DBP Contributors Scheme

FINANCIAL STATEMENTS

For the year ended 31 March 2016

Deloitte.

This audit report, dated 23 June 2016, relates to the financial statements of the DBP Contributors Scheme for the year ended 31 March 2016 included on this website. The Board is responsible for the maintenance and integrity of this website. We have not been engaged to report on the integrity of this website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on this website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 23 June 2016 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements and summary financial statements may differ from legislation in other jurisdictions.

NATIONAL PROVIDENT

DBP Contributors Scheme

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

YOUR SCHEME

CROWN GUARANTEE

The DBP Contributors 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
Cash	4.0%	3.2%
Fixed interest	2.6%	5.4%

The investment return (after tax and operating expenses) earned by the Scheme for the year ended 31 March 2016 was 1.19%.

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 2015 the Actuary recommended employer contributions to the Scheme continue to be suspended from 1 April 2016. The recommendation was accepted and endorsed by the Board.

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2016

SUMMARY FINANCIAL STATEMENTS

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

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

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

DBP Contributors Scheme

SOLVENCY POSITION

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

	2016 ($000)	2015 ($000)
Net assets	169,219	205,127
Past service liabilities	(157,507)	(184,184)
Funding level	107.4%	111.4%

WHO INVESTS YOUR MONEY

Cash

AMP Capital Investors (New Zealand) Limited

ANZ Bank New Zealand Limited

Fixed interest

Ashmore Investment Management Limited (*emerging markets*)

Brandywine Global Investment Management, LLC (*appointed 9 April 2015*)

Pacific Investment Management Company LLC

Wellington Management Company, LLP

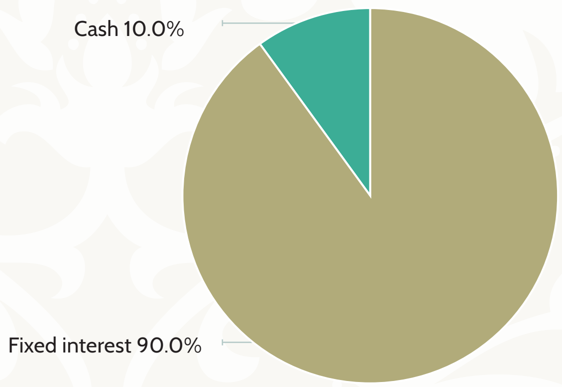
Foreign exchange

ANZ Bank New Zealand Limited

Bank of New Zealand Limited

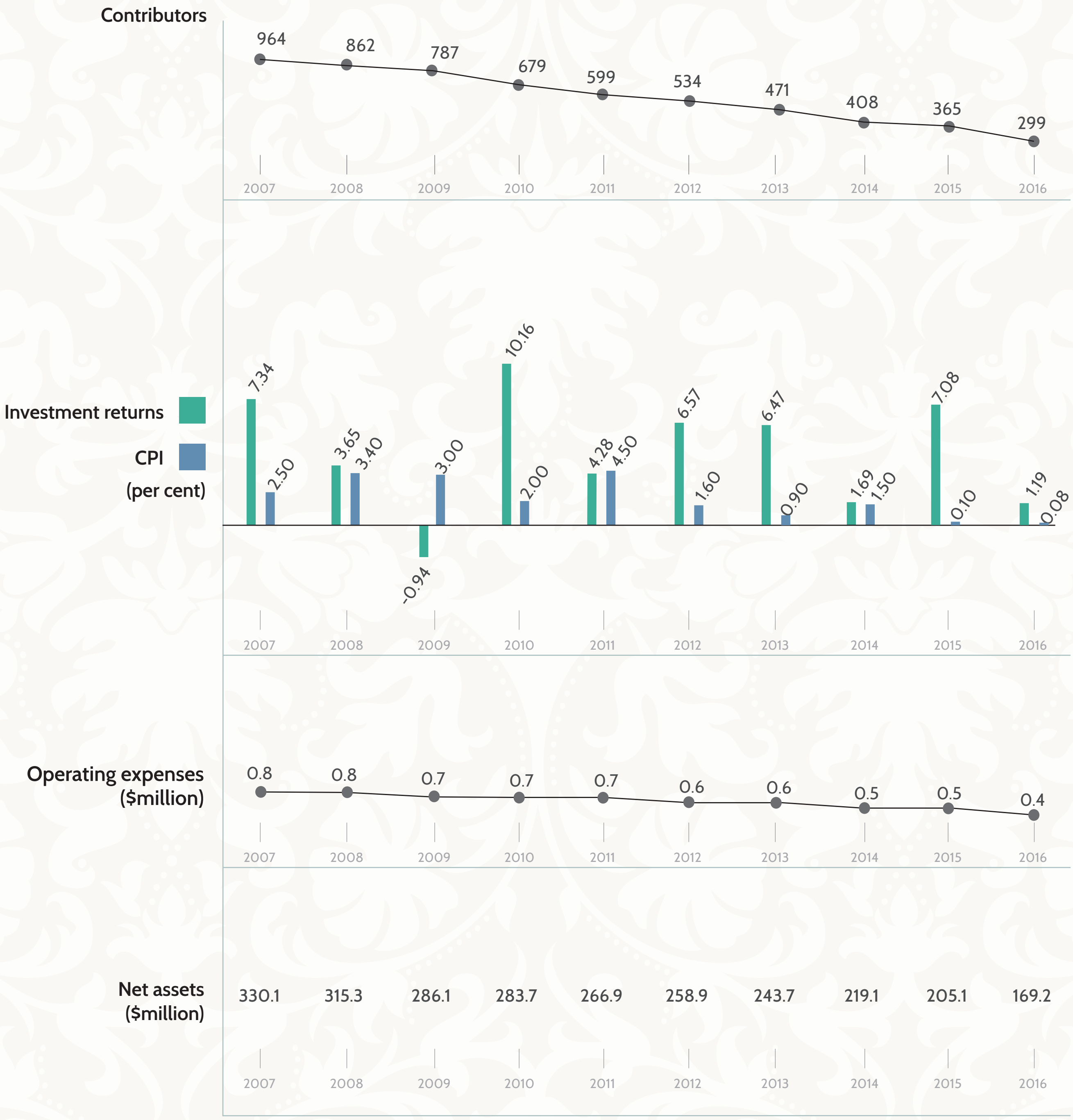
HOW YOUR MONEY IS INVESTED

The Scheme's asset allocation strategy is set by the Board and reviewed regularly. The pie chart below shows the Scheme's current asset allocation strategy. This strategy came into effect on 1 June 2011.



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

10 YEAR COMPARISON



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

	Note	**2016 ($000)**	2015 ($000)
Investment income			
Income from unit funds	5	2,475	14,729
Interest received		76	174
Total investment income		2,551	14,903
Operating expenses			
Actuarial fees		85	76
Audit fees		12	15
Bank fees		2	2
Board member expenses		22	24
Interest paid		2	19
Management expenses	6	322	348
		445	484
Net income before tax and membership activities		2,106	14,419
Income tax credit	7	103	87
Net income after tax and before membership activities		2,209	14,506
Scheme receipts	1		
Contributor contributions		1,855	2,230
Total scheme receipts		1,855	2,230
Scheme payments			
Benefits paid		39	165
Transfers to DBP Annuitants Scheme	4	24,418	22,518
Transfers to other schemes		15,515	8,051
Total scheme payments		39,972	30,734
Net membership activities		(38,117)	(28,504)
Decrease in net assets for the year	10	(35,908)	(13,998)
Net assets available to pay benefits at beginning of year		205,127	219,125
Net assets available to pay benefits at end of year		169,219	205,127

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

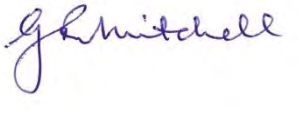
DBP Contributors Scheme (the Scheme)
Statement of Net Assets
as at 31 March 2016

	Note	**2016 ($000)**	2015 ($000)
Investment assets	3		
Units held in:			
Cash Unit Fund		16,191	19,639
Fixed Interest Unit Fund		148,084	184,107
		164,275	203,746
Other assets			
Cash		5,769	1,266
Contributions receivable from employers		59	79
Other receivables	9	65	56
Receivable from the Global Asset Trust	8	103	87
		5,996	1,488
Total assets		170,271	205,234
Current liabilities			
Other payables		1,052	107
Total liabilities		1,052	107
Net assets available to pay benefits		169,219	205,127

Authorised for issue on 23 June 2016.

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

Catherine M Savage
Chairman



Graeme R Mitchell
Chairman
Audit and Risk Review Committee

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

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

	Note	**2016 ($000)**	2015 ($000)
Cash flows from operating activities			
Cash was provided from:			
Contributor contributions		1,872	2,186
Interest received		76	174
		1,948	2,360
Cash was applied to:			
Benefits paid		39	165
Interest paid		2	19
Operating expenses		359	282
Transfers paid to DBP Annuitants Scheme		24,418	22,518
Transfers paid to other schemes		14,573	8,051
		39,391	31,035
Net cash flows from operating activities	10	(37,443)	(28,675)
Cash flows from investing activities			
Cash was provided from sale of units in:			
Cash Unit Fund		4,021	6,246
Fixed Interest Unit Fund		38,045	23,039
		42,066	29,285
Cash was applied to purchase units in:			
Cash Unit Fund		41	3,900
Fixed Interest Unit Fund		79	622
		120	4,522
Net cash flows from investing activities		41,946	24,763
Net increase / (decrease) in cash held		4,503	(3,912)
Add opening cash brought forward		1,266	5,178
Closing cash		5,769	1,266

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

Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared under the requirements of clause F27 of the Scheme trust deed, the Financial Reporting Act 1993 and section 14 and the Second Schedule of the Superannuation Schemes Act 1989. A description of the Scheme and funding arrangements is outlined in note 1.

Upcoming changes to the Financial Reporting Framework

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

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

Statement of Compliance

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

Measurement Base

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

Presentational and Functional Currency

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

Critical Accounting Estimates and Judgements

The preparation of financial statements, in conformity with NZ IFRS, requires judgements, estimates and assumptions to be made that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Judgement has been applied in selecting the accounting policy to designate assets at fair value through profit or loss upon initial recognition. This policy has a significant impact on the amounts disclosed in the financial statements. There are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of scheme assets at year end. However as with all investments their value is subject to variation due to market fluctuations.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical Accounting Estimates and Judgements (continued)

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

Investment

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

Financial Instruments

Financial instruments include both financial assets and financial liabilities.

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

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

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

Recognition

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

Measurement

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

Financial assets, classified at fair value through profit or loss, are recorded at fair value where all resulting gains or losses are recorded in the Statement of Changes in Net Assets. The fair value of the units held by the Scheme in the GAT is based on the valuation of the financial instruments held by the GAT. The fair value of these financial instruments is based on exit prices at balance date without any deduction for future selling costs. If the exit price for an instrument is not available on a recognised exchange the fair value is estimated taking into account ccomparable 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 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.

Benefits

Benefits 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 7 and 8).

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 its not yet effective is *NZ IFRS 9 'Financial Instruments'.* This is effective for annual reporting periods beginning on or after 1 January 2018.

1 Description of the Scheme and Funding Arrangements

The Scheme is a defined benefit scheme, governed by a trust deed.

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

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

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

- The Defined Benefit Plan, the contribution rate is 6.5% of the contributor's salary (as defined in the trust deed).

The Actuary, in her actuarial review, as at 31 March 2010, recommended the employer contributions to the Scheme be suspended with effect from 1 April 2011. In her actuarial examinations as at 31 March 2012 and 31 March 2015, and actuarial reviews as at 31 March 2013 and 31 March 2014, the Actuary recommended that the employer contributions to the Scheme continue to be suspended. The recommendations in the reviews and the examination were accepted and endorsed by the Board.

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

The Board is also the trustee of the GAT, which holds the assets of all National Provident Fund Schemes. The Schemes are authorised to invest only in the GAT or in bank deposits. The GAT is divided into separate unit funds, representing various asset classes, which have issued units to the Board, as trustee of the Scheme, according to the asset allocation strategy (refer note 3).

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

3 Asset Allocation

The benchmark asset allocations as at 31 March 2016 and 31 March 2015 are shown below.

	2016	2015
	%	%
Cash Unit Fund	10.0	10.0
Fixed Interest Unit Fund	90.0	90.0

4 Transfer of Assets to DBP Annuitants Scheme

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

5 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, net of expenses directly related to investment activities, as follows:

	2016	2015
	($000)	($000)
Cash Unit Fund	531	610
Fixed Interest Unit Fund	1,944	14,119
Income from unit funds	2,475	14,729

The income from unit funds is received tax paid.

6 Management Expenses

Management expenses comprise administration fees charged by Datacom Employer Services Limited, and a share of the expenses of the Board. The Board’s expenses are apportioned to each scheme through a costing system, which equitably allocates the expenses based on membership and transaction numbers, and investment asset values.

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

7 Income Tax

The income tax reconciliation is as follows:

	2016 ($000)	2015 ($000)
Scheme specific income	76	174
Deductible expenses	(445)	(484)
Expense election to the GAT under section DV 2	369	310
Taxable income	-	-
Profit before tax	2,106	14,419
Tax at 28%	590	4,037
Adjusted for tax effect of:		
- Non-assessable income	(693)	(4,124)
Income tax credit	(103)	(87)
Represented by:		
Income tax credit on current year income	(103)	(87)
Prior year adjustment	-	-
Income tax credit	(103)	(87)

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 8). The GAT is subject to tax at the rate of 28 per cent.

The income of $2,475,000 (2015: $14,729,000) from unit funds, shown on the Statement of Changes in Net Assets, is all received tax paid.

8 Receivable from the GAT

This receivable represents the outstanding tax credits utilised by the GAT, resulting from the transfer of the Scheme's surplus deductible expenses to the GAT under section DV 2 of the Tax Act. The Scheme will realise the receivable by investing in unit funds of the GAT.

9 Other Receivables

Other receivables consist of:

	2016 ($000)	2015 ($000)
Management fee refund	65	56
Total other receivables	65	56

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

	2016 ($000)	2015 ($000)
(Decrease) in net assets for the year	(35,908)	(13,998)
Movements in working capital		
Change in accounts payable	945	52
Change in other receivables	(9)	(9)
Change in contributions receivable	20	(21)
	956	22
(Less) / add non cash items		
Movement in receivable from the GAT	(16)	30
	(16)	30
Items classified as investing activities		
(Income) from unit funds	(2,475)	(14,729)
	(2,475)	(14,729)
Net cash flows from operating activities	(37,443)	(28,675)

11 Guaranteed Benefits

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

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

Actuarial Examination and Review

Every three years, a statutory actuarial examination of the Scheme is prepared in accordance with the National Provident Fund Restructuring Act 1990 and the Superannuation Schemes Act 1989 (refer note 13). 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 examination of the Scheme, as at 31 March 2016 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 2016 are those currently intended to be used for the actuarial review of the Scheme as at 31 March 2016.

Funding Level – 31 March 2016

The funding level (solvency ratio) of the Scheme is the ratio of the net assets available to pay benefits to the value of the past service liabilities. The funding level calculated by the Actuary, as at 31 March is shown below:

12 Actuarial Examination and Review, Funding Level and Vested Benefits Ratio – 31 March 2016 (continued)

Valuation Date	**2016**	2015
	($000)	($000)
Present value of -		
Past service liabilities	(157,507)	(184,184)
Net assets	169,219	205,127
Past service surplus	11,713	20,943
Funding level	107.4%	111.4%

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

This table should be read in conjunction with note 11.

The most financially significant assumptions are:

- the difference between the rate of investment return and the rate of CPI inflation assumed when calculating future factors for transfers from this Scheme to the DBP Annuitants Scheme (0.9% per annum to 31 March 2026 and 2.1% per annum thereafter, as at 31 March 2016; 1.1% per annum to 31 March 2026 and 2.1% per annum thereafter, as at 31 March 2015)

- the difference between the rate of investment return assumed and the rate of the salary escalation assumed (-0.8% per annum difference to 31 March 2026 and 0.4% per annum thereafter, as at 31 March 2016; -0.6% per annum difference to 31 March 2026 and 0.4% per annum thereafter, as at 31 March 2015); and

- the pensioner mortality assumptions, which are based on the results of the pensioners' mortality investigation completed as at 31 March 2015 and include an allowance for improving mortality

Vested Benefits Ratio – 31 March 2016

The vested benefits are the benefits contributors would have been entitled to if they left the Scheme on the valuation date.

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

- The value of the benefit to which the contributor would have been entitled, had the contributor resigned from his or her contributing employer (resignation basis), as at 31 March 2016 assuming:

  - immediate pension for those entitled to an immediate pension or deferred pension for those entitled to a deferred pension but not to an immediate pension;
    the value of pension benefits is taken as the amount which would have been transferred to the DBP Annuitants Scheme. Contributors are assumed to commute 15% of the pension for a cash lump sum;
  - lump sum entitlement based on a refund of contributions with interest,

  and

- The transfer value the contributor would have received if the contributor had transferred out of the Scheme (transfer basis) on 31 March 2016.

12 Actuarial Examination and Review, Funding Level and Vested Benefits Ratio – 31 March 2016 (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 calculated, as at 31 March, is shown below:

Valuation Date	**2016**	2015
	($000)	($000)
Present value of -		
Vested benefits	(166,524)	(201,516)
Net assets	169,219	205,127
Surplus	2,695	3,611
Vested benefits ratio	101.6%	101.8%

The figures are rounded and so may not appear to add exactly.
This table should be read in conjunction with note 11.

13 Statutory Actuarial Examination – 31 March 2015

Under the National Provident Fund Restructuring Act 1990 and he Superannuation Schemes Act 1989, a statutory actuarial examination of the Scheme is required every three years.

The most recent statutory actuarial examination was prepared, as at 31 March 2015, by Christine Ormrod BA FNZSA FIA, the Actuary to the Scheme, and is dated 7 July 2015. It covers the three years 31 March 2012 to 31 March 2015.

The report on the examination showed that the value of net assets exceeded the value of past service liabilities, 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	(184,184)	(239,035)
Net assets	205,127	258,868
Past service surplus	20,943	19,833
Future service liabilities	(17,197)	(28,182)
Contributors' future contributions	7,580	12,944
Net future service liability	(9,617)	(15,238)
Total service surplus	11,327	4,595
Funding level	111.4%	108.3%

The figures are rounded and so may not appear to add exactly.
This table should be read in conjunction with note 11.

The ratio of the net assets to the value of past service liabilities is known as the funding level. A funding level of 100% indicates a balance between the net assets and the past service liabilities of the Scheme, as at the date of valuation. The funding level of the Scheme, as at 31 March 2015, was 111.4%. This shows that the Scheme had more than sufficient assets, as at that date, to meet its past service liabilities, under the valuation assumptions.

13 Statutory Actuarial Examination – 31 March 2015 (continued)

The funding level was expected to increase slightly, to 117.0%, by 31 March 2018. This assumed the experience of the Scheme was in line with the valuation assumptions and the employer contributions remain suspended.

The value of net assets was 101.8% of the value of the vested benefits, as at 31 March 2015. The sum of the value of benefits on the transfer basis is designed to equal the net assets of the Scheme. As the value of vested benefits is calculated for each contributor, as the greater of the transfer basis and the resignation basis, the total value of vested benefits is expected to be greater than net assets of the Scheme. As at 31 March 2015 this was not the case. This is not normal and due to the timing of the calculation of the various factors.

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

The most significant actuarial assumptions used by the Actuary were:

- the difference (1.1% per annum to 31 March 2025 and 2.1% per annum thereafter) between the investment return and the rate of CPI inflation assumed when calculating future factors for transfers from this Scheme to the DBP Annuitants Scheme,
- the difference (-0.6% per annum to 31 March 2025 and 0.4% per annum thereafter) between the investment return and salary escalation assume, and
- the pensioner mortality assumptions, which are based on the results of recent pensioners' mortality investigation and include an allowance for improving mortality.

Recommendations

In the report on the examination, the Actuary recommended:

- The employer contributions remain suspended.
- The next actuarial review of the Scheme be carried out as at 31 March 2016.
- The Board does not amend the trust deed to increase the benefits payable from the Scheme.
- The Board reviews the investment strategy of the Scheme at least every five years, i.e. before or during 2019.
- The Board continues to advise contributors who have reached age 65 of the implications of remaining in the Scheme after age 65.

The contribution rate recommendation will be reviewed following the actuarial review, as at 31 March 2016. The next statutory actuarial examination of the Scheme is due as at 31 March 2018.

The Actuary commented that the financial position of the Scheme is very sensitive to changes in the economic assumptions. In addition, differences between the actual experience and assumptions can have a significant impact on the financial position of the Scheme. Consequently, a significant change in the financial position of the Scheme, as measured using the actuarial assumptions, from one year to the next, is not unlikely. There is, therefore, a possibility that employers will be required to recommence contributions in the future. The amount and extent of these changes is difficult to project and the effects are managed through annual reviews.

The Board accepted the recommendations of the Actuary.

14 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 fixed interest and debt instruments. These instruments are all measured at fair value.

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

The Scheme's major risk in its investment in the GAT is the price risk that the value of its units may fluctuate. Other risks, such as market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk, are managed in the GAT.

For more information on the disclosures under IFRS 13 and the risks mentioned above reference should be made to the financial statements of the GAT. A copy of the financial statements of the GAT can be viewed on the National Provident Fund's website (www.npf.co.nz).

The Board manages the other risks by determining 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 1.9% 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 1.9% to 2.1% per annum. Similarly, if the long term rates of return for the asset classes decreased by 10%, the investment return would decrease to 1.6% per annum. This would increase or decrease the profit by approximately $329,000.

15 Subsequent Events

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

The Board of Trustees of the National Provident Fund (the Board), as trustee of the Scheme, provides contributors with the following information, as required by the Second Schedule to the Superannuation Schemes Act 1989.

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

	Contributors
Opening membership as at 1 April 2015*	365
Withdrawals	-
Transfers to DBP Annuitants Scheme	(39)
Transfers	(26)
Deaths and disablements	(2)
Extinguished liabilities+	1
Closing membership as at 31 March 2016	**299**

* Following a trust deed amendment on 1 July 2005, once reasonable efforts have been made to locate a member, who has been missing for at least five years, the Board may extinguish the liabilities to that member.

Where a person re-establishes contact with the Board within 15 years of the liabilities to that person being extinguished, the person is reinstated as a member of the Scheme.

2 On the basis of evidence available, the Board believes that all contributions required to be made to the Scheme, in accordance with the terms of the Scheme trust deed, have been made.

3 The Board certifies that, to the best of its knowledge, all benefits required to be paid from the Scheme were paid in accordance with the terms of the Scheme trust deed.

4 The Board, based on the advice of the Actuary, certifies that the net market value of the Scheme's assets was more than the total value of the vested benefits of the Scheme, as at 31 March 2016 (refer to note 12 of the financial statements).

5 The Board confirms that, to the best of its knowledge, not more than 10% of the net market value of the Scheme assets were invested with employers (or associated entities), either directly or indirectly, who are parties to the Scheme.

6 The Scheme trust deed has not been amended since 25 June 2015, being the date of the Scheme's last annual report.

7 Directory

Trustee	Board of Trustees of the National Provident Fund Members of the Board are: Catherine M Savage *(Chairman)* Catherine M McDowell Graeme R Mitchell Fiona A Oliver Edward J Schuck *(appointed 1 July 2015)* Wayne Stechman
Administration manager	Datacom Employer Services Limited
Investment managers	**Cash managers** AMP Capital Investors (NZ) Limited ANZ Bank NZ Limited **Fixed interest managers** Ashmore Investment Management Limited Brandywine Global Investment Management, LLC Pacific Investment Management Company, LLC Wellington Management Company, LLP **Foreign exchange hedging managers** ANZ Bank NZ Limited Bank of New Zealand Limited
Actuary	Christine D Ormrod, PricewaterhouseCoopers
Auditor	David J Shadwell, Deloitte *(on behalf of the Auditor-General)*
Solicitor	DLA Piper New Zealand
Bank	Bank of New Zealand
Custodian	JP Morgan Chase Bank

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 Savage
Chairman

23 June 2016

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF THE DBP CONTRIBUTORS SCHEME FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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

Opinion

We have audited the financial statements of the Scheme on pages 1 to 15 that comprise the statement of net assets as at 31 March 2016, the statement of changes in net assets and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Scheme:

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

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

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

Basis of opinion

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

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

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

Deloitte.

An audit also involves evaluating:

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

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

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

Responsibilities of the Board of Trustees

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

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

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

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

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

Directory as at 23 June 2016

BOARD MEMBERS

Catherine Savage, BCA, CA

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

Catherine McDowell

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

Graeme Mitchell, BA, CA, FCAANZ

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

Fiona Oliver, LLB, BA

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

Wayne Stechman

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

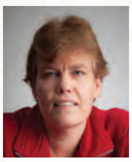
Ed Schuck

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

MANAGEMENT

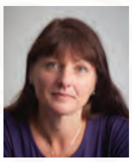
Simon Tyler,
Chief Executive

Euan Wright,
Board Secretary and Chief Financial Officer



Fiona Morgan,
Manager, Finance

Philippa Drury,
General Manager, Schemes



Janet Shirley,
Manager, Schemes

Paul Bevin,
General Manager, Investments

Peter McCaffrey,
Manager, Portfolio Strategy and Risk

Nicky Rumsey,
Manager, Investments

DATACOM

MANAGEMENT

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

CONTACT DETAILS

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

Please quote your identity number when contacting Datacom.

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

Phone: (04) 381 0600

Fax: (04) 381 0502

Post:

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

Email: npfenquiries@datacom.co.nz

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

You may contact the Board by writing to:

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

Auditor:	David J Shadwell, Deloitte, on behalf of the Auditor-General
Actuary:	Christine D Ormrod, PricewaterhouseCoopers
Bank:	Bank of New Zealand Limited
Custodian:	JP Morgan Chase Bank, N.A.
Solicitor:	DLA Piper