Aircrew Scheme

FINANCIAL STATEMENTS
For the year ended 31 March 2018

Deloitte.

This audit report, dated 21 June 2018, relates to the financial statements of the Aircrew Scheme for the year ended 31 March 2018 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 21 June 2018 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

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2018

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 2018. Further information on the 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 your Scheme are guaranteed by the Crown.

INVESTMENT PERFORMANCE

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

	Return	Index
Fixed interest (New Zealand)	3.8%	2.5%
Fixed interest (global)	5.9%	3.2%
New Zealand shares	15.5%	16.9%
Overseas shares	13.1%	10.9%

The investment return (after tax and operating expenses) earned by the Scheme for the year ended 31 March 2018 was 4.80%.

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 2017, the Actuary recommended the employer contribution rate continue at 100% of contributors' contributions from 1 April 2018. The recommendation was accepted and endorsed by the Board.

NATIONAL PROVIDENT

Aircrew Scheme

FUNDING POSITION

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

	2018 ($000)	2017 ($000)
Net assets	106,065	108,324
Past service liabilities	(108,778)	(108,902)
Funding level	97.5%	99.5%

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

Wellington Management Australia Pty, Ltd (contract ended June 2018)

New Zealand shares

Devon Funds Management Limited

Harbour Asset Management Limited

Overseas shares

AQR Capital Management, LLC (Style Premia Fund)

Arrowstreet Capital, Limited Partnership

Lazard Asset Management, LLC

Marathon Asset Management, LLP

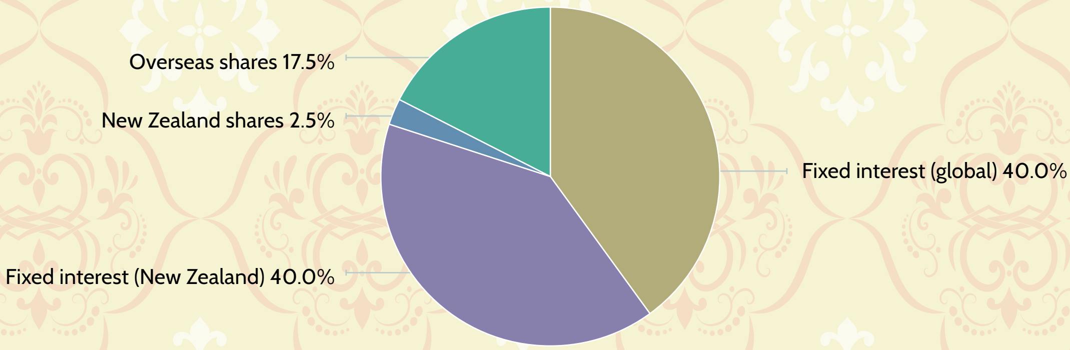
Foreign exchange hedging

ANZ Bank New Zealand Limited

Bank of New Zealand Limited

HOW YOUR MONEY IS INVESTED

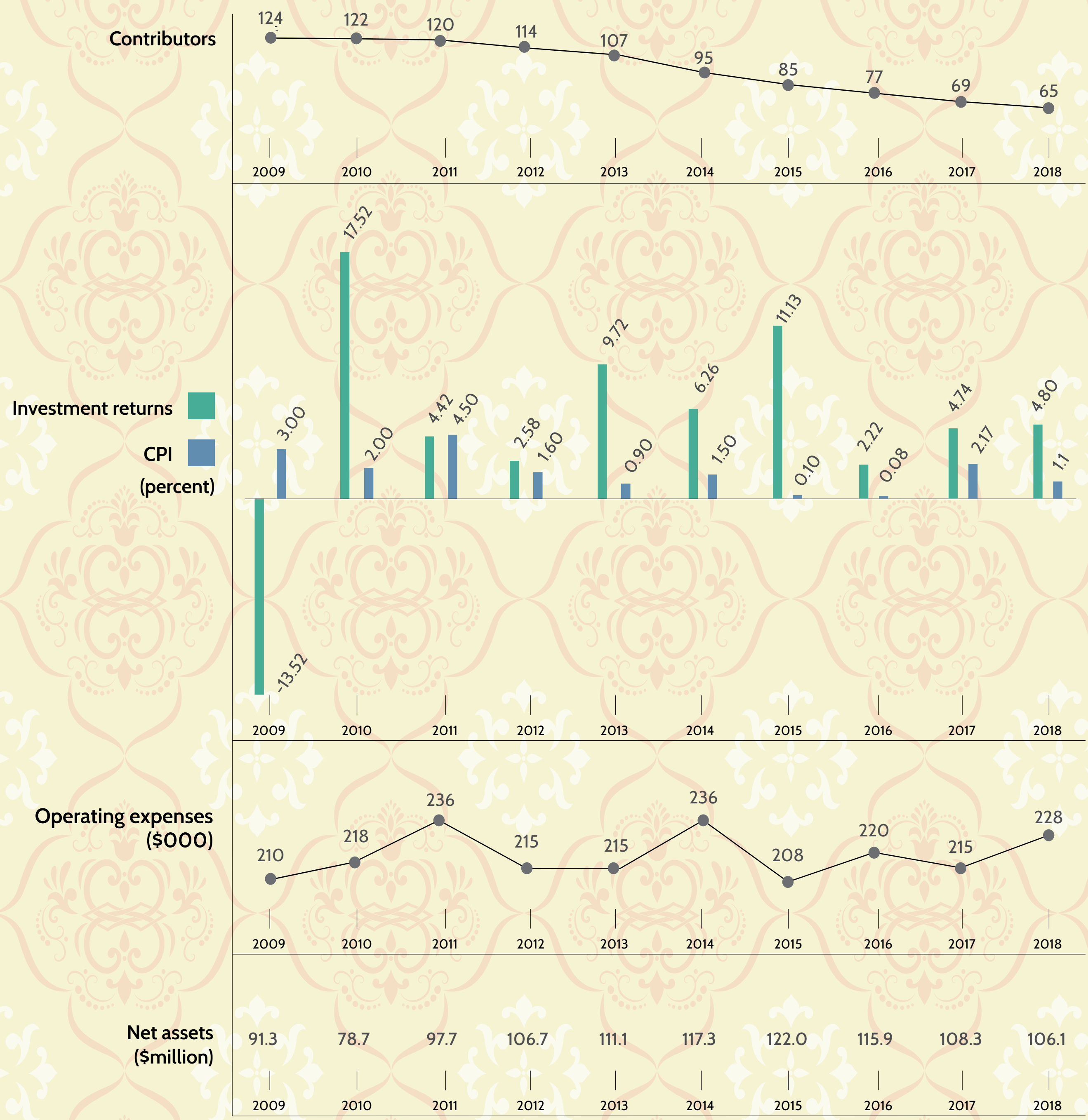
The Scheme's asset allocation strategy is set by the Board and reviewed regularly. The asset allocation strategy for the Scheme was reviewed during the year and the existing asset allocation strategy retained. The pie chart shows the Scheme's current asset allocation strategy that came into effect from 1 October 2015.



There were no significant changes to the Board's Statement of Investment Policies, Standards and Procedures (SIPSP) during the year.

See our website, www.npf.co.nz, for more information about your Scheme, including the Board's SIPSP and the Scheme trust deed.

10 YEAR COMPARISON



Aircrew Superannuation Scheme (the Scheme)
Statement of Changes in Net Assets
for the year ended 31 March 2018

	Note	2018 ($000)	2017 ($000)
Investment income			
Income from unit funds	4	**5,156**	5,294
Interest received		**42**	65
Total investment income		**5,198**	5,359
Operating expenses			
Actuarial fees		**62**	62
Audit fees		**17**	7
Bank fees		**1**	1
Board member expenses	5	**23**	26
Management expenses	5	**125**	118
Stationery and printing		**-**	1
		228	215
Net income before tax and membership activities		**4,970**	5,144
Income tax credit	6	**52**	42
Net income after tax and before membership activities		**5,022**	5,186
Contributions	1		
Contributor contributions		**1,804**	1,834
Employer contributions		**1,208**	1,308
Total contributions		**3,012**	3,142
Scheme payments			
Pensions paid		**107**	107
Transfers paid to other schemes		**10,186**	15,777
Total scheme payments		**10,293**	15,884
Net membership activities		**(7,281)**	(12,742)
(Decrease) in net assets for the year	9	**(2,259)**	(7,556)
Net assets available to pay benefits at beginning of year		**108,324**	115,880
Net assets available to pay benefits at end of year		**106,065**	108,324

The notes to the financial statements on pages 4 to 14 form an integral part of these financial statements.

Aircrew Superannuation Scheme (the Scheme)
Statement of Net Assets
as at 31 March 2018

	Note	**2018 ($000)**	2017 ($000)
Investment assets at fair value through profit or loss	3		
Units held in:			
F2 Unit Fund		**42,119**	42,004
Fixed Interest Unit Fund		**41,525**	41,005
New Zealand Equity Unit Fund		**2,548**	2,656
Overseas Equity Unit Fund		**17,717**	19,278
		103,909	104,943
Other assets at amortised cost			
Cash		**4,253**	3,383
Other receivables	8	**13**	28
Receivable from the Global Asset Trust	7	**52**	42
		4,318	3,453
Total assets		**108,227**	108,396
Current liabilities at amortised cost			
Accounts payable		**2,162**	72
Total liabilities		**2,162**	72
Net assets available to pay benefits		**106,065**	108,324

Authorised for issue on 21 June 2018.

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

Edward J Schuck
Chairman

Graeme R Mitchell
Chairman
Audit and Risk Review Committee

The notes to the financial statements on pages 4 to 14 form an integral part of these financial statements.

Aircrew Superannuation Scheme (the Scheme)
Statement of Cash Flows
for the year ended 31 March 2018

	Note	**2018** ($000)	2017 ($000)
Cash flows from operating activities[1]			
Cash was provided from:			
Contributor contributions		**1,804**	1,834
Employer contributions		**1,208**	1,308
Interest received		**42**	65
		3,054	3,207
Cash was applied to:			
Operating expenses		**163**	179
Pensions paid		**107**	107
Transfers paid to other schemes		**8,104**	15,777
		8,374	16,063
Net cash flows from operating activities	9	**(5,320)**	(12,856)
Cash flows from investing activities[2]			
Cash was provided from sale of units in:			
F2 Unit Fund		**1,020**	4,623
Fixed Interest Unit Fund		**2,333**	9,950
New Zealand Equity Unit Fund		**508**	1,661
Overseas Equity Unit Fund		**3,604**	3,279
		7,465	19,513
Cash was applied to purchase units in:			
F2 Unit Fund		**28**	1,248
Fixed Interest Unit Fund		**1,214**	3,860
New Zealand Equity Unit Fund		**25**	1,098
Overseas Equity Unit Fund		**8**	1,082
		1,275	7,288
Net cash flows from investing activities		**6,190**	12,225
Net increase / (decrease) in cash held		**870**	(631)
Add opening cash brought forward		**3,383**	4,014
Closing cash carried forward[3]		**4,253**	3,383

1 Operating Activities: includes any activities that are the result of normal business activities not classified as investing activities.

2 Investing Activities: comprises acquisition and disposal of units in the GAT.

3 Cash: comprises cash balances held with banks in New Zealand.

The notes to the financial statements on pages 4 to 14 form an integral part of these financial statements.

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 Financial Markets Conduct Act 2013 (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 2017 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 $1,208,000 were made to the Scheme (2017: $1,308,000).

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 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.

Edward J Schuck and Graeme R Mitchell are the two Board appointed directors of Annuitas.

The Board is also the Trustee of the Global Asset Trust (the GAT), which holds the assets of all the National Provident Fund Schemes. 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 Strategic Asset Allocation (refer note 3).

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

3 Strategic Asset Allocation - Investment

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

Investment assets have been designated at fair value through profit or loss upon initial recognition. These are managed and their performance evaluated, on a fair value basis. This is 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.

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 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.

The benchmark asset allocations as at 31 March 2018 and 31 March 2017 are shown below.

	2018	2017
	%	%
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 fair value of units held by the GAT 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:

	2018	2017
	($000)	($000)
Fixed Interest Unit Fund	**1,639**	2,035
F2 Unit Fund	**1,107**	994
New Zealand Equity Unit Fund	**375**	213
Overseas Equity Unit Fund	**2,035**	2,052
Income from unit funds*	**5,156**	5,294

*The income from unit funds is received tax paid.

5 Management and Board Member Expenses

Management expenses comprise administration fees charged by Datacom Connect Limited, and a share of the expenses of the Board. The Board member expenses are split evenly between the schemes.

6 INCOME TAX

Income specific to the Scheme is subject to tax at 28 percent, after allowing for deductible expenses.

The income tax reconciliation is as follows:

	2018 ($000)	2017 ($000)
Scheme specific income	**42**	65
Deductible expenses	**(228)**	(214)
Expense election to the GAT under section DV 2	**186**	149
Taxable income	**-**	-
Net income before tax and membership activities	**4,970**	5,144
Tax at 28%	**1,392**	1,440
Non-assessable income	**(1,444)**	(1,482)
Income tax credit	**(52)**	(42)
Represented by:		
Income tax credit on current year income	**(52)**	(42)
Prior year adjustment	**-**	-
Income tax credit	**(52)**	(42)

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 Income Tax Act 2007 (refer note 7). The GAT is subject to tax at the rate of 28 percent.

The income of $5,156,000 (2017: $5,294,000) 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 Income Tax Act 2007. The Scheme will realise the receivable by investing in unit funds of the GAT, with the remainder being settled by cash if applicable.

8 OTHER RECEIVABLES

Other receivables consist of:

	2018 ($000)	2017 ($000)
Management fee refund	**13**	28
Total other receivables	**13**	28

9 RECONCILIATION OF (DECREASE) IN NET ASSETS FOR THE YEAR TO NET CASH FLOWS USED IN OPERATING ACTIVITIES

	2018 ($000)	2017 ($000)
Change in net assets for the year	**(2,259)**	(7,556)
Movements in working capital		
Change in accounts payable	**2,090**	(4)
Change in other receivables	**15**	2
	2,105	(2)
(Less) non-cash items		
Movement in receivable from the GAT	**(10)**	(4)
	(10)	(4)
Items classified as investing activities		
(Income) from unit funds	**(5,156)**	(5,294)
	(5,156)	(5,294)
Net cash flows used in operating activities	**(5,320)**	(12,856)

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 2018

11.1 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 2018 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 2018 are those currently intended to be used for the actuarial review of the Scheme as at 31 March 2018.

11.2 FUNDING LEVEL – 31 MARCH 2018

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	**2018**	2017
	($000)	($000)
Present value of -		
Past service liabilities	**(108,778)**	(108,902)
Net assets	**106,065**	108,324
Past service (deficit)/surplus	**(2,713)**	(578)
Funding level	**97.5%**	99.5%

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 2028 and 3.7% per annum thereafter, as at 31 March 2018; 2.4% per annum to 31 March 2026 and 3.9% per annum thereafter, as at 31 March 2017);

- the rate of future salary increases assumed over the next 10 years for pilots (2.0% per annum plus an allowance for promotion, as at 31 March 2018: 2.8% per annum plus an allowance for promotion which was 1.0% lower as at 31 March 2017) ; and

- the age at which contributors are assumed to retire, although this has less impact on the contribution rate as a multiple of contributors' contributions. These are based on the review of demographic assumptions completed prior to the actuarial examination as at 31 March 2018.

11.3 VESTED BENEFITS RATIO – 31 MARCH 2018

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.

11.3 Vested Benefits Ratio – 31 March 2018 (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	**2018**	2017
	($000)	($000)
Present value of -		
Vested benefits	**(109,515)**	(109,662)
Net assets	**106,065**	108,324
Surplus/(Deficit)	**(3,450)**	(1,338)
Vested benefits ratio	**96.8%**	98.8%

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 2012-2014 with an adjustment for improving mortality).
- All contributors are assumed to be married. This impacts the value of the retirement pension used and potentially leads to the value of vested benefits being over-estimated.

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.

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.

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 RISK MANAGEMENT

The Scheme invests in units of the GAT based on the Strategic 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 relation to 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 Strategic 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.

The long run investment return for the Scheme is estimated to be 2.3% per annum. This is based on the Scheme's Strategic Asset Allocation and the long term rate of return for each asset class (after investment management, custody fees and tax), and after deducting a provision for the Scheme's operating expenses (after tax).

If the long term rates of return for all of the asset classes in the Strategic Asset Allocation increased by 10% this would increase the investment return from 2.3% to 2.6% per annum. Similarly, if the long term rates of return for the asset classes in the Strategic Asset Allocation decreased by 10%, the investment return would decrease to 2.1% per annum. This would increase or decrease the before tax profit by approximately $312,000.

14 SUBSEQUENT EVENTS

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

15 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

15.1 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 FMCA. For a description of the Scheme and its funding arrangements see note 1.

15.2 STATEMENT OF COMPLIANCE

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

15.3 MEASUREMENT BASE

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

15.4 PRESENTATIONAL AND FUNCTIONAL CURRENCY

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

15.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In compliance with NZ IFRS, preparation of the financial statements requires judgements, estimates and assumptions to be made that affect the application of policies and the reported amounts of assets, 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. Asset values are 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.

15.6 Standards Issued but not Effective

Certain new accounting standards and interpretations have been issued that are not mandatory for 31 March 2018 reporting periods and have not been adopted early by the Board. Of these standards, only *NZ IFRS 9 Financial Instruments* is applicable to the Scheme. This standard will be adopted for the 2018/19 financial year. The Board's assessment of the impact is set out below.

No change will be necessary with regard to the classification, measurement, recognition and derecognition of financial assets and financial liabilities. Financial assets held by the Scheme are recognised and measured at fair value through profit or loss (FVPL). The Scheme does not have financial liabilities designated at FVPL.

NZ IFRS 9 introduces a new expected credit loss model which broadens the information that an entity is required to consider when determining its expectations of impairment. Under this new model, expectations of future events must be taken into account, resulting in the earlier recognition of larger impairments.

Modelling of past performance of financial assets will be undertaken as a basis of expectation of impairment. This will be recognised in 2018/19 financial statements.

The Scheme does not use Hedge Accounting.

15.7 Financial Instruments

Financial instruments include both financial assets and financial liabilities.

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).

15.8 Recognition

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

15.9 Measurement

Financial assets that are classified at fair value through profit or loss are measured at fair value where all resulting gains or losses are recorded in the Statement of Changes in Net Assets.

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.

15.10 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.

15.11 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.

15.12 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. Cash equivalents are held for the purpose of meeting short-term cash commitments.

15.13 CONTRIBUTIONS

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

15.14 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.

15.15 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 financial assets classified at fair value though 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.

15.16 EXPENSES

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

15.17 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 (refer notes 6 and 7).

16 OTHER INFORMATION

The Board, as Trustee of the Scheme, provides members with the following information:

16.1 SCHEME MEMBERSHIP

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

	Contributors	Pensioners	Total
Opening membership as at 1 April 2017	69	1	70
Pensioner	-	-	-
Deaths and disablements	-	-	-
Retirement	-	-	-
Transfer to another scheme	(4)	-	(4)
Transfer to another NPF scheme	-	-	-
Closing membership as at 31 March 2018	**65**	**1**	**66**

16.2 CONTRIBUTIONS RECEIVED AND BENEFITS PAID

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.

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.

16.3 VESTED BENEFITS

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 2018 (refer note 11 to the financial statements).

16.4 INVESTMENT WITH PARTIES TO THE SCHEME

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.

16.5 TRUST DEED

The Scheme Trust Deed has not been amended since 22 June 2017, being the date of the Scheme's last annual report.

16.6 DIRECTORY

Trustee	**Board of Trustees of the National Provident Fund** Members of the Board are: Edward J Schuck *(Chairman from 1 September 2017)* Catherine M McDowell *(Chairman until 31 August 2017)* Graeme R Mitchell Daniel J Mussett Fiona A Oliver *(retired 30 June 2017)* Wayne L Stechman Stephen P Ward
Administration manager	Datacom Connect 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 *(Contract ended June 2018)* **New Zealand Equity Managers** Devon Funds Management Limited 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

16.7 CORRESPONDENCE

All correspondence relating to the Scheme should be addressed to:

The Manager
National Provident Fund Administration
Datacom Connect 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.

Edward J Schuck
Chairman

21 June 2018

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AIRCREW SUPERANNUATION SCHEME'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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 Scheme on pages 1 to 14, that comprise the Statement of Net Assets as at 31 March 2018, 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 on pages 1 to 14:

- present fairly, in all material respects:
  - its net assets as at 31 March 2018; 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 21 June 2018. 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 our 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.

Deloitte.

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 there is an intention to liquidate the Scheme or to cease operations, or there is 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.

Deloitte.

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 15 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 21 June 2018

BOARD MEMBERS

Edward Schuck PhD, MBA (appointed 2015 and Chair from 1 September 2017).

Catherine McDowell (appointed 2013 and Chair from 1 July 2016 to 31 August 2017)

Graeme Mitchell BA, CA, FCA (appointed 2010, Deputy Chair from 1 July 2016)

Daniel Mussett (appointed 2016)

Wayne Stechman (appointed 2012)

Stephen Ward (appointed 2016)

There was one change to the Board members during the year - Fiona Oliver, appointed 2011, retired from the Board effective 30 June 2017.

Further information on the Board members is provided on our website – www.npf.co.nz.

MANAGEMENT

Simon Tyler
Chief Executive

Fiona Morgan
Chief Financial Officer

Philippa Drury
General Manager – Schemes

Janet Shirley
Manager – Schemes

Paul Bevin
General Manager – Investments

Nicky Rumsey
Manager – Investments

Peter McCaffrey
Manager – Equities and Alternatives

The former Chief Financial Officer, Euan Wright, retired on 30 June 2017. Fiona Morgan was appointed as Chief Financial Officer effective August 2017.

There were no changes to the Auditor, Actuary, Bank, Custodian or Solicitor during the year.

DATACOM

ADMINISTRATION

Datacom Connect 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 8.30 am and 5.00 pm, Monday to Friday.

Phone: (04) 381 0600

Post:

The Manager
National Provident Fund Administration
Datacom Connect Limited
P O 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 Chief Executive
Board of Trustees of the National Provident Fund
Level 12, The Todd Building
95 Customhouse Quay
WELLINGTON 6011

Auditor: Michael Wilkes, Deloitte Limited, on behalf of the Auditor-General

Actuary: Christine D Ormrod, PricewaterhouseCoopers Consulting (New Zealand) LP

Bank: Bank of New Zealand Limited

Custodian: JPMorgan Chase Bank, N.A.

Solicitor: DLA Piper New Zealand