

2010

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010



PENSION CASH ACCUMULATION SCHEME



NATIONAL
PROVIDENT

Deloitte.

This audit report, dated 30 June 2010, relates to the financial statements of the Pension Cash Accumulation Scheme for the year ended 31 March 2010 included on this website. The Board is responsible for the maintenance and integrity of this website. We have not been engaged to report on the integrity of this website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on this website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 30 June 2010 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Pension Cash Accumulation Scheme (the Scheme)
Income Statement
for the year ended 31 March 2010

	Note	2010 (\$000)	2009 (\$000)
Investment income			
Income/(loss) from unit funds	4	2,070	(1,598)
Interest received		14	29
		<u>2,084</u>	<u>(1,569)</u>
Operating expenses			
Actuarial fees		7	4
Audit fees		2	2
Bank fees		1	2
Legal expenses		4	-
Management expenses	5	143	142
		<u>157</u>	<u>150</u>
Net income/(loss) before tax and membership activities		<u>1,927</u>	<u>(1,719)</u>
Income tax credit	6	43	36
Net income/(loss) after tax and before membership activities		<u>1,970</u>	<u>(1,683)</u>
Scheme receipts			
Contributor contributions	1	778	572
Total scheme receipts		<u>778</u>	<u>572</u>
Scheme payments			
Benefits paid		113	276
Withdrawals		20	-
Transfers paid to other schemes		111	522
Transfers to National Provident Pension Scheme		872	839
Total scheme payments		<u>1,116</u>	<u>1,637</u>
Net membership activities		<u>(338)</u>	<u>(1,065)</u>
Increase/(decrease) in liability for accrued benefits	9	<u>1,632</u>	<u>(2,748)</u>

The notes to the financial statements on pages 4 to 13 form an integral part of these financial statements.

Pension Cash Accumulation Scheme (the Scheme)
Balance Sheet
as at 31 March 2010

	Note	2010 (\$000)	2009 (\$000)
Investment assets	3		
Units held in			
- Cash Unit Fund		1,505	1,440
- Fixed Interest Unit Fund		8,767	8,358
- Property Unit Fund		1,223	898
- New Zealand Equity Unit Fund		627	538
- Overseas Equity Unit Fund		2,844	2,313
- Commodities Fund		460	347
		15,426	13,894
 Other assets			
Cash		586	479
Receivable from the Global Asset Trust	7	43	36
Other receivables	8	14	22
		643	537
 Total assets		16,069	14,431
 Deduct liabilities			
Accounts payable		15	9
		15	9
 Net assets available to pay benefits		16,054	14,422
 Represented by:			
Liability for accrued benefits			
Allocated to contributors' total credits		16,764	16,467
Unallocated reserves	11	(710)	(2,045)
		16,054	14,422

Authorised for issue on 30 June 2010.

On behalf of the Board of Trustees of the National Provident Fund.



Catherine M Savage
Chairman



Paul G Foley
Chairman
Audit and Risk Review Committee

The notes to the financial statements on pages 4 to 13 form an integral part of these financial statements.

Pension Cash Accumulation Scheme (the Scheme)
Statement of Cash Flows
for the year ended 31 March 2010

	Note	2010	2009
		(\$000)	(\$000)
Cash flows from operating activities			
Cash was provided from:			
Scheme receipts		764	550
Interest received		14	29
		<u>778</u>	<u>579</u>
Cash was applied to:			
Benefits paid		113	276
Withdrawals		20	-
Transfers paid to other schemes		105	524
Transfers to National Provident Pension Scheme		872	839
Operating expenses		99	90
		<u>1,209</u>	<u>1,729</u>
Net cash flows used in operating activities	9	<u>(431)</u>	<u>(1,150)</u>
Cash flows from investing activities			
Cash was provided from proceeds from sale of units in:			
- Cash Unit Fund		-	547
- Fixed Interest Unit Fund		376	2,219
- Property Unit Fund		44	59
- New Zealand Equity Unit Fund		92	554
- Overseas Equity Unit Fund		155	152
- Commodities Fund		-	156
		<u>667</u>	<u>3,687</u>
Cash was applied to purchase of units in:			
- Cash Unit Fund		34	191
- Fixed Interest Unit Fund		-	68
- Property Unit Fund		-	336
- New Zealand Equity Unit Fund		-	101
- Overseas Equity Unit Fund		-	1,037
- Commodities Fund		95	571
		<u>129</u>	<u>2,304</u>
Net cash flows from investing activities		<u>538</u>	<u>1,383</u>
Net increase in cash held		107	233
Add opening cash brought forward		479	246
Closing cash carried forward		<u>586</u>	<u>479</u>

The notes to the financial statements on pages 4 to 13 form an integral part of these financial statements

**Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010**

Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared under the requirements of clause 34 of the Scheme trust deed, and section 14 and the Second Schedule of the Superannuation Schemes Act 1989. A description of the Scheme and funding arrangements is outlined in note 1.

Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), applying the New Zealand equivalents to International Financial Reporting Standards and its interpretations (NZ IFRS), as appropriate for profit oriented entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The preparation of financial statements, in conformity with NZ IFRS, requires judgements, estimates and assumptions to be made that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions made are based on historical experience and other factors that are believed to be reasonable under the circumstances. The results of the estimates and associated assumptions form the basis for making the judgements about carrying values of assets and liabilities, which are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revisions affect both current and future periods.

Measurement Base

The measurement base adopted is that of historical cost, except for investment assets which are stated at their fair value as discussed below.

Presentational and Functional Currency

The financial statements are presented in New Zealand Dollars, which is the Scheme's functional currency, rounded to the nearest thousand dollars (\$000).

Financial Instruments

The Scheme is authorised to invest only in the Global Asset Trust (GAT) and bank deposits. The GAT is divided into separate unit funds.

The category of financial assets and financial liabilities comprise:

- financial instruments designated at fair value through profit or loss upon initial recognition. These assets are managed and their performance evaluated on a fair value basis, consistent with the Scheme's documented investment strategy. The assets are investments in units in the GAT which, in turn, invests in New Zealand equities, overseas equities, property, commodities' futures and fixed interest instruments.

**Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010**

Financial Instruments (continued)

- financial assets that are classified as loans and receivables. These include balances due from contributors, receivables from related parties and other receivables.
- financial liabilities measured at amortised cost. These include sundry other accounts payable, and bank overdrafts.

Recognition

The Scheme recognises financial assets and financial liabilities on the date the Scheme becomes a party to the financial instruments.

Measurement

Financial instruments are measured at fair value and any movement is reported in the Income Statement.

Financial assets, classified as loans and receivables, and other financial liabilities are carried at amortised cost using the effective interest rate method, less any impairment losses.

The fair value of the units held by the Scheme in the GAT is based on the valuation of the financial instruments held by the GAT. The fair value of financial instruments held by the GAT is based on quoted bid prices for investments at balance date without any deduction for future selling costs. If a quoted market price is not available on a recognised stock exchange, the fair value of the instrument is estimated using valuation techniques.

Impairment

Financial assets, that are stated at amortised cost, are reviewed at each financial statement date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the Income Statement as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Derecognition

The Scheme derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or the Scheme transfers the financial asset and the transfer qualifies for derecognition in accordance with NZ IAS 39 *Financial Instruments: Recognition and Measurement*. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Cash and Cash Equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments.

Contributions

Contributions are recognised in the Income Statement when they become receivable.

**Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010**

Benefits

Benefits are recognised in the Income Statement when they become payable.

Investment Income Recognition

Interest income is recognised using the effective interest rate of the instrument. Realised and unrealised gains or losses on GAT unit funds are recognised in the Income Statement. Interest income on assets, designated at fair value through profit and loss, is accrued at balance date.

Expenses

All expenses are recognised in the Income Statement on an accrual basis.

Taxation

Any income tax on net income would be current tax.

Income/(loss) from the movement in the fair value of the unit funds of the GAT is received by the Scheme tax paid. The Scheme's deductible operating expenses are offset against the Scheme's interest received to result in nil assessable income.

Any surplus deductible operating expenses are transferred to the GAT under section DV 2 of the Income Tax Act 2007 (refer notes 6 and 7).

Accrued Benefits

The liability for accrued benefits is the Scheme's present obligation to pay benefits to contributors and beneficiaries and has been calculated as the difference between the carrying amounts of the Scheme's assets and the carrying amounts of the Scheme's liabilities, as at balance date.

**Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010**

1 Description of the Scheme and Funding Arrangements

The Scheme is a personal contribution scheme, governed by a trust deed.

Under the terms of the Scheme trust deed, contributors make contributions to the Scheme at any rate and at any time as determined by the contributors, with no minimum amount required in respect of any contribution.

2 Related Parties

Under the terms of the National Provident Fund Restructuring Act 1990 (the Act), the Board of Trustees of the National Provident Fund (the Board) is trustee of the Scheme. Members of the Board are appointed by the Minister of Finance (the Minister) and the Board provides an annual report on the activities of the Scheme to the Minister.

The Board and the Government Superannuation Fund Authority (the Authority) have formed a joint venture company, Annuitas Management Limited (Annuitas). Each organisation has entered into a management services agreement with Annuitas.

The main function of Annuitas is to provide staff who act in management and secretarial roles on behalf of the Board and the Authority. Sue Sheldon and Roy Tiffin, the two Board appointed directors of Annuitas at the beginning of the financial year, resigned following their retirement from the Board on 30 September 2009 and 30 April 2010 respectively, and were replaced by Catherine Savage on 1 October 2009 and Paul Foley on 1 May 2010. The costs of running Annuitas are shared between the Board and the Authority on an equitable basis, as agreed between the organisations.

The Board is also the trustee of the GAT, which holds the assets of all National Provident Fund schemes. The Scheme is authorised to invest only in the GAT or in bank deposits. The GAT is divided into separate unit funds, representing various asset classes, which have issued units to the Board, as trustee of the Scheme, according to prescribed asset allocation benchmarks (refer note 3).

There are no transactions between the members of the Board or management, as individuals, and the Scheme

If a contributor elects to receive a pension, his or her membership, the liability to pay his or her pension (including any pension or other benefit contingently payable and any minimum payment) and assets to meet that liability are transferred to the National Provident Pension Scheme.

**Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010**

3 Asset Allocation

The asset allocation benchmarks remained unchanged from the previous year and are as shown hereunder:

Asset Allocation Benchmarks

Cash Unit Fund	10.0%
Fixed Interest Unit Fund	58.0%
Property Unit Fund	7.5%
New Zealand Equity Unit Fund	4.0%
Overseas Equity Unit Fund	17.5%
Commodities Fund	3.0%

4 Income/(loss) from Unit Funds

Income/(loss) from unit funds was derived from the changes in value of units and reflects both realised and unrealised gains and losses, net of expenses directly related to investment activities, as follows:

	2010	2009
	(\$000)	(\$000)
Cash Unit Fund	31	86
Fixed Interest Unit Fund	784	292
Property Unit Fund	370	(667)
New Zealand Equity Unit Fund	181	(171)
Overseas Equity Unit Fund	686	(1,070)
Commodities Fund	18	(68)
Income/(loss) from unit funds	<u>2,070</u>	<u>(1,598)</u>

Income/(loss) from unit funds is received tax paid.

5 Management Expenses

Management expenses comprise administration fees charged by Jacques Martin New Zealand Limited to 30 November 2009 and Datacom Employer Services Limited from 1 December 2009, and a share of the expenses of the Board. The Board's expenses are apportioned to each scheme through a costing system which equitably allocates the expenses based on membership and transaction numbers, and investment asset values.

The Scheme's share of remuneration and expenses paid to members of the Board amounted to \$18,531 (2009: \$15,241) and is included in management expenses.

Investment management and custodial fees are deducted from the earnings of each of the unit funds.

Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010

6 Income Tax

Income specific to the Scheme is subject to tax at 30%, after allowing for deductible expenses.

The income tax reconciliation is as follows:

	2010 (\$000)	2009 (\$000)
Scheme specific income	14	29
Deductible expenses	(157)	(150)
Expense election to the GAT under section DV 2	143	121
Taxable income	<u>-</u>	<u>-</u>
Income tax credit on current year income	43	36
Income tax credit	<u>43</u>	<u>36</u>

The tax credit results from the benefit of electing to transfer surplus deductible expenses to the GAT under section DV 2 of the Income Tax Act 2007 (the Tax Act) (refer note 7).

7 Receivable from the GAT

This receivable represents the outstanding tax credits utilised by the GAT, resulting from the transfer of the Scheme's surplus deductible expenses to the GAT under section DV 2 of the Tax Act. The Scheme will realise the receivable by investing in unit funds of the GAT.

8 Other Receivables

Other receivables consist of:

	2010 (\$000)	2009 (\$000)
Amounts due from the Board	14	22
Other receivables	<u>14</u>	<u>22</u>

Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010

9 Reconciliation of Increase/(Decrease) in Liability for Accrued Benefits to Net Cash Flows used in Operating Activities

	2010	2009
	(\$000)	(\$000)
Increase/(decrease) in liability for accrued benefits	1,632	(2,748)
 Movements in working capital:		
Increase/(decrease) in accounts payable	6	(2)
Decrease/(increase) in other receivables	8	(11)
	14	(13)
 Non cash items		
(Increase)/decrease in receivable from the GAT	(7)	13
	(7)	13
 Items classified as investing activities		
(Income)/loss from unit funds	(2,070)	1,598
	(2,070)	1,598
 Net cash flows used in operating activities	(431)	1,150

10 Guaranteed Benefits

Under section 60 of the Act, the benefits payable by the Scheme are guaranteed by the Crown.

11 Unallocated Reserves

The reserves are derived from the net income/(loss) after tax and before membership activities, earnings not allocated to contributors' total credits, and balances of any total credits not transferred, or otherwise disbursed, in accordance with the provisions of the Scheme trust deed.

Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010

11 Unallocated Reserves (continued)

Movements in reserves during the year were as follows:

	2010 (\$000)	2009 (\$000)
Reserves at beginning of year	(2,045)	286
Prior period adjustment	4	(4)
Applied to transfers	8	20
Extinguished liabilities	(2)	(10)
Net income/(loss) for the year	1,970	(1,683)
Applied to exits	(12)	(32)
Applied to contributors' total credits	(633)	(622)
Reserves at end of year	<u>(710)</u>	<u>(2,045)</u>

The reserves, which have not been allocated to contributors' total credits, may be distributed at the discretion of the Board, in accordance with the trust deed, principally for:

- a increasing all contributors' total credits on an equitable basis, and
- b paying Scheme expenses.

12 Vested Benefits

The value of the vested benefits is the value of the benefits contributors would have been entitled to if they left the Scheme. As at 31 March 2010, all contributors would have been entitled to receive a transfer value and many contributors would have been entitled to receive their total credit. At this date, contributors' total credits were greater than their transfer values and vested benefits are shown below as the total of contributors' total credits.

	2010 (\$000)	2009 (\$000)
Value of vested benefits	16,764	16,467
Value of net assets	16,054	14,422

The table should be read in conjunction with note 10

13 Actuarial Valuation

The Scheme is a defined contribution scheme. As the Scheme has no pensioners, an actuarial valuation is not required under the Superannuation Schemes Act 1989.

The National Provident Fund Restructuring Act 1990 requires an actuarial examination to be undertaken every three years. The last examination was undertaken, as at 31 March 2009, and covered the three years 31 March 2006 to 31 March 2009.

Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010

13 Actuarial Valuation (continued)

The report of the examination showed that the funding level of the Scheme decreased from 105.6% to 87.6% over the three years to 31 March 2009. The valuation results were:

Valuation date	2009	2006
	(\$000)	(\$000)
Present value of -		
Total credits	16,461	17,581
Provision for extinguished liabilities	6	5
Reserves	(2,045)	986
Net assets	14,422	18,572
Funding level	87.6%	105.6%

This table should be read in conjunction with note 10.

14 Financial Instruments and Associated Risks

The Scheme invests in units of the GAT depending upon the asset allocation benchmarks determined for the Scheme (see note 3 to the financial statements). The unit funds comprise quoted equity investments and debt investments, and commodities' futures. The Board monitors the actual asset allocations of the Scheme to ensure they remain within agreed tolerances of the asset allocation benchmarks.

The Scheme's major risk in its investment in the GAT is the price risk that the value of its units may fluctuate.

Other risks, such as market risk, (currency risk, investment rate risk and other price risks) credit risk and liquidity risk, are managed by the GAT. For a fuller explanation of these risks, reference should be made to the financial statements of the GAT. A copy of the financial statements of the GAT can be obtained from the Board (see contact details on page 16) and can be viewed on the Board's website www.npf.co.nz.

The Board manages the other risks by determining a diversified asset allocation appropriate for the Scheme's liabilities. In addition, the Board selects the investment managers, sets their mandates and monitors performance against those mandates.

Based on the Scheme's asset allocation benchmarks and the long term rate of return for each asset class in the benchmarks (after investment management and custody fees, and after tax), and after deducting a provision for the Scheme's operating expenses (after tax), the long run investment return for the Scheme is estimated to be 4.5% per annum.

If the long term rates of return for all of the asset classes in the benchmarks increased by 10% this would increase the investment return from 4.5% to 5.0% per annum. Similarly, if the long term rates of return for the asset classes decreased by 10%, the investment return would decrease to 4.0% per annum.

The earnings rate each year is determined with reference to the investment return, but is not less than 4.0% per annum.

Pension Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010

15 Subsequent Events

There were no material events subsequent to balance date requiring amendments to these accounts.

On 20 May 2010, the Government announced a decrease in the income tax rate applicable to the income from the unit funds of the GAT from 30% to 28%. This will become effective on 1 October 2010. Income, received by the Scheme as interest, will receive this benefit from 1 April 2011.

**Pension Cash Accumulation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2010**

The Board of Trustees of the National Provident Fund (the Board), as trustee of the Scheme, provides members with the following information as required by the Second Schedule to the Superannuation Schemes Act 1989.

1 Changes in the Scheme membership numbers during the year were as follows:

	Contributors
Opening membership 1 April 2009	529
Retirements	(31)
Withdrawals	(8)
Transfers	(8)
Deaths and disablements	(5)
Joins/rejoins	8
Reinstated extinguished liabilities ⁺	6
Closing membership as at 31 March 2010	491

⁺ Following a trust deed amendment on 5 April 2001, once reasonable efforts have been made to locate a member who has been missing for at least five years, the Board may extinguish the liabilities to that member.

Where a person re-establishes contact with the Board within 15 years of the liabilities to that person being extinguished, the person is reinstated as a member of the Scheme.

- 2 The terms of the Scheme trust deed do not specify contribution levels.
- 3 The Board certifies that, to the best of its knowledge, all benefits required to be paid from the Scheme were paid in accordance with the terms of the Scheme trust deed.
- 4 The Board certifies, based on the advice of the Actuary, that as at 31 March 2010 the market value of the net assets of the Scheme were approximately equal to the amount that would have been payable if all members transferred out of the Scheme on that date but was less than the amount that would have been payable if all contributors retired on that date.
- 5 The Scheme's earnings rate (crediting rate) declared by the Board for the year ended 31 March 2010 was 4.00%.
- 6 The Scheme trust deed has not been amended since 24 June 2009, being the date of the Scheme's last annual report.

**Pension Cash Accumulation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2010**

7 Directory

Trustee

Board of Trustees of the National Provident Fund

Members of the Board are:

Catherine M Savage (*Chairman from 1 October 2009*)
Susan J Sheldon (*Chairman to the date of her retirement 30 September 2009*)
Paul G Foley
Roger J Kerr
Noeline C Munro
Roy R Tiffin (*retired 30 April 2010*)
Mary K Watson

Administration managers

Datacom Employer Services Limited (*appointed 1 December 2009*)
Jacques Martin New Zealand Limited (*terminated 30 November 2009*)

Investment managers

Cash managers

AMP Capital Investors (New Zealand) Limited
ANZ National Bank Limited
Bank of New Zealand

Fixed interest managers

Pacific Investment Management Company, LLC
Wellington Management Company, LLP

New Zealand equity managers

AllianceBernstein New Zealand Limited (*terminated 20 January 2010*)
Harbour Asset Management Limited (*appointed 20 January 2010*)
ING (NZ) Limited

Overseas equity managers

AMP Capital Investors Limited
AQR Capital Management LLC (*appointed 1 December 2009*)
BlackRock Asset Management Australia Limited (*previously Barclays Global Investors, N.A.*)
Mercer Investment Nominees Limited

**Pension Cash Accumulation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2010**

Directory (continued)

Property managers

AMP Capital Investors (New Zealand) Limited
Cohen & Steers Capital Management, Inc. (*terminated 18
December 2009*)

LaSalle Investment Management (Securities) L.P. (*terminated
3 December 2009*)

Commodities manager

Gresham Investment Management LLC (*appointed 30 July
2009*)

Foreign exchange hedging managers

ANZ National Bank Limited
Bank of New Zealand

Actuary

Christine D Ormrod
PricewaterhouseCoopers

Auditor

I C Marshall
Deloitte
(*on behalf of the Auditor-General*)

Solicitors

Chapman Tripp

Bank

Bank of New Zealand

Custodian

JP Morgan Chase Bank

8 All correspondence relating to the Scheme should be addressed to:

The Manager
National Provident Fund Administration
Datacom Employer Services Limited
PO Box 606
WELLINGTON 6140

OR

The Secretary
Board of Trustees of the National Provident Fund
P O Box 3390
WELLINGTON 6140

For and on behalf of the Board of Trustees
of the National Provident Fund



Catherine M Savage
Chairman
30 June 2010

REPORT OF THE AUDITOR-GENERAL TO THE READERS OF THE PENSION CASH ACCUMULATION SCHEME

The Auditor-General is the auditor of the Pension Cash Accumulation Scheme (the Scheme). The Auditor-General has appointed me, I C Marshall, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Scheme for the year ended 31 March 2010.

Unqualified Opinion

In our opinion:

- The financial statements of the Scheme on pages 1 to 13:
 - comply with generally accepted accounting practice in New Zealand,
 - comply with International Financial Reporting Standards, and
 - give a true and fair view of:
 - the Scheme's financial position as at 31 March 2010, and
 - the results of its operations and cash flows for the year ended on that date.
- Based on our examination the Scheme kept proper accounting records.

The audit was completed on 30 June 2010, and is the date at which our opinion is expressed.

The basis of the opinion is expressed below. In addition, we outline the responsibilities of the Board of Trustees and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data,
- verifying samples of transactions and account balances,
- performing analyses to identify anomalies in the reported data,
- reviewing significant estimates and judgements made by the Board of Trustees,
- confirming year-end balances,
- determining whether accounting policies are appropriate and consistently applied, and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

Responsibilities of the Board of Trustees and Auditor

The Board of Trustees is responsible for the preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the Scheme as at 31 March 2010. They must also give a true and fair view of the results of its operations and cash flows for the year ended on that date. The Board of Trustees' responsibilities arise from section 14 of and the Second Schedule to the Superannuation Schemes Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Scheme.



I C Marshall
Deloitte
On behalf of the Auditor-General
Wellington, New Zealand