dairy industry
superannuation scheme

ANNUAL REPORT

For the year ended 31 March 2012

TWO MEMBERS TELL US WHAT SCHEME MEMBERSHIP MEANS FOR THEM

Joining a superannuation scheme may be something we do when we first start work. Then again, it may not become a priority until later in life. Although saving for your retirement from day one is ideal, it's still well worth joining even if you have left it quite a bit later.

We recently spoke to Keith Booth, who has just retired after nearly 40 years' membership and Malcolm O'Callahan, who joined the Scheme five years ago.

Keith's story shows how saving throughout your working life can improve your financial situation when you retire. However, as you can see from what Malcolm told us, it's never too late to join and make the most of the benefits on offer.

Malcolm O'Callahan

"the Scheme gives us huge peace of mind"

A dairy worker with five years' service and current Dairy Workers Union Site Delegate at the Goodman Fielder site in Christchurch, Malcolm is a big fan of the Scheme. He and his partner have seven children between them and Malcolm told us that "the Scheme gives us huge peace of mind that if anything happens to me, my family doesn't have to worry about financial problems. Along with my super, the death and disability insurance is a huge comfort. As Site Delegate I have been involved when a member has passed away and the family was hugely appreciative of the Scheme's financial assistance. For me personally, this is the first time in my working life where I've been able to have any savings of substance."

Keith Booth

Keith recently retired from his job as a tanker driver at Fonterra Te Awamutu after 36 years' service. He is now reaping the rewards of Scheme membership and says "joining the Scheme is the best thing I ever did – and I worry about those who don't join. I've seen workers who have been with the company nearly as long as I was and didn't get around to joining because they thought they couldn't afford it or didn't think they'd be there very long. Since I retired we've been able to buy a new car, renovate our home and maintain a pretty good standard of living. Best of all, we have been able to help out our children and spoil the grandchildren."

"joining the Scheme is the best thing I ever did"

On the cover:
Frances Webster, Site Union Delegate, Takanini
Keith and Judith Booth
Steve Kara, Site Delegate, Fonterra Whareroa

"we did have an unexpected windfall adding 1% to the interest rates"

CHAIRMAN'S REPORT

For the year ended 31 March 2012

At the risk of sounding like a cracked record, this year's report talks again about returns being held back by uncertainty in financial and investment markets. This uncertainty has been discussed in my last four reports, with this year being no different. The main focus continues to be on Europe, where the need to fix huge government debt and banking problems is coming up against the population's unwillingness to accept austerity programmes, and the rising popularity of more radical parties opposed to such austerity and reform policies.

This year the returns for members invested more heavily in shares and property have barely made it into positive territory. Share markets have been very fickle throughout the past 12 months – in favour one month and out the next. Fixed interest investments continued to do relatively well although there must be a limit to this and it cannot continue indefinitely. Many of the investment managers looking after our share portfolios have struggled to add value in this environment. We are watching them closely but these results do not necessarily mean they are poor managers. We must expect such periods to occur and be careful not to act too quickly.

The rather ordinary results were not helped by the current tax regime, where investors still pay tax on international shares even though the actual return is negative. However, we did have an unexpected windfall as a legislative change has allowed tax on the Scheme's insurance premiums (back to 2007) to be tax deductible. This added approximately 1% to the declared interest rates for the year.

Although it remains a difficult investment environment, such periods happen more frequently than sometimes imagined and it is important not to overreact. Predicting future investment returns (at least in the short term) is as hard as ever. However, what remains clear is the importance of continuing to make regular retirement savings through a scheme such as yours. That is the underlying theme for this year's report.

Over time, having a regular savings plan – in most cases boosted by your employer's contributions – has the best chance of meeting the end goal – a financially secure retirement.

We made an important change to the Scheme's investment mix in 2012 by adding investments in infrastructure (roads, airports etc) and natural resources (energy, agriculture, industrial metals etc). The change expands (or diversifies) the Scheme's growth investments. Diversification, or avoiding having 'all your eggs in one basket' is a central part of how we manage the Scheme's investment risk. More information on the new asset classes is available from the 'Documents & Forms' page of **www.dairysuper.superfacts.co.nz**.

As always, we continue to watch costs. However, we anticipate ongoing pressure from regulatory changes because there are a number of new pieces of legislation in the pipeline which will have to be dealt with. Overall though, we believe the costs of running the Scheme remain very reasonable for members.

The Scheme does not have any staff and uses outsource providers for all key services. We rely on these providers to meet your expectations and ensure the Scheme runs smoothly. One very important service is the maintenance of Scheme and member records, handling Scheme changes and dealing with member and employer queries. In this respect I believe Mercer continues to provide an excellent service for the Scheme and its members.

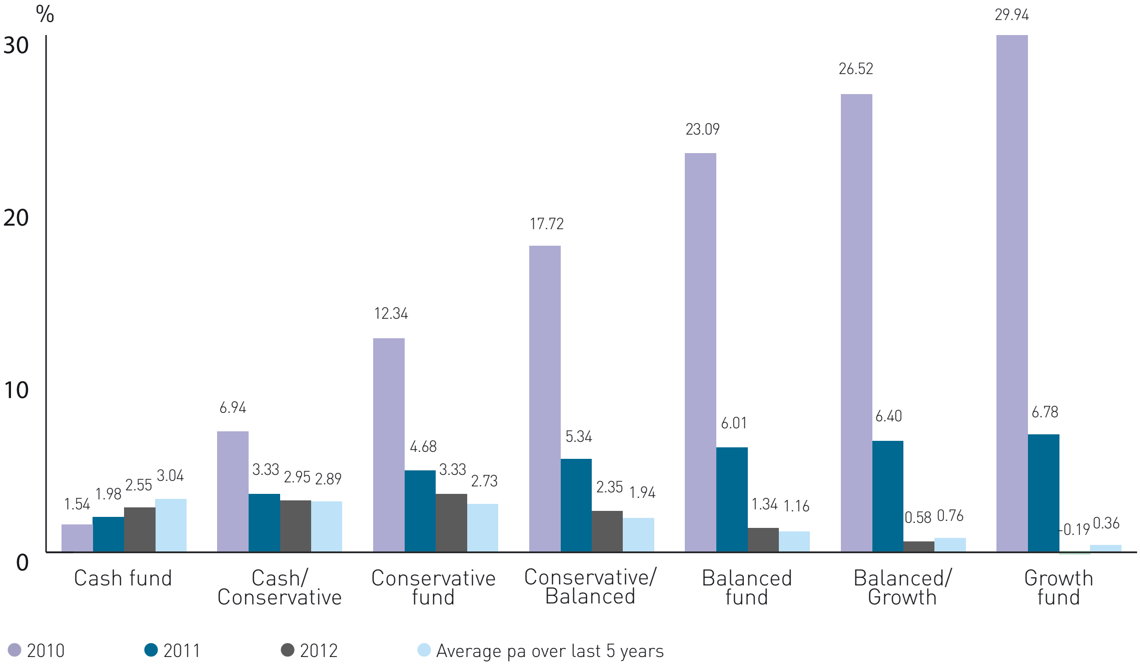
The Trustee group remains stable and committed to the Scheme's requirements. I thank my director colleagues for their efforts during the year.

Tim McGuinness
Chairman

CREDITED INTEREST RATES

Credited interest rates continue to reflect difficult investment markets. The chart below shows the credited interest rates for each of the last three years and the average annual rate for the last five years.

Credited interest rates



Taxation influences this year's credited rates

Two taxation factors influenced the credited interest rates this year. The tax on international shares had a negative impact as tax was paid on international share investments as if the return has been a positive 5%, even though actual returns were negative (this is expected to reverse when returns are positive). A positive factor was a one-off windfall tax credit received by the Scheme in respect of insurance premiums it paid from 2007 to 2012 following a change in legislation. This added approximately 1% to the declared rates for all the investment options.

The average annual rates over five years continue to reflect the negative returns of 2008 and 2009.

Edendale factory

Roller coaster ride for Scheme investments

The Scheme year to 31 March 2012 was something of a roller coaster ride for the Scheme's investments. All the same, returns from all asset classes were positive other than international shares, which posted a small negative return.

International shares had a tough 12 months, falling very sharply in the first six months, then gradually regaining some lost ground as investors became more confident about a resolution to Europe's debt problems and on signs that the US economy may be recovering. The New Zealand dollar increased this year by around 8% so any international investments that were not hedged lost this amount of value. Approximately 50% of the Scheme's international shares investments are currently unhedged.

Whats is hedging?
A tool used to lessen the effect of changes in the value of the New Zealand dollar versus foreign currencies.

Trans-Tasman shares posted a small positive return, going against the trend of global share markets, thanks to New Zealand shares which held up well. Australian shares had a more difficult time, with shares in mining and resource companies weaker later in the year, caught by fears of a slowdown in China, a strong Australian dollar and the softening local economy.

The more defensive nature of property stocks saw both international and trans-Tasman property provide better returns than the broader share market.

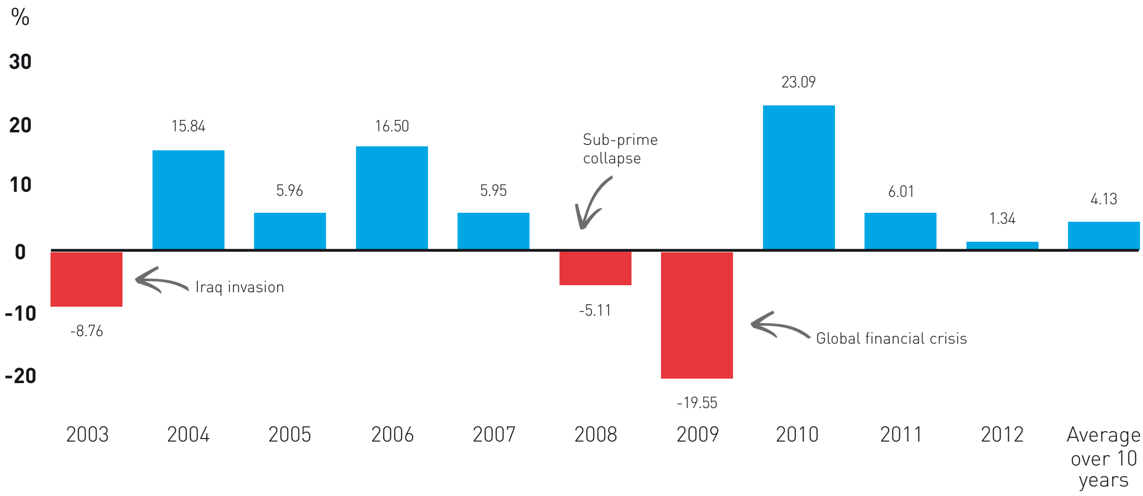
Investors' concerns about the European debt crisis resulted in strong demand for fixed interest investments, particularly for government stocks issued by the USA and Germany. Interest rates on some of these investments are at their lowest levels for many years, which limit their future potential.

Cash posted a moderate return as the pace of the economic recovery wasn't as strong as expected, allowing the Reserve Bank to leave its official cash rate unchanged at 2.5%.

Looking longer term

As your savings in the Scheme are long term, it is important to consider returns over longer periods. The following graph shows how events of the last 10 years – two market crashes and the global financial crisis – have affected the Balanced fund's returns.

Balanced fund – annual credited interest rates and average over 10 years



THE SCHEME'S INVESTMENT FUNDS

About your choices

The Scheme offers you a choice of seven investment options. You can choose one of the four main funds – Growth, Balanced, Conservative and Cash, or a combination of two adjacent funds (so Cash/Conservative, Conservative/Balanced and Balanced/Growth).

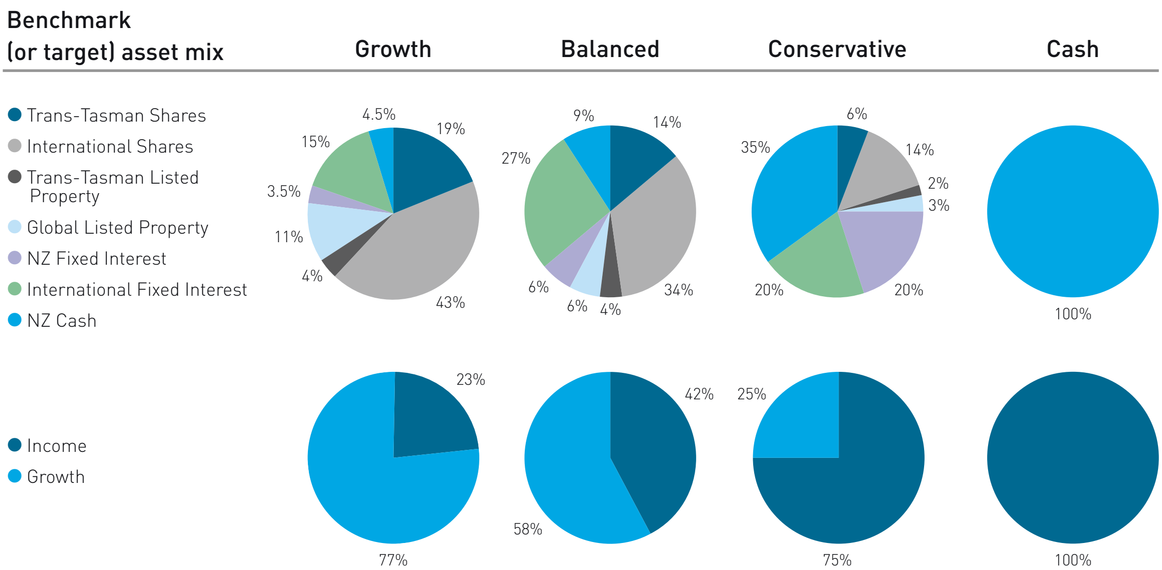
Each fund has a different mix of assets, depending on its expected long-term return. As the table below shows, the Growth fund, which is expected to achieve higher returns over time than the other funds, contains more in shares and property (growth assets) and less in fixed interest and cash (income assets). The trade-off for better longer-term returns is greater volatility and a higher level of investment risk. Funds that are expected to provide lower but more consistent returns with less investment risk hold more in income assets which tend to provide more consistent but lower longer-term returns than funds with a higher proportion of growth assets.

What does volatile mean?
Returns are described as volatile when they move up (and down) sharply.

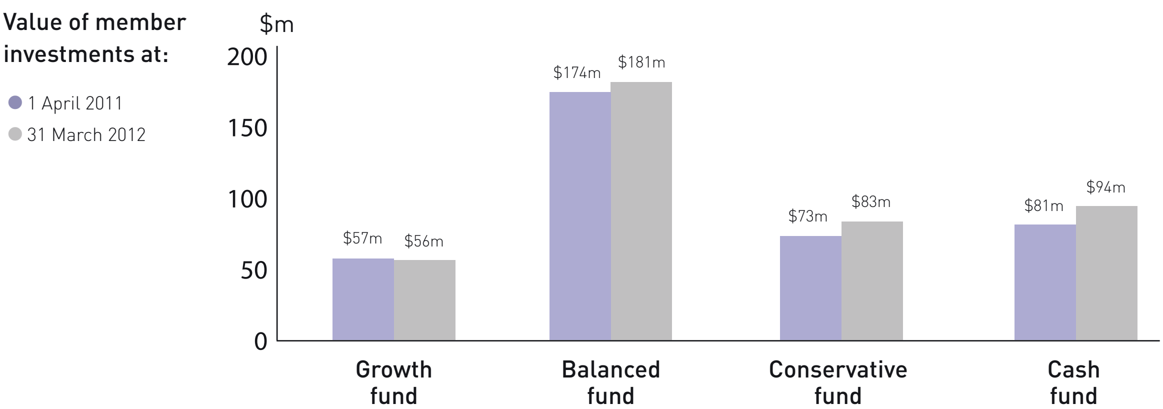
What is investment risk?
The likelihood of a fund earning a negative return, reducing the value of your savings in the Scheme.

Each fund has a different asset mix

The funds range from the lower risk/lower return Cash fund (which is invested solely in income assets) through to the higher risk/higher long-term return Growth fund (which is invested mostly in growth assets). The Trustee sets a benchmark (or target) asset mix for each fund.



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

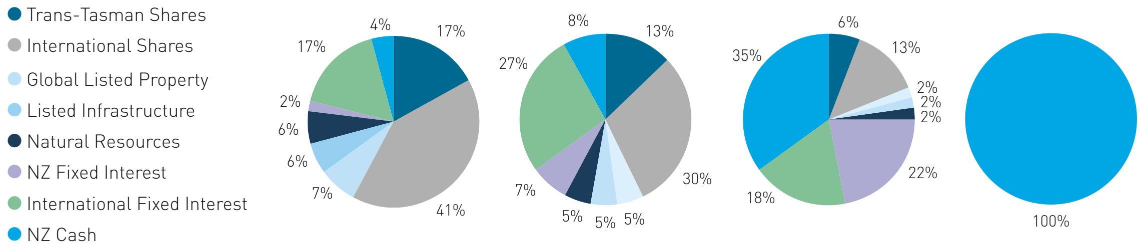


Changes to benchmark asset mixes

There were no changes to the funds' benchmark (or target) asset allocations during the Scheme year. However, as mentioned earlier in this report, to provide further diversification (and reduce risk), the assets invested in trans-Tasman property are to be moved to global listed infrastructure and natural resources. The Scheme continues to invest in global property.

The following table shows the benchmark asset allocations from June 2012. Note that the split between income and growth assets is unchanged.

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



Anthony Boynton, Dairy Worker, Hautapu

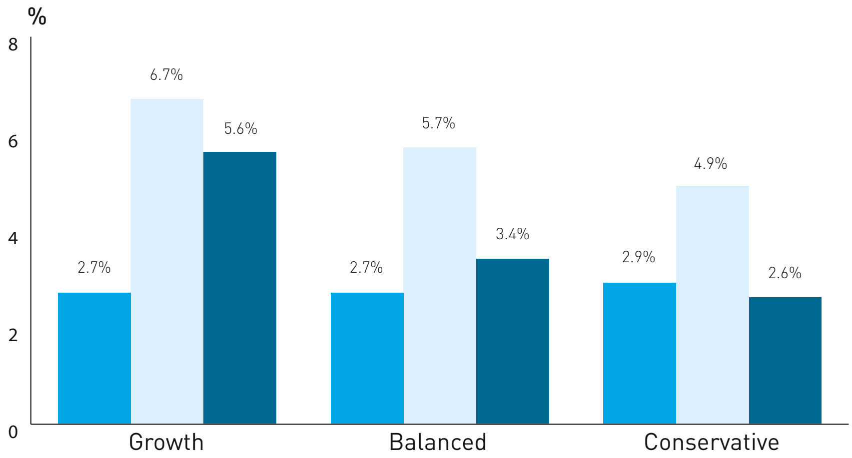
Investment objectives – a guide to likely long-term returns

We set objectives for each of the investment funds to provide members with a guide to the likely long-term return above inflation that a typical fund with a similar mix of investments could be expected to achieve. Remember this is a guide to what you might expect from each investment fund, not a set target.

The following chart shows the increase in inflation as measured by the Consumer Price Index (CPI), each investment fund's objective and the returns achieved, over different periods depending on the nature of the investment fund.

Increase in inflation, objective and actual average annual credited interest rates to 31 March 2012

- Average increase in CPI over period
- Objective
- Average annual return (after tax & expenses) over period



Long-term investment objective:	To exceed inflation (increase in CPI) by **4% pa** after tax and expenses over rolling **15 year** periods. (As the Growth fund only started in 2003, data is only available for nine years.)	To exceed inflation (increase in CPI) by **3% pa** after tax and expenses over rolling **10 year** periods.	To exceed inflation (increase in CPI) by **2% pa** after tax and expenses over rolling **five year** periods.

The investment funds' underperformance against their objectives reflects the difficult investment environment that has existed globally for the last 10 years. Refer to the chart on page 3 for the key events influencing investment markets.

The Scheme's Cash fund is generally expected to achieve a return close to the 90-day Bank Bill rate before tax and all expenses. For the year to 31 March 2012, the Cash fund earned 2.9% *after* tax and all expenses, compared to a 90-day Bank Bill rate *before* tax of 2.8%.

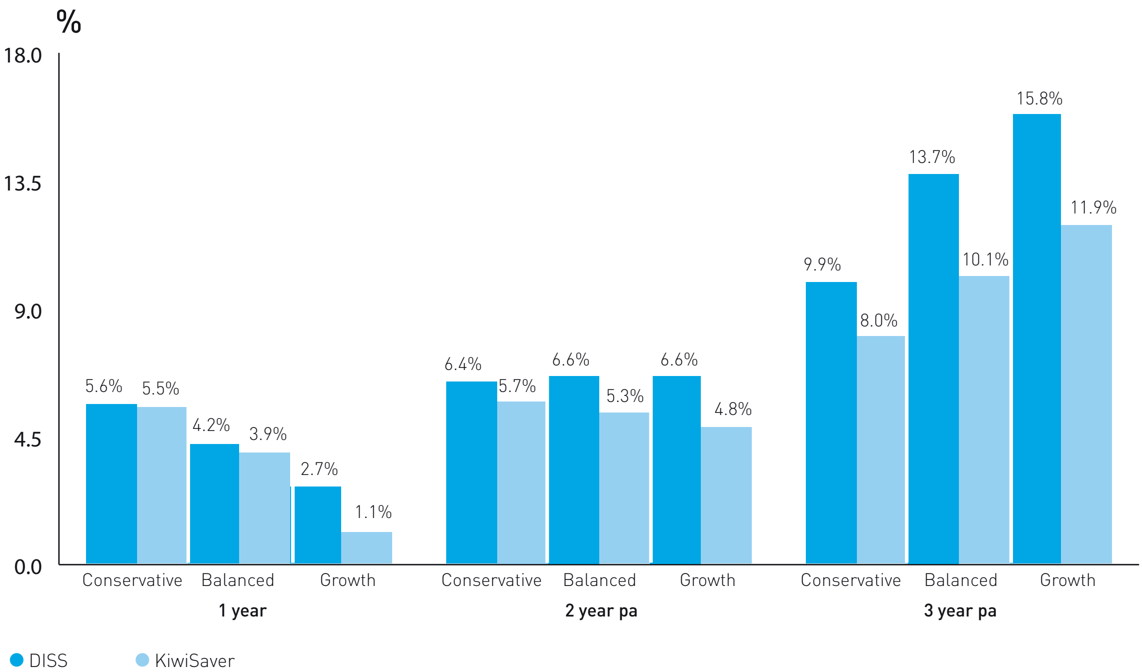
Fund returns compare well

We monitor the performance of each of the Scheme's investment funds to ensure returns remain competitive with (or ahead of) other similar funds.

The following graph compares each investment fund's performance with the median (middle) return of KiwiSaver schemes as surveyed by Mercer. The survey looks at investment returns before tax is deducted but after investment fees. As tax, administration expenses and insurance costs are not included in the survey, the returns below will be different from the credited interest rates detailed earlier in this report. The graph shows that all of the investment funds have outperformed the median KiwiSaver scheme over all three periods measured.

Did you know that a regular update on the Scheme's investment performance is available on www.dairysuper.superfacts.co.nz?

Returns (before tax and after investment fees) over 1, 2 and 3 years to 31 March 2012 for each investment fund v KiwiSaver median



Who manages your super?

The Scheme uses a range of managers to look after its investments. The managers employed by the Scheme at 31 March 2012 for each of the asset types are shown in the following table:

	$m
Trans-Tasman shares	
Harbour Asset Management Limited	28.7
OnePath (NZ) Limited*	12.6
International shares	
AMP Capital Investors (NZ) Limited	102.7
International listed property	
AMP Capital Investors (NZ) Limited	19.9
Trans-Tasman listed property**	
OnePath (NZ) Limited	11.6
Alternative assets	0.6
BT Funds Management (NZ) Limited***	
International fixed interest******	
BlackRock Investment Management Limited	2.6
Russell Investments (using Implemented Investment Solutions)	34.4
Tower Asset Management (using PIMCO)	38.9
New Zealand fixed interest	
AMP Capital Investors (NZ) Limited	13.4
OnePath (NZ) Limited	14.0
New Zealand cash	
AMP Capital Investors (NZ) Limited	69.2
OnePath (NZ) Limited	69.3
	$417.9

*During the year approximately half of the trans-Tasman shares previously managed by OnePath were transferred to Harbour. The Harbour fund is less aggressive and therefore is expected to provide more consistent returns.

**It is intended that the Scheme's investments in trans-Tasman listed property will be moved to a mix of global listed infrastructure and natural resource assets in the real assets portfolio of the Mercer Super Investment Trust.

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

****Russell Investments has been appointed to manage the Scheme's investments in international fixed interest in place of Tower Asset Management and BlackRock. BlackRock ceased to manage assets on the Scheme's behalf from 14 May 2012 and Tower Asset Management from 25 May 2012.

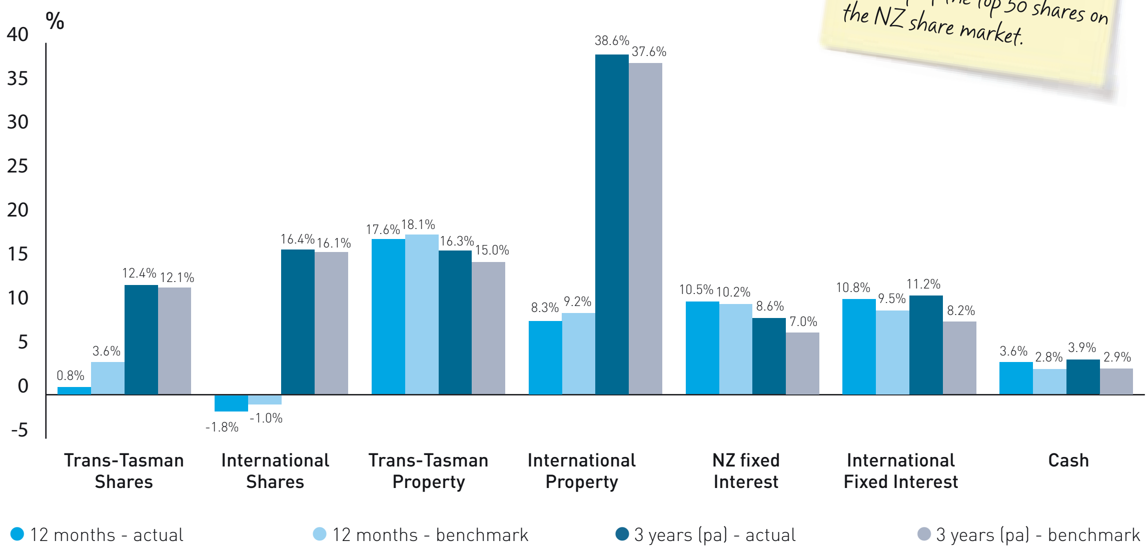
Asset classes produce mixed results

To measure the performance of the Scheme's managers, we compare the performance (before investment fees, Scheme expenses and income tax) of each of the Scheme's asset classes against the appropriate index for that asset class.

What is an index?

An index is used to measure how an asset class is doing. For example, returns from the Scheme's investments in trans-Tasman shares are measured against the NZX 50 which is made up of the top 50 shares on the NZ share market.

Actual returns vs index for each asset type over one year and three years (pa) to 31 March 2012 (before tax and expenses)



The chart shows that all "growth" type asset classes underperformed their various indices over the past year but outperformed over the last three years. Our "income" type managers handling fixed interest and cash investments comfortably outperformed over both one and three-year periods.

We expect there to be times when some managers find it difficult to add value and we see this year as being one of those. For example, the trans-Tasman shares underperformance is largely because one of the managers of this asset class holds significant investments in Australian shares, while the index is the New Zealand share market's top 50 share holdings (NZX 50). Over the past year, the NZX 50 returned +3.6%. The Australian share market (S&P ASX 200) had a difficult year, returning -6.1%.

One year is generally too short a period to judge a manager's skill and so the Trustee focuses more on the longer-term results.

KEEPING AN EYE ON COSTS AND EXPENSES

We regularly monitor the Scheme's costs and expenses to ensure that they are reasonable and competitive compared to most other savings options.

Scheme fees and expenses fall into three main areas:

- Fees and costs related to **investing** the Scheme's assets
- Expenses of **operating and administering** the Scheme
- **Insurance** premiums for the Scheme's life and permanent incapacity insurance cover

Investment fees and expenses

Total investment fees and expenses paid by the Scheme this year (including those paid to its consultant) amounted to $1.25m compared to $1.34m the year before. Investment fees are charged on the amount of money being managed, so if the Scheme is growing in size, total costs increase. The key measure is the cost for each dollar invested. On this basis, total investment costs in the past year represented 0.29% of average assets over the year compared with 0.37% the year before.

The fee for each investment fund varies, depending on the asset mix. Managers who invest growth type assets such as shares, typically charge higher fees than those looking after income type assets (fixed interest and cash). This means that if you invest in the Conservative fund, for example, the 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 (%pa)
Cash	0.14%
Conservative	0.38%
Balanced	0.61%
Growth	0.72%

We 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 administration of member and general Scheme records; maintaining securities law requirements such as prospectuses; member reporting and communications; audit; legal, tax and actuarial advice, 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 this year compared to the year before is given in the following table:

Expense type	2011/2012	2010/11
	($000s)	($000s)
Administration and secretarial services	389	374
Member communications	64	77
Legal, tax and actuarial consulting	88	82
Audit	36	34
Trustee directors fees and related costs	128	118
Other expenses	9	23
Total "operating" costs (before tax) excluding investment costs	**714**	**708**
Total operating costs as % of funds managed	0.18% (0.13% after tax)	0.23% (0.16% after tax)
Total operating cost per member	$111 ($79 after tax)	$113 ($80 after tax)

As can be seen from the table, the total operating costs of the Scheme as a percentage of assets managed has reduced slightly over the year. However, while costs associated with legislation changes and compliance have been stable over the last two years, regulatory change relating to anti-money laundering legislation and documentation and system changes are expected to add to these costs over the 2012/2013 year.

We continue to maintain a close watch on these expenses. However, we believe they are very reasonable overall considering the size of your Scheme with some 6,400 members and $418 million in assets.

Insurance premiums

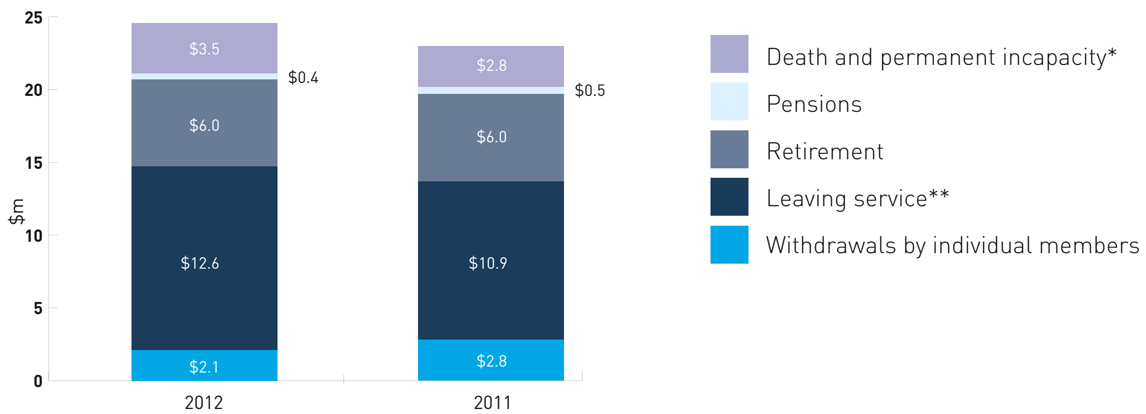
The Scheme pays insurance premiums for members' death and permanent incapacity cover. Premiums paid for the year to 31 March 2012 totalled $3.6 million covering 5,916 members. This compares to the previous Scheme year when premiums totalled $3.2 million covering 5,655 members.

SCHEME NEWS

Scheme pays $24.6 million in benefits

The chart below shows a breakdown of the different benefits paid from the Scheme over each of the last two years. This year benefits paid to members totalled $24.6m (2011: $23.0m).

Benefits paid during the year



*includes insured benefits.
**includes redundancies and transfers out.

Stopping contributions affects your insurance

It is very important that you understand the impact on your insurance cover if you stop contributing to the Scheme.

If you stop contributing to the Scheme, your cover for the Scheme's insured benefits ceases immediately.

If you restart your contributions, your insurance cover will automatically restart provided:

- you previously held cover; and
- you start contributing again *within 18 months* of the date you stopped.

If you stop contributing for more than 18 months, you will be required to complete a personal statement and be assessed by AXA before your cover can restart. Your cover will then be subject to any restrictions imposed by AXA.

Tax on employer contributions has changed

Two changes affecting the tax deducted from your employer's contributions came into effect from 1 April 2012.

Tax rate changes

From now on you may start to notice a small increase in the amount of employer contributions paid into the unlocked section of your Employer Account.

This is because Employer Superannuation Contribution Tax (ESCT) must now be deducted from all employer contributions at a rate similar to your marginal (or top) tax rate, as shown in the following table. (Previously your employer could choose to deduct tax at a flat rate of 33%.)

Income and employer contributions in previous tax year*	ESCT deducted from employer contributions to the Fund (%)
$0 - $16,800	10.5
$16,801 - $57,600	17.5
$57,601 - $84,000	30
$84,001 and over	33

*or your employer's estimate of this amount if you were not employed for the previous tax year

Tax exemption removed

If you are making locked in contributions, you will start to notice a small reduction in the amount of employer contributions paid into your locked in account.

This reflects the removal of the tax exemption on employer contributions to KiwiSaver schemes and locked in accounts in complying superannuation funds such as the Scheme. Like contributions to other superannuation schemes, these employer contributions must now be taxed at the rates shown in the above table.

Minimum contribution rates set to increase

From 1 April 2013, the minimum member and employer contributions to KiwiSaver schemes and locked in accounts in complying superannuation funds such as the Scheme will both increase from 2% to 3% of salary.

If you are making locked in contributions this may mean that you will need to increase your contribution rate and/or that all your contributions to the Scheme will be paid into your locked in accounts and cannot be accessed until you reach age 65. You will receive more information about the changes closer to the time.

STATUTORY MANAGEMENT

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

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 17 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
I joined the Board in March 2011 as an employer-elected director. Wellington based, I'm widely experienced in the workplace retirement savings area, being the Executive Director of Workplace Savings NZ (an industry membership organisation representing employers, trustees and members of workplace savings schemes, as well as KiwiSaver and industry service providers) and also as a trustee of three other employer-sponsored super schemes. Outside work I enjoy playing golf, running and sharing fine wine with friends.

Debra Marshall
I have been an employer-elected member of the Board since August 2007. My contribution to the Board stems from my role as Rewards Manager New Zealand in Fonterra Group Human Resources. Based in Auckland, I have an extensive knowledge of employee benefits and superannuation in particular. Away from work I enjoy spending time with my young family.

Tim McGuinness (Chairman)
I have been on the Trustee Board since 2007 and combine my role as Chairman with the trusteeship of a number of other significant superannuation schemes, including the Police Superannuation Scheme and the Fire Service Superannuation Scheme. I bring a broad knowledge and understanding of investment, financial and superannuation matters to the Board. Outdoor and sporting pursuits including golf, tramping and sea-kayaking are a feature of my non-work time.

David Scott
I was elected as an employer-elected director of the Trustee Board in 2003. Prior to that I was a trustee of the NZ Dairy Group Superannuation Plan for a number of years, initially as a member-elected representative and later as a company representative. In my Regional Product Mix Manager role with Fonterra, I have regular contact with a wide range of corporate, transport and manufacturing staff.

Outside work I still enjoy playing football and softball and the occasional game of golf.

Andy Williams
I have represented the Dairy Division, NZ Institute of Food Science and Technology (which covers a wide range of food industries) on the Board since 2006. I was elected by the NZ Institute of Food Science and Technology to represent the views of their members and other people in similar positions. I am employed by Fonterra as a Product Manager. In my spare time I enjoy masters rowing and watching rugby.

Patrice Wynen
I am General Manager, Fonterra Business Services in Hamilton. A qualified chartered accountant, I have over 18 years' experience in finance and management roles within the Dairy Industry and bring strong financial management skills to the Board. I am married with two children and also chair my children's school Board of Trustees.

There have been no changes to the Trustee directors since the date of the last annual report.

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 2012 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

Additional complying superannuation fund disclosures

As at 31 March 2012:

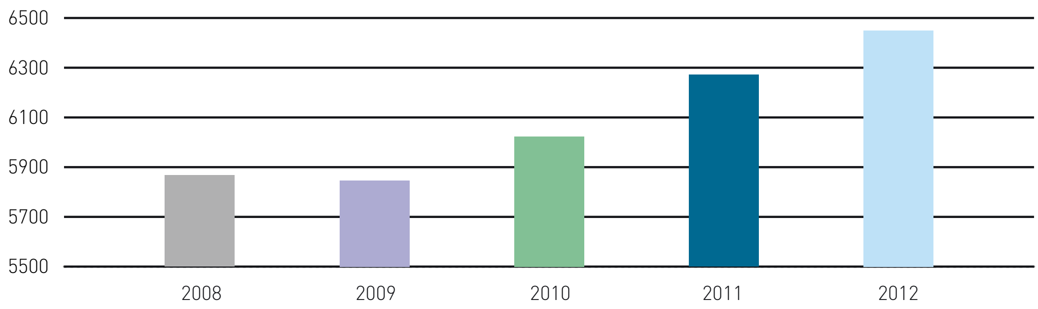
- The market value of the Scheme's assets subject to complying fund rules is $3,909,151 relating to 341 members.
- The value of withdrawals subject to complying fund rules totals $61,486.

Membership

	Employee members	Individual members	Preserved members	Pensioners	Total
At 1 April 2011	**5,916**	**84**	**184**	**88**	**6,272**
New members	514	17	1	1	533
Transfers in	4	-	-	-	4
Transfer out	(1)	-	-	-	(1)
Resignations	(252)	-	-	-	(252)
Withdrawals	-	(13)	(14)	-	(27)
Retirements	(70)	-	-	-	(70)
Redundancies	(10)	-	-	-	(10)
Deaths	(11)	-	-	(9)	(20)
Disablements	(1)	-	-	-	(1)
At 31 March 2012	**6,089**	**88**	**171**	**80**	**6,428**

Total membership increased by 156 over the year. The following graph shows the change in Scheme membership over the past five years.

Changes in Scheme membership over the last five years



Deaths

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

The following members died during the Scheme year:
BS Bertie (Fonterra)*, CL Chapman (Alto Packaging), DE Clince (Fonterra), NG Moffatt (Fonterra), BK Mouatt (Fonterra)*, RJ Payne (Goodman Fielder), KJ Stang (Fonterra), PC Sturgeon (Fonterra), WE Tupp (Fonterra). EL Walker (Fonterra)

*Died in previous Scheme year but not shown in the 2010/2011 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:
H Baas, JR Brumby, J McCosgrove, JE Gadd, G Komene

Clandeboye dairy factory, Temuka

Dairy Industry Superannuation Scheme

Summary financial statements for the year ended 31 March 2012

2011 $		2012 $	
	Statement of Changes in Net Assets		Summarises the Scheme's income and expenses during the year
	Investment Activities		
27,196,443	Net Investment Income	14,747,283	Investment earnings less the investment managers' fees
2,032,878	Group Life Claims	2,272,509	Payments from the insurer
-	Use of Money Interest	250,571	Interest reimbursed by Inland Revenue
29,229,321	**Net Income**	17,270,363	
	Less		
	Other Expenses		
531,698	Administration and Consulting Fees	576,387	Costs of running the Scheme
34,216	Auditor's Remuneration – Audit Fees	36,139	
15,959	Auditor's Remuneration – Taxation Services	21,787	
3,256,139	Group Life Premiums	3,554,081	
121,624	Other Expenses	108,226	
134,861	Trustee Remuneration	133,720	
4,094,497	**Total Other Expenses**	4,430,340	
25,134,824	**Change in Net Assets before Taxation and Membership Activities**	12,840,023	Investment income less expenses
5,050,537	Income Tax Expense	3,071,816	
20,084,287	**Change in Net Assets after Taxation and before Membership Activities**	9,768,207	Investment income less tax and expenses
	Membership Activities		
21,739,465	Member Contributions	23,522,628	
880,947	Voluntary Member Contributions	903,980	
21,720,446	Employer Contributions	24,000,407	
663,186	Transfers in from Other Schemes	132,330	
23,010,328	*Less* Benefits Paid	24,631,552	
21,993,716	**Net Membership Activities**	23,927,793	Contributions paid into the Scheme less benefits paid
42,078,003	**Net Increase in Net Assets During the Year**	33,696,000	Investment income less tax and expenses plus net membership activities

2011 $		2012 $	
	Statement of Net Assets		Summarises what the Scheme owns and what it owes
	Assets		
384,244,046	Financial Assets – Fair Value Through Profit or Loss	417,929,504	The Scheme's assets held with the investment managers
358,301	Cash at Bank	718,783	
385,568	Income Tax Receivable	-	
-	Prepayments	10,503	
-	Sundry Debtors	619	
-	Deferred Tax Asset	71,460	
384,987,915	**Total Assets**	418,730,869	
	Less		
	Current Liabilities		Liabilities are amounts owed to others
933	Contributions Refundable	-	
136,567	Benefits Payable	199,215	
156,488	Sundry Creditors	141,718	
293,988	**Total Liabilities**	340,933	
384,693,927	**Net Assets Available for Benefits**	418,389,936	Total assets less current liabilities
378,786,434	**Vested Benefits***	406,470,264	Benefits payable had all members left the Scheme at balance date
	Statement of Cash Flows		Summarises cash flows through the Scheme during the year
18,641,016	Net Cash Flows from Operating Activities	25,607,877	Contributions less benefit payments and operating expenses
(19,075,098)	Net Cash Flows from Investing Activities	(25,247,395)	
(434,082)	Net (Decrease)/Increase in Cash Held	360,482	Total cash flow
792,383	Cash at Beginning of Year	358,301	Plus cash held at beginning of year
358,301	**Cash at End of Year**	718,783	

*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.

Notes to the summary financial statements

A summary of the Scheme's audited financial statements for the year ended 31 March 2012 which were authorised for issue by the Trustee on 26 June 2012 is shown on pages 16 and 17 of this annual report. The summary financial statements have been extracted from the full audited financial statements dated 31 March 2012 which were authorised for issue on 26 June 2012. 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 statements 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

To the members of Dairy Industry Superannuation Scheme

The accompanying summary financial statements on pages 16 and 17, which comprise the summary statement of net assets as at 31 March 2012 and the summary of changes in net assets and changes in cash flows for the year then ended, and related notes on page 17 are derived from the audited financial statements of Dairy Industry Superannuation Scheme (''the superannuation scheme'') for the year ended 31 March 2012.

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. The matter has 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 2012, 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

26 June 2012

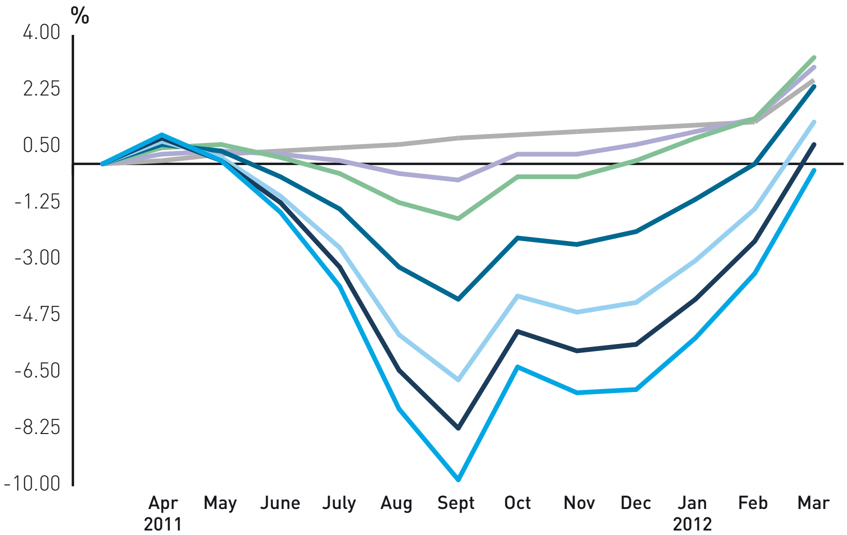
Wellington

STATUTORY INFORMATION

Declared interest rates for the year to 31 March 2012

Cumulative monthly interest rates (after tax and expenses) for 2011/2012 Scheme year

- Growth -0.19%
- Balanced/Growth 0.58%
- Balanced 1.34%
- Conservative/Balanced 2.35%
- Conservative 3.33%
- Cash/Conservative 2.95%
- Cash 2.55%



Note that the March declared interest rate includes an adjustment for tax rebates on group life premiums and was adjusted following the preparation of the audited financial statements.

Past performance is not a guide to future performance.

Trust Deed

No amendments were made to the Trust Deed during the Scheme year. However, with effect from 22 May 2012 the Trust Deed was amended to permit members of the Scheme to resume contributions after any period of not contributing, rather than only within 18 months as previously permitted.

Prospectus

The registration date of the Scheme's most recent prospectus was 23 September 2011 (as amended by instruments of amendment dated 7 March 2012 and 18 May 2012).

Summary of interim actuarial report as at 31 March 2012

An interim actuarial valuation was carried out as at 31 March 2012. The valuation assumptions were the same as those used for the 2009 actuarial valuation which anticipated investment returns of 5.5% pa.

The actuarial review report revealed a deficit and the Actuary recommended a transfer of $0.164 million from the Reserve Fund to the Non Allocated Fund. The Trustee has adopted this recommendation and the Non Allocated Fund is in a balanced position as at 31 March 2012.

The triennial actuarial valuation as at 31 March 2012 is currently being prepared and will be summarised in next year's annual report.

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) 819 2600

Facsimile: (04) 914 0434

P O Box 2897, Wellington 6140

Judy Fletcher continues to be responsible for the running of the Scheme in respect of pensioners.

Judy can be contacted at:

Freephone: 0508 473 674

Telephone: 09 928 3200

Facsimile: 09 928 3201

P O Box 1849, Wellington 6140

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 6140

Introducing Peter Alsop

If you have a query about the Scheme or your membership, the chances are that you will speak to Peter Alsop. Peter is an extremely experienced superannuation administrator, having worked in superannuation for most of his working life, interspersed with extensive overseas travel.

Peter's responsibilities include the administration of the Fonterra Superannuation Scheme as well as your Scheme. He particularly enjoys the demands of working for a major client. Outside work, he plays lawn bowls and is the secretary for the Silverstream Bowling Club.

DIRECTORY

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.

Investment Managers

AMP Capital Investors (NZ) Limited

BlackRock Investment Management (Australia) Limited*

BT Funds Management

Harbour Asset Management Limited

OnePath (NZ) Limited**

Russell Investments*

Tower Asset Management Limited*

*Following the end of the Scheme year, international fixed interest investments managed by BlackRock Investment Management (Australia) Limited (BlackRock) and Tower Asset Management Limited (Tower) have been fully transferred to Russell Investments. As a result, BlackRock and Tower have ceased to manage assets on the Scheme's behalf.

**The Scheme's investments in trans-Tasman listed property managed by OnePath (NZ) Limited are in the process of being replaced by investments in listed infrastructure and natural resource assets, to be managed by Mercer Investment Nominees (NZ) 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.

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 on legal issues affecting the Scheme.

Investment Consultant

Mercer Investment Consulting

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

Making a complaint

If you have a complaint about the Scheme:

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 has 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 347 257.

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)

2012 SCHEME YEAR AT A GLANCE

TOTAL MEMBERSHIP
6,428

GROWTH IN SCHEME'S NET ASSETS
$33.7m

MEMBER AND EMPLOYER CONTRIBUTIONS
$48.4m

$24.6m
BENEFITS PAID

NET ASSETS AVAILABLE TO PAY BENEFITS
$418.4m

CALLS TO THE HELPLINE
2,565

537
NEW MEMBERS

WWW.DAIRYSUPER.SUPERFACTS.CO.NZ
WEBSITE VISITS
36,000