DAIRY INDUSTRY SUPERANNUATION SCHEME

FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

DAIRY INDUSTRY SUPERANNUATION SCHEME

FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

INDEX

Audit Report	Pages 1 & 2
Statement of Net Assets	Page 3
Statement of Changes in Net Assets	Pages 4 & 5
Statement of Cash Flows	Page 6
Notes to the Financial Statements	Pages 7 to 17

Independent Auditor's Report

To the members of Dairy Industry Superannuation Scheme

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Dairy Industry Superannuation Scheme (the scheme) on pages 3 to 17:

i. present fairly in all material respects the scheme's net assets as at 31 March 2018 and its changes in net assets and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

— the statement of net assets as at 31 March 2018;

— the statements of changes in net assets and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the scheme in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the scheme in relation to taxation compliance and assurance services. These matters have not impaired our independence as auditor of the scheme. The firm has no other relationship with, or interest in, the scheme.

Use of this independent auditor's report

This independent auditor's report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Trustee for the financial statements

The Trustee, on behalf of the scheme, is responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Ed Louden.

For and on behalf of

KPMG

KPMG
Wellington

13 June 2018

DAIRY INDUSTRY SUPERANNUATION SCHEME

Statement of Net Assets
As at 31 March 2018

	Note	2018	2017
		$	$
ASSETS			
Cash at Bank		2,416,198	2,061,765
Investments	6	745,478,679	695,994,175
Prepayments		3,261,650	3,285,650
Sundry Debtors		524,409	17,723
Current Tax		-	350,609
Deferred Tax	8	173,398	158,656
Total Assets		751,854,334	701,868,578
LIABILITIES			
Contributions Refundable		-	2,695
Benefits Payable		2,796,432	718,205
Sundry Creditors		183,172	138,490
Total Liabilities		2,979,604	859,390
NET ASSETS AVAILABLE FOR BENEFITS		748,874,730	701,009,188
Represented By:	3 & 4		
Members' Allocated Accounts		746,920,063	698,910,722
Non Allocated Account		1,396,190	1,498,889
Reserve Account		558,477	599,577
LIABILITY FOR PROMISED BENEFITS		748,874,730	701,009,188

For and on behalf of the Trustee, who authorised the issue of these financial statements.

Trustee ______________________ Date 13 June 2018

Trustee ______________________ Date 13 June 2018

DAIRY INDUSTRY SUPERANNUATION SCHEME

Statement of Changes in Net Assets
For the Year Ended 31 March 2018

	Note	2018	2017
		$	**$**
INVESTMENT ACTIVITIES			
Investment Income			
Gains on Investments	7	44,789,622	46,027,319
Distribution Income		7,621,610	6,812,129
Sundry Investment Income		5,292	6,013
Interest		39,398	55,386
		52,455,922	52,900,847
Investment Expenses			
Investment Management Fees		(3,077,824)	(2,790,636)
Net Investment Income		49,378,098	50,110,211
OTHER INCOME			
Group Life Claims		3,636,858	1,660,046
		3,636,858	1,660,046
OTHER EXPENSES			
Administration and Consulting Fees		844,756	771,228
Auditor's Remuneration - Financial Statement Audit		34,747	32,545
Auditor's Remuneration - Prospectus, Trustee Reporting & Registry Audit		22,587	8,970
Auditor's Remuneration - Taxation Compliance Services		16,733	12,293
Group Life Premiums		3,620,507	3,697,821
FMA Levy		56,197	60,061
Other Expenses		207,341	243,525
Trustee Remuneration		213,053	223,684
Total Other Expenses		5,015,921	5,050,127
Change in Net Assets before Taxation and Membership Activities		47,999,035	46,720,130
Income Tax Expense	8	4,642,961	5,679,781
Change in Net Assets after Taxation and before Membership Activities (Carried forward)		43,356,074	41,040,349

DAIRY INDUSTRY SUPERANNUATION SCHEME

Statement of Changes in Net Assets (cont'd)
For the Year Ended 31 March 2018

	Note	2018	2017
		$	$
Change in Net Assets after Taxation and before Membership Activities (Brought forward)		43,356,074	41,040,349
MEMBERSHIP ACTIVITIES			
Contributions			
Member Contributions		32,127,853	30,340,544
Voluntary Member Contributions		1,393,105	1,181,831
Member Tax Credits		222,438	225,454
Employer Contributions		29,785,833	28,543,670
Transfers in from Other Schemes		39,369	103,942
Total Contributions		63,568,598	60,395,441
Benefits Paid			
Retirement		21,994,528	16,221,798
Withdrawals		22,747,213	15,981,054
Retrenchment		760,433	1,745,946
Death, Permanent Incapacity and Ill Health		5,151,720	2,738,398
Transfers Out to Other Schemes		82,623	101,247
Pensions		240,108	264,527
Personal Scheme Withdrawals		8,082,505	7,777,785
Total Benefits Paid		59,059,130	44,830,755
Net Membership Activities		4,509,468	15,564,686
Net Increase in Net Assets During Year		47,865,542	56,605,035
Net Assets Available for Benefits at Beginning of Year		701,009,188	644,404,153
Net Assets Available for Benefits at End of Year		748,874,730	701,009,188

DAIRY INDUSTRY SUPERANNUATION SCHEME

Statement of Cash Flows
For the Year Ended 31 March 2018

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		$	$
Cash provided from			
Interest		39,398	55,386
Group Life Claims		3,121,374	1,660,046
Member Contributions		33,740,517	31,750,586
Employer Contributions		29,786,018	28,543,485
Transfers in from Other Schemes		39,369	103,942
Other Income		5,292	5,684
PIE Tax Refund		-	-
Income Tax Refund		350,609	-
		67,082,577	62,119,129
Cash applied to			
Benefits Paid		56,980,903	44,465,238
Other Expenses		1,350,734	1,370,398
Group Life Premiums		3,596,507	3,782,821
Income Tax Paid		-	107,806
		61,928,144	49,726,263
Net Cash Flows from Operating Activities	9	5,154,433	12,392,866
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash provided from			
Sale of Investments		2,600,000	1,500,000
Cash applied to			
Purchase of Investments		7,400,000	14,150,000
Net Cash Flows from Investing Activities		(4,800,000)	(12,650,000)
Net Increase/(Decrease) in Cash Held		354,433	(257,134)
Cash at Beginning of Year		2,061,765	2,318,899
Cash at End of Year		2,416,198	2,061,765

Notes to the Financial Statements
For the Year Ended 31 March 2018

1. Scheme Description

Dairy Industry Superannuation Scheme (the "Scheme") is a defined benefit workplace savings restricted superannuation scheme registered as a Workplace Savings Scheme under the Financial Markets Conduct Act 2013. It has a defined contribution category of membership, as well as a defined benefit category of membership which is closed to new members. The Scheme covers employees of dairy and allied industry companies. Under the Trust Deed, contributions are made by the Scheme members and by the Companies.

Registered Office: Mercer (N.Z.) Limited, P O Box 1849, Wellington 6011

Funding Arrangements

Employee members contributed to the Scheme during the year at rates between 2% and 6% of their gross salary (2017: 2% and 6%). The employers contributed at 1.5 x employee member contributions at rates between 3% and 9% (before withholding tax) of employee member gross salary (2017: 3% and 9%). A new category of elective member was introduced during the 2002 year for salaried staff employed on a total remuneration basis. For elective members, the amount contributed by members is specified by them and the employers contribution is by mutual agreement.

The Scheme is registered as a complying fund under the Financial Markets Authority. Employees opting to make locked in contributions to the Scheme under complying superannuation fund rules contributed 3% of their gross salary (2017: 3%). These members may be eligible for Member Tax Credits of up to $521 under complying fund rules. The employers contributed 3% (2017: 3%) to employee members locked in accounts.

Member employees may choose to make additional voluntary contributions as a percentage of their gross salary.

These funding arrangements are consistent with those of the prior period.

The Trust Deed requires the Trustees to consider the findings of the Actuarial report, and ensure any deficit and future service benefits are appropriately funded.

Retirement Benefits

The retirement benefits are determined by contributions to the Scheme together with investment earnings on those contributions over the period of membership.

Termination Terms

The Trust Deed sets out the basis on which the Scheme can be terminated.

Changes in the Scheme

The Trust Deed was amended on 27 September 2017 and the key changes made to the Deed were:

- adjusting the terms of the first home withdrawal to allow Employee Members to apply to make a first home withdrawal from their Member's Accounts, Employer's No 1 Accounts and Employer's No 2 Accounts, in addition to their Locked In Accounts;
- offer individual members greater flexibility in making withdrawals from their Member's Account; and
- make a number of minor changes the Trustee considers necessary.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with the requirements of the Financial Markets Conduct Act (FMCA) 2013 and other relevant legislative requirements as appropriate for For-profit entities. The Scheme fully transitioned to FMCA on 15 September 2016.

The Scheme is a Tier 1 entity and, as such, the financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), other applicable Financial Reporting Standards and authoritative notices as appropriate for For-profit entities. These financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Scheme comprises four main investment choices, Growth, Balance, Conservative and Cash, with combinations of two adjacent investment choices (Cash/Conservative, Conservative/Balanced and Balanced/Growth) allowed. The financial statements have been prepared at the Scheme level as investment assets are not held in separate funds per investment choice and the liabilities of each individual investment choice are met using unitised investment assets across a variety of investment types.

2. Basis of Preparation (Cont'd)

Measurement Base

The measurement base adopted is that of historical cost modified by the revaluation of investments which are measured at fair values at balance date.

Presentation Currency

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Scheme operates.

Classification of Assets and Liabilities

The Scheme's assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity. The Scheme's assets and liabilities in the Statement of Net Assets are expected to be recovered or settled no more than twelve months after the balance date, except for deferred tax and the financial assets held to meet the liability for promised retirement benefits. The liabilities for promised retirement benefits are mostly expected to be settled more then twelve months after the reporting date.

3. Summary of Significant Accounting Policies

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

Investment Income

Interest and dividends from managed investments are taken to income on a due and receivable basis.

Net realised and unrealised gains and losses are recognised in the Statement of Changes in Net Assets in the period in which they occur.

Other Income and Expenses

Other income and expenses are accounted for on an accruals basis.

Taxation

Income tax expense in the Statement of Changes in Net Assets comprises of current and deferred tax. The tax currently payable/receivable is based on taxable income for the year. Taxable income and loss differs from the Change in Net Assets before tax and membership activities as reported in the Statement of Changes in Net Assets because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Scheme's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised using tax rates enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the Statement of Changes in Net Assets.

The Scheme invests in a number of funds which are Portfolio Investment Entities ('PIEs'). For these investments, the Scheme can elect to apply a Prescribed Investor Rate ('PIR') of either 0% or 28% (2017: 0% or 28%).

Gains and losses on investments with a PIR of 0% are taxable directly within the Scheme and those with a PIR of 28% are taxable within the investment.

3. Summary of Significant Accounting Policies (Cont'd)

Taxation (Cont'd)

Gains and losses on investments with an elected PIR of 28% are taxable within the investment. The resultant tax expense/credit has been reflected as tax expense/credit on the face of the Statement of Changes in Net Assets, with Financial Assets shown net of tax on the Statement of Net Assets.

Investments have been shown net of tax payable on the Statement of Net Assets.

Financial instruments

Classification

The Scheme classifies its investments as financial assets at fair value through profit or loss. These financial assets are designated by the Scheme at fair value through profit or loss at inception.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's policy is for the Trustees to evaluate the information about these financial assets on a fair value basis together with other related financial information. The Trustees have determined that all financial assets of the Scheme are designated at fair value through profit and loss with the exception of cash, cash equivalents, and receivables which are measured at amortised cost.

Recognition/derecognition

The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and are initially recognised at fair value of the financial assets or financial liabilities from this date. Investments are derecognised when the right to receive cash flows from the investments has expired or the Scheme has transferred substantially all risks and rewards of ownership. All realised gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised in the Statement of Changes in Net Assets.

Measurement

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Changes in Net Assets.

Fair Value Estimation

The Fair Value of unitised funds is determined using the exit price as calculated by the fund manager at balance date.

Other Receivables

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their amortised cost.

Sundry Creditors

Other payables are not interest-bearing and are stated at their amortised cost.

Goods and Services Tax (GST)

The Scheme is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Statement of Cash Flows

The cash flows of the Scheme do not include those of the investment managers. The following are definitions of the terms used in the Statement of Cash Flows:

Cash - comprises cash balances held with banks in New Zealand and overseas, with maturity dates of 3 months or less.
Operating activities - include all transactions and other events that are not investing activities.

Investing activities - comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

Promised Retirement Benefits

Promised Retirement Benefits are the benefits which the Scheme is presently obliged to transfer in the future to members and participants as a result of membership of the Scheme up to the date at which the actuarial valuation of promised benefits is determined.

3. **Summary of Significant Accounting Policies (Cont'd)**

Contributions and Benefits

Contributions and benefits are accounted for on an accruals basis. Benefits are recognised in Statement of Changes in Net Assets when they become payable resulting in a financial liability.

Critical Judgement and Accounting Estimates

The Trustees have applied their judgement in selecting the accounting policy to designate financial assets through profit or loss at inception. This policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair values of all financial assets as quoted market prices that are readily available. Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of making material adjustments to the carrying amounts of assets and liabilities at year end. However, the value in the financial statements is based on the Investment Managers reports, therefore, while the value is based on quoted market prices it is not possible for management to directly observe. This is the basis for the investment to be classified as level 2. For the purposes of the fair value hierarchy of financial assets at fair value through profit or loss, the Trustees have to apply their judgement as to what constitutes "quoted in an active market". For further details please refer to Note 11 (Fair Value).

The Trust Deed requires Actuarial Valuations to be performed every three years to determine whether the Non Allocated account is fully funded and capable of meeting future service benefits. This Actuarial Valuation involves the exercise of judgement by the Actuary, including a number of Actuarial assumptions. For further details refer to Note 4 (Liability for Promised Benefits).

Standards and Interpretations on issue not yet adopted

New standards, amendments and interpretations not yet adopted:

The following new standard relevant to the Scheme is not yet effective and has not been applied in preparing the financial statements.

NZ IFRS 9 - Financial Instruments is applicable to annual reporting periods beginning on or after 1 January 2018. The Scheme is to adopt this standard for the financial year ending 31 March 2019. NZ IFRS 9 was issued in September 2014 as a complete version of the standard. It addresses the classification, measurement and recognition of financial assets and financial liabilities, hedge accounting and impairment. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into three measurement categories : those measured at fair value through other comprehensive income, those measured at fair value through profit or loss and those measured at amortised cost. The determination is due at initial recognition. Classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in the other comprehensive income rather than the income statements, unless this creates an accounting mismatch. Based on the Scheme's initial assessment, this standard is not expected to have a material impact on the classification and measurement of its financial instruments. Minor changes are expected to disclosures about the entity's financial instruments, particularly in the year of adoption of the new standard.

There are no other new standards, amendments or interpretations that are expected to have an impact on the Scheme's financial statements.

4. Liability for Promised Benefits (Cont'd)

Changes in promised benefits as at 31 March 2018:

	Members' Allocated Accounts $	Non Allocated Account $	Reserve Fund $	Total 2018 $
Balance 1 April	698,910,722	1,498,889	599,577	701,009,188
Contributions	63,571,918	-	(3,320)	63,568,598
Benefits Paid	(59,335,274)	(240,108)	-	(59,575,382)
Net Income	3,636,858	-	39,719,216	43,356,074
Interest Allocated	40,158,387	91,185	(40,249,572)	-
Deductions for Switches	(22,548)	-	22,548	-
Forfeits	-	-	516,252	516,252
Actuarial Adjustment	-	46,224	(46,224)	-
Balance 31 March	746,920,063	1,396,190	558,477	748,874,730

Changes in promised benefits as at 31 March 2017:

	Members' Allocated Accounts $	Non Allocated Account $	Reserve Fund $	Total 2017 $
Balance 1 April	641,997,187	1,716,283	690,683	644,404,153
Contributions	60,396,853		(1,412)	60,395,441
Benefits Paid	(45,172,754)	(264,527)	-	(45,437,281)
Net Income	1,660,046	-	39,380,303	41,040,349
Interest Allocated	40,034,072	119,710	(40,153,782)	-
Deduction for Switches	(4,682)	-	4,682	-
Forfeits	-	-	606,526	606,526
Actuarial Adjustment	-	(72,577)	72,577	-
Balance 31 March	698,910,722	1,498,889	599,577	701,009,188

Actuarial Valuation - Defined Benefit section

An actuarial valuation of the liabilities of the Scheme as at 31 March 2015 was prepared by Robert Schoonraad, a Fellow of the New Zealand Society of Actuaries and employee of Mercer Human Resource Consulting Limited. The Actuary concluded that the value of the accrued benefits of both the Allocated and Non Allocated (the pensions) sections was fully covered by the Scheme's assets.

An Actuarial Valuation is completed on behalf of the Scheme every three years, the next is due for the year ended 31 March 2018 to be reflected in the Schemes 31 March 2019 financial statements. The amount of the liability was calculated with reference to the NZLT 2012/14 mortality tables which differentiate between the mortality of males and females as deduced by Statistics New Zealand, with an age set back of one year and an interest rate of 5.25% p.a. net of tax and investment expenses.

In between the Actuarial Valuation Dates the Actuary would not expect the ratio of accrued benefits to assets and the ratio of vested benefits to assets to change. This would be affected by the mortality experience of pensioners (whose benefits are fully vested), the net investment earnings on the Scheme's net assets and interest allocated to accounts, and forfeited employer account balances of members who are paid resignation benefits and do not yet have full vesting.

The Actuary's analysis shows the Scheme is in balance. He recommended that Employers continue to contribute at their standard gross of contribution tax contribution rate of 1.5 times the employees' contributions for Allocated members.

The Actuary determined that the value of the Vested Benefits at 31 March 2015 of $595,168,000 was well covered by the assets of the Scheme.

4. Liability for Promised Benefits (Cont'd)

Significant actuarial assumptions used in the calculation of vested benefits were:

Investment Return	5.0% p.a. (previously 5.25%)
Pension Increases	Nil
Mortality Table	NZLT 2012/2014 rated down by 1 year and adjusted for mortality improvements after the effective date of the tables and in the future

The demographic assumptions used are based on the experience of this Scheme and similar schemes in New Zealand and on recognised tables of mortality.

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits (2017: Nil).

5. Vested Benefits

The vested benefits are the value of the benefits payable if all active members resign from service and pensions continue to be paid from the Scheme to the existing pensioners. For the purposes of valuing pension benefits the actuarial assumptions used to calculate the vested benefits as at 31 March 2018 are those used to calculate the accrued benefit liabilities as at 31 March 2018.

	2018	2017
	$	$
	740,402,973	690,018,201

6. Investments

	2018	2017
	$	$
AMP Capital Investors (NZ) Limited		
Short Term Deposits	84,787,956	82,883,094
Fixed Interest - Onshore	26,565,297	25,678,563
Fixed Interest - Offshore	38,587,205	36,499,009
Equities - Offshore	201,333,907	185,981,813
Global Property	29,296,576	27,143,982
	380,570,941	358,186,461
Harbour Asset Management Ltd		
Equities - Trans Tasman	46,753,551	55,864,807
	46,753,551	55,864,807
Mercer Investment Trusts New Zealand (MITNZ)		
Mercer Listed Infrastructure	29,004,233	29,316,844
Mercer Natural Resources	29,370,861	26,564,745
	58,375,094	55,881,589
ANZ New Zealand Investments Limited		
Fixed Interest - Onshore	26,216,643	25,323,510
Equities - Trans Tasman	-	23,150,201
Short Term Deposits	84,651,510	82,661,641
	110,868,153	131,135,352
Nikko Asset Management		
Nikko AM Wholesale Core Equity Fund	47,635,740	-
	47,635,740	-
Russell Investments		
Fixed Interest - Offshore	101,275,200	94,925,966
	101,275,200	94,925,966
Total Investments	745,478,679	695,994,175

The Scheme invests solely into managed funds which invest into other managed funds. Due to the nature of the investments, it is not possible to determine if a single underlying investment exceeds 5% of the Fund's assets or 5% of any class or type of security.

7. Gains on Investments

	2018	2017
	$	$
Fixed Interest	3,009,811	1,378,209
Equities	38,447,987	42,859,519
Property	703,860	(960,398)
Deposits & Short Term Securities	2,627,964	2,749,989
Total Gains on Investments	44,789,622	46,027,319

8. Income Tax

	2018	2017
	$	$
Current Tax	158,656	-
Deferred Tax	(173,398)	(158,656)
PIE Tax	4,657,703	5,838,437
	4,642,961	5,679,781

The total charge for the year can be reconciled to the Change in Net Assets as follows:

	2018	2017
Change in Net Assets before Tax and Membership Activities	47,999,035	46,720,130
Prima facie Income Tax @ 28%	13,439,730	13,081,636
Tax effect of:		
Non Assessable/Deductible Income & Expenditure	(13,860,767)	(14,064,698)
PIE allocated income - 0%	1,424,615	1,289,219
PIE income tax - 28%	4,657,703	5,838,437
Non assessable group life claims	(1,018,320)	(464,813)
Income Tax Expense	4,642,961	5,679,781

	2018	2017
Deferred Tax Asset		
Opening balance	158,656	-
Transfer from/(to) current tax	14,742	158,656
Closing Balance	173,398	158,656

	2018	2017
Current Tax		
Opening Balance	350,609	236,193
Current year movement	14,742	165,020
Tax (refund)/paid	(350,609)	108,052
Transfer to/(from) deferred tax asset	(14,742)	(158,656)
Closing Balance	-	350,609

9. Reconciliation of Increase in Net Assets to Net Cash Flows from Operating Activities

	2018	2017
	$	$
Increase in Net Assets	47,865,542	56,605,035
Non-cash Items		
Gains on Financial Assets at Fair Value Through Profit or Loss	(44,789,622)	(46,027,319)
Distributions Received	(7,621,610)	(6,812,129)
PIE Tax	4,657,703	5,845,047
ANZ management fee reinvested	-	(14,809)
Interest	-	(329)
Movements in Other Working Capital Items		
(Decrease)/Increase in contributions refundable	(2,695)	1,859
Decrease/(Increase) in income tax receivable	335,867	(273,072)
Increase in benefits payable	2,078,227	366,232
Decrease/(Increase) in Prepayments	24,000	(87,147)
Increase/(Decrease) in sundry creditors	44,682	(1,137)
(Increase)/Decrease in Sundry Debtors	(506,686)	21,675
Items classified as investing activities		
Investment managers fees	3,069,025	2,768,960
Net Cash Flows from Operating Activities	5,154,433	12,392,866

10. Reserve Account

Pursuant to the Trust Deed, the Trustee shall establish a Reserve Account which shall be credited with the following:-

(a) any amount not paid to a member upon ceasing employment with the Employer;
(b) any unclaimed benefit;
(c) any unallocated funds transferred in from another superannuation scheme;
(d) the Reserve Fund's share of the Scheme's earnings or loss;
(e) any profit share or other interest allocated by the Scheme's investment manager and not otherwise allocated to members' accounts.

The Trustee may, at its discretion, apply any part or the whole of the Reserve Fund to:-

(a) increase on an equitable basis the total credits of all members;
(b) provide benefits other than retirement benefits for all members on an equitable basis;
(c) pay all or part of the contributions to the Scheme of the Employer for all members on an equitable basis;
(d) payment of expenses of the administration of the Scheme;
(e) pay all or part of the insurance premiums payable under the Scheme;
(f) in such other manner as is permitted from time to time under the Trust Deed.

11. Financial Instruments

The Scheme is involved with a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

The Trustee has approved a Statement of Investment Policy and Objectives (SIPO) which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Trustee and asset reallocations undertaken as required.

Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the Scheme's accounting policies. The fair value of unitised funds is determined using the price as calculated by the fund manager at balance date, adjusted by PIE tax payable or receivable at year end. Cash, cash equivalents, and receivables are measured at amortised cost.

11. Financial Instruments (Cont'd)

Categories of Financial Instruments

31 March 2018	Fair Value through Profit or Loss $	Financial assets at amortised cost $	Financial liabilities at amortised cost $	Total $
ASSETS				
Cash at Bank	-	2,416,198	-	2,416,198
Investments	745,478,679	-	-	745,478,679
Total Assets	745,478,679	2,416,198	-	747,894,877
LIABILITIES				
Benefits Payable	-	-	2,796,432	2,796,432
Sundry Creditors	-	-	183,172	183,172
Total Liabilities	-	-	2,979,604	2,979,604
31 March 2017				
ASSETS				
Cash at Bank	-	2,061,765	-	2,061,765
Investments	695,994,175	-	-	695,994,175
Total Assets	695,994,175	2,061,765	-	698,055,940
LIABILITIES				
Contributions Refundable	-	-	2,695	2,695
Benefits Payable	-	-	718,205	718,205
Sundry Creditors	-	-	138,490	138,490
Total Liabilities	-	-	859,390	859,390

Liquidity Risk

Liquidity risk is the risk that the Scheme will encounter difficulty in raising funds to meet its obligations. Whilst there is no active market, the Scheme can obtain daily net asset values (NAVs) for its investment in the AMP, ANZ, Harbour, Nikko, Russell and Mercer Investment Trust New Zealand (MITNZ). There are no significant financial liabilities. The Scheme is exposed to periodic withdrawals by members. There are no restrictions on the redemption of units with the investment managers and they may be redeemed for cash at any time, subject to the approval of the trustees. Period of settlement range from 2 - 10 business days depending on the size of the redemption.

Credit Risk

Credit risk is the risk that the counterparty to the financial instruments will fail to discharge an obligation and cause the Scheme to incur a loss. Financial instruments which potentially expose the Scheme to credit risk consist of cash, short term deposits, receivables and indirectly, investments in managed funds which invest in cash and fixed interest investments. The maximum exposure to credit risk is the carrying value of these financial instruments. The significant counterparty of the Scheme is its investment managers, AMP, ANZ, Harbour, Nikko, Russell and MITNZ which the Trustees consider to be a financial institution of high quality.

Market Risk

Market risk is the risk that changes in market prices will impact the fair value of the Scheme's financial instruments. Market risk is comprised of interest rate risk, currency risk and other price risk.

(i) - Currency Risk

Currency risk is the risk that the fair value of the Scheme's financial instruments will fluctuate due to changes in foreign exchange rates. The Scheme is indirectly exposed to currency risk in that future currency movements will affect the valuation of investments in unitised products which invest in foreign currency denominated investments.

11. Financial Instruments (Cont'd)

(ii) - Interest Rate Risk

Interest rate risk is the risk that the value of interest-bearing financial instruments such as bonds will fluctuate due to changes in the levels of market interest rates. The Scheme is indirectly exposed to interest rate risk in that future interest rate movements will affect cash flows and indirectly net market values and the valuation of investments in unitised products which invest in cash and fixed interest investments. Interest rate risk management activities are undertaken by the investment manager in accordance with the investment mandate set by the Trustees.

	2018	2017
	$	$
Short Term Deposits		
AMP Capital Investors (NZ) Limited	84,787,956	82,883,094
ANZ Investments (NZ) Limited	84,651,510	82,661,641
	169,439,466	165,544,735
Fixed Interest - Onshore		
AMP Capital Investors (NZ) Limited	26,565,297	25,678,563
ANZ Investments (NZ) Limited	26,216,643	25,323,510
	52,781,940	51,002,073
Fixed Interest - Offshore		
Russell Investments Limited	101,275,200	94,925,966
AMP Capital Investors (NZ) Limited	38,587,205	36,499,009
	139,862,405	131,424,975

Interest rate risk management activities are undertaken by the investment manager in accordance with the investment mandate set by the Trustees.

(iii) - Other Price Risk

Other price risk represents the risk that the value of the Scheme's investment portfolio will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk).

Risk Management

Risk management activities are undertaken by the Scheme's investment managers to operate within the guidelines provided by the Trustees.

Capital Management

Net assets available to pay benefits are considered to be the Scheme's capital for the purposes of capital management. The Scheme does not have to comply with externally imposed capital requirements.

The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and maximise the Scheme's members value.

Sensitivity Analysis

A ten percent decrease in the unit prices of the schemes investments in unitised products would have an adverse impact on the value of the Scheme's assets of $74,547,868 (2017: ($69,569,672). Conversely a ten percent increase in the unit prices of the schemes investment in unitised products would have a positive impact on the value of the Scheme's assets of $74,547,868 (2017: $69,569,672).

Hierarchy of Fair Value Measurements - 31 March 2018

The following table provides an analysis of financial instruments that are measured subsequent to initial fair value, grouped into levels 1 to 3 based on the degree to which inputs used in making fair value measurements are observable.

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

11. Financial Instruments (Cont'd)

At period end, the Scheme receives confirmation of the fair value of its unit trust investments from the investment managers - ANZ New Zealand Investments, AMP Capital Investors, Harbour Asset Management, Nikko Asset Management, Mercer (N.Z.) Limited and Russell Investments. The unit trusts invest in listed equity and debt instruments and the investment managers calculate the fair value of the Scheme's investment based on the quoted prices of these investments. Management are not generally aware of the specific investments the unit trusts hold on their behalf, therefore, must rely on the investment valuation report. Although the fair value of the investment is based on quoted market prices, it is not possible for management to directly observe those prices, and management has concluded that the level 2 classification is appropriate.

Hierarchy of Fair Value Measurements - 31 March 2018

Description	Level 1 $	Level 2 $	Level 3 $	Total $
Investments	-	745,478,679	-	745,478,679

There were no transfers between the levels in the period.

Hierarchy of Fair Value Measurements - 31 March 2017

Description	Level 1 $	Level 2 $	Level 3 $	Total $
Investments	-	695,994,175	-	695,994,175

There were no transfers between the levels in the period.

12. Commitments and Contingent Liabilities

There were no commitments or contingent liabilities outstanding as at 31 March 2018 (2017: Nil).

13. Related Parties

The Scheme holds no direct investments in any of the employer companies or any of its related parties. During the period payments were made to the Trustee of the Scheme totalling $173,500 (2017: $191,775). The Scheme had company contributions of $29,785,733 (2017: $28,543,670). Mercer (N.Z.) Limited as administrator of the Scheme is regarded as a related party in terms of the Financial Markets Conduct Act. Mercer provides the Scheme with a range of services including administration, secretarial services, investment consulting and funds management. The Scheme paid administration fees for the year totalling $476,999 (2017 : $422,524), secretarial fees of $84,903 (2017 : $71,367), communication fees $100,239 (2017 : 127,998) and investment consulting fees totalling $282,853 (2017: $277,337).

14. Events After Balance Date

There have been no material events after balance date that require adjustment to or disclosure in the financial statements (2017: Nil).