



Aircrew Scheme

FINANCIAL STATEMENTS

For the year ended 31 March 2017

Deloitte.

This audit report, dated 22 June 2017, relates to the financial statements of the Aircrew Scheme for the year ended 31 March 2017 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 22 June 2017 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



Aircrew 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 2017. Further information on National Provident Fund's activities, and commentary on investment markets, is set out in the Review.

YOUR SCHEME

CROWN GUARANTEE

The Aircrew Scheme is a defined benefit scheme. The benefits payable by the Scheme are guaranteed by the Crown.

INVESTMENT PERFORMANCE

The asset class returns (before tax and operating expenses) and comparative performance of the benchmark indices are shown in the table below.

	Return	Index
Fixed interest (New Zealand)	3.4%	1.9%
Fixed interest (global)	6.9%	2.6%
New Zealand shares	9.1%	7.9%
Overseas shares	15.4%	17.6%

The investment return (after tax and operating expenses) earned by the Scheme for the year ended 31 March 2017 was 4.74%.

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.

EMPLOYER CONTRIBUTION RATE

Each year the Board's Actuary carries out a review of the Scheme to determine an employer contribution rate sufficient to meet the accrued and future liabilities of the Scheme.

In the actuarial review, completed as at 31 March 2016, the Actuary recommended the employer contribution rate continue at 100% of contributors' contributions from 1 April 2017. The recommendation was accepted and endorsed by the Board.

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2017

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 2017.

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

Aircrew Scheme

SOLVENCY POSITION

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

	2017 (\$000)	2016 (\$000)
Net assets	108,324	115,880
Past service liabilities	(108,902)	(111,052)
Funding level	99.5%	104.3%

WHO INVESTS YOUR MONEY

Fixed interest

AMP Capital Investors (New Zealand) Limited
Ashmore Investment Management Limited (*emerging markets*)
Brandywine Global Investment Management, LLC
Pacific Investment Management Company LLC (PIMCO)
Wellington Management Australia Pty, Ltd

New Zealand shares

ANZ Investments Limited (*terminated November 2016*)
Devon Funds Management (*appointed November 2016*)
Harbour Asset Management Limited

Overseas shares

AQR Capital Management, LLC (*global tactical asset allocation mandate terminated 30 June 2016 and replaced with investment in AQR's Style Premia Fund effective 1 July 2016*)
Arrowstreet Capital, Limited Partnership

Lazard Asset Management, LLC

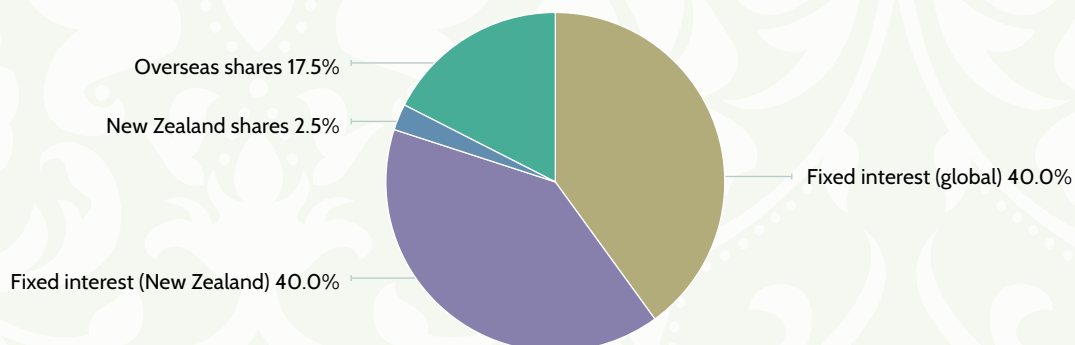
Marathon Asset Management, LLP

Foreign exchange hedging

ANZ Bank New Zealand Limited
Bank of New Zealand Limited

HOW YOUR MONEY IS INVESTED

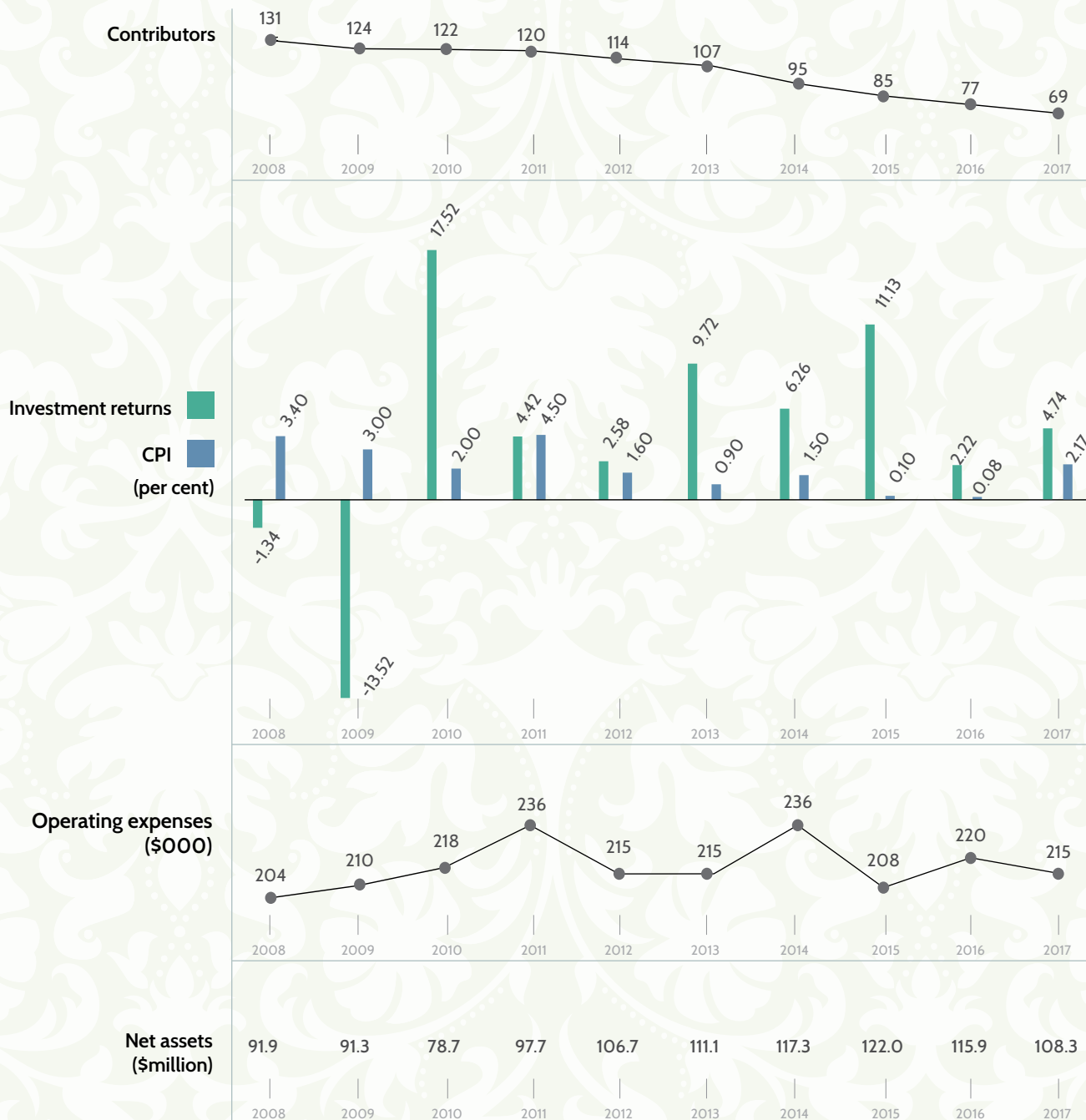
The Scheme's asset allocation strategy is set by the Board and reviewed regularly. The pie chart shows the Scheme's asset allocation strategy. This strategy came into effect from 1 October 2015.



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

Aircrew Scheme

10 YEAR COMPARISON



Aircrew Superannuation Scheme (the Scheme)
Statement of Changes in Net Assets
for the year ended 31 March 2017

	Note	2017 (\$000)	2016 (\$000)
Investment income			
Income from unit funds	4	5,294	2,705
Interest received		65	84
Total investment income		<u>5,359</u>	<u>2,789</u>
Operating expenses			
Actuarial fees		62	66
Audit fees		7	8
Bank fees		1	1
Board member expenses	5	26	22
Management expenses	5	118	123
Stationery and Printing		1	-
		<u>215</u>	<u>220</u>
Net income before tax and membership activities		<u>5,144</u>	<u>2,569</u>
Income tax credit	6	42	38
Net income after tax and before membership activities		<u>5,186</u>	<u>2,607</u>
Contributions	1		
Contributor contributions		1,834	1,864
Employer contributions		1,308	3,175
Total contributions		<u>3,142</u>	<u>5,039</u>
Scheme payments			
Pensions paid		107	107
Benefits paid		-	950
Transfers paid to other schemes		15,777	12,675
Total scheme payments		<u>15,884</u>	<u>13,732</u>
Net membership activities		<u>(12,742)</u>	<u>(8,693)</u>
(Decrease) in net assets for the year	9	(7,556)	(6,086)
Net assets available to pay benefits at beginning of year		115,880	121,966
Net assets available to pay benefits at end of year		<u>108,324</u>	<u>115,880</u>

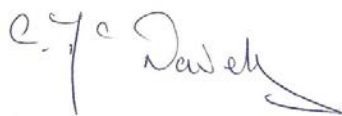
The notes to the financial statements on pages 4 to 15 form an integral part of these financial statements.

Aircrew Superannuation Scheme (the Scheme)
Statement of Net Assets
as at 31 March 2017

	Note	2017 (\$000)	2016 (\$000)
Investment assets	3		
Units held in:			
F2 Unit Fund		42,004	44,385
Fixed Interest Unit Fund		41,005	45,061
New Zealand Equity Unit Fund		2,656	3,005
Overseas Equity Unit Fund		19,278	19,423
		<u>104,943</u>	<u>111,874</u>
Other assets			
Cash		3,383	4,014
Other receivables	8	28	30
Receivable from the Global Asset Trust	7	42	38
		<u>3,453</u>	<u>4,082</u>
Total assets		<u>108,396</u>	<u>115,956</u>
Current liabilities			
Accounts payable		72	76
Total liabilities		<u>72</u>	<u>76</u>
Net assets available to pay benefits		<u>108,324</u>	<u>115,880</u>

Authorised for issue on 22 June 2017.

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



Catherine M McDowell
Chairman



Graeme R Mitchell
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.

Aircrew Superannuation Scheme (the Scheme)
Statement of Cash Flows
for the year ended 31 March 2017

	Note	2017 (\$000)	2016 (\$000)
Cash flows from operating activities			
Cash was provided from:			
Contributor contributions		1,834	1,873
Employer contributions		1,308	3,188
Interest received		65	84
		<u>3,207</u>	<u>5,145</u>
Cash was applied to:			
Benefits paid		-	950
Operating expenses		179	173
Pensions paid		107	107
Transfers paid to other schemes		15,777	12,675
		<u>16,063</u>	<u>13,905</u>
Net cash flows from operating activities	9	<u>(12,856)</u>	<u>(8,760)</u>
Cash flows from investing activities			
Cash was provided from sale of units in:			
F2 Unit Fund		4,623	102
Fixed Interest Unit Fund		9,950	27,488
New Zealand Equity Unit Fund		1,661	5,730
Overseas Equity Unit Fund		3,279	27,002
		<u>19,513</u>	<u>60,322</u>
Cash was applied to purchase units in:			
F2 Unit Fund		1,248	43,755
Fixed Interest Unit Fund		3,860	3,689
New Zealand Equity Unit Fund		1,098	862
Overseas Equity Unit Fund		1,082	1,694
		<u>7,288</u>	<u>50,000</u>
Net cash flows from investing activities		<u>12,225</u>	<u>10,322</u>
Net (decrease)/increase in cash held		(631)	1,562
Add opening cash brought forward		4,014	2,452
Closing cash carried forward		<u>3,383</u>	<u>4,014</u>

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

**Aircrew Superannuation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2017**

Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared under the requirements of clause 59 of the Scheme trust deed and in accordance with the Financial Markets Conduct Act 2013 (FMCA). A description of the Scheme and funding arrangements is outlined in note 1.

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.

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 units in the GAT which, in turn, invest in New Zealand equities, overseas equities and fixed interest and debt instruments.

Aircrew Superannuation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2017

Financial Instruments (continued)

Financial assets, classified as loans and receivables, include balances due from contributors, and receivables from related parties (if applicable).

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 the majority of the financial instruments is based on exit prices at balance date without any deduction for future selling costs. If the 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 loans and 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 the recoverable amount.

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.

Contributions

Contributions are recognised in the Statement of Changes in Net Assets when they become receivable.

Aircrew Superannuation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2017

Benefits and Pensions

Benefits and pensions are recognised in the Statement of Changes in Net Assets when a request for payment is made and all relevant criteria for payment has been met.

Investment Income Recognition

Interest income is recognised using the effective interest rate of the instrument. Changes in the fair value on GAT unit funds 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.

Expenses

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

Taxation

Any income or loss arising 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 (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.

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.

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 it's not yet effective is *NZ IFRS 9 'Financial Instruments'*. This is effective for annual reporting periods beginning on or after 1 January 2018. Initial application of this standard is not expected to have any material impact on the financial statements of the scheme.

**Aircrew Superannuation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2017**

1 Description of the Scheme and Funding Arrangements

The Scheme is a defined benefit scheme, governed by a trust deed. The Scheme is deemed to be registered on the register of managed investment schemes under the FMCA.

The Scheme is funded on the principle of aggregate funding. Under this principle, the value of the employer's future contributions is the balancing item between the actuarial value of the contributors' entitlements, and the value of contributors' future contributions and the market value of the Scheme's net assets.

The rate of contribution for contributors is set out in the Scheme trust deed and ranges from 8.75% to 10% of the contributor's salary (as defined in the trust deed), depending on the age of the contributor at commencement of his/her contributory service.

The Actuary, in her actuarial review as at 31 March 2016 recommended that employer contributions be maintained at 1.0 times contributors' contributions. The recommendation in the examination was accepted and endorsed by the Board.

During the year, employer contributions of \$1,308,000 were made to the Scheme (2016: \$3,175,000).

2 Related Parties

Under the terms of the National Provident Fund Restructuring Act 1990 (the Act), 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, 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. The costs of running Annuitas are shared between the Board and the Authority on an equitable basis, as agreed between the organisations.

Catherine M McDowell and Graeme R Mitchell are the two Board appointed directors of Annuitas.

The Board is also the trustee of the GAT, which holds the assets of all the 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.

Aircrew Superannuation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2017

3 Asset Allocation

The benchmark asset allocations as at 31 March 2017 and 31 March 2016 are shown below.

	2017	2016
	%	%
Fixed Interest Unit Fund	40.0	40.0
F2 Unit Fund	40.0	40.0
New Zealand Equity Unit Fund	2.5	2.5
Overseas Equity Unit Fund	17.5	17.5

4 Income from Unit Funds

Income from unit funds is derived from the changes in value of units and reflects both realised and unrealised gains and losses. The income stated is net of expenses (including investment management and custodial fees) directly related to investment activities. The income per Unit Fund is as follows:

	2017	2016
	(\$000)	(\$000)
Fixed Interest Unit Fund	2,035	170
F2 Unit Fund	994	732
New Zealand Equity Unit Fund	213	217
Overseas Equity Unit Fund	2,052	1,586
Income from unit funds	<u>5,294</u>	<u>2,705</u>

The income from unit funds is received tax paid.

5 Management and Board member Expenses

Management expenses comprise administration fees charged by Datacom Employer Services Limited, and a share of the expenses of the Board. The Board member 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.

Aircrew Superannuation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2017

6 Income Tax

The income tax reconciliation is as follows:

	2017 (\$000)	2016 (\$000)
Scheme specific income	65	84
Deductible expenses	(214)	(220)
Expense election to the GAT under section DV 2	149	136
Taxable income	-	-
Net income before tax and membership activities	5,144	2,569
Tax at 28%	1,440	719
- Non-assessable income	(1,482)	(757)
Income tax credit	(42)	(38)
Represented by:		
Income tax credit on current year income	(42)	(38)
Prior year adjustment	-	-
Income tax credit	(42)	(38)

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 percent.

The income of \$5,294,000 (2016: \$2,705,000) 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, (refer note 6), utilised by the GAT, resulting from the transfer of the Scheme's surplus deductible expenses to the GAT under section DV 2 of the Tax Act. The Scheme will realise the receivable by investing in unit funds of the GAT.

8 Other Receivables

Other receivables consist of:

	2017 (\$000)	2016 (\$000)
Management fee refund	28	30
Total other receivables	28	30

Aircrew Superannuation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2017

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

	2017 (\$000)	2016 (\$000)
Change in net assets for the year	(7,556)	(6,086)
Movements in working capital		
Change in accounts payable	(4)	15
Change in contributions receivable	-	21
Change in other receivables	2	(4)
	<u>(2)</u>	<u>32</u>
(Less)/add non cash items		
Movement in receivable from the GAT	(4)	(1)
	<u>(4)</u>	<u>(1)</u>
Items classified as investing activities		
(Income) from unit funds	(5,294)	(2,705)
	<u>(5,294)</u>	<u>(2,705)</u>
Net cash flows used in operating activities	<u>(12,856)</u>	<u>(8,760)</u>

10 Guaranteed Benefits

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

11 Actuarial Examination and Review, Funding Level and Vested Benefits Ratio – 31 March 2017

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 Financial Markets Conduct Act 2013 (refer note 12). The most recent actuarial examination was carried out as at 31 March 2015.

In addition, an actuarial review of the Scheme is undertaken annually. Provisional figures from the actuarial review as at 31 March 2017 are set out below for the funding level and vested benefits ratio. The assumptions and methodology used to value the liabilities as at 31 March 2017 are those currently intended to be used for the actuarial review of the Scheme as at 31 March 2017.

Aircrew Superannuation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2017

11 Actuarial Examination and Review, Funding Level and Vested Benefits Ratio – 31 March 2017 (continued)

Funding Level – 31 March 2017

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. The funding level calculated by the Actuary, as at 31 March, is shown below:

Valuation date	2017	2016
	(\$000)	(\$000)
Present value of -		
Past service liabilities	(108,902)	(111,052)
Net assets	108,324	115,880
Past service (deficit)/surplus	(578)	4,828
Funding level	99.5%	104.3%

This table should be read in conjunction with note 10.

The most financially significant assumptions are:

- future investment returns assumed, especially over the next 10 years (2.4% per annum to 31 March 2027 and 3.9% per annum thereafter, as at 31 March 2017; 2.6% per annum to 31 March 2026 and 3.9% per annum thereafter, as at 31 March 2016);
- the difference between the rate of future investment returns and the rate of future salary inflation assumed for pilots in the next 10 years (0.2% per annum difference, as at 31 March 2017; 0.0% per annum difference, as at 31 March 2016); and
- the age at which contributors are assumed to retire (based on the review of the demographic assumptions completed prior to the actuarial examination as at 31 March 2015).

Vested Benefits Ratio – 31 March 2017

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 valuation date. As all contributors in this Scheme are now over 50 years of age, the value of the vested benefits of the Scheme is determined by the Actuary as the sum of:

- For contributors, the greater of:
 - the lump sum retirement benefit the contributor would have been entitled to, if the contributor had retired;
 - the value of the retirement pension the contributor would have been entitled to, if the contributor retired; and
 - the transfer value the contributor would have been entitled to, if the contributor had transferred out of the Scheme.
- For pensioners, the value of their future pension entitlement.

Aircrew Superannuation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2017

11 Actuarial Examination and Review, Funding Level and Vested Benefits Ratio – 31 March 2017 (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 vested benefits ratio, as at 31 March, is shown below:

Valuation date	2017	2016
	(\$000)	(\$000)
Present value of -		
Vested benefits	(109,662)	(115,961)
Net assets	108,324	115,880
Surplus	(1,338)	(82)
Vested benefits ratio	98.8%	99.9%

Amounts are rounded and may not appear to add exactly

This table should be read in conjunction with note 10.

The key assumptions are:

- The future investment returns assumed (as for the actuarial review).
- The mortality rates assumed for valuing the pensioners (based on the New Zealand Life Tables 2010-2012 with an adjustment for improving mortality).
- All contributors are assumed to be married. (This impacts the value of the retirement pension used).

12 Statutory Actuarial Examination – 31 March 2015

Under the National Provident Fund Restructuring Act 1990 and the Financial Markets Conduct Act 2013, a statutory 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 23 July 2015. It covers the three years 31 March 2012 to 31 March 2015.

The report on the examination showed that the value of past service liabilities was less than 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 -		
Past service liabilities	(108,143)	(116,416)
Net assets	121,966	111,099
Past service surplus/(deficit)	13,823	(5,317)
Future service liabilities	(23,653)	(31,172)
Contributors' future contributions	12,060	15,818
Net future service liability	(11,593)	(15,294)
Total service surplus/(deficit)	2,230	(20,610)
Funding level	112.8%	95.4%

This table should be read in conjunction with note 10.

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

Aircrew Superannuation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2017

12 Statutory Actuarial Examination – 31 March 2015 (continued)

The Actuary calculated the employer contribution required to meet the net future service liabilities, under the valuation assumptions, as 1.4 times contributors' contributions.

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. The funding level of 112.8% shows that the Scheme had a surplus of assets compared to past service liabilities, as at 31 March 2015, under the valuation assumptions.

The report showed:

- The funding level in three years (31 March 2018) is estimated to be 116.0%, assuming the experience of the Scheme is in line with the valuation assumptions and the employer contributes at the recommended rate.
- The value of net assets was 100.9% of the value of the vested benefits, as at 31 March 2015. This ratio is expected to remain close to 100%.

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 future investment return assumed (3.6% per annum to 31 March 2025 and 4.5% per annum thereafter).
- The difference (0.6% per annum to 31 March 2025 and 1.5% per annum thereafter) between the expected future investment returns and the expected future salary inflation for pilots (3.0% per annum).
- The expected promotional salary increase rates being:

Age	Promotion increase assumption for pilots over age band (%)
50-55	12
55-60	11
60-65	9
65-70	8

The promotional salary increase assumption for cabin crew was nil.

Recommendations

In the report on the statutory examination, the Actuary recommended:

- The employer contribution rate be reduced from 2.5 times contributors' contributions to 1.0 times contributors' contributions from 1 April 2016 and that there is an actuarial review of the Scheme as at 31 March 2016, when the outcome of the current asset allocation review will be known, to review this recommendation. This rate is inclusive of Employer Superannuation Contribution Tax.
- The Board reviews the appropriateness of the investment strategy at least every three years.

**Aircrew Superannuation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2017**

12 Statutory Actuarial Examination – 31 March 2015 (continued)

- The Board does not amend the trust deed to increase the benefits payable from the Scheme.
- The next actuarial review of the Scheme be carried out as at 31 March 2016.

The next statutory actuarial examination is due as at 31 March 2018. The Actuary commented that the contribution rate required from the employer is very sensitive to the investment returns, and salary increases experience of the Scheme, differing from the assumptions used. Due to the nature of the Scheme, its asset allocation and the way in which the salary of contributors is determined, large variations between the actual and assumed experience is to be expected on a year by year basis. Consequently, it is highly likely a change in employer contribution will be recommended next year.

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 fund holds quoted equity, fixed interest and debt instruments. These instruments are all measured at fair value.

Under *NZ 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 NZ 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 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 and the long term rate of return for each asset class (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 2.5 % per annum.

If the long term rates of return for all of the asset classes increased by 10% this would increase the investment return from 2.5% to 2.8% per annum. Similarly, if the long term rates of return for the asset classes decreased by 10%, the investment return would decrease to 2.2% per annum. This would increase or decrease the before tax profit by approximately \$315,000.

14 Subsequent Events

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

Aircrew Superannuation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2017

The Board of Trustees of the National Provident Fund (the Board), as trustee of the Scheme, provides contributors with the following information:

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

	Contributors	Pensioners	Total
Opening membership as at 1 April 2016	77	2	79
Pensioner	-	-	-
Deaths and disablements	-	-	-
Retirement	-	(1)	(1)
Transfer to another scheme	-	-	-
Transfer to another NPF scheme	(8)	-	(8)
Closing membership as at 31 March 2017	69	1	70

- 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, 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 2017 (refer note 11 to the financial statements).
- 5 The Board confirms that, to the best of its knowledge, not more than 10 percent of the net market value of the Scheme assets were invested with the employer, or associated entities, either directly or indirectly, who are parties to the Scheme.
- 6 The Scheme trust deed was last amended on 21 September 2016. These amendments are effective from 20 October 2016 and were made so that the trust deed complied with the FMCA.

**Aircrew Superannuation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2017**

7 Directory

Trustee Board of Trustees of the National Provident Fund

Members of the Board are:

Catherine M McDowell (*Chairman*)
Graeme R Mitchell
Daniel J Mussett (*appointed 1 September 2016*)
Fiona A Oliver
Catherine M Savage (*retired 31 August 2016*)
Edward J Schuck
Wayne L Stechman
Stephen P Ward (*appointed 1 September 2016*)

Administration manager Datacom Employer Services Limited

Investment managers **Fixed interest managers**

AMP Capital Investors (New Zealand) Limited
Ashmore Investment Management Limited
Brandywine Global Investment Management, LLC
Pacific Investment Management Company, LLC
Wellington Management Australia Pty Limited

New Zealand equity managers

ANZ Investments Limited (*terminated November 2016*)
Devon Funds Management (*appointed November 2016*)
Harbour Asset Management Limited

Overseas equity managers

AQR Capital Management, LLC
Arrowstreet Capital, Limited Partnership
Lazard Asset Management, LLC
Marathon Asset Management, LLP

Foreign exchange hedging managers

ANZ Bank New Zealand Limited
Bank of New Zealand Limited

Actuary Christine D Ormrod, PricewaterhouseCoopers

Auditor Michael R Wilkes, Deloitte Limited (*on behalf of the Auditor-General*)

Solicitor DLA Piper New Zealand

Bank Bank of New Zealand

Custodian JP Morgan Chase Bank

**Aircrew Superannuation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2017**

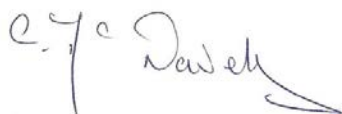
8 All correspondence relating to the Scheme should be addressed to:

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 6140

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



Catherine M McDowell
Chairman

22 June 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE AIRCREW SUPERANNUATION SCHEME'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

The Auditor-General is the auditor of the Aircrew Superannuation Scheme (the Scheme). The Auditor-General has appointed me, Michael Wilkes, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the Scheme on his behalf.

Opinion

We have audited the financial statements of the Scheme on pages 1 to 15, that comprise the Statement of Net Assets as at 31 March 2017, 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 on pages 1 to 15:

- present fairly, in all material respects:
 - its financial position as at 31 March 2017; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Our audit was completed on 22 June 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Trustees and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Trustees for the financial statements

The Board of Trustees is responsible on behalf of the Scheme for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Trustees is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Trustees is responsible on behalf of the Scheme for assessing the Scheme's ability to continue as a going concern. The Board of Trustees is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Trustees intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees' responsibilities arise from the Financial Markets Conduct Act 2013 and section 59 of the Scheme's Trust Deed.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Trustees is responsible for the other information. The other information comprises the information included on pages 16 to 17, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Scheme in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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



Michael Wilkes, Partner
for Deloitte Limited
On behalf of the Auditor-General
Christchurch, New Zealand

Aircrew Scheme Directory as at 22 June 2017

BOARD MEMBERS



Catherine McDowell

Catherine McDowell (appointed 2013 and as Chair in 2016) is a director of ASB Bank Limited, Todd Family Office Limited and Courtenay Nominees Limited, and a member of the Institute of Directors Commercial Board. Catherine has extensive 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 10 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 and a director of Barnardos New Zealand and Retirement Income Group Limited and its subsidiaries. He is Chairman of the Audit and Risk Committee for the Ministry of Justice, the Ministry of Social Development and the Human Rights Commission, and a member of the Audit and Risk Committee for the Porirua City Council. He is also an 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 and Chair of Vinta Funds Management Limited. She is also a director of Wynyard Group Limited and Tilt Renewables, and a member of the Inland Revenue Risk and Assurance Committee. Fiona has held senior leadership and consultancy roles in the financial services industry specialising in asset and funds management. Fiona has also worked in private practice and in-house in Auckland, Sydney and London as a corporate and commercial lawyer, specialising in corporate finance. Fiona previously worked for AMP managing the Wealth Management Product team and Wealth Management Integration Initiatives (following AMP's purchase of AXA).



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 extensive 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 PhD, MBA

Edward Schuck (appointed 2015) is principal and a director of Fidato Advisory, a provider of investment consulting and research 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. He is also a director of MFL Mutual Fund Limited, Accuro Healthcare, Superannuation Investments Limited and Continuity Capital PE2 GP Limited. Ed promotes private investment in New Zealand by working actively with the Property Council of New Zealand and the New Zealand Private Equity and Venture Capital Association.



Stephen Ward

Stephen Ward (appointed 2016) is a non-executive director of Sovereign Assurance Limited, ASX listed Sydney Airport Limited and SecureFuture Wiri Limited. Stephen is the chair of the nomination and remuneration committee at Sydney Airport and he is on the audit and risk committees of Sovereign and SecureFuture. SecureFuture has designed, built and now operates Auckland South Corrections Facility in a public private partnership with the New Zealand Department of Corrections.

Stephen also has a number of not for profit roles. He is a board member of The Life Flight Trust (which operates the Wellington based Westpac Rescue Helicopter and a national air ambulance service) and the Wellington Free Ambulance Service (WFA). He is a WFA appointed director of Central Emergency Communications Limited which operates the central New Zealand ambulance dispatch control room. He is also the independent chair of the Advisory Council for the Financial Dispute Resolution Scheme.

Stephen is also a consultant in the Wellington office of national law firm, Simpson Grierson. He was previously a partner and led the Corporate and Commercial Practice of Simpson Grierson for 6 years to 2013; and was on Simpson Grierson's Board of Management for 14 years.



Daniel Mussett

Daniel Mussett (appointed 2016) is the owner of consulting firm, ALSA Consulting, which advises a select number of large investors, most of which are not-for-profit or Crown entities. Daniel is a member of the Quartz Wealth Management Investment Committee and works part-time as the Investment Manager for Southern Cross Medical Care Society. He is the Chairman of the Board of a small charity that supports the needs of boys in straitened financial circumstances and serves as the independent member of the investment committee of a boutique financial advisory firm. Daniel has held a number of senior positions at global consulting firms in both New Zealand and Switzerland. He is a qualified actuary and a member of the Institute of Directors.

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

DATACOM

ADMINISTRATION

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: Michael Wilkes, 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