

Meat Industry 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 2020. 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 Meat Industry Scheme is a defined contribution 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.

	Return	Index
Fixed interest	2.17%	6.02%
Alternatives	(15.89%)	1.50%
New Zealand shares	1.34%	0.36%
Overseas shares	(7.85%)	(6.12%)
Cash	1.87%	1.50%

The investment return (after tax and expenses) earned by the Scheme, for the year ended 31 March 2020, was -2.51%.

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 2020

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 2020.

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.



Meat Industry Scheme

EARNINGS RATE

The earnings rate declared by the Board for the Scheme for the year ended 31 March 2020 was 4.0% on contributors' total credits as at 1 April 2019, and 2.0% on contributions paid during the year. In line with the Board's crediting and reserving policy, the difference between the investment return of -2.51% and the earnings rate of 4.0% has been taken from the reserves of the Scheme. The reserves are now 0.0% of contributors' total credits (2019 :7.3%).

The objective of the Board's crediting and reserving policy is to build the reserves back up to 10% of contributors' total credits. An equitable share of any positive reserves is added to a contributor's total credit on retirement, withdrawal through redundancy or permanent incapacity, or on death before the contributor has commenced receiving a benefit.

WHO INVESTS YOUR MONEY

Cash

AMP Capital Investors (New Zealand) Limited

ANZ Bank New Zealand Limited (*contract ended 20 April 2020*)

Fixed interest

Ashmore Investment Management Limited (emerging markets) (*contract ended 25 November 2019*)

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 (*contracted ended 4 March 2020*)

T. Rowe Price Australia Limited (*appointed 24 March 2020*)

Foreign exchange hedging

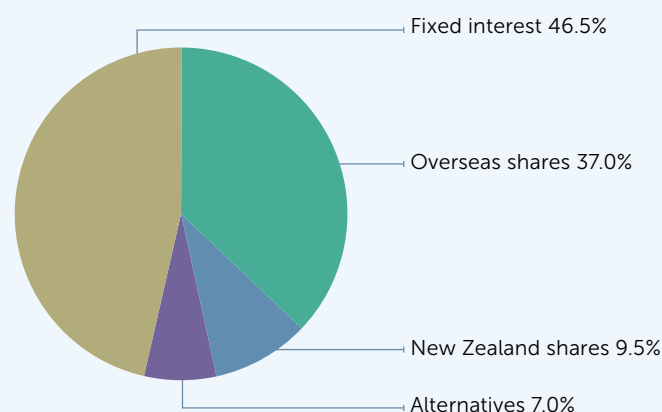
ANZ Bank New Zealand Limited

Bank of New Zealand Limited

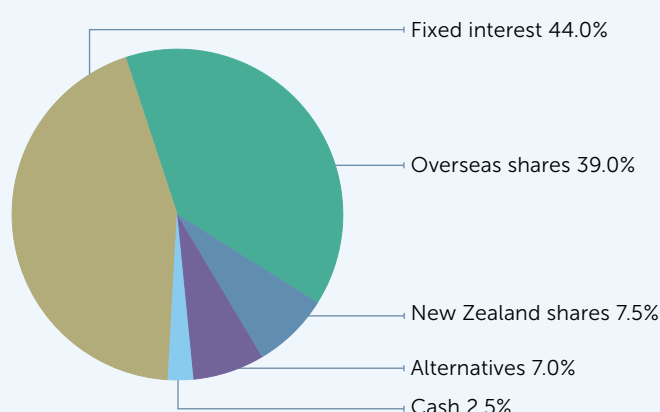
HOW YOUR MONEY IS INVESTED

The Scheme's asset allocation strategy is set by the Board and reviewed regularly. 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 October 2018 and the DAA position in place as at 31 March 2020.

Asset Allocation Strategy from 1 October 2018



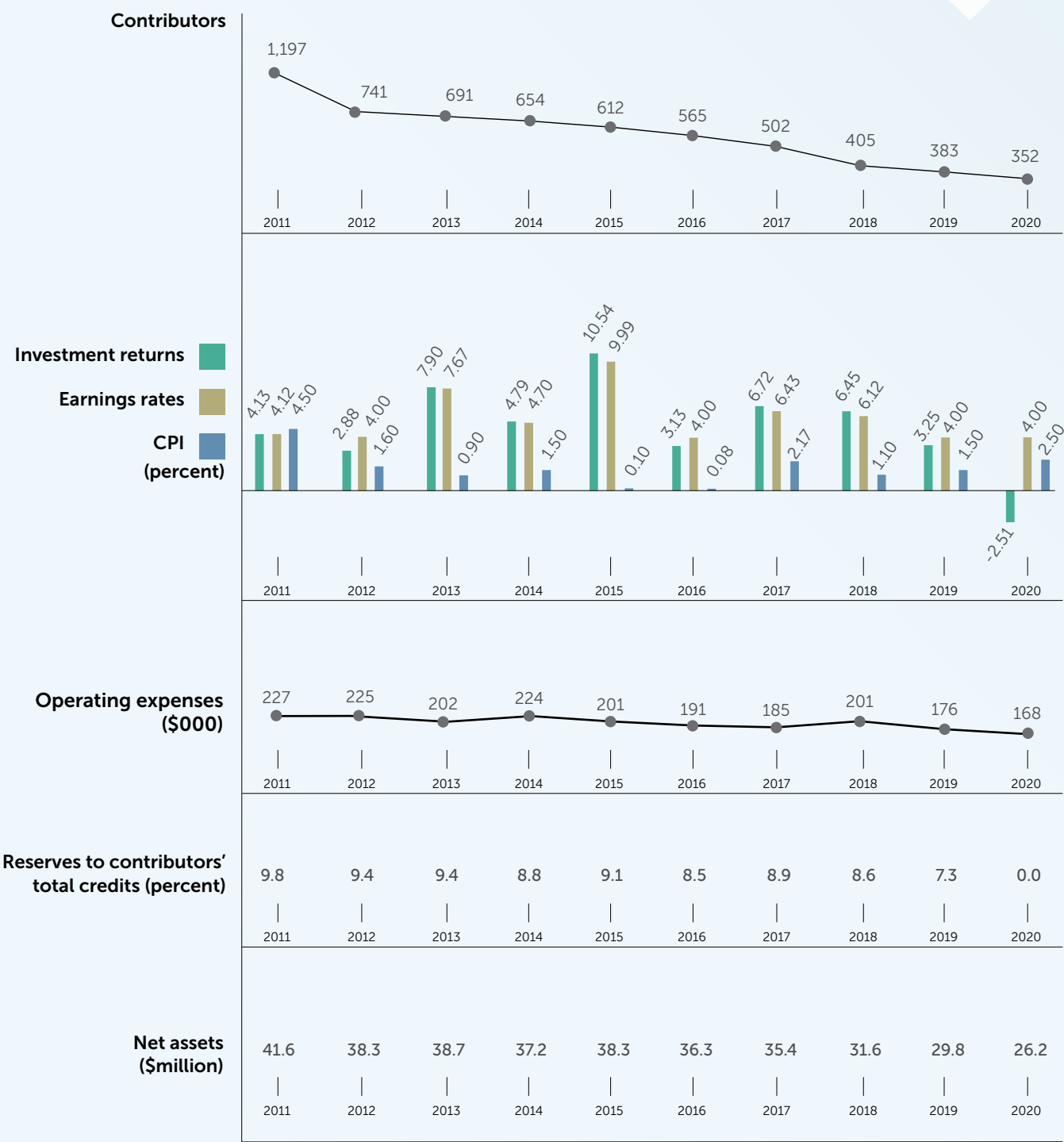
DAA tilt at 31 March 2020



The Board's 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.

Meat Industry Scheme

10 year comparison



Meat Industry Scheme (the Scheme)
Statement of Changes in Net Assets
for the year ended 31 March 2020

	Note	2020 (\$'000)	2019 (\$'000)
Investment income			
(Loss)/ income from unit funds	4	(600)	1,086
Interest received		14	28
Other income		1	-
Total investment (loss)/income		(585)	1,114
Operating expenses			
Actuarial fees		6	6
Audit fees		16	16
Bank fees		1	1
Board member expenses	5	26	22
Consultancy fees		-	4
Management expenses	5	119	127
Total operating expenses		168	176
Net (loss)/income before tax and membership activities		(753)	938
Income tax credit	6	43	41
Net (loss)/income after tax and before membership activities		(710)	979
Scheme receipts	1		
Contributor contributions		205	225
Employer contributions		121	136
Total scheme receipts		326	361
Scheme payments			
Benefits paid		2,908	3,036
Transfers paid to other schemes		157	95
Withdrawals		140	16
Total scheme payments		3,205	3,147
Net membership activities		(2,879)	(2,786)
Other receipts			
Section 72 claim	9	5	-
Total other receipts		5	-
(Decrease) in liability for accrued benefits	10	(3,584)	(1,807)

The notes to the financial statements on pages 4 to 13 form an integral part of these financial statements.

Meat Industry Scheme (the Scheme)
Statement of Net Assets
as at 31 March 2020

	Note	2020 (\$000)	2019 (\$000)
Investment assets at fair value through profit or loss	3		
Units held in:			
Alternatives Unit Fund		1,837	1,965
Cash Unit Fund		693	-
Fixed Interest Unit Fund		11,854	12,831
New Zealand Equity Unit Fund		1,737	2,567
Overseas Equity Unit Fund		8,665	10,773
		24,786	28,136
Financial assets at amortised cost			
Cash		1,324	1,536
Contributions receivable - employers		23	30
Other receivables	8	23	43
Receivable from the Global Asset Trust	7	-	41
Section 72 claim	9	5	-
		1,375	1,650
Other assets			
Deferred tax asset	6	43	-
		43	-
Total assets		26,204	29,786
Current liabilities at amortised cost			
Account payable		33	32
Total liabilities		33	32
Net assets available to pay benefits		26,171	29,754
Represented by:			
Liability for accrued benefits			
Allocated to contributors' total credits			
Contributor contributions		15,377	16,242
Employer contributions		10,783	11,477
Unallocated reserves	12	11	2,035
		26,171	29,754

Authorised for issue on 29 June 2020

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



Edward J Schuck
Board Chair



Stephen P Ward
Chair
Audit and Risk Review Committee

The notes to the financial statements on pages 4 to 13 form an integral part of these financial statements.

Meat Industry Scheme (the Scheme)
Statement of Cash Flows
for the year ended 31 March 2020

	Note	2020 (\$'000)	2019 (\$'000)
Cash flows from operating activities¹			
Cash was provided from:			
Contributor contributions		209	231
Employer contributions		124	139
Interest received		14	28
Other income		1	-
		348	398
Cash was applied to:			
Benefits paid		2,906	3,033
Operating expenses		107	155
Transfers paid to other schemes		157	95
Withdrawals		140	16
		3,310	3,299
Net cash flows used in operating activities	10	(2,962)	(2,901)
Cash flows from investing activities²			
Cash was provided from sale of units in:			
Alternatives Unit Fund		214	26
Cash Unit Fund		2	-
Fixed Interest Unit Fund		1,715	6,577
New Zealand Equity Unit Fund		1,089	972
Overseas Equity Unit Fund		1,534	2,590
		4,554	10,165
Cash was applied to purchase units in:			
Alternatives Unit Fund		369	2,203
Cash Unit Fund		690	-
Fixed Interest Unit Fund		545	665
New Zealand Equity Unit Fund		185	715
Overseas Equity Unit Fund		15	2,958
		1,804	6,541
Net cash flows from investing activities		2,750	3,624
Net (decrease)/increase in cash held		(212)	723
Add opening cash brought forward		1,536	813
Closing cash carried forward³		1,324	1,536

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 13 form an integral part of these financial statements.

**Meat Industry Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020**

1 DESCRIPTION OF THE SCHEME AND FUNDING ARRANGEMENTS

The Scheme is a defined 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 2013 (FMCA).

Under the terms of the Scheme Trust Deed, a contributor makes contributions to the Scheme at the rate of 2%, 3% or 5% of the minimum weekly wage, as set out in the applicable employment contract, or such other amount as specified by the contributing employer, after consultation with contributor representatives, provided that any such other amount shall not be less than the contribution rate as applicable at 14 May 1991. The contributing employer's contributions are made to the Scheme, in respect of a contributor, at the rate of \$1 for every \$1 contributed by that contributor.

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 Stephen P 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 (SAA) Strategy (refer note 3).

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

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

Meat Industry Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020

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. 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 Strategic Asset Allocations as at 31 March 2020 and at 31 March 2019 are shown below. The tilted benchmark asset allocations as at 31 March 2020 are also shown. The tilted benchmarks are applied in accordance with the Dynamic Asset Allocation (DAA) tilting programme as outlined in the Statement of Investment Policy, Standards and Procedures (SIPSP).

	2020 SAA (%)	2020 Tilted (%)	2019 SAA (%)
Alternatives Unit Fund	7.0	7.0	7.0
Cash Unit Fund	-	2.5	-
Fixed Interest Unit Fund	46.5	44.0	46.5
New Zealand Equity Unit Fund	9.5	7.5	9.5
Overseas Equity Unit Fund	37.0	39.0	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 custodial fees) directly related to investment activities. The income per Unit Fund is as follows:

	2020 (\$000)	2019 (\$000)
Alternatives Unit Fund	(283)	(213)
Cash Unit Fund	5	-
Fixed Interest Unit Fund	193	124
New Zealand Equity Unit Fund	75	401
Overseas Equity Unit Fund	(590)	774
Income from unit funds*	(600)	1,086

* The income from unit funds is received tax paid.

Meat Industry Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020

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%, after allowing for deductible expenses.

The income tax reconciliation is as follows:

	2020 (\$000)	2019 (\$000)
Scheme specific income	14	28
Deductible expenses	(168)	(176)
Expense election to the GAT under section DV 2	154	148
Taxable income	-	-
Net income before tax and membership activities	(753)	938
Tax at 28%	(211)	263
Non-assessable income	168	(304)
Income tax credit	(43)	(41)
Represented by:		
Income tax credit on current year income	(43)	(41)
Prior year adjustment	-	-
Income tax credit	(43)	(41)
Movements in deferred taxation		
Opening balance	-	-
Prior period adjustment	-	-
Current year movement	43	-
Deferred tax asset	43	-

The deferred tax asset is a result of tax losses available to carry forward. The tax losses consist of surplus deductible expenses which the Scheme will transfer to the GAT under section DV 2 of the Income Tax Act 2007 in a future income year. The GAT is subject to tax at the rate of 28%.

The loss of \$600,000 (2019: income of \$1,086,000) from unit funds, shown on the Statement of Changes in Net Assets, is all received tax paid.

7 RECEIVABLE FROM THE GAT

This receivable represents the 2019 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 realised the receivable by investing in unit funds of the GAT, with the remainder being settled by cash (if applicable).

**Meat Industry Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020**

8 OTHER RECEIVABLES

Other receivables consist of:

	2020 (\$000)	2019 (\$000)
Management fee refund	<u>23</u>	<u>43</u>
Total other receivables	<u>23</u>	<u>43</u>

9 SECTION 72 CLAIM

Section 72 of the Act provides that where any deficiency in the accounts of the Scheme arises from the application of the 4% minimum earnings rate, then the Minister shall, at the request of the Board, pay to the Board, as Trustee of the Scheme, such an amount as may be required to meet the deficiency.

A Section 72 claim for \$5,016.65, relating to earnings applied to exits during the year, has been lodged with the Minister and a receivable for that amount has been provided for in these financial statements.

10 RECONCILIATION OF (DECREASE) IN LIABILITY FOR ACCRUED BENEFITS TO NET CASH FLOWS USED IN OPERATING ACTIVITIES

	2020 (\$000)	2019 (\$000)
(Decrease) in liability for accrued benefits for the year	(3,584)	(1,807)
Movement in working capital		
Change in accounts payable	2	3
Change in other receivables	14	(31)
Change in contributions receivable – employers	<u>7</u>	<u>9</u>
	23	(19)
Change in non-cash items		
Movement in receivable from the GAT	41	11
Movement in deferred tax	<u>(42)</u>	<u>-</u>
	(1)	11
Items classified as investing activities		
Loss/(income) from unit funds	<u>600</u>	<u>(1,086)</u>
	600	(1,086)
Net cash flows used in operating activities	<u>(2,962)</u>	<u>(2,901)</u>

11 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.

Meat Industry Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020

12 UNALLOCATED RESERVES

The unallocated reserves are derived from the income or loss for the year, earnings not allocated to contributors' total credits, and balances of any total credits not transferred, or otherwise disbursed, in accordance with the provisions of the Scheme trust deed.

Movement in reserves during the year were as follows:

	2020 (\$000)	2019 (\$000)
Reserves at beginning of year	2,035	2,504
Applied to transfers	(268)	(285)
Extinguished liabilities	5	(62)
Net income after tax	(710)	979
Applied to exits	(63)	(52)
Applied to contributors' total credits	(993)	(1,049)
Section 72 claim	5	-
Reserves at end of year	11	2,035

The reserves, which have not been allocated to contributors' total credits, may be distributed at the discretion of the Board, and with the agreement of the employer and employee representatives, in accordance with the trust deed, principally for:

- meeting all or part of contributors' or employers' contributions on an equitable basis;
- increasing total credits of all contributors on an equitable basis;
- providing benefits, other than the retirement benefits, to all contributors on an equitable basis; and
- paying Scheme expenses.

13 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 2020, 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.

	2020 (\$000)	2019 (\$000)
Value of vested benefits	26,160	29,271
Value of net assets	26,171	29,754

This table should be read in conjunction with note 10.

Meat Industry Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020

14 ACTUARIAL VALUATION

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

The National Provident Funds Restructuring Act 1990 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 Actuary reported that the funding level of the Scheme decreased from 109.1% to 108.6% over the three years to 31 March 2015. The valuation results were:

	2018		2015
	(\$000)		(\$000)
Present value of -			
Total credits	29,057		35,049
Reserves	2,504		3,202
Net assets	31,561		38,251
Funding level	108.6%		109.1%

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

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

The Board manages the other risks by determining a diversified SAA 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 the Scheme's operating expenses (after tax), the long run investment return for the Scheme is estimated to be 2.7% per annum.

**Meat Industry Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020**

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

If the long term rates of return for all of the asset classes in the SAA are scaled by 1.10 this would increase the investment return from 2.7% to 3.1% per annum. Similarly, if the long term rates of return for the asset classes in the SAA decreased by a factor of 1.10, the investment return would decrease to 2.4% per annum. This would increase or decrease the before tax profit by approximately \$74,000.

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.

16 COVID-19 IMPACT

Since 31 March 2020 the continued spread of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global markets have also experienced significant volatility.

The subsequent quarantine measures and travel restrictions imposed by the New Zealand government have caused disruption to businesses and economic activity. As the Scheme is an essential service, operations have been able to continue remotely during the Government alert levels.

Governments and central banks have reacted with monetary and fiscal interventions designed to stabilise economic conditions, however, the duration and extent of the impact of Covid-19 outbreak, as well as the effectiveness of the bank's responses, remain unclear at this time.

The Scheme has recorded a loss from unit funds of \$0.600 million for the year ended 31 March 2020.

As at 30 April 2020, one month after the reporting date of these financial statements, the fair value of the schemes investment assets had increased by \$1.183 million. It is expected that the volatility in local and global markets affecting the investment assets will continue in the foreseeable future and will continue to have an impact on the value of the investment assets. These are considered to be non-adjusting subsequent events and therefore there is no change in value reflected in these financial statements. The Board is monitoring the impact of the movements in the market on an ongoing basis.

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 42 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.

**Meat Industry Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020**

17 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17.3 MEASUREMENT BASE

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

17.4 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).

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 2020 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.

17.7 FINANCIAL INSTRUMENTS

Financial instruments include both financial assets and financial liabilities.

Financial assets include contributions due from employers, receivables from related parties and other receivables (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.

**Meat Industry Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020**

17 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**Meat Industry Scheme (the Scheme)
Notes to the Financial Statements
for the year ended 31 March 2020**

17 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 section DV 2 of the Income Tax Act 2007 (refer notes 6 and 7).

17.18 ACCRUED BENEFITS

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 Scheme's 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.

**Meat Industry Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2020**

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 2019	383
Retirements	(44)
Withdrawals	(1)
Transfers	(2)
Deaths and disablements	(15)
Extinguished liabilities*	31
Closing membership as at 31 March 2020	352

* 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

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

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

19.3 VESTED BENEFITS

The Board, based on the advice of the Actuary, certifies that the net market value of the Scheme's assets exceeded the total value of the vested benefits of the Scheme, as at 31 March 2020. The amounts are shown in note 12 to the financial statements.

19.4 INVESTMENT WITH PARTIES TO THE SCHEME

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 the employer (or associated entities), either directly or indirectly, who are parties to the Scheme.

19.5 EARNINGS RATE

The Scheme's earnings rate (crediting rate) declared by the Board for the year ended 31 March 2020 was 4.0%.

19.6 TRUST DEED

The Scheme Trust Deed has not been amended since 25 June 2019, being the date of the Scheme's last annual report.

**Meat Industry Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2020**

19 OTHER INFORMATION (CONTINUED)

19.7 DIRECTORY

Trustee	<p>Board of Trustees of the National Provident Fund Members of the Board are: Edward J Schuck (<i>Chair</i>) Louise M Edwards (<i>Appointed 01 July 2019</i>) Catherine M McDowell (<i>Retired 30 June 2019</i>) Graeme R Mitchell (<i>Retired 30 June 2019</i>) Daniel J Mussett Sarah N Park (<i>Appointed 01 February 2020</i>) Wayne L Stechman Stephen P Ward (<i>Deputy Chair</i>)</p>
Administration manager	Datacom Connect Limited
Investment managers	<p>Alternatives Unit Fund AQR Capital Management, LLC</p> <p>Cash Managers AMP Capital Investors (NZ) Limited ANZ Bank NZ Limited</p> <p>Fixed Interest Managers Ashmore Investment Management Limited (<i>terminated 25 November 2019</i>) Brandywine Global Investment Management, LLC Pacific Investment Management Company, LLC</p> <p>New Zealand Equity Managers Devon Funds Management Limited Harbour Asset Management Limited</p> <p>Overseas Equity Managers Arrowstreet Capital, Limited Partnership Lazard Asset Management, LLC Marathon Asset Management, LLP T. Rowe Price Australia Limited (<i>appointed 12 March 2020</i>)</p> <p>Foreign Exchange Hedging Managers ANZ Bank New Zealand Limited Bank of New Zealand Limited</p>
Actuary	Christine D 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

**Meat Industry Scheme (the Scheme)
Trustee's Report
for the year ended 31 March 2020**

19 OTHER INFORMATION (CONTINUED)

19.8 CORRESPONDENCE

All correspondence relating to the Scheme should be addressed to:

The Manager
National Provident Fund Administration
Datacom Connect Limited
PO Box 1036
WELLINGTON 6140

OR

The Secretary
Board of Trustees of the National Provident Fund
P O Box 3390
WELLINGTON 6140

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



Edward J Schuck
Board Chair

29 June 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MEAT INDUSTRY SCHEME

The Auditor-General is the auditor of Meat Industry 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 13, that comprise the Statement of Net Assets as at 31 March 2020, 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 13:

- present fairly, in all material respects:
 - its net assets as at 31 March 2020; 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 29 June 2020. 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.

Emphasis of matter – Covid-19

Without modifying our opinion, we draw attention to note 16 to the financial statements, which explains the impact of the Covid-19 pandemic on the Scheme.

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 42 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 14 to 16, 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.



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

Meat Industry Scheme

Directory as at 29 June 2020

BOARD MEMBERS

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

Louise M Edwards (appointed 1 July 2019)

Catherine McDowell (retired 30 June 2019)

Graeme Mitchell BA, CA, FCA (retired 30 June 2019)

Daniel Mussett (appointed 2016)

Sarah N Park (appointed 1 February 2020)

Wayne Stechman (appointed 2012)

Stephen Ward (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

Paul Bevin

General Manager – Investments

Nicky Rumsey

Manager – Investments

Peter McCaffrey

Manager – Equities and Alternatives

Keith Poore

Manager – Portfolio Strategy and Risk

There were no changes to Management 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 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

The Auditor last year was Michael Wilkes, also of Deloitte Limited, on behalf of the Auditor-General. There were no changes to the Actuary, Bank, Custodian or Solicitor during the year.