dairy industry
superannuation scheme

Annual Report

For the year ended 31 March 2011

Dairy workers Anthony and Laura Boynton are both members of the Scheme and value the security it provides for their family now and for the future. *Turn to page 2 to find out more.*

Scheme statistics for the year ended 31 March

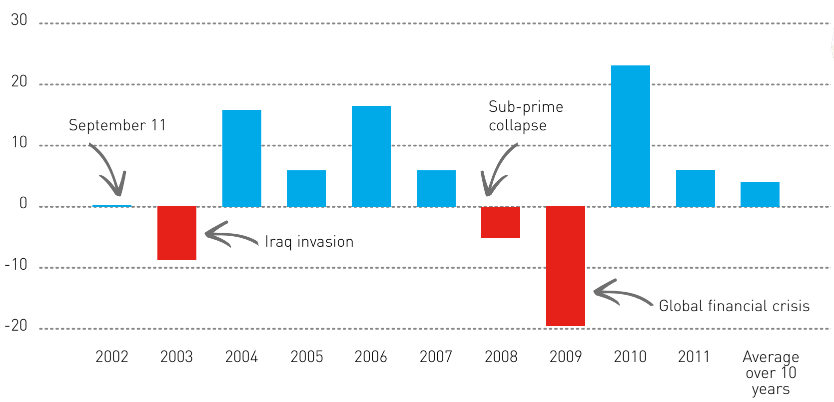
Credited interest rates*:	2011	2010	2009	Average p.a. over last 5 years
Cash fund	**1.98%**	1.54%	4.03%	3.44%
Cash/Conservative	**3.33%**	6.94%	-1.52%	3.25%
Conservative fund	**4.68%**	12.34%	-7.06%	3.06%
Conservative/Balanced	**5.34%**	17.72%	-13.31%	2.57%
Balanced fund	**6.01%**	23.09%	-19.55%	2.08%
Balanced/Growth	**6.40%**	26.52%	-23.16%	1.95%
Growth fund	**6.78%**	29.94%	-26.77%	1.81%

*Please note past performance is not a guide to future performance

Contributions received during the year:		
Member	**$22,620,412**	$21,247,499
Employer	**$21,720,446**	$20,378,119
Transfers in:	**$663,186**	$280,916
Benefits paid during the year:	**$23,010,328**	$14,689,569
Total fund size:	**$384,693,927**	$342,615,924

Balanced fund – Annual return & average over 10 years

The last 10 years – two market crashes and the global financial crisis



On the cover:
The Boynton whanau: Anthony, Laura, Nichaiah (5) & Jesse (2).

Chairman's Report

For the year ended 31 March 2011

When thinking about the last year I find it intriguing to think of the extent of the upheavals seen in so many areas of our world, yet see an overall outcome for the Scheme's investment funds which looks reasonable and generally in line with what could be expected on an after-tax and after-expenses basis over the medium term.

Despite the impacts of:

- the political and regime changes in the Middle East;
- natural disasters locally and abroad;
- on-going fallout from the Global Financial Crisis, impacting on government finances and economic stability, particularly in Europe where there is a clear gap between the need to bring countries back from the brink of insolvency and the willingness of politicians and the populace to bear the pain of such shifts;
- rising concerns over the re-emergence of inflation as an issue, with staples such as food prices rapidly rising;
- significant shifts in the NZ dollar relative to other currencies particularly the US$ (making goods exported from NZ more expensive),

most of the Scheme's asset classes produced pretty reasonable results last year.

So all in all, this is a generally pleasing outcome. Investors on balance remained happy with the prospect that emerging economies such as China would continue to provide the core stability to world growth, enabling other major economies such as the US and some southern European states time to progressively get their houses in order. Similarly, our set of managers generally performed soundly in quite uncertain market conditions.

More details of the investment returns for both the investment fund options and individual managers used for each asset class are set out later in this Report. Our investment objectives against relevant benchmarks including other funds were met last year. However, while longer term returns against inflation continued last year's improvement after the difficulties during the worst of the Global Financial Crisis, there is still some way to go before these objectives are met.

As is often the case, it is very easy to see the myriad of problems and risks confronting investors, and now is no exception. Hopefully last year is not the calm before another storm. Governments and economies have generally muddled along over the last few years, patching up problem areas and managing to find solutions when absolutely necessary. However, their capacity to continue doing so is becoming more limited by the extent of the debt many countries have issued and the existing supportive policies that eventually have to be unwound.

As we head into the new financial year with things as uncertain as ever, I reiterate the message in last year's Report – that is to make sure you understand the implications and expectations underlying your investment fund choice but take a medium-to-long-term view. Trying to time shorter-term changes is difficult to get right.

While the latest Budget has signalled some reduction in government support for KiwiSaver and locked-in accounts in complying superannuation funds such as the Scheme (see page 10 for details), the message that there is a need for a more concerted push to lift retirement savings is still generally supported. This was a central message underlying the Savings Working Group that reported some months back. The directors believe that the Scheme continues to be very well placed to aid dairy workers by providing a sound base for their retirement plans. Its size (over 6,000 members and assets over $380 million) and strong support from both employer sponsors and the DWU provide a very solid foundation for the future.

We cannot however, rest on our laurels and need to ensure that the Scheme remains competitive in all respects. One key element of this is in the costs and expenses of running the Scheme, which is always a focus for the directors. We hope the expanded section in this Report on Costs and expenses will give you a better idea of the types and level of expenses in the Scheme. The directors believe the level of costs and expenses are reasonable for a scheme of our size and competitive compared with other savings options available.

The Scheme remains well supported and serviced by its various providers with no major changes made over the year. I welcome Bruce Kerr as a new director of the Trustee. It is important to have a diverse and relevant range of skills and experience across the set of directors covering the key aspects of investment, scheme management, member perspectives and employer input, and I feel we have that (see details of the directors later in the Report).

During the year there has been a focus on ensuring that all eligible members are covered by the Scheme's death and permanent incapacity insurance of up to three times salary. This is a valuable benefit of Scheme membership.

Finally, I would like to officially mark a milestone for one of our members. The directors would like to congratulate Ronald Leyland on reaching the age of 100, the first Scheme member to do so. Mr Leyland joined the Scheme in 1958, retiring in 1976 after working for the Kairanga Co-operative Dairy Company in the Manawatu.

Tim McGuinness
Chairman

The Scheme's insurance – a family's experience

Life for Anthony and Laura Boynton is pretty full on. With each of them working at different locations, Anthony at Fonterra Hautapu as an operator and Laura as a site delegate at Fonterra Te Rapa, they need to be pretty organised.

Outside work they both enjoy spending time with their two young children, Nichaiah (5) and Jesse (2). Sport is also important and recently they both completed the Huntly half marathon.

Anthony and Laura are both members of the Scheme and even though retirement is a long time away, knowing that they will have significant retirement savings is reassuring.

With the significant financial commitments everyone has, they also really value the Scheme's insurance cover. Laura told us that "it's a huge comfort to know that if anything happens to one or both of us, our kids will be looked after financially through the insurance cover we get through the Scheme. Please ring the DISS Helpline and make sure you're covered."

Important information on the Scheme's investments

About the investment funds

You can choose one of seven options for the investment of your account balances: one of the four principal investment funds – Growth, Balanced, Conservative and Cash, or a combination of two adjacent funds (Cash/Conservative, Conservative/Balanced and Balanced/Growth). Each fund has a different level of investment risk (that is, likelihood of achieving a negative return in the short term) and expected long-term return. The mix of assets for each investment fund is designed going forward to meet its long-term investment objective (see page 6 for details) which it is expected to meet at least two-thirds of the time over specific periods.

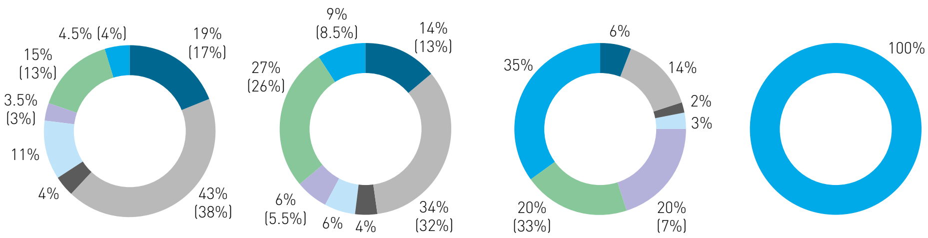
Changes to benchmark asset mixes

Following a review of the Scheme's investment strategy, in September 2010 alternative assets was removed from the benchmark asset mixes of the Balanced and Growth funds and the percentages of assets held in the remaining asset classes (other than property) increased accordingly. In addition, the Conservative fund's holdings in New Zealand and international fixed interest were rebalanced to 20% New Zealand fixed interest and 20% international fixed interest. This change was made to reduce exposure to the risk of interest rate rises in international fixed interest markets as a result of heavy borrowing by developed countries such as the US, UK and Japan.

Investment funds – a snapshot

Benchmark (or target) asset mix*	Growth	Balanced	Conservative	Cash

- Trans-Tasman Shares
- International Shares
- Trans-Tasman Listed Property
- Global Listed Property
- NZ Fixed Interest
- International Fixed Interest
- NZ Cash



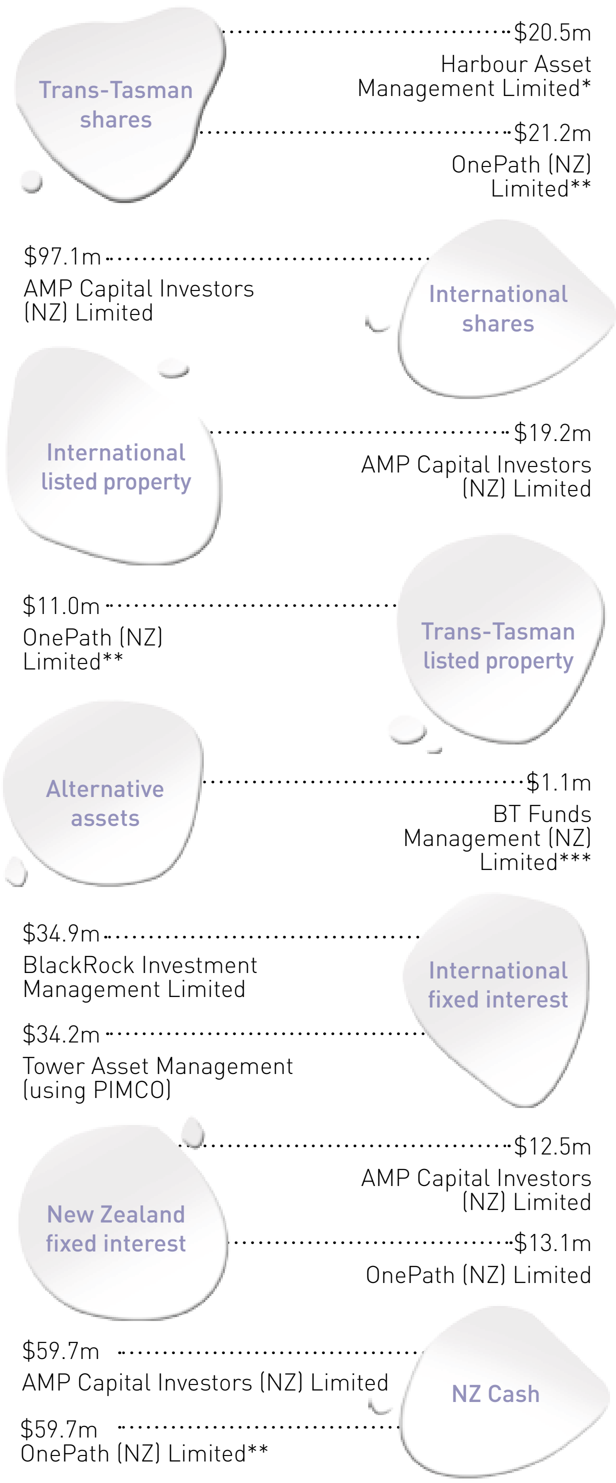
	Growth	Balanced	Conservative	Cash
Growth assets: shares, property & alternative assets	77%	58%	25%	0%
Income assets: fixed interest & cash	23%	42%	75%	100%
Value of members' investments at:				
1 April 2010	$42m	$149m	$61m	$91m
31 March 2011	$57m	$174m	$73m	$81m

*Previous benchmark percentages are shown in brackets

The asset allocations for the Growth/Balanced, Balanced/Conservative and Conservative/Cash options are 50% from each of the main options.

The Scheme's investment managers

The Scheme uses a range of managers to look after its investments. The Trustee directors, assisted by the investment consultant, look for experienced and competent managers for each asset type and also ensure 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 2011 for each of the asset types are shown in the following diagram:



The Trustee directors invest the Scheme's international shares portfolio with AMP Capital Investors 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. This gives the Scheme a wide mix of investment managers in this sector.

At 31 March 2011, AMP invested the Core International Fund (which made up approximately 85% of international shares held by the Scheme) in a range of six managers and the Extended Markets Fund (making up the balance of approximately 15%) in a range of 11 managers. The managers selected by AMP for the Core International Fund as at 31 March 2011 were:

	%
AMP Core International Share Fund	
Baillie Gifford	10.3
Bernstein Value Equities	20.5
Schroders	30.0
Taube Hodson Stonex Partners	20.5
T. Rowe Price	10.2
Wellington Investment Management	8.5
	100.0

There were no changes to the investment managers for the AMP Core International Share Fund during the Scheme year. However, during April 2011, AMP adjusted some of the manager allocations, replaced Wellington Investment Management with Epoch Investment Partners, a listed specialist equities boutique manager and invested in some of the less volatile largest international shares on a passive basis (that is in line with the index).

*Following the departure of key senior employees from Brook Asset Management Limited, one of the Scheme's two Trans-Tasman shares managers, the Trustee directors terminated the contract with Brook Asset Management Limited and transferred the assets to Harbour Asset Management Limited, a newly formed manager with the team formerly with Alliance Bernstein.

**ING (NZ) Limited changed its name to OnePath (NZ) Limited during November 2010.

***The BTFM Alternative Investment Fund continues to be in the process of being wound up and the assets repaid to the Scheme.

"D.I.S.S. is a brilliant super scheme for workers $1.50 from the employer for every $1.00 I put in plus life insurance cover, and it doesn't get interfered with by the government all the time like KiwiSaver."

Lucille Tane
Storeperson, Goodman Fielder Longburn

How did it go last year?

Investment market review

While returns for the 2010/2011 Scheme year dropped back to a more sustainable level after the previous year's strong bounce back, all asset classes again performed well against their respective benchmarks.

After the previous year's strong result, returns from Trans-Tasman shares were rather more moderate. Both share markets were volatile, dipping in the first quarter, before recovering from early September onwards. The improvement continued until mid way through the final quarter of the Scheme year, when floods in Australia's key mining and agricultural areas and the second Christchurch earthquake dented confidence in both countries. Overall, the performance of both markets has been fairly lacklustre and significantly weaker than most major international share markets.

International share markets also fluctuated over the year as a lack of clarity led investors to react swiftly to both positive and negative news. Declines were triggered by factors such as concern about government debt levels in Europe, political tensions in Thailand and the Koreas, and later in the Scheme year, events in Japan and the Middle East. These were just as quickly reversed by the announcement of unprecedented financial injections in the US and Europe, and robust economic demand in major emerging markets such as China and India.

Returns from Trans-Tasman property made a slow start to the Scheme year, reflecting further valuation downgrades, before moving steadily upwards boosted by increasing levels in tenant enquiry and activity, together with improved banking conditions.

Apart from some weakness in the June quarter as concerns about a double-dip recession emerged, listed global property had another excellent year, backing up 2009/2010's very strong result.

Both New Zealand and international fixed interest posted sound returns, benefiting from bouts of investor nervousness as various world events impacted on share markets.

Cash posted a modest return for the year. Signs that the economy was improving encouraged the Reserve Bank to lift the official cash rate by 0.25% at the June and July reviews. The rate then remained at 3% until March 2011, when the Reserve Bank reduced it by 0.5% to try and lessen the economic impact of the second Christchurch earthquake.

How do the returns look against our targets?

The Trustee directors set targets and measure performance at three levels.

Level 1: Investment fund performance

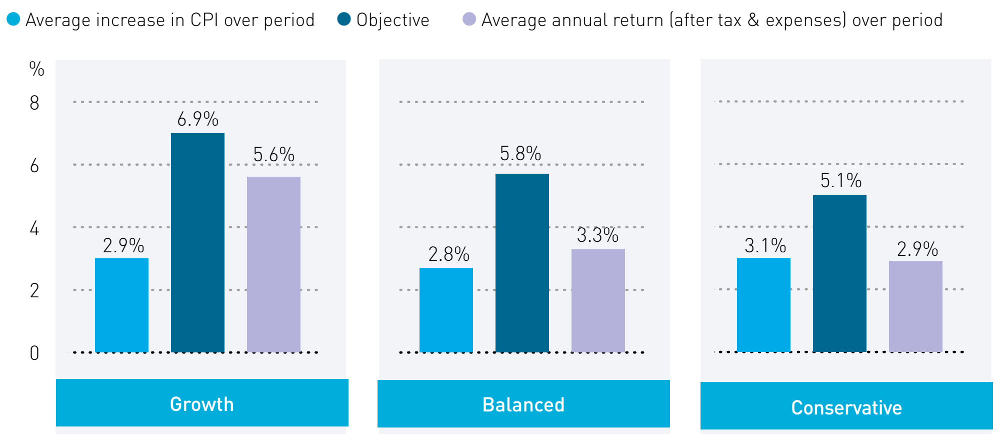
Target

The performance of each investment fund after tax and expenses above inflation to equal or outperform targets set by the Trustee directors:

Measure

The graph below compares the average increase in the consumer price index (CPI), each fund's objective and its return (after tax and expenses and above inflation).

Increase in inflation, objective and actual average annual return



Growth	Balanced	Conservative
Long-term investment objective[1]	**Long-term investment objective[1]**	**Long-term investment objective[1]**
To exceed inflation by **4%** p.a. after tax and all expenses over rolling 15 year periods.	To exceed inflation by **3%** p.a. after tax and all expenses over rolling 10 year periods.	To exceed inflation by **2%** p.a. after tax and all expenses over rolling 5 year periods.

[1] The timeframes over which the long-term investment objectives are to be met was previously expressed as 'over the long term' rather than a specific timeframe. An investment fund is designed looking forward to meet its objective two-thirds of the time. Modelling used to determine the asset mix required to meet the principal funds' long-term objectives indicated that the Balanced and Growth funds require longer timeframes to meet their more aggressive objectives.

Note: the consumer price index rose by 4.5% over the year to 31 March 2011

The timeframes over which the funds are expected to meet their objectives are:

Growth fund	15 years (as the Scheme's Growth fund only commenced in 2003, data is shown over 8 years)
Balanced fund	10 years
Conservative fund	5 years

The Cash fund's objective is to achieve an after tax and expenses return close to the 90-day bank bill rate. The 90-day bank bill rate for the year to 31 March 2011 was 3.1%. The Cash fund's after tax and expenses return was 2.0%

Result

None of the investment funds have achieved its objective. This reflects the ongoing impact of the share market downturn between 2007 and early 2009, and in the case of the Balanced investment fund, the 2001/2002 share market downturn.

Level 2: Manager performance

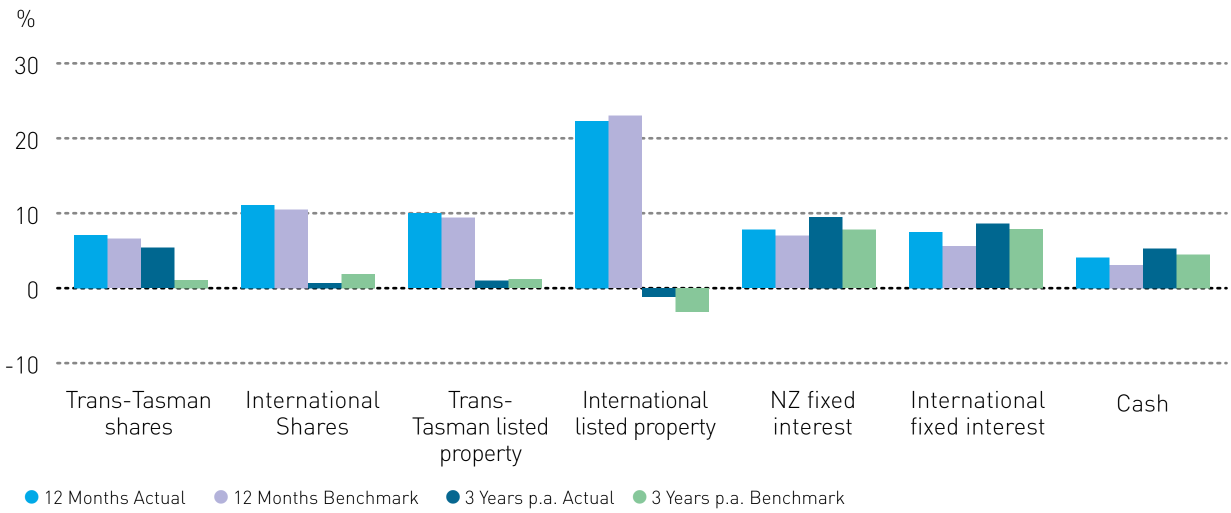
Target

The return before investment fees, Scheme expenses and income tax for each asset type to equal or outperform the relevant market index.

Measure

The graph below shows the return for each asset type for the year ended 31 March 2011 and the last three years (returns to come), together with a comparison with the relevant market index, is shown below. The returns are shown before investment fees, Scheme expenses and income tax.

Actual returns v benchmark for each asset type over one & three years (before tax & expenses)



Result

The graph shows that over both one and three years, most asset classes outperformed or performed in line with (that is, within 1% of) their benchmarks. The exception was international shares, where the three year return was just over 1% below its benchmark. This reflects the continuing impact of the underperformance of some of the managers in the AMP Core International Equity Fund during the height of the sharemarket turmoil in the 2008/2009 year.

Level 3: Performance against peer funds

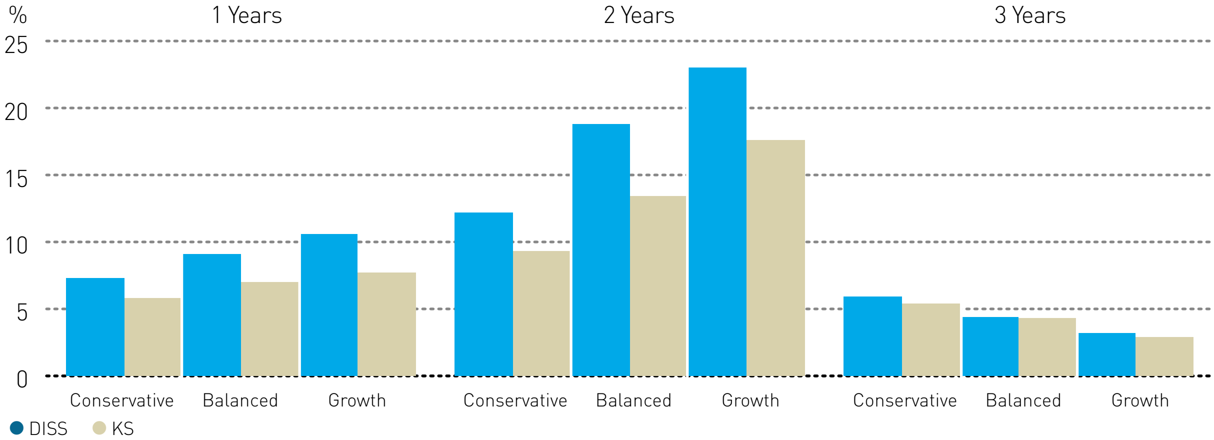
Target

The gross return before tax and fees for each investment to equal or outperform its peers.

Measure

The charts below compares the performance before tax and after fees of each of the Scheme's three main investment funds against the median return for similar funds in the Mercer KiwiSaver survey. Returns are shown for a maximum of three years as KiwiSaver only commenced from 1 July 2007.

Increase in inflation, objective and actual average annual return



Result

The chart shows that the investment funds outperformed their peers over all periods measured. Outperformance was strongest over two years when the Growth and Balanced investment funds both outperformed their peers by more than 5% p.a.

Looking for the latest information about the Scheme's investment performance?

If you're looking for up-to-date information about the Scheme's investments, go to the 'Investment update' page which can be accessed via the 'Your investments' page on www.dairysuper.superfacts.co.nz.

"All members of D.I.S.S. should ring and find out if they are covered by the insurance part of the Scheme. As the father of a young family I can think of nothing worse than something happening to me and I wasn't covered just because I hadn't got around to checking."

Peter Daymond
Operator and Dairyworkers Union Site Delegate, Fonterra Pahiatua

Scheme costs and expenses

The level of costs and expenses within investment funds and schemes has become more of a topical issue over recent years as competition has increased in the savings market, particularly KiwiSaver. The Trustee directors thought it would be useful to members to spend some time on this in the Annual Report and explain in more detail what the general level of fees and costs are within the Scheme. They believe that the Scheme's arrangements are effective for members and that the level of fees and expenses within the Scheme are very reasonable and competitive compared to most other savings options, but it is important to be able to demonstrate that.

Scheme fees and expenses fall generally into three main areas:

- Fees and costs related to investment of the DISS assets;
- Expenses incurred in operating and administering the Scheme;
- Insurance premium costs for the life and permanent incapacity arrangements

In this Report we will look more closely at the first two of these.

Investment fees and expenses

As can be seen from page 4 of this Report, the Scheme uses a range of fund managers for its investments as well as using the services of an investment consultant (Mercer) to assist the Trustee directors in structuring the various investment options and monitoring these managers.

Total investment fees and expenses paid by the Scheme last year (including those paid to its consultant) amounted to $1.34 million compared to $1.26 million the year before. In general, investment fees are charged on the amount of money being managed, so if the Scheme is growing in size, you should expect to see an increase in total costs in this area over time. The key measure for us is how much it is costing for each dollar invested. On this basis, total investment costs in the last year represented 0.37% of average assets over the year, compared with 0.41% the year before.

This percentage will be influenced by the investment funds members choose, as managers who look after growth type assets such as shares, typically charge higher fees than those that look after income type assets. The flipside is the higher expected return from growth assets over time (but also the higher risk of negative returns in the shorter term). So if members elect to have more funds in growth type assets, total fees will increase and conversely decrease if income assets are preferred.

To take account of the differences in fees being charged on growth type assets compared to income, the Trustee directors have different fee allowances depending on the investment fund you choose. So if you invest in the Conservative fund, your effective investment fee will be lower than if you invest in the Growth fund. The current allowances for the various fund choices are:

Investment fund	Investment cost allowance (%p.a.)
Cash	0.2%
Conservative	0.4%
Balanced	0.6%
Growth	0.8%

As mentioned earlier the Trustee directors believe these levels of investment costs for the various fund options stand up well against market comparisons.

Expenses of operating and administering the Scheme

Operating expenses for the Scheme span a wide range of services including the administration of member and general Scheme records; maintaining Securities Law requirements such as prospectuses; member reporting and communications; audit; legal, tax and actuarial advice, Trustee directors' fees and costs. Some of these costs are linked to the number of members of the Scheme and some are fixed.

A summary of these expenses for the last Scheme year compared to the year before is shown in the following table:

Expense type	2010/11 ($000s)	2009/10 ($000s)
Administration and secretarial services	374	347
Member communications	77	92
Legal, tax and actuarial consulting	82	66
Audit	34	33
Trustee director's fees and related costs	118	104
Other expenses	23	3
Total "operating" costs (before tax) excluding investment costs	**708**	**645**
Total operating costs as % of funds managed	0.23% (0.16% after tax)	0.21% (0.15% after tax)
Total operating cost per member	$113 ($80 after tax)	$109 ($79 after tax)

As can be seen from the table, the total operating costs of the Scheme as a percentage of assets managed remained largely unchanged over the year; but if measured on a per member basis increased slightly. There were increases in costs in most areas reflecting the general pressures in the market, although costs associated with legislation changes and compliance were stable for a change. The Trustee directors continue to maintain a close watch on these expenses as pressures will undoubtedly continue to arise in this area. However, the Trustee directors believe them to be very reasonable overall for a scheme the size of your Scheme with some 6,000 members and $384 million in assets.

What's making news?

Tax on investment income

From 1 April 2011, all of the Scheme's income will be taxed at 28%.

Progressive rate of employer superannuation contribution tax (ESCT)

From 1 April 2012, employers will be required to deduct ESCT at a progressive rate similar to a member's PAYE rate. (Currently, employers have the option of deducting tax at a flat rate of 33%.)

For the progressive rates call the Helpline on 0800 355 900 or visit www.dairysuper.superfacts.co.nz

KiwiSaver and complying superannuation funds

In its May 2011 Budget, the Government announced changes aimed at making KiwiSaver more sustainable in the longer term. The changes are scheduled to take effect over the next two years.

- **Matching member tax credit halved**

From the KiwiSaver year starting on 1 July 2011, member tax credits to KiwiSaver or your locked-in account in the Scheme will be halved from $1 to 50c for every $1 you contribute, up to a maximum of $521.43 per year. This means that if you contribute $20 per week or more to KiwiSaver or a locked-in account, you will receive $521.43 – half the current maximum.

- **KiwiSaver and locked-in employer contributions to lose tax exemption**

From 1 April 2012, all employer contributions to your locked-in account or KiwiSaver will be subject to tax at the same rate as employer contributions to other superannuation schemes.

- **Proposal to increase compulsory contribution rates**

So that members' ongoing savings are not unduly affected by these changes, from 1 April 2013 the current Government is proposing that the minimum employee and employer contributions to your locked-in accounts or KiwiSaver will increase to 3% of your salary.

For more information about these changes, visit www.dairysuper.superfacts.co.nz or call the Helpline 0800 355 900.

Above: (L-R)
Standing: Mark Apiata-Wade, Andy Williams, Debra Marshall, Dave Scott.
Seated: Patrice Wynen, Bruce Kerr, Tim McGuinness.

Scheme management

Dairy Industry Superannuation Scheme Trustee Limited is the corporate trustee for the Scheme. The Board has seven directors, four elected by the employer companies, one elected by employer/s identified by the Trustee, one elected by the Dairy Division, NZ Institute of Food Science and Technology and one by the Dairy Workers Union.

It is the Board's job to ensure that the Scheme is run according to the Trust Deed and superannuation law.

The current directors of the Trustee are:

Mark Apiata-Wade

Ko Tainui toku waka, Ko Taupiri toku maunga, Ko Waikato toku awa, Ko Waikato toku iwi, Tihei mauri ora.

My name is Mark Apiata-Wade and I'm the Dairy Workers Union – Te Runanga Wai U elected representative on the board. I've been a director for 16 years and I live in Horotiu. I am an Organiser with the DWU and a strong advocate for the Scheme and its benefits for workers and their families.

Bruce Kerr

Bruce joined the Board in March 2011 as an employer-elected director. Wellington-based, Bruce is widely experienced in the workplace savings area. He is the Executive Director of Workplace Savings New Zealand, an organisation representing employers, trustees and members of workplace savings schemes, as well as industry service providers. Bruce is also a trustee of another three employer-sponsored superannuation schemes. Outside work Bruce enjoys running, playing golf, socialising with friends and a fine wine.

Debra Marshall

As an employer-elected member since August 2007, Debra's contribution to the Board stems from her role as Rewards Manager New Zealand in Fonterra Group Human Resources. Based in Auckland, Debra has an extensive knowledge of employee benefits and superannuation in particular. Away from work she enjoys spending time with her young family.

Tim McGuinness (Chairman)

Tim combines his role of Chairman of the Trustee Board with the trusteeship of a number of other significant superannuation schemes. Appointed in February 2007, Tim brings a broad knowledge and understanding of investments, financial and superannuation matters to the Board. Outdoor and sporting pursuits including golf, tramping and sea-kayaking are a feature of non-work time.

David Scott

Dave was elected to the Trustee Board in 2003 by one or more employers recommended by the Trustee directors. Prior to becoming a Trustee director of the Scheme, Dave was a trustee of another employer-sponsored superannuation scheme for a number of years, initially as a member elected representative and later as a company representative. In his Regional Product Mix Manager role with Fonterra, Dave has regular contact with a wide range of corporate, transport and manufacturing staff.

Sport remains Dave's passion outside work. On winter Saturdays you will find him in Claudelands Rovers red on a football field somewhere in the Waikato. He also regularly attends master's tournaments with football and softball.

Andy Williams

Andy has represented the Dairy Division, NZ Institute of Food Science and Technology (which covers a wide range of food industries) on the Board since 2006. Andy has been elected by the NZ Institute of Food Science and Technology to represent the views of their members and other people in similar positions. He is employed by Fonterra in a Product Manager role. In his spare time, Andy enjoys Masters rowing and watching rugby.

Patrice Wynen

One of the more recent employer-elected appointees to the Board, Patrice is General Manager, Fonterra Business Services in Hamilton. A qualified chartered accountant, Patrice has over 18 years' experience in finance and management roles within the Dairy Industry and brings strong financial management skills to the Board. Patrice is married with two children and is also the Chair of the her children's school Board of Trustees.

Changes to the Trustee directors

Tony Wilding retired as a director with effect from 31 October 2010. Bruce Kerr was elected as a director with effect from 21 March 2011.

Trustee statement

The Trustee directors certify, 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 2011 exceeded 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

Additional complying superannuation fund disclosures

As at 31 March 2011:

- The market value of the Scheme's assets subject to complying fund rules is $2,704,233 relating to 261 members.
- The value of withdrawals subject to complying fund rules totals $97,826.

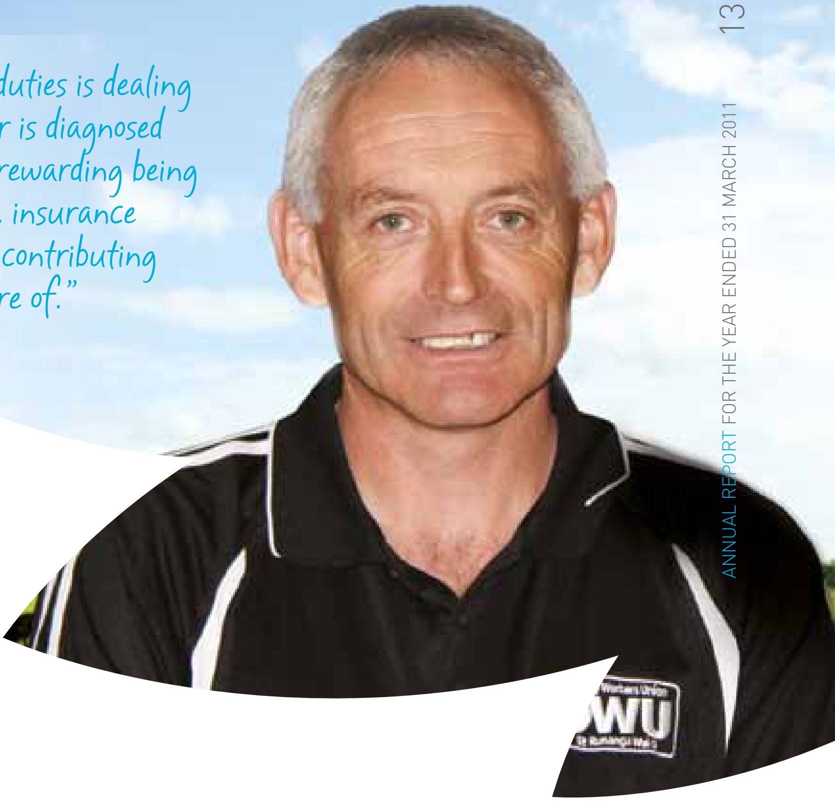
Membership

	Employee Members	Individual Members	Preserved Members	Pensioners	Total
At 1 April 2010	**5,652**	**83**	**197**	**91**	**6,023**
New members	559	15	–	2	576
Transfers in	24	–	–	–	24
Resignations	(207)	–	–	–	(207)
Withdrawals	–	(14)	(13)	–	(27)
Retirements	(69)	–	–	–	(69)
Redundancies	(30)	–	–	–	(30)
Deaths	(7)	–	–	(5)	(12)
Disablements	(6)	–	–	–	(6)
At 31 March 2011	**5,916**	**84**	**184**	**88**	**6,272**

Total membership increased by 249 over the year. The following graph shows the change in Scheme membership over the past five years.

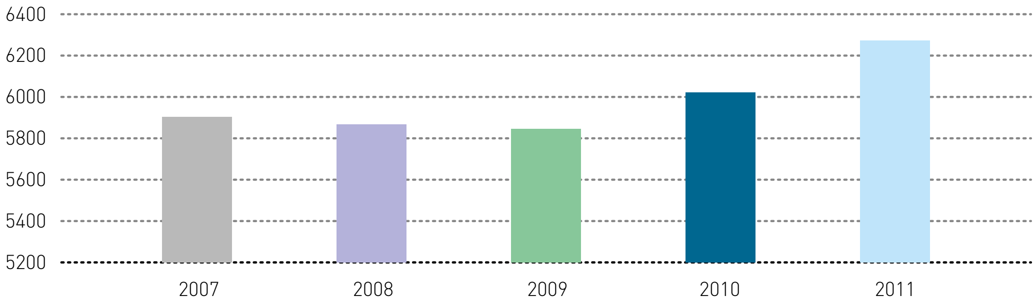
"In my role as site delegate, one of my saddest duties is dealing with members and their families when a worker is diagnosed with a terminal illness. But it is humbling and rewarding being able to reassure the family that via the D.I.S.S. insurance cover (3x your previous year's income if you're contributing 6%) that money worries are able to be taken care of."

Tom Faulkner
Dairy Workers Union site delegate, Fonterra Clandeboye



Contact the Helpline on
0800 355 900
to see if you're covered.

Changes in Scheme membership over last 5 years



Deaths

The following members died during the Scheme year:

BA Borthwick (Fonterra), JA Ely (Fonterra), DA Iverson (Fonterra)*, S Kumar (Goodman Fielder)
*Died in previous Scheme year but not shown in the 2009/2010 Annual Report.

Due to timing issues, the number of deaths shown in the membership table does not correspond with the list of members who died during the Scheme year.

The following pensioners died during the Scheme year:

ND Forbes, PI Galloway, P Maxwell, JM Nicoll, T Te Paa.
Sympathy is extended to the families of members and pensioners who have died.

New financial adviser legislation

Legislation aimed at rebuilding investor confidence in financial markets comes fully into force on 1 July 2011.

The legislation made it compulsory for financial service providers (including trustees of superannuation schemes) to be registered on the financial services providers register by 1 December 2010. The Trustee has been registered accordingly.

To give consumers (such as members of superannuation schemes) access to a complaints procedure that is fair, accountable, efficient and effective, all financial services providers must also be members of an approved disputes resolution scheme or the reserve scheme established by the government. The Trustee has registered with an independent disputes resolution scheme, operated by Financial Services Complaints Limited. See 'Making a complaint' on the outside back cover for details.

Dairy Industry Superannuation Scheme

Summary financial statements for the year ended 31 March 2011

Statement of Changes in Net Assets	2011	2010
Investment Activities	$	$
Net Investment Income	27,196,443	52,379,287
Group Life Claims	2,032,878	1,366,229
Use on Money Interest	-	7,908
Net Income	29,229,321	53,753,424
Less		
Other Expenses		
Administration and Consulting Fees	531,698	569,337
Auditors' Remuneration – Audit Fees	34,216	32,515
Auditors' Remuneration – Taxation Services	15,959	6,097
Group Life Premiums	3,256,139	3,115,285
Other Expenses	121,624	40,227
Trustee Remuneration	134,861	110,096
Total Other Expenses	4,094,497	3,873,557
Change in Net Assets before Taxation and Membership Activities	25,134,824	49,879,867
Income Tax Expense	5,050,537	8,257,207
Change in Net Assets after Taxation and before Membership Activities	20,084,287	41,622,660
Membership Activities		
Member Contributions	21,739,465	20,391,576
Voluntary Member Contributions	880,947	855,923
Employer Contributions	21,720,446	20,378,119
Transfers in from Other Schemes	663,186	280,916
Less Benefits Paid	23,010,328	14,689,569
Net Membership Activities	21,993,716	27,216,965
Net Increase in Net Assets during the Year	42,078,003	68,839,625

Statement of Net Assets		
Assets		
Financial Assets – Fair Value Through Profit or Loss	384,244,046	343,045,632
Current Assets	358,301	793,733
Income Tax Receivable	385,568	-
Total Assets	384,987,915	343,839,365
Less		
Liabilities		
Other Amounts Payable	933	-
Income Tax Payable	-	445,628
Benefits Payable	136,567	653,823
Sundry Creditors	156,488	123,990
Total Liabilities	293,988	1,223,441
Net Assets Available for Benefits	384,693,927	342,615,924
Vested Benefits*	378,786,434	331,246,874

Statement of Cash Flows		
Net Cash Flows from Operating Activities	18,641,016	23,478,667
Net Cash Flows from Investing Activities	(19,075,098)	(61,909,704)
Net Decrease in Cash Held	(434,082)	(38,431,037)
Cash at Beginning of Year	792,383	39,223,420
Cash at End of Year	358,301	792,383

*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.

Financial statements

A summary of the Scheme's audited financial statements for the year ended 31 March 2011 which were authorised for issue by the Trustee on 27 June 2011 is shown on page 14 of this annual report. The summary financial statements have been extracted from the full audited financial statements dated 31 March 2011 which were authorised for issue on 27 June 2011. The summary financial statements have been prepared in accordance with FRS-43 Summary Financial Statements.

The full financial statements have been prepared in accordance with generally accepted accounting practice and they comply with New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). The Scheme has made an explicit and unreserved statement of compliance with NZ IFRS in note 2 of its full financial statements.

The 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 statements 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 Scheme is a profit orientated entity.

The auditor has examined the summary financial statements for consistency with the audited financial statements and has issued an unmodified opinion on both the summary financial statements and the full financial statements.

Audit report

KPMG

To the members of Dairy Industry Superannuation Scheme

The accompanying summary financial statements on pages 14, which comprise the summary statement of net assets as at 31 March 2011 and the summary of changes in net assets and changes in cash flows for the year then ended, and related notes on page 15 are derived from the audited financial statements of Dairy Industry Superannuation Scheme (''the superannuation scheme'') for the year ended 31 March 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 27 June 2011. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Dairy Industry Superannuation Scheme.

Trustee Responsibility for the Financial Statements
The Trustee is responsible for the preparation of a summary of the audited financial statements, in accordance with FRS-43 *Summary Financial Statements*.

Auditor's Responsibility
Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810 *Engagements to Report on Summary Financial Statements*.

Our firm has also provided other services to the superannuation scheme in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the superannuation scheme on normal terms within the ordinary course of trading activities of the business of the superannuation scheme. These matters have not impaired our independence as auditors of the superannuation scheme. The firm has no other relationship with, or interest in, the superannuation scheme.

Opinion
In our opinion, the summary financial statements have been correctly extracted from the audited financial statements of Dairy Industry Superannuation Scheme for the year ended 31 March 2011, and the information reported in the summary financial statements is consistent, in all material respects, with the audited financial statements, in accordance with FRS-43 *Summary Financial Statements*.

KPMG

27 June 2011
Wellington

Statutory information

Declared interest rates for the year to 31 March 2011

Period	Cash	Cash/ Conservative	Conservative	Conservative/ Balanced	Balanced	Balanced/ Growth	Growth
2010							
April	0.12%	0.17%	0.22%	0.07%	-0.07%	-0.11%	-0.15%
May	0.10%	-0.52%	-1.14%	-1.98%	-2.82%	-3.29%	-3.75%
June	0.12%	-0.24%	-0.59%	-1.32%	-2.04%	-2.47%	-2.91%
July	0.13%	0.63%	1.12%	1.55%	1.98%	2.19%	2.40%
August	0.14%	0.25%	0.36%	0.17%	-0.02%	-0.15%	-0.28%
September	0.14%	0.78%	1.41%	2.12%	2.83%	3.14%	3.46%
October	0.15%	0.32%	0.49%	0.78%	1.08%	1.25%	1.41%
November	0.15%	–0.10%	-0.35%	-0.43%	-0.51%	-0.52%	-0.52%
December	0.17%	0.49%	0.80%	1.28%	1.75%	2.08%	2.40%
2011							
January	0.15%	0.42%	0.69%	0.91%	1.14%	1.30%	1.47%
February	0.16%	0.57%	0.98%	1.47%	1.96%	2.26%	2.56%
March	0.16%	0.17%	0.18%	0.21%	0.25%	0.25%	0.25%
Final Annual Rate	1.98%	3.33%	4.68%	5.34%	6.01%	6.40%	6.78%

Note that the March interim interest rate was adjusted following the preparation of the audited annual financial statements.
Please note past performance is not a guide to future performance.

Trust deed

No amendments have been made to the trust deed since the last annual report.

Prospectus

The registration date of the Scheme's most recent prospectus was 23 September 2011.

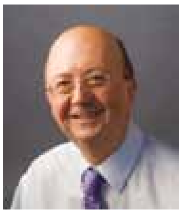
Summary of interim actuarial report as at 31 March 2011

An actuarial review was carried out as at 31 March 2011. The valuation assumptions were the same as those used for the triennial actuarial valuation as at 31 March 2009 which anticipated investment returns of 5.5% p.a.

The actuarial review reported a surplus and the Actuary recommended a transfer of $0.071m from the Non Allocated Fund to the Reserve Fund. The Trustee directors have adopted this recommendation and the Non Allocated account is in a balanced position as at 31 March 2011.

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 directors, 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.

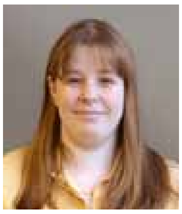


Derek can be contacted at:
Freephone: 0800 355 900
Telephone: (04) 819 2600
Facsimile: (04) 914 0434
P O Box 2897, Wellington

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) 819 2600
Facsimile: (04) 914 0434
P O Box 1849, Wellington

Judy Fletcher is responsible for the running of the Scheme in respect of pensioners.



Judy can be contacted at:
Freephone: 0508 473 674
Telephone: (09) 984 3500
Facsimile: (09) 353 1712
P O Box 1849, Wellington

Administrator

All correspondence should be addressed to:

Secretary
Dairy Industry Superannuation Scheme
C/- Mercer (N.Z.) Limited
P O Box 2897
Wellington 6140
Freephone: 0800 355 900
Telephone: (04) 819 2600
Facsimile: (04) 915 0434

Administers the Scheme on behalf of the Trustee directors.

Investment Managers

AMP Capital Investors (NZ) Limited

BlackRock Investment Management (Australia) Limited

Harbour Asset Management Limited*

BT Funds Management

OnePath (NZ) Limited**

Tower Asset Management Limited

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

*Harbour Asset Management (NZ) Limited replaced Brook Asset Management Limited during July 2010.

**ING (NZ) Limited changed its name to OnePath (NZ) Limited in November 2010.

Actuary

Mercer (N.Z.) Limited

Conducts actuarial reviews.

Auditor

KPMG

Audits the Scheme's financial statements.

Insurance Provider

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

Provides the cover for the insurance benefits.

Solicitors

Kensington Swan

Advises the Trustee directors on legal issues affecting the Scheme.

Investment Consultant

Mercer Investment Consulting

Assists the Trustee directors 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 employers, the Trustee directors and the Scheme's professional advisers. If you wish to check or amend your personal information, please contact the Scheme Secretary

Making a complaint

1. Call the Helpline to discuss your concerns.
2. Depending on the nature of your complaint, the Helpline will direct it either to the administration team or to the Secretary to the Trustee.

The Trustee directors have 40 days to respond to your complaint. If you are not satisfied by the response, you may refer the matter to FSCL by emailing info@fscl.org.nz or calling FSCL on 0800 347257.

Alternatively you may write to FSCL at:

Financial Services Complaints Limited
45 Johnston Street
P O Box 5967, Lambton Quay
Wellington 6145

Full details of how to access the FSCL scheme can be obtained on their website www.fscl.org.nz.

Looking for more information?

Internet access:
www.dairysuper.superfacts.co.nz

Member Helpline: 0800 355 900
(9.00am to 7.00pm on business days)