

A close-up photograph of a woman's face as she drinks from a glass of milk. Her eyes are looking towards the camera, and her lips are smeared with white milk. The background is a plain, light color.

ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2008

SUPER TIPS

- Log on to Superfacts for information about the Scheme and your retirement savings. To access Superfacts, type www.superfacts.co.nz in the white address bar at the top of your screen (underneath the back button), enter your employer no. (900054), your member number (shown on your benefit statement) and PIN.
- Don't forget to let us know your new address if you move house, otherwise you may not receive important information about the Scheme and your savings. You can change your address online by selecting the 'Personal Details' tab on www.superfacts.co.nz or completing and returning a 'Changes to Your Superannuation' form available from your payroll.
- Review your nominated beneficiaries regularly and ensure they are up to date, particularly if your personal circumstances have changed.
- If you need a new PIN or have a question about the Scheme (including the annual report and benefit statement), call the freephone 0800 355 900.

Scheme statistics for the year ended 31 March

	2008	2007	Average pa over last 5 years
Credited interest rates:			
Cash fund	5.10%	4.55%	4.68%
Cash/Conservative	2.73%	4.76%	5.38%
Conservative fund	0.36%	4.97%	6.08%
Conservative/Balanced	-2.38%	5.46%	6.81%
Balanced fund	-5.11%	5.95%	7.53%
Balanced/Growth	-6.55%	6.53%	8.13%
Growth fund	-7.98%	7.10%	8.74%

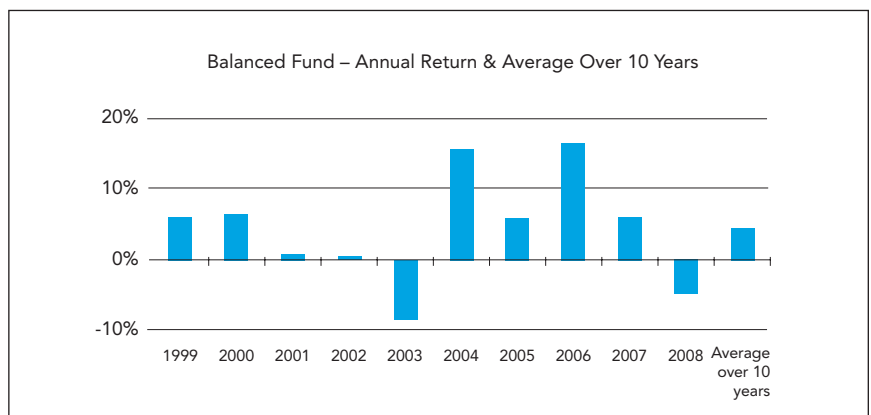
Contributions received during the year:

Member	\$21,199,792	\$19,018,572
Employer	\$18,461,986	\$17,790,623

Transfers in: \$139,765 \$3,536,884

Benefits paid during the year: \$36,332,772 \$27,498,218

Total fund size: \$309,742,347 \$315,763,428



CHAIRMAN'S REPORT

The 2007/8 Scheme year was a challenging one for the Trustee and superannuation schemes generally. Turbulent financial markets, a large amount of new legislation coming into force including the introduction of KiwiSaver (which changed materially as the year went on) and changes to the taxation of superannuation scheme investments all contributed to a very busy year.

Investments

On the investment front, a huge increase in US "sub-prime" mortgage defaults was a catalyst for much wider financial market problems across the globe, exposing an over-reliance on debt by many investors and a raft of poor lending practices by institutions. New Zealand had its own problems in the finance company sector and a number of investment schemes, as well as a slowing economy and property market. Sharemarkets suffered most over the year as these financial sector problems combined with worries that many large economies, particularly the USA, were heading into recession.

The Scheme was not immune from the impact of this loss in confidence in the broader sharemarket and listed property market, leading to negative returns for the year for those funds with exposure to growth type assets (shares and property) as can be seen from the Scheme returns for the year on the opposite page. There are a few central messages I would like to give:

- While undoubtedly disappointing, members should be careful not to take this year's results out of the context of the long-term nature of superannuation savings. For funds invested in growth assets, negative returns should be expected from time to time (assumed to be around one year in four for a balanced fund). The five-year return profile for the Scheme's various investment options still looks very sound even after this negative return for the 2007/8 year.
- Trying to time shifting investments from growth assets to income assets and back again over relatively short timeframes is fraught with difficulty

and very few investors actually succeed at it. Predicting the short-term direction for markets is inherently a very uncertain exercise. Before making any short-term decisions members should keep clearly in mind their medium to long-term investment objectives and risk preferences.

- While the Scheme's sharemarket investments provided negative returns, it did not have any exposure to the worst examples of financial problems seen in New Zealand and offshore. It has no investments in New Zealand finance companies and minimal (if any) holdings of sub-prime mortgages in its international fixed interest portfolios. The Trustee continues to actively monitor the Scheme's investment managers to ensure it remains comfortable with the mix of the managers used, the quality of each manager's operations and the way they go about managing the particular asset class for which they are responsible.

KiwiSaver/Complying Superannuation Fund

During the year the Scheme was amended to reflect a number of the key elements of the KiwiSaver retirement savings scheme which was introduced in mid 2007. Members who choose to "lock-in" an element of their savings until New Zealand Superannuation qualification age (currently age 65) or the date they complete five or more years' KiwiSaver membership (if later) can participate in some of the features of KiwiSaver, particularly the removal of the tax on locked-in employer contributions and the tax credit of up to \$20 per week on qualifying employee contributions. In addition, the Scheme's resignation benefit

was improved for some members, with the full amount of the Employer's No.1 Account now payable on resignation on completion of five years' Scheme membership. A new in-service withdrawal feature was also added for members who have attained age 65.

The extent of the work required to amend the Scheme's governing documents, forms and systems as well as communications associated with all the changes has had a one-off impact on Scheme expenses in the 2007/8 year, see the 'Scheme Costs' section later in the report. The Directors considered it important and in the interests of members in general to keep the Scheme as relevant as possible in the changing superannuation scheme landscape.

Changes to the KiwiSaver scheme in December 2007 saw the introduction of compulsory employer contributions starting from 1 April 2008. In general, for members who joined their employer prior to 1 April 2008 who elect to contribute to KiwiSaver, contributions made by an employer to this Scheme will qualify as meeting any obligation to make compulsory contributions, so members will not be able to receive employer contributions to a KiwiSaver scheme as well as to the Scheme.

Employer contributions to the Scheme on behalf of members who joined their employer on or after 1 April 2008, who elect to contribute to KiwiSaver will be reduced by any amount their employer contributes to KiwiSaver.

Tax on Investments

There was a fundamental change to the way share investments were taxed in the 2007/8 year which led to a review of the way the Scheme approached its international share investments. From 1 October 2007, international shares are taxed on a new “fair dividend rate” method which has the Scheme paying tax as though it has earned a 5% pa return on its international shares, irrespective of the actual return achieved. In addition, New Zealand and most Australian shares are no longer assessed for capital gains tax with tax only payable on dividend income. One impact of this tax change, as seen in the current year, is that there will be times when schemes will pay tax on their international shares even though investment returns have been negative.

The key difference for the Scheme’s share portfolios from this change is that there is now less reason to invest in passive or indexed share portfolios, provided it is reasonably expected that investment managers can add value over the base market returns over time. The Trustee feels that good managers can be selected, so it is worth switching the portion of international shares that were invested passively into “actively” managed portfolios. More comment is made on this in the investment section.

Other

During the year Jennifer Kerr and Guy Roper resigned as directors of the Trustee and were replaced by Debra Marshall and Patrice Wynen. On behalf of my fellow directors and members I would like to thank Jennifer and Guy for their contribution to the running of the Scheme and welcome Debra and Patrice. Guy’s input into the Scheme and its many successes has been very significant with his involvement as a director stretching back some eight years.

I would also like to thank my director colleagues for their efforts and support over the past year and acknowledge the Scheme’s service providers, particularly Mercer and Kensington Swan, and the various payroll teams that have had to deal with significant and complex changes often under tight time pressures.



Tim McGuinness

Chairman

SCHEME INVESTMENTS

Where are the funds invested?

Members have a choice of investment funds in which to invest their superannuation savings. These options have been developed by the Trustee in conjunction with the Scheme's investment consultant to provide members with a range of funds with different investment return and risk profiles. This enables members to select the profile which best suits their needs. Each fund (other than the Cash fund) offers a diversified mix of investments.

Investment objectives and strategies

The investment objectives and strategies for the four investment funds are shown in the table below.

Sector mix at 31 March 2008	Growth	Balanced	Conservative	Cash
<ul style="list-style-type: none"> ■ Trans-Tasman Shares ■ International Shares ■ Trans-Tasman Listed Property ■ Global Listed Property ■ Alternative Assets ■ NZ Fixed Interest ■ International Fixed Interest ■ NZ Cash 				
Growth assets: shares, property & alternative assets	80%	60%	30%	0%
Income assets: fixed interest & cash	20%	40%	70%	100%
Long-term investment objective (actual percentage may vary from time to time)	To exceed inflation by 4% pa after tax and all expenses	To exceed inflation by 3% pa after tax and all expenses	To exceed inflation by 2% after tax and all expenses	To achieve a return close to the 90-day bank bill rate before tax and all expenses
Average annual return achieved	8.74% over 5 years only	4.12% over 10 years	6.08% over 5 years only	4.68% over 5 years only
Value of members' investments at:				
1 April 2007	\$33m	\$178m	\$65m	\$41m
31 March 2008 *	\$32m	\$161m	\$64m	\$54m

* There was a change on 1 April 2008 to rebalance for members changing investment options.

The Scheme's investment managers

The Scheme uses a range of managers to look after its investments. The Trustee looks for experienced and competent managers for each asset type and also ensures an appropriate level of diversification among managers so not too much is held by one manager. The managers employed by the Scheme at 31 March 2008 and the asset types they manage are shown in the following table:

	\$m
AMP Capital Investors	
International shares	72.2
Global listed property	16.0
NZ fixed interest	8.0
Cash	39.4
Brook Asset Management	
Trans-Tasman shares	14.1
BTFM	
Alternative assets	13.2
Overseas fixed interest	37.7
ING	
Trans-Tasman shares	14.7
Trans-Tasman listed property	8.7
NZ fixed interest	8.0
NZ cash	39.8
Tower Asset Management	
International fixed interest	37.6
	\$309.4

The most notable change in managers over the year was the consolidation of the Scheme's international share investments with AMP Capital Investors. The Trustee has selected AMP as a "manager of managers" for its international shares with AMP responsible for selecting and managing a diversified range of investment managers with complementary active management styles.

The mix of managers selected by AMP as at 31 March 2008 was:

	%
AMP Core International Share Fund	
Alliance Growth Equities	15.0
Arrowstreet Capital	11.0
Baillie Gifford	15.0
Bernstein Value Equities	19.0
GMO	10.0
Taube Hodson Stonex Partners	20.0
T. Rowe Price	10.0
Total	100.0
AMP Extended Markets International Share Fund	
AXA Rosenberg	15.8
Fortis Investments	10.2
IronBridge Capital Management	11.0
Morgan Stanley	10.8
Rheos Capital Works	4.4
Rothschild Asset Management	11.0
Future Directions Emerging Markets Share Fund	36.8
Total	100.0





How did it go last year?

Investment market review

Returns from all the Scheme's investment options, other than Cash, reflect the sharemarket volatility which characterised the 2007/2008 Scheme year.

After a series of strong annual returns, the Scheme's investments in international shares posted a negative return. Factors behind the sharemarket downturn included fears that many large economies (the US in particular) were heading into a recession. Record high oil prices and substantial rises in many food prices have increased fears that inflation may be on the rise. The downturn gained momentum over the Scheme year, culminating during the final quarter in a number of banks and other financial institutions announcing billions of dollars of write-downs related to sub-prime mortgages and other financial instruments. Until the Federal Reserve in the US moved to assist the bail-out of a major investment bank in mid March there were real concerns over the stability of some parts of the banking system. These concerns now seem to have eased.

Returns from Trans-Tasman shares were also weak. New Zealand shares posted the poorest returns as the effects of the housing market downturn spilled over into business and consumer confidence and immigration dropped to a six-year low. Rising costs and concerns about the residential housing market also affected the Australian sharemarket although this was partly compensated for by price growth in some key commodities and high Government spending.

Property also suffered from the sub-prime mortgage crisis as demand dropped. In New Zealand, the lack of access to funding, the severe problems in the finance company sector and rising mortgage interest rates kept the market very quiet.

Despite a challenging year, fixed interest and cash provided positive returns. Returns from both New Zealand and overseas fixed interest were an improvement on the previous year as investors moved away from riskier investments to the perceived 'safe haven' of fixed interest investments. Cash also produced sound returns, benefiting from the Reserve Bank's decision to raise interest rates in response to a tight labour market and rising inflationary pressures.

How do the returns look against our targets?

The Trustee sets targets and measures performance at a number of levels:

		Measure
Level 1	Four principal fund options	The level of return after tax and expenses above inflation measured against the investment objectives set by the Trustee
Level 2	Each asset type	The manager's performance measured against the specified market index relevant to that asset class
Level 3	Balanced Fund	The gross return before tax and fees measured against other similar funds in the Mercer NZ Managed Fund Survey

Balanced fund performance

The Balanced Fund's returns compare favourably with other schemes in the Mercer New Zealand Managed Fund Survey:

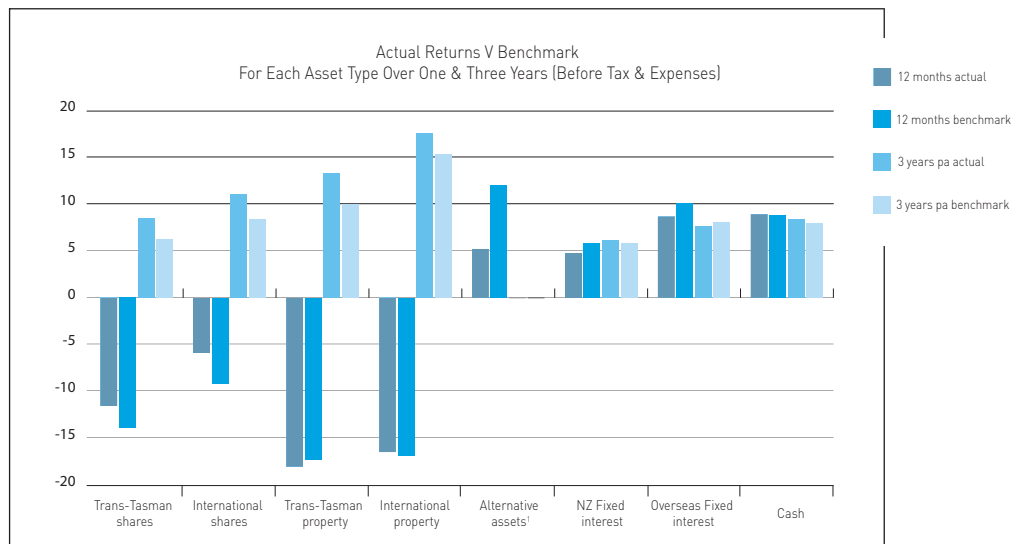
2008	Top 50%
Last three years	Top 50%
Over five years	Top 25%

Investment fund performance

The Scheme's performance results for each of the principal investment funds against the long-term real return objectives are shown in the table on page 3.

Manager performance

The returns from each asset type for the year ended 31 March 2008 and the last three years, together with a comparison with the relevant market indices, are shown below. The returns are before investment fees, Scheme expenses and income tax. The graph shows that most asset classes have performed broadly in line with or better than their benchmark return. The two exceptions are alternative assets¹ and New Zealand fixed interest. The apparent underperformance of both these asset classes is related to differences between the asset class and its benchmark which are expected to resolve over the longer term.



¹The Scheme only started investing in alternative assets during the 2006 Scheme year, so three-year returns are not yet available.



THE SCHEME AND KIWISAVER

You may be weighing up contributing to a Locked-In Account or joining KiwiSaver. The following table compares the contributions and benefits of KiwiSaver and those of a member who elects to 'lock-in' contributions to the Scheme.

	KiwiSaver	Scheme
Employer contributions	1% of member's salary or wages rising by 1% each 1 April to 4% of member's salary or wages from 1 April 2011 onwards	4% of member's salary to Locked-In Sub Account and any balance to Employer's No.1 Account
Tax on employer contributions	Exempt from tax	Contributions to Locked-In Sub Account are not taxed. Contributions to Employer's No.1 Account are subject to tax (usually 33%)
Member contributions	4% or 8% of member's salary or wages	4% of member's salary or wages to Locked-In Sub Account and any balance to Member's Account
Member tax credit contribution	Matching member contribution up to a maximum of \$20 per week	As for KiwiSaver
Kick-start payment	One-off \$1,000 contribution the first time the member joins KiwiSaver	Not applicable
Fee subsidy	\$40 per year	Not applicable
Payment of fees	Investment charges are deducted from investment revenue. Other charges met by member (see fee subsidy above)	Investment charges are deducted from investment revenue. All other charges will normally be met from the Reserve Fund. If this is insufficient they may be deducted from members' accounts
Retirement benefit payable	On the later of the date: <ul style="list-style-type: none"> member reaches NZ Superannuation Qualification age (currently 65) and <ul style="list-style-type: none"> member completes five years' membership of a complying superannuation fund or KiwiSaver scheme 	Locked-In Account balances payable as for KiwiSaver Unlocked account balances payable on retirement as of right from age 55
Leaving service benefit	Not applicable	Member's Account balance plus 20% of Employer's No.1 Account for each complete year of Scheme membership up to a maximum of 100% after 5 or more years
Insured permanent incapacity and death benefits	Not applicable	Subject to insurer accepting claim 50 x member contributions (maximum of 6% of salary) for the 12 months immediately prior to date of permanent incapacity or death

SCHEME MANAGEMENT

Dairy Industry Superannuation Scheme Trustee Limited is the corporate trustee for the Scheme. The directors of the corporate trustee are:



Mark Apiata-Wade
Elected by Dairy Workers Union



Debra Marshall
Elected by employer companies



Tim McGuinness (Chairman)
Elected by employer companies



David Scott
Elected by Employer/s identified by the Trustee



Tony Wilding
Elected by employer companies



Andy Williams
Elected by Dairy Division, NZ Institute of Food Science & Technology



Patrice Wynen
Elected by employer companies

During the year Jennifer Kerr and Guy Roper resigned as directors of the Trustee and were replaced by Debra Marshall and Patrice Wynen.

Trustee statement

The Trustee certifies, in accordance with the Superannuation Schemes Act 1989, that:

- All contributions required to be made to the Scheme in accordance with the terms of the Trust Deed and the most recent Actuarial Valuation Report have been made.
- All benefits required to be paid from the Scheme in accordance with the terms of the Trust Deed have been paid.
- The market value of the assets of the Scheme at 31 March 2008 equalled the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries at that date.

T. McGuinness

For the Trustee

Scheme costs

The directors of the Trustee maintain a close watch on the Scheme's expenses. The following table compares the Scheme costs over the last two years.

	2008	2007
	\$000s	\$000s
Investment fees	895	915
Administration & actuarial fees	602	471
Auditors' remuneration – audit	35	26
– taxation advice	29	33
Legal & other expenses	194	166
Cost to members before tax	1,755	1,611
Income tax	(576)	(498)
Cost to members after tax	1,179	1,113
Average retirement savings \$m	313	301
% cost to members – reporting and administration	0.19%	0.15%
– investment management	0.19%	0.20%
Insurance premiums \$000	2,761	2,400
% cost to members	0.9%	0.8%

As mentioned in the Chairman's Report, expenses in the current year were affected by "one-off" costs associated with the introduction of the Complying Fund in response to KiwiSaver. This initiative is estimated to have increased the 2008 administration costs from 0.16% of average retirement savings to the 0.19% shown in the table above.

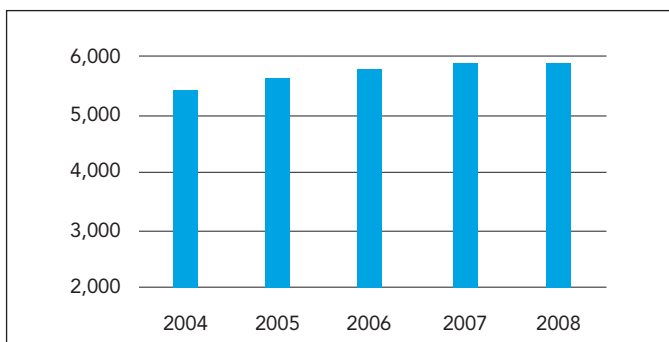
The other notable change in the Scheme's cost structure is in investment management costs. The shift from passive management of part of the international share portfolio to fully active management (following the change to the tax on investments) will lead to an increase in the overall cost of management of that part of the portfolio. The offset for this is an expected higher investment return over time with the active managers expected to provide returns above the index and the additional cost being incurred. This change was only made in the second half of the 2008 year.



Membership

	Employee Members	Individual Members	Preserved Members	Pensioners	Total
At 1 April 2007	5,457	99	238	109	5,903
New members	630	28	5	1	664
Transfers in	6	-	-	-	6
Transfers out	(9)	-	-	-	(9)
Resignations	(422)	-	-	-	(422)
Withdrawals/commutations	-	(27)	(13)	-	(40)
Retirements	(89)	-	-	-	(89)
Redundancies	(124)	-	-	-	(124)
Deaths	(10)	-	(1)	(11)	(22)
At 31 March 2008	5,439	100	229	99	5,867

Total membership dropped by 36 over the year. The following graph shows the change in Scheme membership over the past five years.



Deaths

The following members died during the Scheme year:

B Dunning (Fonterra), WS Egen (Fonterra), SE Griffin (Fonterra), BR Hancock (Fonterra), GL Hunwick (Fonterra), PW Paranihi (Fonterra), WJ Parkinson (Fonterra), NC Swainson (Fonterra), K Valnikolo (Preserved), PD West (Fonterra).

The following pensioners died during the Scheme year:

R Bills, R Bird, D Bonk, W Day, D Hoskins, K Johnston, E Kendrick, R Lloyd, J Magee, T Rangitona, E Todd.

Sympathy is extended to the families of members and pensioners who have died.

SUMMARY FINANCIAL STATEMENTS

For the year ended 31 March 2008

Dairy Industry Superannuation Scheme

	2008	2007
	\$	\$
Statement of Changes in Net Assets		
Investment Activities		
Net Investment Income	(7,606,702)	19,170,393
Group Life Claims	2,282,239	1,305,617
Use of Money Interest	31,864	52,747
Net income	(5,292,599)	20,528,757
<i>Less</i>		
Other Expenses		
Administration and Consulting Fees	602,140	470,552
Auditors' Remuneration – Audit Fees	34,555	25,569
Auditors' Remuneration – Taxation Services	29,213	32,807
Group Life Premiums	2,760,816	2,400,501
Other Expenses	92,719	67,461
Trustee Remuneration	101,528	98,438
Total Other Expenses	3,620,971	3,095,328
Change in Net Assets Before Taxation and Membership Activities	(8,913,570)	17,433,429
Income Tax Expense	576,282	497,924
Change in Net Assets After Taxation and Membership Activities	(9,489,852)	16,935,505
Membership Activities		
Member Contributions	18,442,828	17,925,041
Voluntary Member Contributions	2,756,964	1,093,531
Employer Contributions	18,461,986	17,790,623
Transfers in from Other Schemes	139,765	3,536,884
<i>Less</i> Benefits Paid	36,332,772	27,498,218
Net Membership Activities	3,468,771	12,847,861
Net Increase in Net Assets During the Year	(6,021,081)	29,783,366

	2008 \$	2007 \$
Statement of Net Assets		
As at 31 March 2008		
Assets		
Financial Assets – Fair Value Through Profit & Loss	309,394,199	316,892,434
Current Assets	836,421	60,632
Deferred Tax	511,453	-
Total Assets	310,742,073	316,953,066
<i>Less</i>		
Current Liabilities		
Benefits Payable	814,762	776,851
Sundry Creditors	184,964	171,143
Non-Current Liabilities – Deferred Tax	-	241,644
Total Liabilities	999,726	1,189,638
Net Assets Available for Benefits	309,742,347	315,763,428
Vested Benefits*	286,151,101	289,517,342
Statement of Cash Flows		
Net Cash Flows from Operating Activities	646,257	10,392,602
Net Cash Flows from Investing Activities	(20,000)	(10,350,000)
Net (Decrease)/Increase in Cash Held	626,257	42,602
Cash at Beginning of Year	52,506	9,904
Cash at End of Year	678,763	52,506

* Vested Benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Scheme at balance date.

SUMMARY FINANCIAL STATEMENTS

For the year ended 31 March 2008

Dairy Industry Superannuation Scheme

Application of NZ IFRS 1 First time adoption of the New Zealand equivalents to International Reporting Standards (NZ IFRS 1)

Effect of NZ IFRS on the Statement of Net Assets

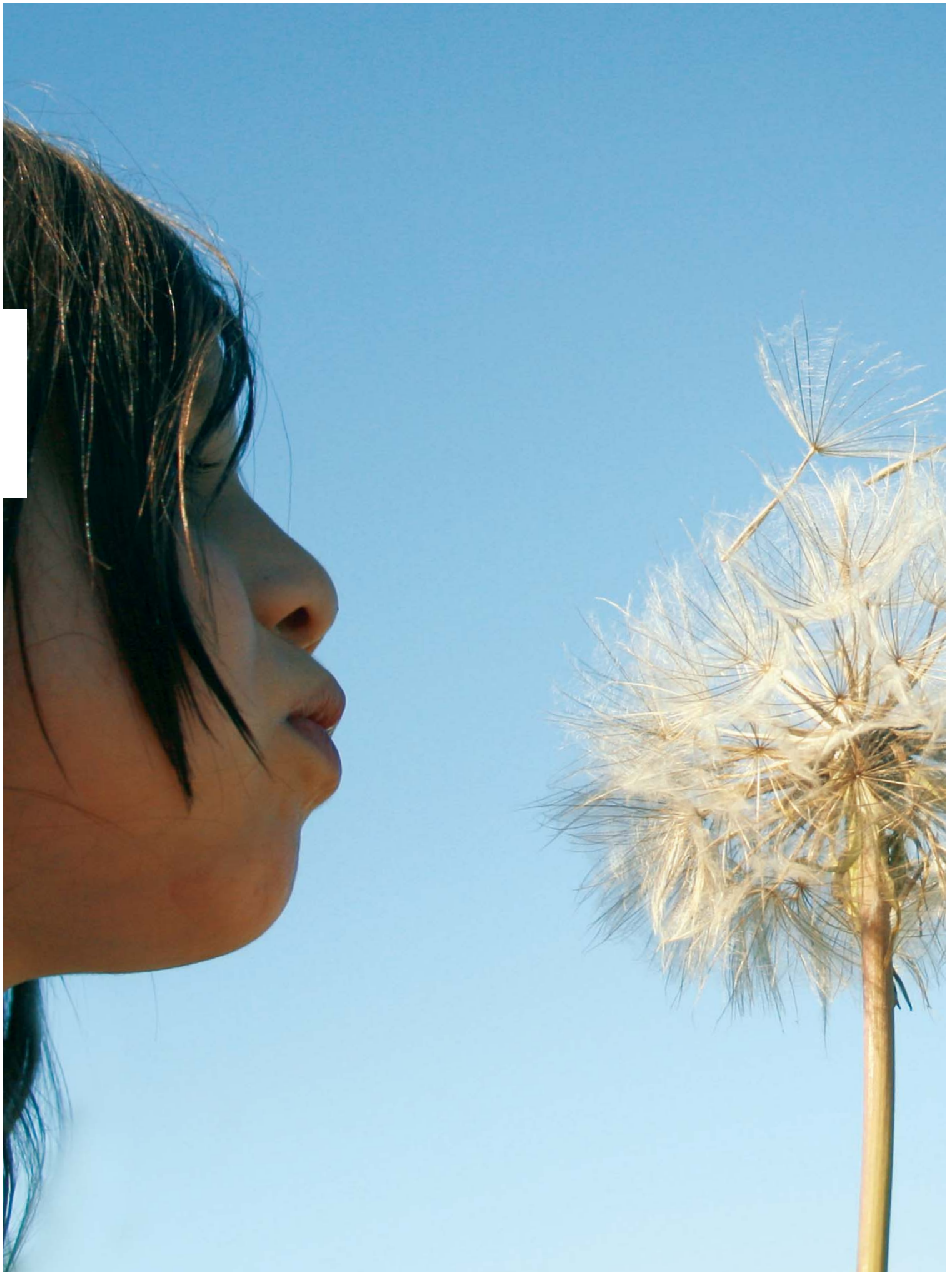
Assets	As at 1 April 2006			As at 31 March 2007		
	Superseded Policies*	Transition to NZ IFRS	NZ IFRS	Superseded Policies**	Transition to NZ IFRS	NZ IFRS
	\$	\$	\$	\$	\$	\$
Financial Assets – Fair Value Through Profit or Loss	287,229,360	59,191	287,288,551	316,924,872	(32,438)	316,892,434
Current Assets	455,105	-	455,105	60,632	-	60,632
Total Assets	287,684,465	59,191	287,743,656	316,985,504	(32,438)	316,953,066
<i>Less</i>						
Current Liabilities						
Benefits Payable	1,332,816	-	1,332,816	776,851	-	776,851
Income Tax Payable	3,337	-	3,337	-	-	-
Sundry Creditors	163,997	-	163,997	171,143	-	171,143
Non-Current Liabilities – Deferred Tax	263,444	-	263,444	241,644	-	241,644
Total Liabilities	1,763,594	-	1,763,594	1,189,638	-	1,189,638
Net Assets Available for Benefits	285,920,871	59,191	285,980,062	315,795,866	(32,438)	315,763,428

* Reported financial position for the financial year ended 31 March 2006

** Reported financial position for the financial year ended 31 March 2007

Effect of NZ IFRS on the Statement of Changes in Net Assets
For the Year Ended 31 March 2007

	Superseded Policies** \$	Effect of Transition to NZ IFRS \$	NZ IFRS \$
Investment Activities			
Net Investment Income	19,262,022	(91,629)	19,170,393
Group Life Claims	1,305,617	-	1,305,617
Use of Money Interest	52,747	-	52,747
Net Income	20,620,386	(91,629)	20,528,757
<i>Less</i>			
Other Expenses			
Administration and Consulting Fees	470,552	-	470,552
Auditors' Remuneration – Audit Fees	25,569	-	25,569
Auditors' Remuneration – Taxation Services	32,807	-	32,807
Group Life Premiums	2,400,501	-	2,400,501
Other Expenses	67,461	-	67,461
Trustee Remuneration	98,438	-	98,438
Total Other Expenses	3,095,328	-	3,095,328
Change in Net Assets Before Taxation and Membership Activities	17,525,058	(91,629)	17,433,429
Income Tax Expense	497,924	-	497,924
Change in Net Assets After Taxation and Membership Activities	17,027,134	(91,629)	16,935,505
Membership Activities			
Member Contributions	17,925,041	-	17,925,041
Voluntary Member Contributions	1,093,531	-	1,093,531
Employer Contributions	17,790,623	-	17,790,623
Transfers in from Other Schemes	3,536,884	-	3,536,884
<i>Less</i> Benefits Paid	27,498,218	-	27,498,218
Net Membership Activities	12,847,861	-	12,847,861
Net Increase in Net Assets During the Year	29,874,995	(91,629)	29,783,366



AUDIT REPORT



To the members of Dairy Industry Superannuation Scheme

We have audited the summary financial report of Dairy Industry Superannuation Scheme for the year ended 31 March 2008 as set out on pages 12 to 15 and the notes to the summary financials on this page.

Responsibilities of the Trustee and Auditor

The Trustee is responsible for the preparation of a summary financial report in accordance with generally accepted accounting practice in New Zealand. It is our responsibility to express to you an independent opinion on the financial report presented by the Trustee.

Basis of Opinion

Our audit was conducted in accordance with New Zealand Auditing Standards and involved carrying out procedures to ensure the summary financial report is consistent with the full financial report on which the summary financial report is based. We also evaluated the overall adequacy of the presentation of information in the summary financial report against the requirements of FRS-43: **Summary Financial Reports**.

Other than our capacity as auditor our firm has also provided other services to the Scheme in relation to taxation services. These matters have not impaired our independence as auditors of the Scheme. We have no other relationship with, or interests in the Dairy Industry Superannuation Scheme.

Unqualified Opinion

In our opinion:

- the summary financial report has been correctly extracted from the full financial report; and
- the information reported in the summary financial report complies with FRS-43: **Summary Financial Reports** and is consistent with the full financial report from which it is derived and upon which we expressed an unqualified audit opinion in our report to members dated 01 July 2008.

We completed our work for the purposes of this report on 01 July 2008.

A stylized, handwritten signature of the letters 'KPMG' in black ink.

Wellington

Notes to the summary financial statements

The summary financial report has been extracted from the Scheme's full audited financial statements for the year ended 31 March 2008 which were authorised for issue on 01 July 2008, as shown on pages 12 to 15. The full financial statements have been prepared in accordance with generally accepted accounting practice and they comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards. The full financial statements contain an explicit and unreserved statement of compliance with NZ IFRS. The Scheme is a profit oriented entity. The summary financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Scheme operates. The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial statements of changes in net assets, net assets and cash flows of the Scheme. A copy of the full financial statements can be obtained free of charge from the Scheme's administration manager.

The summary financial statements are in respect of the first NZ IFRS full financial statements. For full notes and disclosure of NZ IFRS adjustments refer to note 14 in the full financial statements.

The auditor has examined the summary financial report for consistency with the audited financial statements and has issued an unqualified opinion.

STATUTORY INFORMATION

Declared interest rates for the year to 31 March 2008

Period	Cash	Cash/ Conservative	Conservative	Conservative/ Balanced	Balanced	Balanced/ Growth	Growth
2007							
April	0.38%	0.43%	0.48%	0.63%	0.78%	0.88%	0.97%
May	0.39%	0.53%	0.66%	0.96%	1.25%	1.46%	1.67%
June	0.38%	-0.08%	-0.54%	-1.03%	-1.52%	-1.81%	-2.10%
July	0.42%	0.14%	-0.15%	-0.51%	-0.87%	-1.15%	-1.43%
August	0.42%	0.91%	1.39%	1.76%	2.13%	2.28%	2.43%
September	0.43%	0.54%	0.65%	0.80%	0.94%	1.06%	1.17%
October	0.48%	0.47%	0.46%	0.45%	0.44%	0.43%	0.42%
November	0.40%	-0.22%	-0.84%	-1.51%	-2.18%	-2.64%	-3.09%
December	0.44%	0.16%	-0.13%	-0.40%	-0.67%	-0.84%	-1.01%
2008							
January	0.45%	-0.44%	-1.33%	-2.63%	-3.93%	-4.55%	-5.16%
February	0.40%	0.05%	-0.30%	-0.70%	-1.09%	-1.28%	-1.47%
March	0.40%	0.22%	0.03%	-0.17%	-0.36%	-0.40%	-0.43%
Equivalent Annual Rate	5.10%	2.73%	0.36%	-2.38%	-5.11%	-6.55%	-7.98%



Trust deed

The trust deed was amended twice during the year by deeds dated 4 September 2007 and 1 April 2008.

In September 2007, the following changes were made:

- the Scheme was amended to allow employers to obtain 'exempt employer' status through the Scheme. This means that employers who apply for and are granted an exemption can invite employees to join the Scheme instead of automatically enrolling them in KiwiSaver. (Note this change does not affect existing members.)
- An in-service withdrawal option has been added to the Scheme allowing members who have reached the age of qualification for New Zealand Superannuation (currently 65) to make up to three withdrawals from their account balance (including any Locked-In Account balance they may be entitled to) in any Scheme year. Withdrawals must be for a minimum of \$2,500 unless the total balance is withdrawn and if a withdrawal would reduce a member's balance to \$5,000 or less, the full balance must be withdrawn.
- Members who have an Employer's No.2 Account who are under age 55 are now permitted to transfer this account balance (in addition to their other account balances) to another superannuation scheme. The Employer's No.2 Account balance must remain in that other superannuation scheme until the member reaches age 55.

- The Scheme was approved as a 'complying superannuation fund'² allowing members to choose to 'lock-in' contributions and take advantage of some of the benefits of KiwiSaver while still enjoying features of the Scheme such as the death and disablement insurance cover and the flexibility to withdraw their savings as a cash lump sum on leaving service (excluding any Locked-In Account balance the member is not yet entitled to, which must be transferred to a KiwiSaver scheme or another complying superannuation fund).
- Redundant terms and benefits relating to categories of membership no longer offered in the Scheme were removed.

The following changes to the Scheme took effect from 1 April 2008:

- The Scheme's vesting scale was reduced from 10 to five years. This means that if you are entitled to a resignation benefit, you will receive your Member's Account balance plus 20% of the balance in your Employer's No.1 Account for each complete year of Scheme membership, up to a maximum of 100% after five or more complete years of Scheme membership. Your benefit statement included with this annual report shows your resignation benefit calculated on the new basis.
- Any employer contributions to the Scheme in respect of a member who was a member of the Scheme prior to 1 April 2008 are now allowed to be offset by any amount contributed to another complying superannuation fund or KiwiSaver scheme.
- The trust deed was consolidated to allow for these amendments.

Prospectus

The registration date of the Scheme's most recent prospectus was 14 September 2007 as amended by a Memorandum of Amendment on 1 April 2008.

Summary of actuarial report as at 31 March 2008

An actuarial valuation was carried out as at 31 March 2008. The valuation assumptions were the same as those used for last year's actuarial valuation, which reflected pensioners enjoying longer expectancy of life and anticipated future Scheme returns of 5% pa.

The actuarial review reported a deficit, which the Actuary recommended be funded immediately by the transfer of \$102,376 from the Reserve Fund to the Non Allocated Fund. The Trustee has adopted this recommendation and the Non Allocated Account is in a balanced position as at 31 March 2008.

Additional complying fund disclosures

- The market value of the Scheme's assets subject to complying fund rules is \$138,021.54 relating to 78 members.
- The value of withdrawals subject to complying fund rules is nil.

²A section within a registered superannuation scheme that has been approved by the Government Actuary as having met certain criteria similar to KiwiSaver e.g. KiwiSaver lock-in rules and portability

DIRECTORY

Administrator

All correspondence should be addressed to:

Dairy Industry Superannuation Scheme

C/- Mercer (N.Z.) Limited

P O Box 1849

Wellington

Freephone: 0800 355 900

Telephone: (04) 890 7000

Facsimile: (04) 914 0434

Administers the Scheme on behalf of the Trustee.

Investment Manager

AMP Capital Investors (NZ) Limited

Brook Asset Management

BT Funds Management

ING Investment Services Limited

Tower Asset Management Limited

Responsible for investing the Scheme's assets in accordance with the investment policy adopted by the Trustee.

Actuary

Mercer (N.Z.) Limited*

Conducts actuarial reviews.

Insurance Provider

National Mutual Life Association of New Zealand Limited (trading as AXA New Zealand)

Provides the cover for the insurance benefits.

Solicitors

Kensington Swan

Advises the Trustee on legal issues affecting the Scheme.

Auditor

KPMG

Audits the Scheme's financial statements.

Investment Consultant

Mercer

Assists the Trustee in setting investment policy and monitoring the investment managers.

Privacy Act

Your personal information may be held for the purposes of the Scheme and when necessary passed between your employer, the Trustee and the Scheme's professional advisers. If you wish to check or amend your personal information, please contact the Scheme Secretary.

Looking for more information?

Internet access: www.superfacts.co.nz

Member Helpline: 0800 355 900

* From 1 November 2007, Mercer Human Resource Consulting Limited changed its name to Mercer (N.Z.) Limited.

Scheme personnel - here to help you

Derek Vincent continues as Secretary to the Scheme. Contact Derek if you would like to correspond with the Trustee, have any questions about this report, or for a copy of the Scheme's audited financial statements. Copies of the Scheme's statement of investment policy and objectives are also available free of charge from Derek.

Derek can be contacted at:

Freephone: 0800 355 900

Telephone: (04) 890 7064

Facsimile: (04) 914 0434

P O Box 2897, Wellington

Peter Alsop continues to take care of the day-to-day running of the Scheme. Please call Peter or the Member Helpline if there is any aspect of the Scheme or this report you do not understand.

Peter can be contacted at:

Freephone: 0800 355 900

Telephone: (04) 890 7026

Facsimile: (04) 914 0434

P O Box 1849, Wellington



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