

2010

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010



DBP CONTRIBUTORS SCHEME



NATIONAL
PROVIDENT

Deloitte.

This audit report, dated 30 June 2010, relates to the financial statements of the DBP Contributors 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.

DBP Contributors Scheme (the Scheme)
Income Statement
for the year ended 31 March 2010

	Note	2010 (\$000)	2009 (\$000)
Investment income			
Income/(loss) from unit funds	5	28,039	(2,441)
Interest received		31	159
		<u>28,070</u>	<u>(2,282)</u>
Operating expenses			
Actuarial fees		85	88
Audit fees		21	24
Bank fees		3	3
Management expenses	6	608	627
		<u>717</u>	<u>742</u>
Net income/(loss) before tax and membership activities		<u>27,353</u>	<u>(3,024)</u>
Income tax credit	7	206	175
Net income/(loss) after tax and before membership activities		<u>27,559</u>	<u>(2,849)</u>
Scheme receipts			
	1		
Employer contributions		2,636	3,037
Contributor contributions		3,678	3,977
Total scheme receipts		<u>6,314</u>	<u>7,014</u>
Scheme payments			
Benefits paid		256	-
Transfers to DBP Annuitants Scheme	4	24,361	18,104
Transfers to other schemes		11,664	15,194
Total scheme payments		<u>36,281</u>	<u>33,298</u>
Net membership activities		<u>(29,967)</u>	<u>(26,284)</u>
Decrease in net assets for the year	10	(2,408)	(29,133)
Net assets available to pay benefits at beginning of year		286,133	315,266
Net assets available to pay benefits at end of year		<u>283,725</u>	<u>286,133</u>

The notes to the financial statements on pages 4 to 15 form an integral part of these financial statements.

DBP Contributors Scheme (the Scheme)
Statement of Financial Position
as at 31 March 2010

	Note	2010 (\$000)	2009 (\$000)
Investment assets	3		
Units held in:			
- Cash Unit Fund		55,795	56,697
- Fixed Interest Unit Fund		195,753	198,704
- Property Unit Fund		7,556	5,902
- New Zealand Equity Unit Fund		4,360	3,964
- Overseas Equity Unit Fund		18,075	15,627
		281,539	280,894
 Other assets			
Cash		2,521	4,832
Contributions receivable			
- Employers		65	255
- Contributors		17	-
Receivable from the Global Asset Trust	8	206	175
Other receivables	9	63	81
		2,872	5,343
 Total assets		284,411	286,237
 Deduct liabilities			
Payable to DBP Annuitants Scheme	4	-	56
Other payables		686	48
		686	104
 Net assets available to pay benefits		283,725	286,133

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 15 form an integral part of these financial statements.

DBP Contributors Scheme (the Scheme)
Statement of Cash Flows
for the year ended 31 March 2010

	Note	2010 (\$000)	2009 (\$000)
Cash flows from operating activities			
Cash was provided from:			
Employer contributions		2,755	2,953
Contributor contributions		3,668	3,995
Interest received		32	159
		<u>6,455</u>	<u>7,107</u>
Cash was applied to:			
Benefits paid		253	-
Withdrawals		3	18
Transfers to DBP Annuitants Scheme		24,417	18,342
Transfers paid to other schemes		11,108	15,194
Operating expenses		379	814
		<u>36,160</u>	<u>34,368</u>
Net cash flows used in operating activities	10	<u>(29,705)</u>	<u>(27,261)</u>
Cash flows from investing activities			
Cash was provided from proceeds from sale of units in:			
- Cash Unit Fund		2,112	17,504
- Fixed Interest Unit Fund		21,477	28,866
- Property Unit Fund		745	247
- New Zealand Equity Unit Fund		941	2,894
- Overseas Equity Unit Fund		2,119	494
		<u>27,394</u>	<u>50,005</u>
Cash was applied to purchase of units in:			
- Cash Unit Fund		-	7,646
- Fixed Interest Unit Fund		-	257
- Property Unit Fund		-	2,397
- New Zealand Equity Unit Fund		-	879
- Overseas Equity Unit Fund		-	7,640
		<u>-</u>	<u>18,819</u>
Net cash flows from investing activities		<u>27,394</u>	<u>31,186</u>
Net (decrease)/increase in cash held		(2,311)	3,925
Add opening cash brought forward		4,832	907
Closing cash carried forward		<u>2,521</u>	<u>4,832</u>

The notes to the financial statements on pages 4 to 15 form an integral part of these financial statements.

**DBP Contributors 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 F27 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) or in bank deposits. The GAT is divided into separate unit funds.

**DBP Contributors Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010**

Financial Instruments (continued)

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 in units in the GAT which, in turn, invests in New Zealand equities, overseas equities, property and fixed interest instruments.
- 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 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.

**DBP Contributors Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010**

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.

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 or 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 note 7 and 8).

Accrued Benefits (Liabilities)

The liability for accrued benefits is the Scheme's present obligation to pay benefits to contributors and beneficiaries.

DBP Contributors 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 defined benefit scheme, governed by a trust deed.

The Scheme is funded on the principle of "aggregate funding". Under the principle the value of employers' future contributions is the balancing item between the actuarial value of the contributors' current and future benefits, and the value of contributors' future contributions and the market value of the Scheme net assets.

The Scheme trust deed sets out the rates of contributors' contributions. In general, for former contributors to:

- The Local Authorities Standard Scheme, the Fire Services Scheme and the Nursing Services Scheme, contribution rates range from 6% to 11% of the contributor's salary (as defined in the trust deed), depending on the contributor's age on joining the Scheme, and
- The Defined Benefit Plan, the contribution rate is 6.5% of the contributor's salary (as defined in the trust deed).

The Actuary, in her actuarial review, as at 31 March 2008, made several recommendations to the Board, including a recommendation that the employer contribution rate continue at 1.0 times contributors' contributions, inclusive of withholding tax. In her actuarial examination, as at 31 March 2009, the Actuary again recommended the employer contribution rate continue at 1.0 times contributors' contributions. The recommendations in the review and the examination were accepted and endorsed by the Board.

From 1 April 2009 to 31 March 2010, employers were required to make, and have made, contributions to the Scheme at a rate of 1.0 times the contributors' contributions, inclusive of withholding tax.

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.

DBP Contributors Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010

2 Related Parties (continued)

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 members of the Board or management, as individuals, and the Scheme.

3 Asset Allocation

The Board has, since the date of its last report, reviewed the Scheme's asset allocation benchmarks and, based on the advice of its investment adviser, determined they should remain unchanged from the previous year. The asset allocation benchmarks are as shown hereunder:

Asset Allocation Benchmarks	
Cash Unit Fund	20.0%
Fixed Interest Unit Fund	70.0%
Property Unit Fund	2.5%
New Zealand Equity Unit Fund	1.5%
Overseas Equity Unit Fund	6.0%

4 Transfer of Assets to DBP Annuitants Scheme

When a contributor, or other beneficiary of the Scheme, elects to be paid a pension, or other retirement benefit, the contributor or other beneficiary becomes a member of the DBP Annuitants Scheme. At the same time, assets, with a market value equal to the liability of the DBP Annuitants Scheme to pay the benefit attributable to that person's membership, are transferred from the Scheme to the DBP Annuitants Scheme.

DBP Contributors Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010

5 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	1,210	3,218
Fixed Interest Unit Fund	18,526	6,668
Property Unit Fund	2,399	(4,202)
New Zealand Equity Unit Fund	1,337	(1,192)
Overseas Equity Unit Fund	4,567	(6,933)
Income/(loss) from unit funds	<u>28,039</u>	<u>(2,441)</u>

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

6 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.

7 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	2009
	(\$000)	(\$000)
Scheme specific income	31	158
Deductible expenses	(717)	(742)
Expense election to the GAT under section DV 2	686	584
Taxable income	<u>-</u>	<u>-</u>
Income tax credit on current year income	206	175
Income tax credit	<u>206</u>	<u>175</u>

DBP Contributors Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010

7 Income Tax (continued)

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 8).

8 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.

9 Other Receivables

Other receivables consist of:

	2010 (\$000)	2009 (\$000)
Amounts due from the Board	63	81
Other receivables	<u>63</u>	<u>81</u>

10 Reconciliation of Decrease in Net Assets for the Year to Net Cash Flows used in Operating Activities

	2010 (\$000)	2009 (\$000)
Decrease in net assets for the year	(2,408)	(29,133)
Movements in working capital		
Increase/(decrease) in other payables	638	(355)
Decrease in payable to DBP Annuitants Scheme	(56)	(238)
Decrease/(increase) in other receivables	18	(15)
Decrease/(increase) in contributions receivable	173	(3)
	<u>773</u>	<u>(611)</u>
Non cash items		
(Increase)/decrease in receivable from the GAT	(31)	42
	<u>(31)</u>	<u>42</u>
Items classified as investing activities		
(Income)/loss from unit funds	(28,039)	2,441
	<u>(28,039)</u>	<u>2,441</u>
Net cash flows used in operating activities	<u>(29,705)</u>	<u>(27,261)</u>

**DBP Contributors Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010**

11 Guaranteed Benefits

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

12. Actuarial Review, Funding Level and Vested Benefits Ratio – 31 March 2010

Actuarial Review

Every three years, a statutory actuarial examination of the Scheme is prepared in accordance with the Superannuation Schemes Act 1989 (refer note 13). The most recent actuarial examination was conducted as at 31 March 2009.

In addition, an actuarial review of the Scheme is undertaken annually.

Funding Level – 31 March 2010

The funding level (solvency ratio) of the Scheme is the ratio of the net assets available to pay benefits to the value of the past service liabilities. No provision is made for future service liabilities.

The Actuary has estimated the funding level, as at 31 March 2010, as 112%. The funding level determined by the Actuary, as at 31 March 2009, was 105.7%. This funding level is an estimate based on the valuation results and membership data, as at 31 March 2009, and allows for the investment return for the year ended 31 March 2010.

In the financial statements, as at 31 March 2009, an estimated funding level was shown based on the valuation results and membership data as at 31 March 2008, with an allowance for the investment return for the year ended 31 March 2009.

Vested Benefits Ratio – 31 March 2010

The value of the vested benefits is the value of the benefits contributors would have been entitled to if they left the Scheme on the bases set out below.

The total value of vested benefits is determined by the Actuary as the sum of, the greater of, for each contributor:

- the value of the benefit to which the contributor would have been entitled, had the contributor resigned from his or her contributing employer (resignation basis), as at 31 March 2010 assuming:
 - contributors aged 50 or over would take an immediate pension
 - contributors under age 50 with 10 or more years' contributory service would take a deferred pension payable from age 50
 - contributors under age 50, with fewer than 10 years' contributory service, would take a refund of contributions with interest,
- the transfer value the contributor would have received if the contributor had transferred out of the Scheme (transfer basis) on 31 March 2010.

DBP Contributors Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010

**12 Actuarial Review, Funding Level and Vested Benefits Ratio – 31 March 2010
(continued)**

The vested benefits ratio of the Scheme is the ratio of the net assets available to pay benefits to the value of vested benefits. The estimated vested benefits ratio calculated by the Actuary, as at 31 March, is shown below:

Valuation Date	2010	2009
	(\$000)	(\$000)
Present value of -		
Vested benefits	(287,975)	(292,889)
Net assets*	283,725	286,133
Deficit	(4,250)	(6,756)
Vested benefits ratio	99%	98%

* The value of net assets available to pay benefits at 31 March 2009 has been adjusted by the Actuary to give consistency between the method used to value the benefits and the method used to value the assets.

This table should be read in conjunction with note 11.

The value of vested benefits, as at 31 March 2010, shown above, is an estimate by the Actuary based on the valuation assumptions and membership data, as at 31 March 2009, and allows for the investment return for the year ended 31 March 2010 (the investment return affects the calculation of the transfer value).

In the financial statements, as at 31 March 2009, a value of vested benefits was shown based on the valuation results and membership data as at 31 March 2008, with an allowance for the investment return for the year ended 31 March 2009.

The sum of the value of benefits on the transfer basis equals the net assets of the Scheme. As the value of vested benefits is calculated for each contributor as the greater of the transfer basis and the resignation basis, the Actuary has advised the total value of vested benefits is expected to be greater than, or equal to, the net assets of the Scheme.

DBP Contributors Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010

13 Statutory Actuarial Examination – 31 March 2009

Under the Superannuation Schemes Act 1989, a statutory actuarial examination of the Scheme is required every three years.

The most recent statutory actuarial examination was prepared, as at 31 March 2009, by Christine Ormrod BA, FNZSA, FIA, the Actuary to the Scheme, and is dated 14 October 2009. It covers the three years 31 March 2006 to 31 March 2009.

The report on the examination showed that the value of net assets exceeded the value of past service liabilities, as at 31 March 2009, based on the actuarial assumptions used. The valuation results were:

Valuation date	2009	2006
	(\$000)	(\$000)
Present value of -		
Past service liabilities	(270,812)	(327,605)
Net assets ¹	286,133	344,087
Past service surplus	15,321	16,482
Future service liabilities	(41,291)	(42,810)
Contributors' future contributions	20,496	19,840
Net future service liability	(20,794)	(22,970)
Total service deficit	(5,474)	(6,489)
Funding level	105.7%	105.0%

The figures are rounded and so may not appear to add exactly.

¹ Each year the Actuary reviews the value of net assets available to pay benefits to ensure consistency between the method used to value the benefits and the method used to value the assets. As a result, for 2006, the value of net assets available to pay benefits was adjusted by the Actuary.

This table should be read in conjunction with note 11.

The Actuary calculated the employer contribution required to meet the net future service liability, shown in the table above, as 1.6 times contributors' contributions inclusive of employer contribution withholding tax.

The ratio of the net assets to the value of past service liabilities is known as the funding level. A funding level of 100% indicates a balance between the net assets and the past service liabilities of the Scheme, as at the date of valuation. The funding level of the Scheme, as at 31 March 2009, was 105.7%. This shows that the Scheme had more than sufficient assets, as at that date, to meet its past service liabilities, under the valuation assumptions.

**DBP Contributors Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010**

13 Statutory Actuarial Examination – 31 March 2009 (continued)

The funding level is expected to increase slightly, to 106.5%, by 31 March 2012. This assumes the experience of the Scheme is in line with the valuation assumptions and the employers continue to contribute at 1.0 times contributors' contributions, as recommended in this report.

The value of net assets was 97.7% of the value of the vested benefits, as at 31 March 2009. The value of vested benefits is expected to continue to be greater than the net assets in the future.

The Actuary did not express an opinion on the financial condition of the Scheme.

The most significant actuarial assumptions used by the Actuary were:

- the difference (0.4% per annum) between the investment return and salary escalation assumed, and
- the difference (2.5% per annum) between the investment return and the rate of CPI inflation assumed when calculating future factors for transfers from this Scheme to the DBP Annuitants Scheme.

Recommendations

In the report on the examination, the Actuary recommended:

- the employer contribution continues at 1.0 times contributors' contributions at present. This rate is inclusive of Employer Superannuation Contribution Tax (formerly known as Specified Superannuation Contribution Withholding Tax) at 33%,
- the next actuarial review of the Scheme be carried out as at 31 March 2010,
- the Board does not amend the trust deed to increase the benefits payable from the Scheme,
- the Board continues its efforts to ensure non-active contributors are aware of their options, and
- the Board reviews the investment strategy of the Scheme before 2014.

The Actuary commented that the financial position of the Scheme is very sensitive to the Scheme's investment return varying from that assumed and to changes in the economic assumptions. Consequently, a significant change in the financial position of the Scheme, as measured using the actuarial assumptions, from one year to the next, is not unlikely. For reasons outlined in the report, frequent changes to the employer contribution rate are avoided.

The Board accepted the recommendations of the Actuary.

**DBP Contributors Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2010**

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). The unit funds comprise quoted equity investments and debt investments. 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 18) 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 4.1% per annum.

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.

**DBP Contributors 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 contributors 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 as at 1 April 2009	787
Withdrawals	(6)
Transfers to DBP Annuitants Scheme	(62)
Transfers	(39)
Deaths and disablements	(3)
Reinstated extinguished liabilities ⁺	2
Closing membership as at 31 March 2010	679

⁺ Following a trust deed amendment on 1 July 2005, 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 On the basis of evidence available, the Board believes that all contributions required to be made to the Scheme, in accordance with the terms of the Scheme trust deed, have been made.
- 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 the net market value of the Scheme's assets is less than the total value of the vested benefits of the Scheme, as at 31 March 2010 (refer to note 12 of the financial statements).
- 5 The Board confirms that, to the best of its knowledge, not more than 10% of the net market value of the Scheme assets were invested with employers (or associated entities), either directly or indirectly, who are parties to the Scheme. The Board notes that more than 10% of the net market value of the Scheme assets may have been invested in Government and local authority securities, and in securities issued by entities associated with the Government or local authorities.
- 6 The Scheme trust deed has not been amended since 24 June 2009, being the date of the Scheme's last annual report.

**DBP Contributors 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

**DBP Contributors Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2010**

7 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*)

Foreign exchange hedging managers

ANZ National Bank Limited
Bank of New Zealand

Actuary	Christine D Ormrod PricewaterhouseCoopers
Auditor	I C Marshall Deloitte (<i>on behalf of the Auditor-General</i>)
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 DBP CONTRIBUTORS SCHEME

The Auditor-General is the auditor of the DBP Contributors 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 15:
 - 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 net assets 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 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 net assets 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