



Lump Sum Cash Accumulation 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 Lump Sum Cash Accumulation 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



Lump Sum Cash Accumulation 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 Lump Sum Cash Accumulation Scheme is a cash accumulation scheme. The benefits payable by your Scheme are guaranteed by the Crown.

INVESTMENT PERFORMANCE

During the year, the Scheme's assets were invested in short term New Zealand fixed interest. The investment return on the Scheme's assets for the year (before tax and operating expenses) was 3.80%, compared with the benchmark index return of 2.46%.

The investment return (after tax and operating expenses) earned by the Scheme, for the year ended 31 March 2018, was 2.39%.

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.



NATIONAL
PROVIDENT

Lump Sum Cash Accumulation Scheme

EARNINGS RATE

The earnings rate declared by the Board for the Scheme for the year ended 31 March 2018 was 4.0%. In line with the Board's crediting and reserving policy, the difference between the investment return and the earnings rate of 4.0% has been drawn from the reserves of the Scheme. The reserves are negative at (0.6)% of contributors' total credits (2017: 1.0%).

WHO INVESTS YOUR MONEY

Prior to 1 July 2018 the assets of the Scheme were invested in fixed interest with AMP Capital Investors (New Zealand) Limited. From 1 July 2018 the investment managers are as follows:

Fixed interest

AMP Capital Investors (New Zealand) Limited.

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

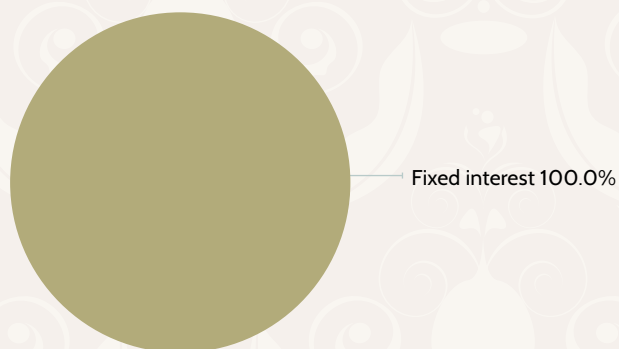
Foreign exchange hedging

Bank of New Zealand Limited

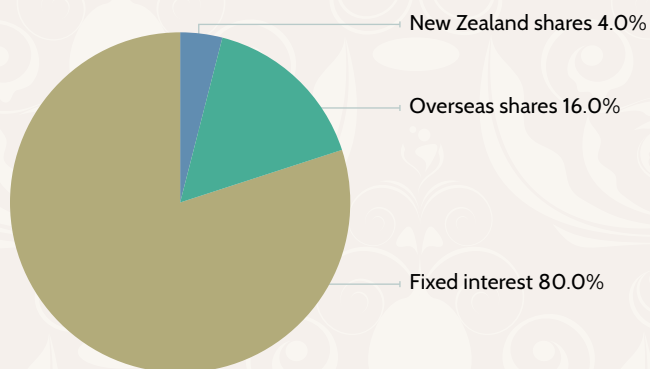
HOW YOUR MONEY IS INVESTED

The Scheme's strategic asset allocation is set by the Board and reviewed regularly. The asset allocation strategy for the Scheme was reviewed during the year. The pie charts show the Scheme's previous asset allocation strategy and the new strategy effective from 1 July 2018.

Prior to 1 July 2018



Effective 1 July 2018

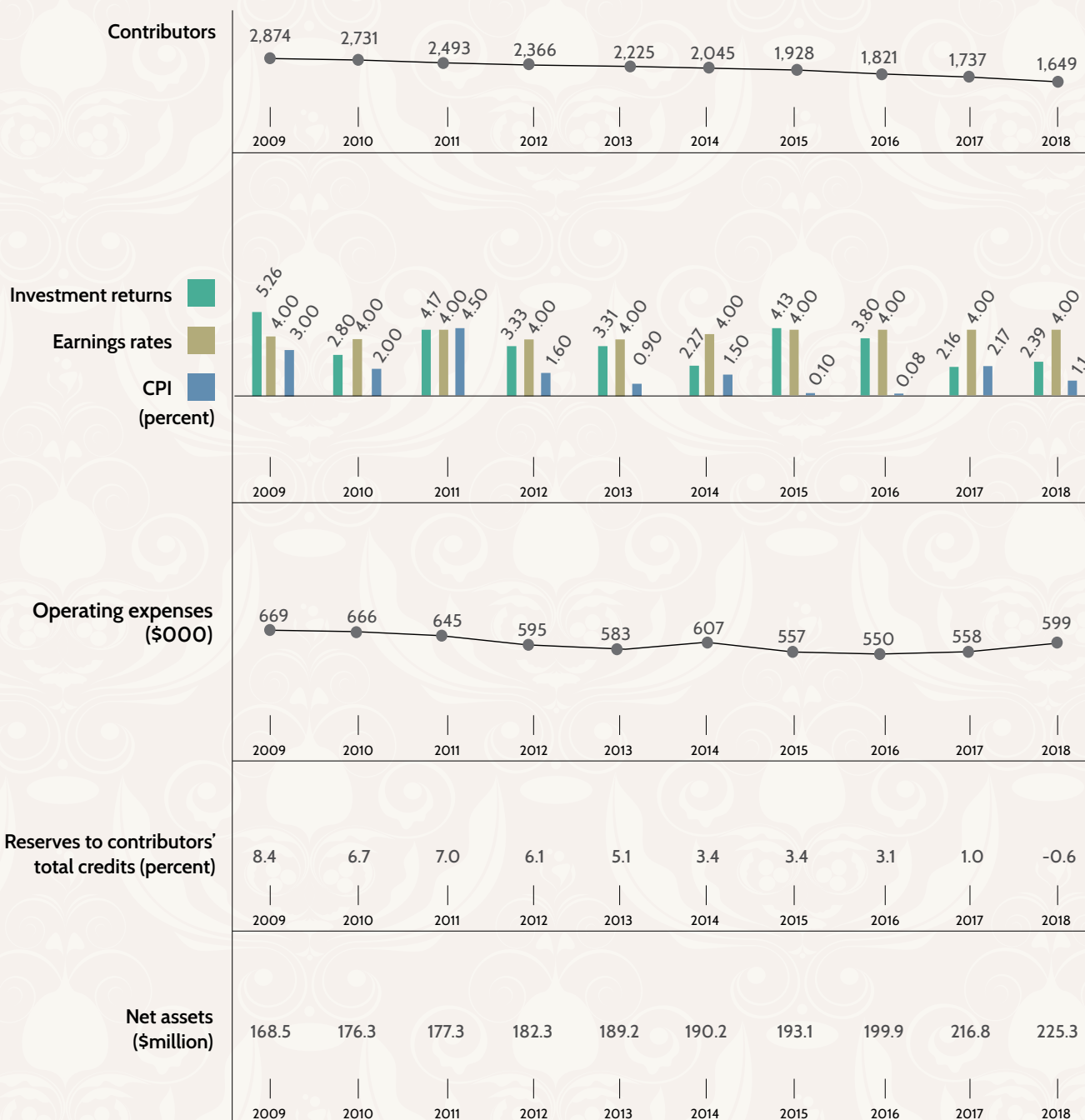


There were no significant changes to the Board's Statement of Investment Policies, Standards & Procedures (SIPSP) during the year.

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

Lump Sum Cash Accumulation Scheme

10 YEAR COMPARISON



Lump Sum Cash Accumulation 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	5,617	4,794
Interest received		56	81
Total investment income		5,673	4,875
Operating expenses			
Actuarial fees		6	6
Audit fees		17	14
Bank fees		2	2
Board member expenses	5	23	26
Management expenses	5	541	501
Stationery and printing		10	9
		599	558
Net income before tax and membership activities		5,074	4,317
Income tax credit	6	152	133
Net income after tax and before membership activities		5,226	4,450
Scheme receipts	1		
Contributor contributions		8,615	15,531
Transfers in		41,861	43,738
Total scheme receipts		50,476	59,269
Scheme payments			
Benefits paid		41,792	33,364
Transfers to National Provident Pension Scheme		371	722
Transfers paid to other schemes		1,148	182
Withdrawals		3,946	12,524
Total scheme payments		47,257	46,792
Net membership activities		3,219	12,477
Increase in liability for accrued benefits	9	8,445	16,927

The notes to the financial statements on pages 4 to 11 form an integral part of these financial statements.

Lump Sum Cash Accumulation Scheme (the Scheme)
Statement of Net Assets
as at 31 March 2018

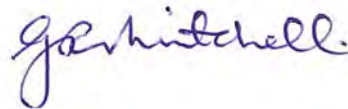
	Note	2018 (\$000)	2017 (\$000)
Investment assets at fair value through profit or loss	3		
Units held in:			
F2 Unit Fund		218,198	215,570
		<u>218,198</u>	<u>215,570</u>
Other assets at amortised cost			
Cash		7,076	1,118
Other receivables	8	2,103	376
Receivable from the Global Asset Trust	7	152	133
		<u>9,331</u>	<u>1,627</u>
Total assets		<u>227,529</u>	<u>217,197</u>
Current liabilities at amortised cost			
Accounts payable		2,274	387
Total liabilities		<u>2,274</u>	<u>387</u>
Net assets available to pay benefits		<u>225,255</u>	<u>216,810</u>
Represented by:			
Liability for accrued benefits			
Allocated to contributors' total credits		226,509	214,597
Interest fluctuation reserve	11	(1,254)	2,213
		<u>225,255</u>	<u>216,810</u>

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 11 form an integral part of these financial statements.

Lump Sum Cash Accumulation Scheme (the Scheme)
Statement of Cash Flows
for the year ended 31 March 2018

	Note	2018 (\$000)	2017 (\$000)
Cash flows from operating activities¹			
Cash was provided from:			
Interest received		56	81
Scheme receipts		48,713	59,108
		48,769	59,189
Cash was applied to:			
Benefits paid		39,915	33,196
Operating expenses		420	423
Transfers paid to other schemes		1,148	182
Transfers to National Provident Pension Scheme		371	722
Withdrawals		3,946	12,524
		45,800	47,047
Net cash flows from operating activities	9	2,969	12,142
Cash flows from investing activities²			
Cash was provided from sale of units in:			
F2 Unit Fund		11,013	8,010
		11,013	8,010
Cash was applied to purchase units in:			
F2 Unit Fund		8,024	21,359
		8,024	21,359
Net cash flows from investing activities		2,989	(13,349)
Net Increase/(decrease) in cash held		5,958	(1,207)
Add opening cash brought forward		1,118	2,325
Closing cash carried forward³		7,076	1,118

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.

Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2018

1 DESCRIPTION OF THE SCHEME AND FUNDING ARRANGEMENTS

The Scheme is a personal contribution 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 (FMCA).

Under the terms of the Scheme Trust Deed, contributors make contributions to the Scheme at any rate and at any time, as determined by the contributors, up to attaining age 65, with no minimum amount required in respect of any contribution.

Each year contributors are credited with an earnings rate, which is not less than 4%.

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 Strategy (refer note 3).

There were no transactions between the members of the Board, as individuals, and the Scheme. One member of management is a contributor to the Scheme (2017:1).

If a contributor elects to receive a pension, his or her membership, the liability to pay the pension (including any pension or other benefit contingently payable and any minimum payment) and assets to meet that liability are transferred to the National Provident Pension Scheme.

3 STRATEGIC ASSET ALLOCATION - INVESTMENT

The Scheme is authorised to invest 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 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.

Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2018

3 STRATEGIC ASSET ALLOCATION – INVESTMENT (CONTINUED)

The asset allocation remained unchanged from the previous year. The asset allocation is 100% investment in the F2 Unit Fund of the GAT. (2017: 100%).

4 INCOME FROM UNIT FUND

Income from the unit fund was 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 custodian fees) directly related to investment activities. The income from the F2 Unit Fund was \$5,617,000 (2017: \$4,794,000).

The income from the unit fund 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	56	81
Deductible expenses	(599)	(558)
Expense election to the GAT under section DV 2	543	477
Taxable income	-	-
Net income before tax and membership activities	5,074	4,317
Tax at 28%	1,421	1,209
Adjusted for tax effect of:		
- Non-assessable income	(1,573)	(1,342)
Income tax credit	(152)	(133)
Represented by:		
Income tax credit on current year income	(152)	(133)
Prior year adjustment	-	-
Income tax credit	(152)	(133)

The tax credit results from the benefit of electing to transfer surplus deductible expenses to the GAT under section DV 2 of the Income Tax Act 2007 (refer note 7). The GAT is subject to tax at the rate of 28 percent.

The income of \$5,617,000 (2017: \$4,794,000) from unit funds, shown on the Statement of Changes in Net Assets, is all received tax paid.

Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2018

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 the F2 Unit Fund of the GAT, with the remainder being settled by cash if applicable.

8 OTHER RECEIVABLES

Other receivables consist of:

	2018 (\$000)	2017 (\$000)
Amounts due from contributors	2,078	315
Management fee refund	25	61
Total other receivables	<u>2,103</u>	<u>376</u>

9 RECONCILIATION OF INCREASE IN LIABILITY FOR ACCRUED BENEFITS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2018 (\$000)	2017 (\$000)
Increase in net liability for accrued benefits	8,445	16,927
Movements in working capital		
Change in accounts payable	1,887	165
Change in other receivables	(1,727)	(154)
	<u>160</u>	<u>11</u>
(Less) non-cash items		
Change in receivable from the GAT	(19)	(2)
	<u>(19)</u>	<u>(2)</u>
Items classified as investing activities		
(Income) from unit funds	(5,617)	(4,794)
	<u>(5,617)</u>	<u>(4,794)</u>
Net cash flows from operating activities	<u>2,969</u>	<u>12,142</u>

10 GUARANTEED BENEFITS

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

11 INTEREST FLUCTUATION RESERVE

The interest fluctuation reserve is derived from investment earnings of the Scheme and balances of any total credits not disbursed in accordance with the provisions of the Scheme Trust Deed, less earnings credited to contributors.

Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2018

11 INTEREST FLUCTUATION RESERVE (CONTINUED)

Movements in the interest fluctuation reserve during the year were as follows:

	2018 (\$000)	2017 (\$000)
Reserves at beginning of year	2,213	6,087
Applied to transfers	(4)	(27)
Extinguished liabilities	(5)	4
Applied to exits	(51)	(53)
Net income before membership activities	5,226	4,451
Applied to contributors' total credits	(8,633)	(8,249)
Reserves at end of year	<u>(1,254)</u>	<u>2,213</u>

The Board may use the balance in the interest fluctuation reserve to increase contributors' total credits on an equitable basis, or pay the expenses of the Scheme.

12 VESTED BENEFITS

The value of the vested benefits is the value of the benefits contributors' would have been entitled to if they left the Scheme. As at 31 March 2018, all contributors would have been entitled to receive a transfer value and many contributors would have been entitled to receive their total credits. At this date, contributors total credits were greater than their transfer values and the vested benefits amount shown below is the total of contributors' total credits.

	2018 (\$000)	2017 (\$000)
Value of vested benefits	226,509	214,811
Value of net assets	225,255	216,810

13 ACTUARIAL VALUATION

The Scheme is a defined contribution scheme. As the Scheme has no pensioners, an actuarial valuation is not required under the Financial Markets Conduct Act 2013.

The National Provident Fund Restructuring Act 1990 Act does however require an actuarial examination to be undertaken every three years. The last examination was undertaken as at 31 March 2015, and covered the three years 31 March 2012 to 31 March 2015.

The report of the examination showed that the value of the funding level of the Scheme decreased from 106.1 percent to 103.4 percent over the three years to 31 March 2015. The valuation results were:

Valuation date	2015 (\$000)	2012 (\$000)
Present value of -		
Total credits	186,672	171,823
Provision for extinguished liabilities	26	30
Reserves	6,413	10,408
Net assets	193,111	182,261
Funding level	103.4%	106.1%

Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2018

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

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

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

More information on the disclosures under *NZ IFRS 13* and the risks mentioned is provided in 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 Strategic Asset Allocation appropriate for the Scheme's liabilities. In addition, the Board selects the investment manager, sets its mandate and monitors its performance against the mandate.

The long run investment return for the Scheme is estimated to be 2.7% per annum. This is based on the Scheme's asset allocation strategy effective 1 July 2018 and the long term rate of return for the 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 rate of return for the asset class increased by 10% this would increase the investment return from 2.7% to 3.0% per annum. Similarly, if the long term rate of return for the asset class in the asset allocation strategy decreased by 10%, the investment return would decrease to 2.4% per annum. This would increase or decrease the profit by approximately \$654,000.

The earnings rate each year is determined with reference to the investment return, but is not less than 4.0% per annum as per the Scheme Trust Deed.

15 SUBSEQUENT EVENTS

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

16 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

16.1 BASIS OF PREPARATION

The financial statements have been prepared under the requirements of clause 33 of the Scheme Trust Deed and in accordance with the FMCA. For a description of the Scheme and its funding arrangements see note 1.

Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2018

16.2 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.

16.3 MEASUREMENT BASE

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

16.4 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).

16.5 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.

16.6 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.

Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2018

16.6 STANDARDS ISSUED BUT NOT EFFECTIVE (CONTINUED)

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.

16.7 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).

16.8 RECOGNITION

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

16.9 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 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.

16.10 IMPAIRMENT

Financial assets which 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.

16.11 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.

16.12 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.

16.13 CONTRIBUTIONS

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

Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2018

16.14 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.

16.15 INVESTMENT INCOME RECOGNITION

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

16.16 EXPENSES

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

16.17 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).

16.18 ACCRUED BENEFITS (LIABILITIES)

The liability for accrued benefits is the Scheme's present obligation to pay benefits to contributors and beneficiaries and has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the Scheme's liabilities, as at balance date.

Lump Sum Cash Accumulation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2018

17. OTHER INFORMATION

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

17.1 SCHEME MEMBERSHIP

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

	Contributors
Opening membership as at 1 April 2017	1,737
Retirements	(121)
Withdrawals	(24)
Transfers	(3)
Deaths and disablements	(57)
Joins/re-joins	117
Extinguished liabilities*	-
Closing membership as at 31 March 2018	<u>1,649</u>

* Following a Trust Deed amendment on 5 April 2001, 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.

17.2 CONTRIBUTIONS RECEIVED AND BENEFITS PAID

The terms of the Scheme Trust Deed do not specify required contribution levels.

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.

17.3 VESTED BENEFITS

The Board, based on the advice of the Actuary, certifies that, as at 31 March 2018, the market value of the net assets of the Scheme was approximately equal to the amount that would have been payable if all members transferred out of the Scheme on that date but was less than the amount that would have been payable if all contributors retired on that date. The amounts are shown in note 12 to the financial statements.

17.4 EARNINGS RATE

The Scheme's earnings rate (crediting rate) declared by the Board for the year ended 31 March 2018 was 4.00 percent.

17.5 TRUST DEED

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

**Lump Sum Cash Accumulation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2018**

17.6 DIRECTORY

Trustee

Board of Trustees of the National Provident Fund

Members of the Board are:

Edward J Schuck (*Chairman from 1 September 2017*)
Caterine 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 manager

AMP Capital Investors (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

17.7 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
PO 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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LUMP SUM CASH ACCUMULATION SCHEME'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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

Opinion

We have audited the financial statements of the Scheme on pages 1 to 11 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 11:

- 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.



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 clause 33 of the Scheme's Trust Deed.

Responsibilities of the auditor for the audit of the financial statements

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Trustees is responsible for the other information. The other information comprises the information included on pages 12 to 13, 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



Lump Sum Cash Accumulation 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.

DATAKOM

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

