

2010

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010



DBP ANNUITANTS SCHEME



NATIONAL
PROVIDENT

Deloitte.

This audit report, dated 30 June 2010, relates to the financial statements of the DBP Annuitants 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 Annuitants Scheme (the Scheme)
Income Statement
for the year ended 31 March 2010

	Note	2010 (\$000)	2009 (\$000)
Investment income			
Income from unit funds	5	743	4,683
Interest received - EIA Unit Fund	6	29	77
Interest received		258	527
		<u>1,030</u>	<u>5,287</u>
Less Sinking Funds' interest	6	(4)	(21)
Net investment income		<u>1,026</u>	<u>5,266</u>
Operating expenses			
Actuarial fees		40	56
Audit fees		7	8
Bank fees		6	16
Legal fees		1	6
Management expenses	7	571	622
		<u>625</u>	<u>708</u>
Net income before tax and membership activities		<u>401</u>	<u>4,558</u>
Income tax credit	8	110	54
Net income after tax and before membership activities		<u>511</u>	<u>4,612</u>
Scheme receipts			
Distribution from Board Reserves	3	-	1,571
Crown contributions	1	61,950	-
Transfers from DBP Contributors Scheme	1	24,361	18,104
		<u>86,311</u>	<u>19,675</u>
Scheme payments			
Benefits paid		100,928	99,907
Net membership activities		<u>(14,617)</u>	<u>(80,232)</u>
Decrease in net assets for the year	11	(14,106)	(75,620)
Net assets available to pay benefits at beginning of year		56,266	131,886
Net assets available to pay benefits at end of year		<u>42,160</u>	<u>56,266</u>

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

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

	Note	2010 (\$000)	2009 (\$000)
Investment assets	4		
Units held in			
- Cash Unit Fund		33,799	47,695
		<u>33,799</u>	<u>47,695</u>
Other assets			
Cash		7,848	7,773
Receivable from DBP Contributors Scheme	1	-	56
Receivable from the Global Asset Trust	9	110	54
Other receivables	10	44	324
Loan to EIA Unit Fund of the Global Asset Trust	6	487	458
		<u>8,489</u>	<u>8,665</u>
Total assets		<u>42,288</u>	<u>56,360</u>
Deduct liabilities			
Accounts payable		78	48
Sinking Funds	6	50	46
		<u>128</u>	<u>94</u>
Net assets available to pay benefits		<u>42,160</u>	<u>56,266</u>

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 statement

DBP Annuitants 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:			
Transfers from DBP Contributors Scheme		24,456	18,340
Crown contributions		61,950	-
Distribution from Board Reserves		-	1,571
Interest received and other income		287	604
Sinking Funds' contributions		81	1,989
		<u>86,774</u>	<u>22,504</u>
Cash was applied to:			
Benefits paid		100,661	99,643
Sinking Funds' withdrawals		-	731
Operating expenses		677	693
		<u>101,338</u>	<u>101,067</u>
Net cash flows used in operating activities	11	<u>(14,564)</u>	<u>(78,563)</u>
Cash flows from investing activities			
Cash was provided from proceeds from sale of units in:			
- Cash Unit Fund		14,639	76,149
- Fixed Interest Unit Fund		-	25,776
- Property Unit Fund		-	12,952
- New Zealand Equity Unit Fund		-	24,122
- Overseas Equity Unit Fund		-	64,652
		<u>14,639</u>	<u>203,651</u>
Cash was applied to purchase of units in:			
- Cash Unit Fund		-	119,280
- Fixed Interest Unit Fund		-	121
- Property Unit Fund		-	17
- New Zealand Equity Unit Fund		-	916
- Overseas Equity Unit Fund		-	1,970
		<u>-</u>	<u>122,304</u>
Net cash flows from investing activities		<u>14,639</u>	<u>81,347</u>
Net increase in cash held		75	2,784
Add opening cash brought forward		7,773	4,989
Closing cash carried forward		<u><u>7,848</u></u>	<u><u>7,773</u></u>

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

**DBP Annuitants 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 27 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 management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which 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 underlying 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.

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 Scheme's assets are investments in units in the Cash Unit Fund of the GAT which, in turn, invests in fixed interest instruments.

**DBP Annuitants 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 receivables from related parties and other receivables.
- financial liabilities measured at amortised cost. These include sundry other accounts payable, and bank overdrafts and sinking funds.

Recognition

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

Measurement

Financial instruments are measured at fair value and any movement 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.

**DBP Annuitants 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.

Transfers from DBP Contributors Scheme

Transfers are accounted for on a due and receivable basis.

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 fund 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 8 and 9).

Accrued Benefits (Liabilities)

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

**DBP Annuitants 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.

When a contributor or other beneficiary of the DBP Contributors Scheme becomes a member of the Scheme, assets, with a market value equal to the liability of the Scheme to pay the benefit attributable to that person's membership, are transferred from the DBP Contributors Scheme to the Scheme.

The net assets available to pay the benefits of the Scheme were exhausted in May 2009, after a provision was made for future operating expenses. A call was made under the Crown guarantee and the first payment from the Crown to fund the pension benefits payable by the Scheme was received on 27 May 2009.

The Board provides information to the Crown on an annual basis on the financial position of the Scheme and the Government has made a provision in its financial statements for the future funding of the Scheme. From May 2009, the Crown is meeting the cost of paying pension benefits from the Scheme as they fall due, after allowing for transfers from the DBP Contributors Scheme.

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 4).

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

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

3 Distribution from Board Reserves

In a letter dated 25 February 2009 the Minister, at the request of the Board, directed the Board, under section 64(2)(e) of the National Provident Fund Restructuring Act 1990, to transfer \$1,571,000 from the Board Reserves to the Scheme.

Transfers made from the Board Reserves to the Scheme since 1991, including the \$1,571,000 transferred during the year ended 31 March 2009, total \$32,471,000. No transfers were made during the year ended 31 March 2010.

4 Asset Allocation

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

Asset Allocation Benchmark

Cash Unit Fund	100.0%
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As discussed in note 1, the net assets available to pay the benefits of the Scheme were exhausted in May 2009, after a provision was made for future operating expenses. The provision is invested in the Cash Unit Fund of the GAT. From May 2009 the income from the provision is used to meet the operating expenses of the Scheme and the Crown is meeting the cost of paying pension benefits from the Scheme as they fall due, after allowing for transfers from the DBP Contributors Scheme.

5 Income from Unit Funds

Income 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	743	4,563
Property Unit Fund	-	5
New Zealand Equity Unit Fund	-	(3)
Overseas Equity Unit Fund	-	118
Income from unit funds	743	4,683

Income from unit funds is received tax paid.

6 Existing Investment Arrangements

Prior to 7 December 1993, the Board, in its capacity as Sinking Fund Commissioner, held certain fixed rate, fixed maturity funds on behalf of various local authorities (the Sinking Funds).

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

6 Existing Investment Arrangements (continued)

On 7 December 1993, the Board, as trustee of the EIA Unit Fund of the GAT, entered into an arrangement with the Crown, acting through the New Zealand Debt Management Office (DMO), to hedge the Scheme's obligations and liabilities with respect to the Sinking Funds. Under the arrangement, the Board advanced certain monies to the DMO on repayment terms and conditions which closely matched the Scheme's Sinking Funds' obligations. The Board's loan to the DMO was funded by a loan from the Scheme to the EIA Unit Fund.

As at 31 March 2010, the value of the Scheme's loan to the EIA Unit Fund exceeded the Scheme's obligations with respect to the Sinking Funds by \$436,352, (2009: \$411,381). This variance has arisen primarily because of the Scheme meeting early repayments to local authorities, which were funded from resources other than the loan to the EIA Unit Fund.

7 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.

8 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	258	527
Deductible expenses	(625)	(707)
Expense election to the GAT under section DV 2	367	180
Taxable income	<u>-</u>	<u>-</u>
Income tax credit on current year income	110	54
Income tax credit	<u>110</u>	<u>54</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 9).

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

8 Income Tax (continued)

Income relating to the Sinking Funds has been excluded from the tax calculation as it is exempt from income tax in accordance with section CW 31(1) of the Tax Act. Expenditure incurred in deriving the exempt income has also been excluded, as it is not deductible for tax purposes in accordance with section DA 2(3) of the Tax Act.

9 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.

10 Other Receivables

Other receivables consist of:

	2010 (\$000)	2009 (\$000)
Prepaid benefits	-	268
Amounts due from members	-	30
Amounts due from the Board	44	26
Other receivables	<u>44</u>	<u>324</u>

11 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	(14,106)	(75,620)
Movements in working capital		
Increase/(decrease) in accounts payable	30	(33)
Decrease in other receivables	280	286
Decrease in receivable from DBP Contributors Scheme	56	238
	<u>366</u>	<u>491</u>
Non cash items		
(Increase)/decrease in receivable from the GAT	(56)	24
	<u>(56)</u>	<u>24</u>
Items classified as investing activities		
Increase/(decrease) in Sinking Funds	4	(710)
Income from unit funds	(743)	(4,683)
(Increase)/decrease in loan to EIA Unit Fund of the Global Asset Trust	(29)	1,935
	<u>(768)</u>	<u>(3,458)</u>
Net cash flows used in operating activities	<u>(14,564)</u>	<u>(78,563)</u>

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

12 Guaranteed Benefits

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

As discussed in note 1, the net assets available to pay benefits of the Scheme were exhausted in May 2009 after a provision was made for future operating expenses. A first call was made under the Crown guarantee in May 2009 to meet Scheme pension benefit payments. From May 2009, the Crown is meeting the cost of paying pension benefits from the Scheme as they fall due, after allowing for transfers from the DBP Contributors Scheme.

13 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 14). The most recent actuarial examination was conducted as at 31 March 2009.

In addition, an actuarial review of the Scheme is undertaken annually. The results of the actuarial review of the Scheme, as at 31 March 2010, including the funding level and vested benefits, are set out below.

Funding Level and Vested Benefits Ratio

The funding level of the Scheme is the ratio of the net assets available to pay benefits to the value of the total liabilities. For this Scheme, the value of the vested benefits is equal to the value of the liabilities. The funding level and vested benefits, as at 31 March, are shown below:

Valuation date	2010	2009
	(\$000)	(\$000)
Present value of -		
Liabilities/vested benefits	(988,272)	(1,183,854)
Net assets	42,160	56,266
Deficit	(946,112)	(1,127,588)
Funding level (solvency ratio)	4.3%	4.8%

The table should be read in conjunction with note 12

The discount rates adopted by the Actuary for these valuations are forward rates determined from the yields on Government Bonds, as at 31 March.

14 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 27 August 2009. It covers the three years 31 March 2006 to 31 March 2009.

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

14 Statutory Actuarial Examination – 31 March 2009 (continued)

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

Valuation date	2009	2006
	(\$000)	(\$000)
Present value of -		
Liabilities	(1,183,854)	(1,283,791)
Net assets	56,266	279,331
Deficit	(1,127,588)	(1,004,460)
Funding level	4.8%	21.8%

The table should be read in conjunction with note 12

The ratio of the net assets to the value of total liabilities is known as the funding level. A funding level of 100% indicates a balance between the net assets and liabilities of the Scheme at the date of valuation. The funding level of the Scheme at 31 March 2009 was 4.8%. This shows that the Scheme had significantly less net assets than liabilities at that date. Under section 60 of the Act, the benefits payable by the Scheme are guaranteed by the Crown.

For the Scheme, the value of vested benefits is equal to the value of the total liabilities and hence the ratio of assets to the value of vested benefits is the same as the funding level, i.e. 4.8% as at 31 March 2009.

At the date of the report, the Scheme only held assets to provide for the future costs of administering the Scheme, with the cost of pension payments being met predominantly by the Crown. Therefore, no significant change in the funding level or ratio of assets to the value of vested benefits was expected.

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 between the discount rates and the rate of future pension increases. The discount rates used are year-on-year forward rates determined from the yields on Government Bonds. Pensions increase at the rate of future Consumer Price Index inflation, assumed to be 2.5% per annum.
- the mortality of pensioners. The mortality rates are based on the results of a recent pensioners' mortality investigation and include an allowance for improving mortality.

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

14 Statutory Actuarial Examination – 31 March 2009 (continued)

Recommendations

The Actuary recommended:

- the next statutory actuarial examination of the Scheme be carried out as at 31 March 2012, and
- the Board does not grant any benefit increases, other than the normal pension increase entitlements of pensioners.

The Board accepted the recommendations of the Actuary.

15 Financial Instruments and Associated Risks

The Scheme invests in units of the GAT depending upon the asset allocation benchmark determined for the Scheme (see note 4).

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 15) and can be viewed on the Board's website www.npf.co.nz.

The Board manages the other risks by determining an asset allocation appropriate for the provision to meet the operating expenses of the Scheme. In addition, the Board selects the investment managers, sets their mandates and monitors performance against those mandates.

Based on the Scheme's asset allocation benchmark, and the long term rate of return for cash (after investment management and custody fees, and after tax), the long run investment return for the Scheme is estimated to be 2.9% per annum.

If the long term rate of return for Cash increased by 10% this would increase the investment return from 2.9% to 3.3% per annum. Similarly, if the long term rate of return for Cash decreased by 10%, the investment return would decrease to 2.5% per annum. The lower rate of investment return would still be sufficient to meet the operating expenses of the Scheme.

16 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 Annuitants 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:

	Pensioners
Opening membership as at 1 April 2009	6,769*
Transfers from DBP Contributors Scheme	62
Pensioner change of beneficiary	118
Deaths	(363)
Closing membership as at 31 March 2010	6,586

* Adjusted to allow for earlier transfers to the Annual Single Premium Scheme.

- 2 Under the terms of the Scheme trust deed, contributions are not required to be made to the Scheme.
- 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 was less than the total value of the vested benefits of the Scheme, as at 31 March 2010 (refer note 13 to the financial statements).
- 5 The Scheme trust deed has not been amended since 24 June 2009, being the date of the Scheme's last annual report.

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

6	Directory	
	Trustee	Board of Trustees of the National Provident Fund Members of the Board are: Catherine M Savage (Chairman) Susan J Sheldon (<i>Chairman to the date of her retirement 30 September 2009</i>) Paul G Foley Roger J Kerr Noeline C Munro Roy R Tiffin (<i>retired 30 April 2010</i>) Mary K Watson
	Administration managers	Datacom Employer Services Limited (<i>appointed 1 December 2009</i>) Jacques Martin New Zealand Limited (<i>terminated 30 November 2009</i>)
	Investment managers	Cash managers AMP Capital Investors (New Zealand) Limited 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

7 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 6011

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 ANNUITANTS SCHEME

The Auditor-General is the auditor of the DBP Annuitants 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 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.

A handwritten signature in black ink, appearing to read 'I C Marshall', enclosed within a circular scribble.

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