announcement on 26 August 2020 that the manager intended to commence winding up the scheme no later than 31 October 2020.

Summary Balance Sheet

	31 March 2021 \$000s	31 March 2020 \$000s	Change %
Cash and investments	892,734	3,190,125	-72.0%
Income tax receivable	0	108	-100%
Deferred tax asset	0	149	-100%
Total assets	892,734	3,190,382	-72.0%
Prizes payable	0	2,543	-100%
Management fees, expenses and tax payable	21,214	2,749	671.7%
Total prizes and expenses payable	21,214	5,292	-300.9%
Scheme assets, net of prizes and expenses payable	871,520	3,185,090	-72.6%
<i>Represented by:</i>			
Bonus Bonds on issue	778,318	3,125,672	-75.1%
Reserves	93,202	59,418	56.9%
Total Bonus Bonds and reserves	871,520	3,185,090	72.6%
Reserves as a percentage of Bonus Bonds on issue	11.97%	1.90%	

Summary of Financial Performance

Investment income during the year included a gain from the reclassification of investments to fair value through profit or loss and subsequent gains and losses arising from valuing investments at fair value through profit or loss. The management fee was reduced to zero from 1 September 2020 following the closure of the scheme to new investment. The final prize draw was held in October 2020.

	31 March 2021 \$000s	31 March 2020 \$000s	Change %
Investment income	89,701	84,173	6.6%
<i>less:</i>			
Management fee and other operating expenses reimbursed to the manager	20,513	32,024	-35.9%
Supervisor fee	778	1,120	-30.5%
Credit impairment charge / (release)	(532)	195	
Tax	22,287	14,233	56.6%
Scheme returns	46,655	36,601	27.5%
<i>less: prizes awarded</i>	12,871	33,539	-61.6%
Net income/(loss) after tax and increase in reserves	33,784	3,062	1,003.3%
Scheme returns as a percentage of average Bonus Bonds on issue and reserves	2.28%	1.13%	
Prizes awarded as a percentage of the average scheme assets*	0.42%	1.03%	
Average odds of winning a prize in each monthly prize draw**	1 in 79,949	1 in 42,402	

* The figures shown illustrate the collective returns to all bondholders in the scheme; they do not represent your returns. The average scheme assets were calculated for the period from 31 March 2020 to 30 September 2020.

** The prize draws ceased in October 2020; only prize draws to October 2020 are included in the above table.

Fees

The following fees and expenses were paid by the scheme during the year ended 31 March 2021:

	\$000s	As a percentage of average scheme property
Management fee	8,624	
Operating expenses reimbursed to the manager	1,303	
Wind-up expenses	10,586	
Management fee and other operating expenses reimbursed to the manager	20,513	1.00%
Supervisor's fee	710	0.03%
Wind-up expenses	68	
Fees and expenses charged by the supervisor	778	0.04%
Total fees and expenses	21,291	1.04%

Fees and expenses charged by the manager and its associated persons at the beginning of the financial year was made up of a management fee of 0.87%, GST on the management fee of 0.01% and expenses of 0.03%.

From 1 June 2020, we reduced the management fee from 0.87% to 0.77%.

From 1 July 2020, we reduced the management fee from 0.77% to 0.32% (including GST of less than 0.005%).

From 1 September 2020, we no longer charge a management fee. Bondholders will still be charged for scheme expenses and the supervisor's fee.

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 scheme's expenses and the supervisor's fees during the wind-up process will be published in the scheme's financial statements, which will be prepared after the wind-up is complete.

Scheme property

As at 31 March 2021, 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 2021		31 March 2020		Change %
	\$000s	% of total	\$000s	% of total	
Deposits with New Zealand registered banks	688,916	77.2%	1,221,699	38.3%	-43.6%
Securities issued by New Zealand registered banks	203,818	22.8%	1,533,476	48.0%	-86.7%
Securities issued by the New Zealand Government	0	0%	425,970	13.4%	-100.0%
Other securities	0	0%	9,512	0.3%	-100.0%
Gross cash and investments	892,734	100.00%	3,190,657	100.00%	-72.0%
Provision for credit impairment	0		(532)		-100.0%
Net cash and investments	892,734		3,190,125		-72.0%

The SIPO was updated on 26 and 28 August 2020 to reflect that the scheme was closed to new investors and to assist liquidity and cash management for redemptions. Part of this change was to remove the restriction on the percentage of the scheme's assets that were able to be invested with ANZ Bank New Zealand Limited. Refer to page 3 for the list of changes to the SIPO.

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 2021 were:

- Benjamin Paul Kelleher
- Craig Andrew Mulholland
- Annis Gail O'Brien

The following changes to the directors of the manager occurred during the year:

- Paul Robert Daley resigned as a director on 18 December 2020.

The following changes to the directors of the manager have occurred since 31 March 2021:

- Craig Andrew Mulholland resigned as a director on 30 June 2021.
- Gregory Shawn Sacke was appointed as a director on 8 July 2021.

Key personnel of the manager

The following changes occurred during the year:

- Keren Roberts ceased being the General Manager Wealth Operations on 6 April 2020.
- Grant Hodder was appointed as Acting General Manager Wealth Operations on 6 April 2020.
- Mark Davies ceased being the General Manager Funds on 16 November 2020.
- Grant Hodder was appointed as Acting General Manager Funds (in addition to his role as Acting General Manager Wealth Operations) on 16 November 2020.
- Vivienne Mitchell was appointed Bonus Bonds Programme Director on 18 November 2020. On 16 March 2021, Vivienne Mitchell assumed management responsibility for the Bonus Bonds product and operations teams and Grant Hodder ceased to be a key person of the manager.

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 2021 were:

- Ryan Elliot Bessemer
- Victoria Grace
- Robert Graeme Kirkpatrick
- Laurence Stanley Kubiak
- Richard Klipin

The following changes to the directors of the supervisor and custodian occurred during the year:

- Richard Klipin was appointed as a Director on 1 May 2020.

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 registers.

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


 bonusbondscentre-nz@anz.com

 0800 266 374

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

Supervisor

 cts@trustees.co.nz

 0800 875 783


 Trustees Executors Limited
Level 9, Spark Central
45 Willis Street, Wellington
PO Box 10-519, Wellington 6143


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. Our complaints process is set out in full at anz.co.nz.


 bonusbondscentre-nz@anz.com


 0800 266 374


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

Contact the supervisor next

You can contact Trustees Executors Limited at:

 cts@trustees.co.nz

 09 308 7100


 Trustees Executors Limited
Level 9, Spark Central
45 Willis Street, Wellington
PO Box 10-519, Wellington 6143


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
Freeport 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/about-us/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.

