



Event Disclosure: Bonus Bonds Scheme

25 August 2020

This event disclosure relates to Bonus Bonds held by investors (**holders**) in the Bonus Bonds Scheme (**Scheme**).

Description of the event

ANZ Investment Services (New Zealand) Ltd (**ANZIS**), the manager of the Scheme, has stopped accepting new investments into the Scheme with effect from 7.00 pm on 25 August 2020.

For some time, low interest rates have reduced the investment returns of the Scheme which affects the size of the prize pool for the Scheme. Covid-19 and its impact on the global economy and interest rates have exacerbated this. It has now become apparent those trends are likely to continue in the medium term.

The ANZIS Board has decided it is no longer appropriate to accept new investment into Bonus Bonds, and intends to start winding up the Scheme no later than the end of October 2020.

Winding up the scheme includes the process of returning funds to holders.

Until any winding-up starts, ANZIS intends that the Scheme will continue to operate as normal, other than being closed to further investment.

ANZIS intends that prize draws will continue to be held as usual during the period until any winding-up starts.

ANZIS intends that before the start of winding-up redemptions will operate in accordance with the rules described in the Governing Document for the Scheme, and the description of how cash-ins operate in the Product Disclosure Statement for the Scheme dated 19 August 2019 (**PDS**). However, the timeframes described in the PDS may vary if the Scheme experiences higher than normal transaction volumes. While ANZIS currently intends that the Scheme will continue to operate until the end of October 2020, ANZIS might move to an earlier wind up, for example, if there is a heavy demand for redemptions or it otherwise considers it is in the overall best interests of holders to do so.

Implications of the event

As a result of the event, holders have two choices. They can redeem their Bonus Bonds before the Scheme starts to wind-up, or stay in the Scheme and be entitled to a share of the remaining reserves, after expenses, when the Scheme is wound up.

Investors who choose to stay during the wind-up phase will have their investments locked in during this process, which may take at least 12 months.

Further detail on the potential implications for existing holders in Bonus Bonds follows below:

No further investments in Bonus Bonds

Holders will not be able to purchase any further Bonus Bonds. If ANZIS receives any money from holders for the purchase of Bonus Bonds (for example under a direct debit or advance payment), this money will be returned to the account from which the payment was received.

Holders will be able to redeem their Bonus Bonds before winding-up is initiated

Before winding-up is initiated, holders will be able to redeem their Bonus Bonds. The current redemption price for each Bonus Bond is \$1. ANZIS can change the redemption price but does not expect to do so. As described above, ANZIS intends that winding-up will be initiated at or before the end of October 2020.

Prize draws will be held until winding-up is initiated

The September 2020 and October 2020 prize draws are expected to be held as scheduled, unless winding-up of the Scheme is initiated earlier.

For these prize draws, ANZIS anticipates that the chance of any Bonus Bond winning a prize could be materially lower than has been the case in the past.

No prize draws following start of winding-up

If winding-up of the Scheme is initiated, no further prize draws will be held.

No redemptions of Bonus Bonds following start of winding-up

If winding-up of the Scheme is initiated, holders will not be able to redeem their Bonus Bonds. Instead holders will receive one or more distributions from the Scheme during the winding-up process.

Holders who still hold Bonus Bonds at the time the winding up of the Scheme starts will receive distributions in the winding-up

If winding-up of the Scheme is initiated:

- the Scheme's investments will be sold and converted into cash
- all liabilities of the Scheme will be paid, and
- the remaining cash held by the Scheme (after taking into account costs and expenses incurred in the winding-up process) will be distributed to holders that remain in the Scheme in proportion to the number of Bonus Bonds they hold.

The ANZIS Board believes current reserves in the Scheme are sufficient for holders to be confident they will receive back their initial investment.

The Scheme invests in high-quality, mostly short-term assets and has a 'AA+' rating from S&P which signifies that the credit quality of the funds' portfolio exposure is very strong.

ANZIS is not able to confirm how long it will take for holders to receive their winding-up distributions. However, holders should anticipate that they may not have access to their money for at least 12 months once the winding-up process is initiated.

Tax treatment of payments received on winding-up

If the total distributions received by a holder are equal to or less than \$1 for each Bonus Bond held, the holder shouldn't have to pay any income tax on those distributions.

If the Scheme is wound up and the total distributions a holder is entitled to are more than \$1 for each Bonus Bond held then the part of the amount of the distribution which exceeds \$1 for each Bonus Bond held may be taxable.

The Scheme's practice has been to retain and pay tax on its investment income for each tax year. Prizes paid to investors have been sourced from the Scheme's accumulated income (i.e. investment income from previous years in respect of which tax has already been paid). However, upon wind up a portion of the total distributions may be taxable to the investors and tax may need to be withheld on that part of any distribution.

The Scheme may enter into an overdraft facility

The Governing Document allows cash to be obtained to pay redemptions of Bonus Bonds either:

- by selling investments, or
- by instructing the Supervisor of the Scheme to borrow for the Scheme.

ANZIS is in discussions with ANZ Bank New Zealand Limited to enable the Supervisor to borrow cash for this purpose (in the period before winding-up is initiated), if ANZIS directs it do so. However, there is no guarantee that this will be the case.

Borrowing to pay redemptions will only take place if ANZIS considers that:

- borrowing for the purposes of funding redemptions will be in the best interests of holders of Bonus Bonds at that time, and equitable as between those holders, and
- the borrowing complies with all requirements of the Governing Document for the Scheme and the Financial Markets Conduct Act 2013 (including the requirements related to related party transactions).

Amounts borrowed and any costs of borrowing will be a liability of the Scheme to be repaid in winding-up.

Further information

Financial statements for the Scheme for the year ended 31 March 2020 are currently being prepared and will be lodged on the scheme register at disclose-register.companiesoffice.govt.nz when finalised (Click on 'Search Schemes' and search Bonus Bonds Scheme – Scheme Number SCH11094). The scheme register also contains other relevant information about the Scheme.

Investments in the Scheme are not deposits in ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited, or their subsidiaries (together the '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.