

Lump Sum Cash Accumulation 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 2021. 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

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

Asset Class	Return	Index
Fixed interest (global and New Zealand)	9.58%	1.39%
Alternatives	(1.19%)	0.31%
New Zealand shares	32.15%	28.93%
Overseas shares	49.79%	41.01%

The investment return (after tax and expenses) earned by the Scheme, for the year ended 31 March 2021, was 21.56%.

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

Annual Report for the year ended 31 March 2021

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 2021.

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.



Lump Sum Cash Accumulation Scheme

EARNINGS RATE

The earnings rate declared by the Board for the Scheme for the year ended 31 March 2021 was 4.0%. In line with the Board's crediting and reserving policy, the difference between the investment return of 21.56% and the earnings rate of 4.0% has been credited to the reserves of the Scheme. The reserves are at 5.9% of contributors' total credits (2020: -9.4%).

WHO INVESTS YOUR MONEY

Fixed interest

AMP Capital Investors (New Zealand) Limited
(contract ended 5 October 2020)

Brandywine Global Investment Management, LLC
Pacific Investment Management Company LLC

Alternatives

AQR Capital Management, LLC (Style Premia Fund)

New Zealand shares

Devon Funds Management Limited
Harbour Asset Management Limited

Overseas shares

Arrowstreet Capital, Limited Partnership

Lazard Asset Management, LLC

Marathon Asset Management, LLP
(contract ended 13 May 2020)

T. Rowe Price Australia Limited

Foreign exchange hedging

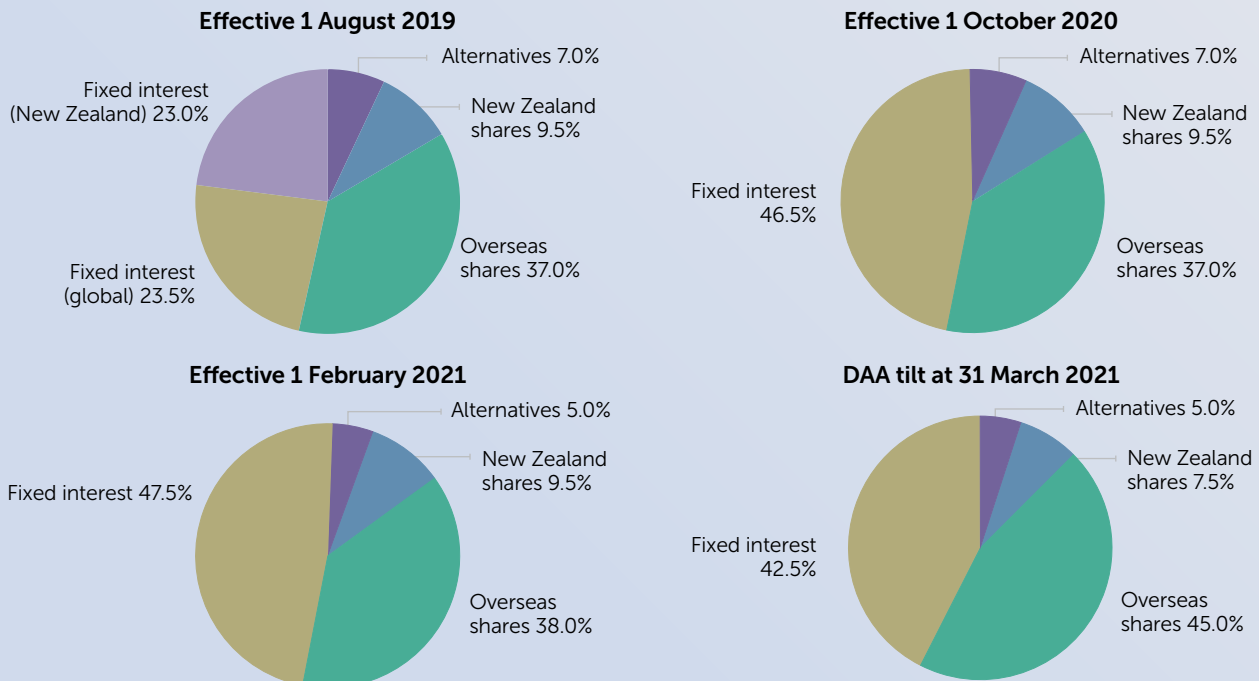
ANZ Bank New Zealand Limited
(contract ended 17 August 2020)

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 effective from 1 October 2020 and effective from 1 February 2021. In addition, during the year, the Board has applied its Dynamic Asset Allocation (DAA) tilting programme as outlined in the Statement of Investment Policies, Standards and Procedures (SIPSP).

The pie charts show the Scheme's asset allocation strategy effective from 1 August 2019 and 1 October 2020, together with the current strategy effective from 1 February 2021 and the DAA position in place as at 31 March 2021.



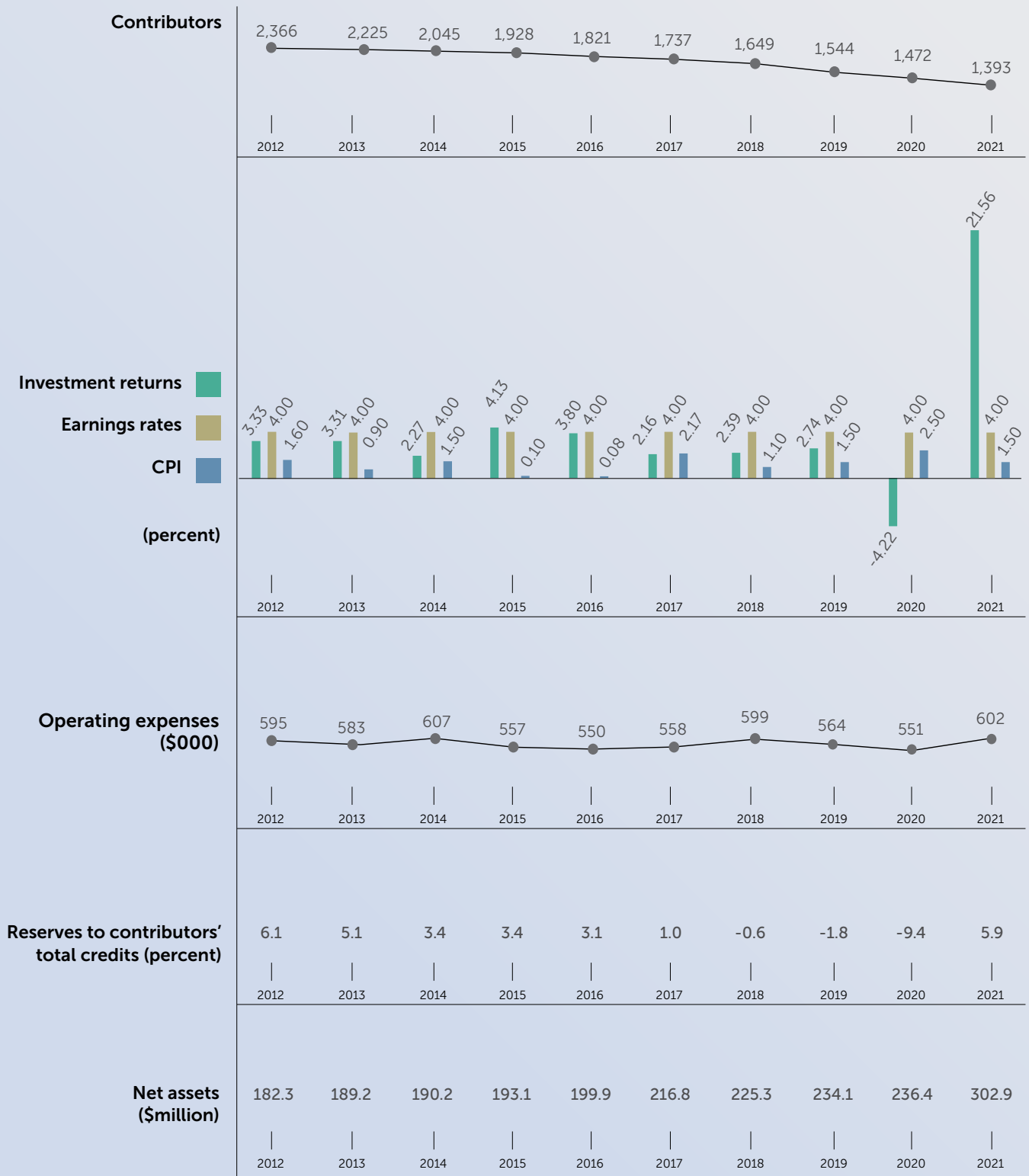
The Board's Statement of Investment Policies, Standards and Procedures (**SIPSP**) is reviewed regularly by the Board. There were no significant changes to the SIPSP during the year. See our website, www.npf.co.nz, for more information about your Scheme, including the Board's SIPSP and the Scheme trust deed.

OTHER CHANGES DURING THE YEAR

Your Scheme allows you to take your Total Credit in cash instalments of an amount and frequency determined by the Board. As noted previously, effective 1 April 2020, the Board increased the number of cash instalments a member may receive in any one financial year (1 April to 31 March) from two to four. The minimum amount each instalment remains unchanged at \$1,000 and the minimum account balance for the Scheme remains at \$5,000.

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 2021

	Note	2021 (\$000)	2020 (\$000)
Investment income			
Income/(loss) from unit funds	4	52,922	(9,784)
Interest received		16	43
Total investment income/(loss)		52,938	(9,741)
Operating expenses			
Actuarial fees		6	6
Audit fees		16	16
Bank fees		2	2
Board member expenses	5	26	26
Consultancy fees		5	-
Management expenses	5	546	501
Stationery and printing		1	-
Total operating expenses		602	551
Net income/(loss) before tax and membership activities		52,336	(10,292)
Income tax credit	6	164	142
Net income/(loss) after tax and before membership activities		52,500	(10,150)
Scheme receipts			
Contributor contributions	1	20,201	15,121
Transfers in		77,113	57,719
Total scheme receipts		97,314	72,840
Scheme payments			
Benefits paid		81,061	54,841
Transfers to National Provident Pension Scheme		801	147
Transfers paid to other schemes		-	253
Withdrawals		1,359	5,177
Total scheme payments		83,221	60,418
Net membership activities		14,093	12,422
Increase in liability for accrued benefits	9	66,593	2,272

The notes to the financial statements on pages 4 to 12 form an integral part of these financial statements.

Lump Sum Cash Accumulation Scheme (the Scheme)
Statement of Net Assets
as at 31 March 2021

	Note	2021 (\$000)	2020 (\$000)
Investment assets at fair value through profit or loss	3		
Units held in:			
Alternatives unit fund		18,771	17,229
Fixed Interest No 2 unit fund		-	59,728
Fixed Interest unit fund		134,386	59,373
New Zealand Equity unit fund		20,880	20,648
Overseas Equity unit fund		126,413	76,924
		300,450	233,902
Financial assets at amortised cost			
Cash		2,276	(67)
Other receivables	8	11	2,492
Receivable from the Global Asset Trust	7	307	-
		2,594	2,425
Other assets			
Deferred tax asset	6	-	142
		-	142
Total assets		303,044	236,469
Current liabilities at amortised cost			
Account payable		49	67
Total liabilities		49	67
Net assets available to pay benefits		302,995	236,402
Represented by:			
Liability for accrued benefits			
Allocated to contributors' total credits		286,075	260,924
Interest fluctuation reserve	11	16,920	(24,522)
		302,995	236,402

Authorised for issue on 24 June 2021

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



Edward Schuck
Board Chair



Stephen Ward
Chair
Audit and Risk Review Committee

The notes to the financial statements on pages 4 to 12 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 2021

	Note	2021 (\$000)	2020 (\$000)
Cash flows from operating activities¹			
Cash was provided from:			
Interest received		16	43
Scheme receipts		<u>99,747</u>	<u>70,559</u>
		99,763	70,602
Cash was applied to:			
Benefits paid		81,086	55,048
Operating expenses		548	413
Transfers paid to other schemes		-	253
Transfers to National Provident Pension Scheme		801	147
Withdrawals		<u>1,359</u>	<u>5,177</u>
		83,794	61,038
Net cash flows used in operating activities	9	<u>15,969</u>	<u>9,564</u>
Cash flows from investing activities²			
Cash was provided from sale of units in:			
Alternatives unit fund		3,560	-
Fixed Interest No 2 unit fund		66,244	132,621
Fixed Interest unit fund		9,249	68
New Zealand Equity unit fund		7,618	2,063
Overseas Equity unit fund		<u>17,674</u>	<u>4,021</u>
		104,345	138,773
Cash was applied to purchase units in:			
Alternatives unit fund		5,563	13,248
Fixed Interest No 2 unit fund		5,497	6,153
Fixed Interest unit fund		80,422	60,191
New Zealand Equity unit fund		2,234	15,539
Overseas Equity unit fund		<u>24,255</u>	<u>55,689</u>
		117,971	150,820
Net cash flows from investing activities		<u>(13,626)</u>	<u>(12,047)</u>
Net increase/(decrease) in cash held		2,343	(2,483)
Add opening cash brought forward		<u>(67)</u>	<u>2,416</u>
Closing cash carried forward³		<u>2,276</u>	<u>(67)</u>

- 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 12 form an integral part of these financial statements.

**Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2021**

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 Schuck and Stephen Ward 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 members of the Board, as individuals, and the Scheme. One member of management is a contributor to the Scheme (2020:1).

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 (SAA) - 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 equities, fixed interest and debt instruments.

Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2021

3 STRATEGIC ASSET ALLOCATION – INVESTMENT (CONTINUED)

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 specialist advice.

The benchmark SAA as at 31 March 2021 and at 31 March 2020 are shown below. The tilted benchmark asset allocation as at 31 March 2021 is also shown (there was no tilt in place at 31 March 2020). The tilted benchmark is applied in accordance with the Dynamic Asset Allocation (DAA) tilting programme as outlined in the Statement of Investment Policy, Standards and Procedures (SIPSP).

	Benchmark		
	2021	2021	2020
	SAA	Tilted	SAA
	(%)	(%)	(%)
Alternatives unit fund	5.0	5.0	7.0
Fixed Interest No 2 unit fund	-	-	23.0
Fixed Interest unit fund	47.5	47.5	23.5
New Zealand Equity unit fund	9.5	7.5	9.5
Overseas Equity unit fund	38.0	40.0	37.0

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 custodian fees) directly related to investment activities. The income per unit fund is as follows:

	2021	2020
	(\$000)	(\$000)
Alternatives unit fund	(461)	(2,095)
Fixed Interest No 2 unit fund	1,019	3,050
Fixed Interest unit fund	3,841	(750)
New Zealand Equity unit fund	5,616	(922)
Overseas Equity unit fund	42,907	(9,067)
Income/(loss) from unit funds*	52,922	(9,784)

* 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.

Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2021

6 INCOME TAX

Income specific to the Scheme is subject to tax at 28%, after allowing for deductible expenses. The income tax reconciliation is as follows:

	2021 (\$000)	2020 (\$000)
Scheme specific income	16	43
Deductible expenses	(603)	(551)
Expense election to the GAT	587	508
Taxable income	-	-
Net income before tax and membership activities	52,336	(10,292)
Tax at 28%	14,654	(2,881)
Adjusted for tax effect of:		
- Non-assessable income	(14,818)	2,739
Income tax credit	(164)	(142)
Represented by:		
Income tax credit on current year income	(164)	(142)
Prior year adjustment	-	-
Income tax credit	(164)	(142)
Movements in deferred taxation		
Opening balance	142	-
Prior period adjustment	-	-
Current year movement	(142)	142
Deferred tax asset	-	142

The current year 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 (the Tax Act). The GAT is subject to tax at the rate of 28%. The opening deferred tax asset is a result of 2020 tax losses available to carry forward. The tax losses consisted of surplus deductible expenses which the Scheme has now transferred to the GAT under the Tax Act in the current income year.

The income of \$52.922 million (2020: loss \$9.784 million) 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 2020 and 2021 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 the Tax Act. The Scheme will realise the receivable by investing in unit funds of the GAT, with the remainder being settled by cash (if applicable).

Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2021

8 OTHER RECEIVABLES

Other receivables consist of:

	2021 (\$000)	2020 (\$000)
Amount due from contributors	1	2,434
Management fee refund	10	58
Total other receivables	11	2,492

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

	2021 (\$000)	2020 (\$000)
Increase in net liability for accrued benefits	66,593	2,272
Movement in working capital		
Change in accounts payable	(19)	(209)
Change in other receivables	2,481	(2,278)
	2,462	(2,487)
Movements in non-cash items		
Change in receivable from the GAT	(306)	137
Change in deferred tax	142	(142)
	(164)	(5)
Items classified as investing activities		
(Income)/loss from unit funds	(52,922)	9,784
	(52,922)	9,784
Net cash flows from operating activities	15,969	9,564

10 GUARANTEED BENEFITS

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

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 2021

11 INTEREST FLUCTUATION RESERVE (CONTINUED)

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

	2021 (\$000)	2020 (\$000)
Reserves at beginning of year	(24,522)	(4,332)
Applied to transfers	(24)	2
Extinguished liabilities	(7)	17
Applied to exits	(47)	
Net income/(loss) before membership activities	52,500	(10,149)
Applied to contributors' total credits	(10,980)	(10,002)
Reserves at end of year	16,920	(24,522)

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 2021, the market value of the net assets of the Scheme was greater than the amount that would have been payable if all members transferred out of the Scheme on that date and was greater than the amount that would have been payable if all contributors retired on that date.

	2021 (\$000)	2020 (\$000)
Value of vested benefits	293,799	260,924
Value of net assets	302,995	236,402

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 2018 and covered the three years 31 March 2015 to 31 March 2018.

The report of the examination showed the value of the funding level of the Scheme decreased from 103.4% to 99.4% over the three years to 31 March 2018. The valuation results were:

Valuation date	2018 (\$000)	2015 (\$000)
Present value of -		
Total credits	226,509	186,698
Reserves	(1,254)	6,413
Net assets	225,255	193,111
Funding level	99.4%	103.4%

**Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2021**

14 FINANCIAL RISK MANAGEMENT

The Scheme invests in units of the GAT based on the SAA 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*, (NZ IFRS 13) 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 diversified SAA 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 3.4% per annum. The volatility is expected to be +/- 6.4%. This is based on the Scheme's SAA 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).

The earnings rate each year is determined with reference to the investment return, but is not less than 4% per annum as per the Scheme Trust Deed.

15 COVID-19 IMPACT

Around the world the Covid-19 outbreak has led to significant economic slowdown and volatility. These disruptions are likely to continue into the foreseeable future and provide uncertainty for the value of the investment assets and the income earned from them.

For the year ended 31 March 2021 the Scheme has recorded a gain from unit funds of \$52.922 million. This compares to a loss of \$9.784 million in the previous year. The Board continues to monitor the impact of the movements in the market on an ongoing basis.

16 SUBSEQUENT EVENTS

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

Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2021

17 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

17.1 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.

17.2 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.

17.3 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.

17.4 PRESENTATION AND FUNCTIONAL CURRENCY

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

17.5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 the classification and measurement of financial assets. 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. Investment asset values are subject to variation due to market fluctuations. Receivables have been valued in accordance with NZ IFRS 9. Under this standard the scheme has adopted the simplified expected credit loss model.

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.

17.6 STANDARDS ISSUED BUT NOT EFFECTIVE

Certain new accounting standards and interpretations have been issued that are not mandatory for 31 March 2021 reporting periods and have not been adopted early by the Board. None of these standards are likely to have a material impact on the Scheme when they are adopted. All standards will be adopted in the period in which they become mandatory.

**Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2021**

17 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17.7 FINANCIAL INSTRUMENTS

Financial instruments include both financial assets and financial liabilities.

Financial assets 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).

17.8 RECOGNITION

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

17.9 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 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.

17.10 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.

17.11 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. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

17.12 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.

17.13 CONTRIBUTIONS

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

17.14 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.

**Lump Sum Cash Accumulation Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2021**

17 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17.15 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 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.

17.16 EXPENSES

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

17.17 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 the Tax Act (refer notes 6 and 7).

17.18 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.

18 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

There have been no material changes to accounting policies during the year.

**Lump Sum Cash Accumulation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2021**

19 OTHER INFORMATION

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

19.1 SCHEME MEMBERSHIP

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

	Contributors
Opening membership as at 1 April 2020	1,472
Retirements	(141)
Withdrawals	(12)
Transfers	-
Deaths and disablements	(51)
Joins/re-joins	125
Extinguished liabilities*	-
Closing membership as at 31 March 2021	<u>1,393</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.

19.2 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.

19.3 VESTED BENEFITS

The Board, based on the advice of the Actuary, certifies that, as at 31 March 2021, the market value of the net assets of the Scheme exceeded the total value of vested benefits. The amounts are shown in note 12 to the financial statements.

19.4 EARNINGS RATE

The Scheme's earnings rate declared by the Board for the year ended 31 March 2021 was 4%.

19.5 TRUST DEED

The Scheme Trust Deed was last amended on 6 May 2021 (being after year end). The amendments are effective from 30 January 2021 and were made following the repeal of the Trustee Act 1956 to address changes brought about under the Trusts Act 2019. A copy of the trust deed is available on request.

**Lump Sum Cash Accumulation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2021**

19 OTHER INFORMATION (CONTINUED)

19.6 DIRECTORY

Trustee	Board of Trustees of the National Provident Fund Members of the Board are: Edward Schuck (Board Chair) Louise Edwards Daniel Mussett Sarah Park Wayne Stechman Stephen Ward (Deputy Chair)
Administration manager	Datacom Connect Limited
Investment managers	Alternatives Manager AQR Capital Management, LLC Fixed Interest Managers AMP Capital Investors (New Zealand) Limited (<i>terminated 5 October 2020</i>) Brandywine Global Investment Management, LLC Pacific Investment Management Company, LLC New Zealand Equity Managers Devon Funds Management Limited Harbour Asset Management Limited Overseas Equity Managers Arrowstreet Capital, Limited Partnership Lazard Asset Management, LLC Marathon Asset Management, LLP (<i>terminated 13 May 2020</i>) T Rowe Price Australia Limited Foreign Exchange Hedging Managers ANZ Bank New Zealand Limited (<i>terminated 17 August 2020</i>) Bank of New Zealand Limited
Actuary	Christine Ormrod, PricewaterhouseCoopers Consulting (New Zealand) LP
Auditor	Silvio Bruinsma, Deloitte Limited (on behalf of the Auditor-General)
Solicitor	DLA Piper New Zealand
Bank	Bank of New Zealand
Custodian	JP Morgan Chase Bank

**Lump Sum Cash Accumulation Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2021**

19 OTHER INFORMATION (CONTINUED)

19.7 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 Schuck
Board Chair

24 June 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LUMP SUM CASH ACCUMULATION SCHEME

The Auditor-General is the auditor of Lump Sum Cash Accumulation Scheme (the Scheme). The Auditor-General has appointed me, Silvio Bruinsma, 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 12, that comprise the Statement of Net Assets as at 31 March 2021, 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 12:

- present fairly, in all material respects:
 - its net assets as at 31 March 2021 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 24 June 2021. 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.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Trustees for the financial statements

The Board of Trustees are 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 are 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 are responsible on behalf of the Scheme for assessing the Scheme's ability to continue as a going concern. The Board of Trustees are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Trustees intend to wind-up the Scheme or to cease operations, or have 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 members 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 are responsible for the other information. The other information comprises the information included on pages 13 to 15, 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: *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.

A handwritten signature in cursive script that reads "Silvio Bruinsma".

Silvio Bruinsma, Partner
for Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand

Lump Sum Cash Accumulation Scheme

Directory as at 24 June 2021

TRUSTEE

Board of Trustees of the National Provident Fund

BOARD MEMBERS

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

Louise Edwards (appointed 1 July 2019)

Daniel Mussett (appointed 2016)

Sarah Park (appointed 1 February 2020)

Wayne Stechman (appointed 2012)

Stephen Ward – Deputy Chair (appointed 2016 and Deputy Chair from 1 February 2020)

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 (retired March 2021)

Paul Bevin

General Manager – Investments

Nicky Rumsey

Manager – Investments

Peter McCaffrey

Manager – Equities and Alternatives

Keith Poore

Manager – Asset Allocation

There was one change to Management during the year as noted above.

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 to:

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: Silvio Bruinsma, 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

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