



DBP Annuitants Scheme

FINANCIAL STATEMENTS

For the year ended 31 March 2016

Deloitte.

This audit report, dated 23 June 2016, relates to the financial statements of the DBP Annuitants Scheme for the year ended 31 March 2016 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 23 June 2016 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 and summary financial statements may differ from legislation in other jurisdictions.



NATIONAL
PROVIDENT





DBP Annuitants Scheme

On behalf of the Board of Trustees of the National Provident Fund, set out below is a report on the performance and activities of your Scheme for the year ended 31 March 2016. Further information on National Provident Fund's activities, and commentary on investment markets, is set out in the Review.

YOUR SCHEME

CROWN GUARANTEE

The DBP Annuitants Scheme's solvency position is set out in a table in this report. The numbers in the table show that the net assets are insufficient to meet the Scheme's current and future obligations to pay pensions.

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. However, members should not be concerned as the benefits payable by your Scheme are guaranteed by the Crown.

A call was made under the Crown guarantee in May 2009 and the first payment from the Crown, to fund the pension benefits payable by the Scheme, was received on 27 May 2009. The Crown has been meeting the cost of paying pension benefits from the Scheme as they fall due since May 2009 and continues to do so.

The Board provides information to the Crown on an annual basis on the financial position of the Scheme and the Crown has made a provision in its financial statements for the future funding of the Scheme.

INVESTMENT PERFORMANCE

The Scheme invests only in cash. The return achieved (before tax and operating expenses) was 4.0% compared to the benchmark index of 3.2%.

The investment return (after tax and operating expenses) earned by the Scheme for the year ended 31 March 2016 was 1.56%.

See the comparison over the page for the key statistics of your Scheme over the last 10 years. For an overview of the financial performance of the Scheme, refer to the tables on the following pages.

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2016

SUMMARY FINANCIAL STATEMENTS

The summary financial statements included in this Annual Report have been extracted from the full financial statements for the year ended 31 March 2016.

The summary financial statements cannot be expected to provide as complete an understanding as the full financial statements.

Members are welcome to contact the Scheme administrator, Datacom (see details on back page), for a free copy of the Scheme's full financial statements.



NATIONAL
PROVIDENT

DBP Annuitants Scheme

SOLVENCY POSITION

The Actuary has advised the solvency position (funding level) of the Scheme, as at 31 March, was:

	2016 (\$000)	2015 (\$000)
Net assets	38,095	39,251
Liabilities/vested benefits	928,909	(976,338)
Funding level	4.1%	4.0%

WHO INVESTS YOUR MONEY

AMP Capital Investors (New Zealand) Limited

ANZ Bank New Zealand Limited

HOW YOUR MONEY IS INVESTED

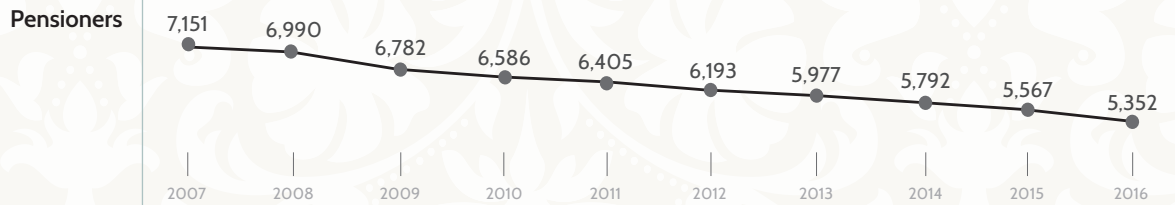
The Scheme's asset allocation strategy is set by the Board and reviewed regularly. The pie chart below shows the Scheme's current asset allocation strategy.

Cash 100.0%

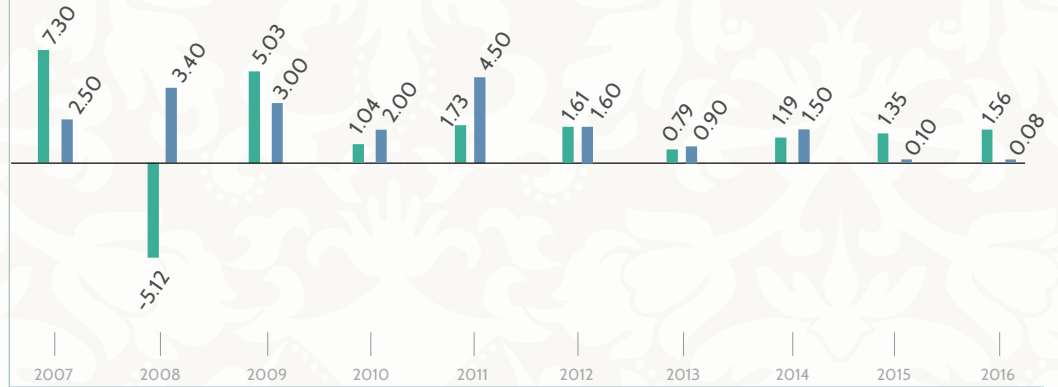


See our website, www.npf.co.nz, and the Scheme trust deed for more information about your Scheme.

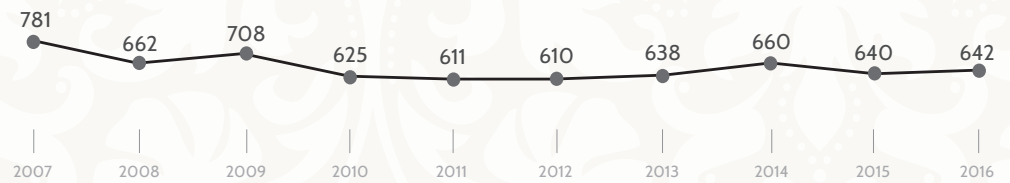
10 YEAR COMPARISON



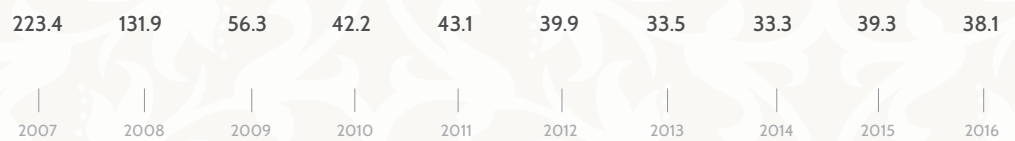
Investment returns ■
CPI ■
 (per cent)



Operating expenses (\$million)



Net assets (\$million)



DBP Annuitants Scheme (the Scheme)
Statement of Changes in Net Assets
for the year ended 31 March 2016

	Note	2016 (\$'000)	2015 (\$'000)
Investment income			
Income from unit fund	4	964	852
Interest received		132	132
Net investment income		1,096	984
Operating expenses			
Actuarial fees		48	43
Audit fees		2	2
Bank fees		4	4
Board member expenses		22	24
Management expenses	5	566	567
		642	640
Net income before tax and membership activities		454	344
Income tax credit	6	143	142
Net income after tax and before membership activities		597	486
Scheme receipts			
Crown contributions	1	66,700	78,200
Transfers from DBP Contributors Scheme	1	24,418	22,518
Total Scheme receipts		91,118	100,718
Scheme payments			
Pensions paid		92,871	95,296
Total Scheme payments		92,871	95,296
Net membership activities		(1,753)	5,422
(Decrease)/increase in net assets for the year	9	(1,156)	5,908
Net assets available to pay benefits at beginning of year		39,251	33,343
Net assets available to pay benefits at end of year		38,095	39,251

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 Net Assets
as at 31 March 2016

	Note	2016 (\$000)	2015 (\$000)
Investment assets	3		
Units held in:			
Cash Unit Fund		33,760	32,653
		33,760	32,653
 Other assets			
Cash		3,237	6,462
Other receivables	8	1,037	71
Receivable from the Global Asset Trust	7	143	142
		4,417	6,675
 Total assets		38,177	39,328
 Current liabilities			
Accounts payable		82	77
Total liabilities		82	77
 Net assets available to pay benefits		38,095	39,251

Authorised for issue on 23 June 2016.

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



Catherine M Savage
Chairman



Graeme R Mitchell
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

DBP Annuitants Scheme (the Scheme)
Statement of Cash Flows
for the year ended 31 March 2016

	Note	2016 (\$000)	2015 (\$000)
Cash flows from operating activities			
Cash was provided from:			
Crown contributions		66,700	78,200
Interest received and other income		132	132
Transfers from DBP Contributors Scheme		24,418	22,518
		<u>91,250</u>	<u>100,850</u>
Cash was applied to:			
Pensions paid		93,830	95,294
Operating expenses		502	462
		<u>94,332</u>	<u>95,756</u>
Net cash flows used in operating activities	9	<u>(3,082)</u>	<u>5,094</u>
Cash flows from investing activities			
Cash was applied to purchase units in:			
Cash Unit Fund		143	149
		<u>143</u>	<u>149</u>
Net cash flows from investing activities		<u>(143)</u>	<u>(149)</u>
Net (decrease)/increase in cash held		<u>(3,225)</u>	<u>4,945</u>
Add opening cash brought forward		6,462	1,517
Closing cash		<u><u>3,237</u></u>	<u><u>6,462</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 2016**

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, the Financial Reporting Act 1993 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.

Upcoming changes to the Financial Reporting Framework

From 1 April 2014, the new Financial Reporting Act 2013 (FRA 2013) and the Financial Market Conduct Act 2013 (FMCA 2013) were enacted replacing the previous financial reporting obligations under the Financial Reporting Act 1993 and the Superannuation Schemes Act 1989. This is effective for all Superannuation Scheme entities with reporting periods beginning on or after 1 April 2014. The Scheme is subject to the transitional provisions under section 55 of the FRA 2013 allowing for the deferral of the application of the new enactment until 1 December 2016.

It is expected that the change in legislation will have no material impact on the Scheme's obligation to prepare general purpose financial statements. The reporting that is undertaken will be similar to that which is currently performed.

Statement of Compliance

These financial statements comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities and also with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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).

Critical Accounting Estimates and Judgements

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. Judgement has been applied in selecting the accounting policy to designate assets at fair value through profit or loss upon initial recognition. This policy has a significant impact on the amounts disclosed in the financial statements. There are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of scheme assets at year end. However as with all investments their value is subject to variation due to market fluctuations.

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 revision affects both current and future periods.

**DBP Annuitants Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2016**

Critical Accounting Estimates and Judgements (continued)

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

Investment

The Scheme is authorised to invest only in the Global Asset Trust (the GAT) or in bank deposits. The GAT is divided into separate unit funds representing various asset classes.

Financial Instruments

Financial instruments include both financial assets and financial liabilities.

Financial assets, designated at fair value through profit or loss upon initial recognition, are managed and their performance evaluated on a fair value basis, consistent with the Scheme's documented investment strategy. The assets are investments in a unit in the GAT which, in turn, invests in fixed interest instruments.

Financial assets, classified as loans and receivables, include balances due from members, receivables from related parties and other receivables.

Financial liabilities, measured at amortised cost, include accounts payable and bank overdrafts (if applicable).

Recognition

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

Measurement

Financial instruments are initially measured at fair value and their subsequent treatment depends on their classification as described below.

Financial assets, classified at fair value through profit or loss, are recorded at fair value where all resulting gains or losses are recorded in the Statement of Changes in Net Assets. 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 these financial instruments is based on exit prices at balance date without any deduction for future selling costs. If an exit price for an instrument is not available on a recognised exchange, the fair value is estimated taking into account comparable markets and advice from specialised advisories.

Financial assets, classified as other receivables, and other financial liabilities are recorded at amortised cost using the effective interest rate method, less any impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

Impairment

Financial assets, that are recorded at amortised cost, are reviewed at each financial statement date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised in the Statement of Changes in Net Assets as the difference between the asset's carrying amount and recoverable amount.

**DBP Annuitants Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2016**

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, where there is an insignificant risk of change in value, and that are held for the purpose of meeting short-term cash commitments.

Investment Income Recognition

Interest income is recognised using the effective interest rate of the instrument. Changes in the fair value on the GAT unit fund are recognised in the Statement of Changes in Net Assets. Interest income on assets, designated at fair value through profit or loss, is accrued at balance date. Dividend income is recognised in the Statement of Changes in Net Assets on the ex dividend date.

Transfers from DBP Contributors Scheme

Transfers are accounted for on a due and receivable basis.

Expenses

All expenses are recognised in the Statement of Changes in Net Assets on an accrual basis.

Taxation

Income arising from the movement in the fair value of the Cash 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 (the Tax Act) (refer notes 6 and 7).

Statement of Cash Flows

The following are definitions of the terms used in the Statement of Cash Flows:

Cash – comprises cash balances held with banks in New Zealand and Australia.

Investing activities – comprise acquisition and disposal of units in the GAT.

Operating activities – include any activities that are the result of normal business activities not classified as investing activities.

**DBP Annuitants Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2016**

Standards issued but not effective

Various standards, interpretations and amendments have been issued by the External Reporting Board but have not been adopted because they are not yet effective. The applicable standards and interpretations are adopted in the period in which they become mandatory.

The standard which has not yet been adopted because its not yet effective is *NZ IFRS 9 'Financial Instruments*. This is effective for annual reporting periods beginning on or after 1 January 2018.

**DBP Annuity Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2016**

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 the financial position of the Scheme, on a regular basis. 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).

The Board and the Government Superannuation Fund Authority (the Authority) have formed a joint venture company, Annuity Management Limited (Annuity). Each organisation has entered into a management services agreement with Annuity. The main function of Annuity is to provide staff, who act in management and secretarial roles on behalf of the Board and the Authority. The costs of running Annuity are shared between the Board and the Authority on an equitable basis, as agreed between the organisations.

Catherine Savage and Catherine McDowell are the two Board appointed directors of Annuity.

The Board is also the trustee of the GAT, which holds the assets of all National Provident Fund Schemes. The Schemes are 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 the asset allocation strategy (refer note 3).

There were no transactions between the Board or management, as individuals, and the Scheme.

3 Asset Allocation

The asset allocation remained unchanged from the previous year. All assets are invested in the Cash Unit Fund of the GAT (2015: 100%).

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.

DBP Annuitants Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2016

4 Income from Unit Fund

Income from the unit fund 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:

	2016 (\$000)	2015 (\$000)
Cash Unit Fund	964	852
Income from unit fund	<u>964</u>	<u>852</u>

Income from the unit fund is received tax paid.

5 Management Expenses

Management expenses comprise administration fees charged by Datacom Employer Services Limited, 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.

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

6 Income Tax

The income tax reconciliation is as follows:

	2016 (\$000)	2015 (\$000)
Scheme specific income	132	132
Deductible expenses	(642)	(640)
Expense election to the GAT under section DV 2	510	508
Taxable income	<u>-</u>	<u>-</u>
Profit before tax	454	345
Tax at 28%	127	97
Adjusted for tax effect of:		
- Non-assessable income	(270)	(239)
Income tax credit	<u>(143)</u>	<u>(142)</u>
Represented by:		
Income tax credit on current year income	(143)	(142)
Prior year adjustment	-	-
Income tax credit	<u>(143)</u>	<u>(142)</u>

The tax credit results from the benefit of the Scheme electing to transfer surplus deductible expenses to the GAT under section DV 2 of the Tax Act (refer note 7). The GAT is subject to tax at the rate of 28 per cent.

**DBP Annuitants Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2016**

6 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.

The income of \$964,000 (2015: \$852,000) from unit funds, shown on the Statement of Changes in Net Assets, is all received tax paid.

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 the Cash Unit Fund of the GAT.

8 Other Receivables

Other receivables consist of:

	2016 (\$000)	2015 (\$000)
Amounts due from members	978	18
Management fee refund	59	53
Total other receivables	<u>1,037</u>	<u>71</u>

9 Reconciliation of (decrease)/increase in Net Assets for the Year to Net Cash Flows used in Operating Activities

	2016 (\$000)	2015 (\$000)
Change in net assets for the year	(1,156)	5,908
Movements in working capital:		
Change in accounts payable	5	39
Change in other receivables	(966)	(10)
	<u>(961)</u>	<u>29</u>
(Less)/add non cash items		
Movement in receivable from the GAT	(1)	9
	<u>(1)</u>	<u>9</u>
Items classified as investing activities		
(Income) from unit funds	(964)	(852)
	<u>(964)</u>	<u>(852)</u>
Net cash flows used in operating activities	<u>(3,082)</u>	<u>5,094</u>

**DBP Annuitants Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2016**

10 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.

11 Actuarial Examination and Review, Funding Level and Vested Benefits Ratio – 31 March 2016

Actuarial Examination and Review

Every three years, a statutory actuarial examination of the Scheme is prepared in accordance with the National Provident Fund Restructuring Act 1990 and the Superannuation Schemes Act 1989 (refer note 12). The most recent actuarial examination was conducted as at 31 March 2015.

In addition, an actuarial review of the Scheme is undertaken annually. The results of the actuarial review of the Scheme, as at 31 March 2016, are set out below for the funding level and vested benefits ratio.

Funding Level and Vested Benefits Ratio – 31 March 2016

The funding level (solvency ratio) 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 calculated by the Actuary, as at 31 March, are shown below:

Valuation date	2016	2015
	(\$000)	(\$000)
Present value of -		
Liabilities/vested benefits	(928,909)	(976,338)
Net assets	38,095	39,251
(Deficit)	(890,814)	(937,087)
Funding level/vested benefits ratio	4.1%	4.0%

The table should be read in conjunction with note 10.

The key assumptions used to value the liabilities are:

- The difference between the discount rates and the rate of future pension increases. The discount rates used are the year-on-year risk-free forward rates. Pensions are assumed to increase at the Consumer Prices Index inflation rate. Both were determined according to the methodology prescribed by The Treasury for Crown financial reporting.
- The pensioner mortality assumptions, which were based on the results of the pensioners' mortality investigation in 2014 and include an allowance for improving mortality.

**DBP Annuitants Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2016**

12 Statutory Actuarial Examination – 31 March 2015

Under the National Provident Fund Restructuring Act 1990 (the Act) and 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 2015, by Christine Ormrod FNZSA, the Actuary to the Scheme, and is dated 7 July 2015. It covers the three years 31 March 2012 to 31 March 2015.

The report on the examination showed that the value of liabilities exceeded the value of net assets, as at 31 March 2015, based on the actuarial assumptions used. The valuation results were:

Valuation date	2015	2012
	(\$000)	(\$000)
Present value of -		
Liabilities	(976,338)	(1,052,912)
Net assets	39,251	39,922
(Deficit)	(937,087)	(1,012,990)
Funding level	4.0%	3.8%

The table should be read in conjunction with note 10.

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 2015 was 4.0%. 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 this Scheme, the value of vested benefits is equal to the value of the total liabilities and hence the ratio of the net assets to the value of vested benefits is the same as the funding level, i.e. 4.0% as at 31 March 2015.

At the valuation date, 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 as they fall due. Therefore, no significant change in the funding level or ratio of assets to the value of vested benefits was expected prior to the next actuarial examination.

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 risk-free forward rates and vary from 3.26% for the year ended 31 March 2016 to 5.5% pa from 31 March 2065. Pensions are assumed to increase from 1.9% for the year ended 31 March 2016 to 2.5% pa from 31 March 2039 onwards.
- The pensioner mortality assumptions, which were based on the results of the pensioners' mortality investigation in 2014 and include an allowance for improving mortality.

12 Statutory Actuarial Examination – 31 March 2015 (continued)

Recommendations

The Actuary recommended:

- The next statutory actuarial examination of the Scheme be carried out as at 31 March 2018.
- 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.

13 Financial Instruments and Associated Risks

The Scheme invests in units of the GAT depending upon the asset allocation determined for the Scheme (see note 3). The unit funds hold fixed interest and debt instruments. These instruments are all measured at fair value.

Under *IFRS 13: Fair Value measurement*, disclosures for fair value instruments are required using a three-level fair value hierarchy. These tiers reflect the availability of observable market inputs. The scheme's investment in units of the GAT is classified as a level 2 investment as the unit prices are based on a net asset valuation derived from either quoted prices for similar assets or unquoted but observable inputs.

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, interest rate risk and other price risk), credit risk and liquidity risk, are managed in the GAT.

For more information on the disclosures under IFRS 13 and the risks mentioned above reference should be made to the financial statements of the GAT. A copy of the financial statements of the GAT can be viewed on the National Provident Fund'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 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 1.1% per annum.

If the long term rate of return for Cash increased by 10% this would increase the investment return from 1.1% to 1.3% per annum. Similarly, if the long term rate of return for Cash decreased by 10%, the investment return would decrease to 0.9% per annum. This would increase or decrease the profit by approximately \$67,000.

14 Subsequent Events

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

**DBP Annuitants Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2016**

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 2015	5,567
Transfers from DBP Contributors Scheme	39
Pensioner change of beneficiary	110
Deaths	(364)
Closing membership as at 31 March 2016	<u>5,352</u>

- 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, based on the advice of the Actuary, certifies 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 2016 (refer note 11 to the financial statements).
- 5 The Scheme trust deed has not been amended since 25 June 2015, being the date of the Scheme's last annual report.

**DBP Annuitants Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2016**

6 Directory

Trustee Board of Trustees of the National Provident Fund

Members of the Board are:

Catherine M Savage (*Chairman*)
Catherine M McDowell
Graeme R Mitchell
Fiona A Oliver
Edward J Schuck (*appointed 1 July 2015*)
Wayne L Stechman

Administration manager Datacom Employer Services Limited

Investment managers

Cash managers

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

Actuary

Christine D Ormrod, PricewaterhouseCoopers

Auditor

David J Shadwell, Deloitte (*on behalf of the Auditor-General*)

Solicitor

DLA Piper New Zealand

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 1036
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

23 June 2016



INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
THE DBP ANNUITANTS SCHEME FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

The Auditor-General is the auditor of the DBP Annuitants Scheme (the Scheme). The Auditor-General has appointed me, David Shadwell, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Scheme on her behalf.

Opinion

We have audited the financial statements of the Scheme on pages 1 to 13 that comprise the statement of net assets as at 31 March 2016, the statement of changes in net assets and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Scheme:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the Scheme's:
 - financial position as at 31 March 2016; and
 - financial performance and cash flows for the year ended on that date.

Our audit was completed on 23 June 2016. This is the date at which our opinion is expressed.

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

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Scheme's financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.

Deloitte.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Trustees;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board of Trustees

The Board of Trustees is responsible for preparing financial statements for the Scheme that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the Scheme's financial position, financial performance and cash flows.

The Board of Trustees' responsibilities arise from the Superannuation Schemes Act 1989.

The Board of Trustees is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Trustees is also responsible for the publication of the financial statements, whether in printed or electronic form.

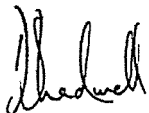
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our 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 External Reporting Board.

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



David Shadwell
Deloitte
On behalf of the Auditor-General
Wellington, New Zealand

Directory as at 23 June 2016

BOARD MEMBERS



Catherine Savage, BCA, CA

Catherine Savage (appointed as a Board member and Chair in 2009) is a director of, and indirect shareholder in, CMS Capital Limited, a director of The Griffin Savage Coy Limited; a director and indirect shareholder of Savage Group Limited and its subsidiaries; a director of Savage Capital Holdings Limited, Savage Capital Limited, Pathfinder Asset Management Limited, The Todd Family Office Limited, Courtenay Nominees Limited and Annuitas Management Limited; and Chair of Guardians of New Zealand Superannuation. She is a Member of the Samuel Marsden Collegiate School Trust Board.



Catherine McDowell

Catherine McDowell (appointed 2013) is a director of ASB Bank Limited, a member of the Institute of Directors Commercial Board and a director of Annuitas Management Limited, Todd Family Office Limited and Courtenay Nominees Limited. Catherine has over 30 years' experience in the investment and financial services industry in senior executive and advisory roles, working with Executive Management and Boards. She has held management roles at Barclays both in New York and London, following which she moved to ANZ in 2006 in New Zealand. She has over 15 years of Board experience with not for profit, listed and non-listed companies.



Graeme Mitchell, BA, CA, FCAANZ

Graeme Mitchell (appointed 2010) is Chair of the External Reporting Board, Barnardos New Zealand and Lifetime Income Limited. He is Chair of the Audit and Risk Committee for the Ministry of Justice, the Ministry of Social Development and for the Human Rights Commission, and a member of the Audit and Risk Committee for the Porirua City Council. He is a licensed independent trustee of the Local Government KiwiSaver Scheme "Super-easy" and Honorary Consul General for Norway. Graeme was previously a senior audit partner with Deloitte in Wellington.



Fiona Oliver, LLB, BA

Fiona Oliver (appointed 2011) is Deputy Chair of Public Trust, a member of the Inland Revenue Risk and Assurance Committee, Chair of Vinta Funds Management Limited and a director of Wynyard Group Limited. Fiona has held Executive level leadership and consultancy roles in the financial services industry, specialising in asset and funds management. She has managed Westpac's investment arm, BT Funds Management and more recently, was GM Wealth Management for AMP, managing over \$10bn funds. Fiona's initial career was as a corporate and commercial lawyer where she worked in both private practice and in-house in New Zealand and overseas, specialising in corporate finance.



Wayne Stechman

Wayne Stechman (appointed 2012) is a professional director. He retired from Tower Asset Management Limited in 2008 after 18 years as Portfolio Manager and Head of Australasian Equities. Prior to that Wayne worked for a leading share broking firm as an investment advisor/portfolio manager. Wayne has 35 years' experience in the financial services and funds management industry in New Zealand. Other current roles include director and shareholder of Harbour Asset Management, and panel member of Financial Services Complaints Ltd.



Ed Schuck

Ed Schuck (appointed 2015) is principal of Fidato Advisory Limited, a provider of investment consulting, research and tender services to institutional investors, Crown agencies and wealth management businesses. Prior to starting Fidato in 2009, he held leadership roles in the financial services industry in New Zealand and the United Kingdom, most recently as Managing Director of Russell Investments. A Chartered Member of the Institute of Directors, Ed is also an independent director of MMC Limited, MFL Mutual Fund Limited, Superannuation Investments Limited, Continuity Capital PE2 GP Limited and Accuro Healthcare (where he also chairs the Audit & Risk Committee). Completed in 2001, Ed's doctoral thesis considered the efficiency of real estate markets and the distributional characteristics of real estate investment risk.

MANAGEMENT



Simon Tyler,
Chief Executive



Euan Wright,
Board Secretary
and Chief
Financial Officer



Fiona Morgan,
Manager,
Finance



Philippa Drury,
General
Manager,
Schemes



Janet Shirley,
Manager,
Schemes



Paul Bevin,
General
Manager,
Investments



Peter McCaffrey,
Manager,
Portfolio
Strategy and Risk



Nicky Rumsey,
Manager,
Investments

DATAKOM

MANAGEMENT

Datacom Employer Services Limited is the administrator of the NPF schemes.

CONTACT DETAILS

You are welcome to contact Datacom if you have any specific questions about the information in this package, if you would like to receive a free copy of the full financial statements in the mail, to purchase a copy of the trust deed (\$10) or the actuarial valuation (\$10), or to enquire about your Scheme membership in general.

Please quote your identity number when contacting Datacom.

Free phone: 0800 628 776 between 8.30am and 5.00pm, Monday to Friday

Phone: (04) 381 0600

Fax: (04) 381 0502

Post:

The Manager
National Provident Fund Administration
Datacom Employer Services Limited
PO Box 1036
Wellington 6140

Email: npfenquiries@datacom.co.nz

If you would like to know more about NPF in general, or if you would like to view or download a copy of the Scheme's full financial statements rather than receive a copy in the mail, please visit our website - www.npf.co.nz.

You may contact the Board by writing to:

The Board Secretary
Board of Trustees of the National Provident Fund
Level 12, The Todd Building
95 Customhouse Quay
Wellington 6011

Auditor: David J Shadwell, Deloitte, on behalf of the Auditor-General

Actuary: Christine D Ormrod, PricewaterhouseCoopers

Bank: Bank of New Zealand Limited

Custodian: JP Morgan Chase Bank, N.A.

Solicitor: DLA Piper