

**NZAS RETIREMENT FUND**  
**(formerly Rio Tinto New Zealand Retirement Fund)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

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INDEX

|                                    |               |
|------------------------------------|---------------|
| Independent Auditor's Report       | Pages 1 & 2   |
| Statement of Net Assets            | Page 3        |
| Statement of Changes in Net Assets | Page 4        |
| Statement of Cash Flows            | Page 5        |
| Notes to the Financial Statements  | Pages 6 to 17 |



## Independent auditor's report

### To the members of NZAS Retirement Fund

#### Report on the financial statements

We have audited the accompanying financial statements of NZAS Retirement Fund (formerly Rio Tinto New Zealand Retirement Fund) ("the fund") on pages 3 to 17. The financial statements comprise the statement of net assets as at 30 June 2016, the statements of changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the fund's members those matters we are required to state to them in the 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 fund's members as a body, for our audit work, this report or any of the opinions we have formed.

#### *Trustees' responsibility for the financial statements*

The trustees are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the fund's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the fund.



### ***Opinion***

In our opinion the financial statements on pages 3 to 17:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the fund as at 30 June 2016 and of its financial performance and cash flows for the year then ended.

### **Report on other legal and regulatory requirements**

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by NZAS Retirement Fund as far as appears from our examination of those records.

A handwritten signature of 'KPMG' in blue ink, written in a cursive style.

19 September 2016  
Wellington

**NZAS RETIREMENT FUND**

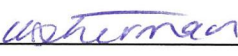
**Statement of Net Assets  
As at 30 June 2016**

|   | Note | 2016<br>\$         | 2015<br>\$         |
|---|------|--------------------|--------------------|
| <b>ASSETS</b>                               |      |                    |                    |
| Cash at Bank                                |      | 764,613            | 1,130,436          |
| Investments                                 | 6    | 138,418,268        | 134,308,330        |
| Sundry Debtors                              |      | 2,155              | 1,327              |
| Prepayments                                 |      | 16,046             | 15,874             |
| Income Tax Receivable                       | 8    | 17,907             | 17,907             |
| Deferred Tax                                | 8    | 20,904             | 1,526,693          |
| <b>Total Assets</b>                         |      | <u>139,239,893</u> | <u>137,000,567</u> |
| <b>LIABILITIES</b>                          |      |                    |                    |
| Member Contributions Refundable             |      | 23                 | -                  |
| Employer Contributions Refundable           |      | 462                | -                  |
| Benefits Payable                            |      | 279,066            | 430,297            |
| Sundry Creditors                            |      | 29,172             | 31,425             |
| <b>Total Liabilities</b>                    |      | <u>308,723</u>     | <u>461,722</u>     |
| <b>NET ASSETS AVAILABLE TO PAY BENEFITS</b> |      | <u>138,931,170</u> | <u>136,538,845</u> |
| <i>Represented By:</i>                      |      |                    |                    |
|   | 4    |                    |                    |
| Member Accounts                             |      | 28,089,204         | 27,811,989         |
| Company Accounts                            |      | 70,521,304         | 70,015,909         |
| Transfer Accounts                           |      | 16,076,940         | 17,218,896         |
| Retirement Accounts                         |      | 11,964,052         | 9,971,223          |
| Locked In Accounts                          |      | 8,611,482          | 8,125,792          |
| Insurance Account                           |      | 2,377,871          | 2,151,363          |
| Reserve Account                             |      | 1,290,317          | 1,243,673          |
| <b>LIABILITY FOR PROMISED BENEFITS</b>      |      | <u>138,931,170</u> | <u>136,538,845</u> |

The Directors of the Trustee, NZAS Retirement Fund Trustee Limited, authorised these financial statements for issue.

Director 

Date 19/9/16

Director 

Date 19/9/16



**NZAS RETIREMENT FUND**

**Statement of Changes in Net Assets  
For the Year Ended 30 June 2016**

|   | Note | 2016<br>\$                | 2015<br>\$                |
|---|------|---------------------------|---------------------------|
| <b>INVESTMENT ACTIVITIES</b>  |      |                           |                           |
| <b>Investment Income</b>  |      |                           |                           |
| Gains on Investments  | 7    | 5,778,643                 | 11,871,717                |
| Distribution Income   |      | 1,231,505                 | 1,822,519                 |
| Interest  |      | 30,764                    | 59,043                    |
| Fee Rebates   |      | 103,635                   | 97,940                    |
|   |      | <u>7,144,547</u>          | <u>13,851,219</u>         |
| <b>Investment Expenses</b>  |      |                           |                           |
| Investment Management Fees  |      | (794,019)                 | (743,242)                 |
| <b>Net Investment Income</b>  |      | <u>6,350,528</u>          | <u>13,107,977</u>         |
| <b>OTHER INCOME</b>   |      |                           |                           |
| Employer Reimbursements   | 14   | <u>122,853</u>            | -                         |
|   |      | 122,853                   | -                         |
| <b>OTHER EXPENSES</b>   |      |                           |                           |
| Investment Consulting Fees  |      | 112,511                   | 129,167                   |
| Catastrophe Insurance Premiums  |      | 57,407                    | 56,961                    |
| <b>Total Other Expenses</b>   |      | <u>169,918</u>            | <u>186,128</u>            |
| <b>Change in Net Assets before Taxation and<br/>Membership Activities</b>       |      |                           |                           |
|   |      | 6,303,463                 | 12,921,849                |
| Income Tax Expense/(Benefit)  | 8    | <u>2,212,615</u>          | <u>(483,964)</u>          |
| <b>Change in Net Assets after Taxation and before<br/>Membership Activities</b> |      |                           |                           |
|   |      | <u>4,090,848</u>          | <u>13,405,813</u>         |
| <b>MEMBERSHIP ACTIVITIES</b>  |      |                           |                           |
| <b>Contributions</b>  |      |                           |                           |
| Member Contributions  |      | 2,505,462                 | 2,447,129                 |
| Member Tax Credits  |      | 110,512                   | 109,536                   |
| Employer Contributions  |      | 4,371,710                 | 4,460,341                 |
| Transfer in from Other Schemes  |      | 126                       | -                         |
| <b>Total Contributions</b>  |      | <u>6,987,810</u>          | <u>7,017,006</u>          |
| <b>Benefits Paid</b>  |      |                           |                           |
| Withdrawals   |      | 8,674,256                 | 5,440,122                 |
| Transfers out to Other Schemes  |      | 12,077                    | -                         |
| <b>Total Benefits Paid</b>  |      | <u>8,686,333</u>          | <u>5,440,122</u>          |
| <b>Net Membership Activities</b>  |      | <u>(1,698,523)</u>        | <u>1,576,884</u>          |
| <b>Net Increase in Net Assets During Year</b>                                   |      | 2,392,325                 | 14,982,697                |
| Net Assets Available for Benefits at Beginning of Year                          |      | 136,538,845               | 121,556,148               |
| <b>Net Assets Available for Benefits at End of Year</b>                         |      | <u><u>138,931,170</u></u> | <u><u>136,538,845</u></u> |

NZAS RETIREMENT FUND

Statement of Cash Flows  
For the Year Ended 30 June 2016

|  | Note | 2016<br>\$         | 2015<br>\$         |
|--|------|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>        |      |                    |                    |
| <b>Cash provided from</b>                          |      |                    |                    |
| Member Contributions                               |      | 2,505,485          | 2,446,741          |
| Member Tax Credits                                 |      | 110,512            | 109,536            |
| Employer Contributions                             |      | 4,372,171          | 4,459,612          |
| Interest Received                                  |      | 30,546             | 58,903             |
| Gain on Forward Currency Contracts                 |      | -                  | 740,097            |
| Employer Reimbursements Received                   | 14   | 122,853            | 137,529            |
| Transfers in from Other Schemes                    |      | 126                | -                  |
| Other Income                                       |      | 2,219              | 4,752              |
|  |      | <u>7,143,912</u>   | <u>7,957,170</u>   |
| <b>Cash applied to</b>                             |      |                    |                    |
| Benefits Paid                                      |      | 8,837,564          | 5,349,861          |
| Catastrophe Insurance                              |      | 57,579             | 56,805             |
| Other Expenses                                     |      | 114,592            | 117,593            |
| Loss on Forward Currency Contracts                 |      | -                  | 709,562            |
| Income Tax Payments                                |      | -                  | 130,000            |
|  |      | <u>9,009,735</u>   | <u>6,363,821</u>   |
| <b>Net Cash Flows used in Operating Activities</b> | 9    | <u>(1,865,823)</u> | <u>1,593,349</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>        |      |                    |                    |
| <b>Cash provided from</b>                          |      |                    |                    |
| Sale of Investments                                |      | 20,500,000         | 37,530,984         |
| <b>Cash applied to</b>                             |      |                    |                    |
| Purchase of Investments                            |      | 19,000,000         | 38,850,000         |
| Investment Management Fees                         |      | -                  | 6,742              |
| <b>Net Cash Flows from Investing Activities</b>    |      | <u>1,500,000</u>   | <u>(1,325,758)</u> |
| <b>Net (Decrease)/Increase in Cash Held</b>        |      | (365,823)          | 267,591            |
| <b>Cash at Beginning of Year</b>                   |      | <u>1,130,436</u>   | <u>862,845</u>     |
| <b>Cash at End of Year</b>                         |      | <u>764,613</u>     | <u>1,130,436</u>   |



## NZAS RETIREMENT FUND

### Notes to the Financial Statements For the Year Ended 30 June 2016

#### 1. Scheme Description

The NZAS Retirement Fund (formerly Rio Tinto New Zealand Retirement Fund) (the "Fund") is a defined contribution superannuation scheme registered in New Zealand under the Superannuation Schemes Act 1989 covering employees of Pacific Aluminium (New Zealand) Limited and New Zealand Aluminium Smelters Limited. Under the Trust Deed contributions are made by Fund members and by the companies.

Registered Office: Level 6, 109 Featherston Street, Wellington, 6011

#### Funding Arrangements

Members who joined the Fund before 1 April 2008 or after 31 March 2012 must contribute 4% of base salary<sup>1</sup> and may elect to contribute a minimum of 3% of base salary<sup>1</sup> (gross salary<sup>2</sup> up until 1 May 2012), to a locked-in account.

Members who have joined between 1 April 2008 and 31 March 2012 have been required to contribute 4% of base salary from which a portion of 2% of gross salary must be credited to a locked-in account, (unless they elect to suspend lock-in contributions).

Members are required to contribute to the Fund at a minimum rate of 4% of their base salary, unless a member and his or her employer have entered into a "salary sacrifice" arrangement whereby the member's future salary and/or bonus income is reduced in return for the employer agreeing to contribute matching additional amounts to the Fund. In that case, the member may contribute at a lower or nil rate as long as the employer's additional after-tax contributions, plus the member's continuing contributions (if any), together total not less than 4% of the member's base salary. Base salary is calculated for this purpose as if no salary sacrifice has occurred.

Whether or not a member is required or has agreed to contribute to a locked-in account or enters into a salary sacrifice arrangement, each participating company must make standard company contributions in respect of each subsidised member equal to 10% of the member's base salary plus 5% of any lump sum bonus (unless the member has attained New Zealand Superannuation age (currently 65) and elected to cease contributions in which case the employer is required to contribute 4% of the member's base salary.)

Salary and bonus income is deemed to include, for this purpose, any amounts sacrificed. Where lock-in applies, a portion of those company contributions equal to 2% of the member's base salary (gross salary up until 1 May 2012) must be credited to a locked-in account. These standard company contributions are sourced from direct contributions to the Fund in amounts which before deducting contributions tax are at least equal to 4% of each member's base salary, with the Reserve Account being used to fund the remaining contributions to the extent that funds allow.

<sup>1</sup> Base salary is a member's before tax salary excluding bonuses and allowances. It is calculated, where relevant, as if no salary sacrifice has occurred.

<sup>2</sup> Gross salary is a member's before tax salary including bonuses and allowances. If a member's gross salary is reduced by salary sacrifice, the reduced figure is the member's gross salary.

#### Retirement Benefits

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

#### Termination Terms

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

#### Changes in the Fund

The Trust Deed was amended to appoint Stephanie Pearce as a new Trustee from 15 March 2016 and remove Pauline Mayson who retired on 14 March 2016. There have been no other changes to the Trust Deed during the year (2015: the Trust Deed was amended to appoint Tim McGuinness as a new Trustee from 5 June 2015 and remove Brian Cooper who retired on 4 June 2015).



## NZAS RETIREMENT FUND

### Notes to the Financial Statements For the Year Ended 30 June 2016

#### 2. Basis of Preparation

##### Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP") and the requirements of the Financial Reporting Act 1993, in accordance with the transitional provisions under Section 55 of Financial Reporting Act 2013, and Schedule 4, Clause (18) (1)(b), of the Financial Markets Conduct Act 2013 ("FMC Act") and the Superannuation Schemes Act 1989. The Fund is an issuer in terms of Financial Reporting Act 1993. The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities and also with International Financial Reporting Standards ('IFRS') as issued by the International Financial Standards Board.

The Fund comprises four main investment choices, Growth, Balanced, Conservative and Cash. The financial statements have been prepared at the Fund level as investment assets are not held in separate funds per investment choice and the liabilities of each individual investment choice are met using unithised investment assets across a variety of investment types.

From 1 April 2014, the new Financial Reporting Act 2013 (FRA 2013) and the Financial Markets Conduct Act 2013 (FMCA 2013) were enacted replacing the previous financial reporting obligations under the Financial Reporting Act 1993 and the Superannuation Schemes Act 1989. This is effective for all superannuation scheme entities with reporting periods beginning on or after 1 April 2014. The Fund is subject to the transitional provisions under the section 55 of FRA 2013 allowing for the deferral of the application of the new enactment until 1 December 2016. The Fund will prepare financial statements under the Financial Market Conduct Act 2013 once fully transitioned as a FMC reporting entity. It is expected that the change in legislation will have no material impact on the Fund's obligation to prepare general purpose financial statements.

##### Measurement Base

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

##### Functional and Presentation Currency

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

##### Classification of Assets and Liabilities

The assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity. All assets and liabilities can be recovered or settled within 12 months of the reporting date.

#### 3. Summary of Significant Accounting Policies

The accounting policies set out below 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 from the revaluation of investments and from the sale of investments during the year 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 and loss 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 Fund'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.

## NZAS RETIREMENT FUND

### Notes to the Financial Statements For the Year Ended 30 June 2016

#### 3. Accounting Policies (Cont'd)

##### *Taxation (cont'd)*

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 Fund invests in a number of funds which are Portfolio Investment Entities ('PIEs'). For these investments, the Fund can elect to apply a Prescribed Investor Rate ('PIR') of either 0% or 28% (2015: 0% or 28%).

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

All tax expenses/credits relating to PIE tax have been shown in the Statement of Changes in Net Assets included in Income Tax Expense/Credit with "Gains/losses on Financial Assets Through Profit and Loss" presented gross of tax deducted/credited.

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

##### *Financial instruments*

###### *- Classification*

The Fund classifies its investments as financial assets at fair value through profit or loss. These financial assets are designated by the Fund 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 Fund's documented investment strategy. The Fund's policy is for the Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information. The Directors have determined that all financial assets of the Fund 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 Fund 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 Fund 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 unlisted 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 as reduced by appropriate allowances for estimated irrecoverable amounts. These amounts are initially recognised at fair value, and subsequently measured at amortised cost.

##### *Other Payables*

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

##### *Goods and Services Tax (GST)*

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

## NZAS RETIREMENT FUND

### Notes to the Financial Statements For the Year Ended 30 June 2016

#### 3. Accounting Policies (Cont'd)

##### *Statement of Cash Flows*

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 at three 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 Fund is presently obliged to transfer in the future to members and participants as a result of membership of the Fund up to the date at which the actuarial valuation of promised benefits is determined.

##### *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 Directors 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. 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 as with all investments their value is subject to variation due to market fluctuations. For the purposes of the fair value hierarchy of financial assets at fair value through profit or loss, the Directors have to apply their judgement as to what constitutes quoted in an active market. For further details please refer to Note 11 (Fair Value).

##### **Standards and Interpretations on issue not yet adopted**

At the date of this report the following standard that may impact on the Fund had been issued but not yet adopted. These standard is not expected to have a material impact on the Fund's financial position and financial performance. The standard will impact on the disclosure in the Notes of the Financial Statements. The standard and interpretation will be adopted when it becomes effective and applicable to the Fund.

NZ IFRS 9 'Financial Instruments'. This standard is effective for periods beginning on or after 1 January 2018. It addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments.

NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Fund intends to adopt NZ IFRS 9 on its effective date and has yet to assess the disclosure implications.



**NZAS RETIREMENT FUND**

**Notes to the Financial Statements  
For the Year Ended 30 June 2016**

**4. Liability for Promised Benefits**

*Changes in promised benefits as at 30 June 2016:*

|   | Member<br>Accounts<br>\$ | Company<br>Accounts<br>\$ | Transfer<br>Accounts<br>\$ | Retirement<br>Accounts<br>\$ | Locked In<br>Accounts<br>\$ | Insurance<br>Account<br>\$ | Reserve Account<br>\$ | Total 2015<br>\$ |
|---|--------------------------|---------------------------|----------------------------|------------------------------|-----------------------------|----------------------------|-----------------------|------------------|
| Balance 30 June 2015                        | 27,811,989               | 70,015,909                | 17,218,896                 | 9,971,223                    | 8,125,792                   | 2,151,363                  | 1,243,673             | 136,538,845      |
| Contributions received                      | 1,899,037                | 4,257,358                 | -                          | 100                          | 831,319                     | -                          | (4)                   | 6,987,810        |
| Benefits transferred to retirement accounts | (576,873)                | (1,037,701)               | (377,213)                  | 2,135,780                    | (143,993)                   | -                          | -                     | -                |
| Benefits paid                               | (1,350,831)              | (3,712,709)               | (930,690)                  | (239,464)                    | (386,781)                   | (264,631)                  | (129,103)             | (7,014,209)      |
| Partial withdrawals                         | (506,680)                | (524,528)                 | (312,344)                  | (269,500)                    | (59,072)                    | -                          | -                     | (1,672,124)      |
| Net revenue                                 | -                        | -                         | -                          | -                            | -                           | (57,407)                   | 6,360,870             | 6,303,463        |
| Income tax expense                          | -                        | -                         | -                          | -                            | -                           | -                          | (2,212,615)           | (2,212,615)      |
| Insurance and administration deductions     | -                        | (476,249)                 | -                          | (316)                        | -                           | 476,180                    | 385                   | -                |
| Interest credited                           | 812,562                  | 1,999,224                 | 478,291                    | 366,229                      | 244,217                     | 72,366                     | (3,972,889)           | -                |
| Balance 30 June 2016                        | 28,089,204               | 70,521,304                | 16,076,940                 | 11,964,052                   | 8,611,482                   | 2,377,871                  | 1,290,317             | 138,931,170      |



**NZAS RETIREMENT FUND**

Notes to the Financial Statements  
For the Year Ended 30 June 2016

**4. Liability for Promised Benefits (Cont'd)**

*Changes in promised benefits as at 30 June 2015:*

|   | Member<br>Accounts<br>\$ | Company<br>Accounts<br>\$ | Transfer<br>Accounts<br>\$ | Retirement<br>Accounts<br>\$ | Locked In<br>Accounts<br>\$ | Insurance<br>Account<br>\$ | Reserve Account<br>\$ | Total 2014<br>\$ |
|---|--------------------------|---------------------------|----------------------------|------------------------------|-----------------------------|----------------------------|-----------------------|------------------|
| Balance 30 June 2014                        | 24,663,051               | 62,414,664                | 16,733,416                 | 8,100,252                    | 6,820,612                   | 1,708,570                  | 1,115,583             | 121,556,148      |
| Contributions received                      | 1,815,208                | 4,339,589                 | -                          | -                            | 862,209                     | -                          | -                     | 7,017,006        |
| Retirement account corrections April 2015   | (164,080)                | (827,678)                 | (475,660)                  | 1,467,418                    | -                           | -                          | -                     | -                |
| Benefits transferred to retirement accounts | (61,045)                 | (188,150)                 | (40,102)                   | 289,297                      | -                           | -                          | -                     | -                |
| Benefits paid                               | (844,670)                | (2,048,279)               | (542,118)                  | (1,053)                      | (280,394)                   | (186,744)                  | (11,186)              | (3,914,444)      |
| Partial withdrawals                         | (338,941)                | (280,111)                 | (176,402)                  | (648,217)                    | (82,007)                    | -                          | -                     | (1,525,678)      |
| Net revenue                                 | -                        | -                         | -                          | -                            | -                           | (56,961)                   | 12,978,810            | 12,921,849       |
| Income tax expense                          | -                        | -                         | -                          | -                            | -                           | -                          | 483,964               | 483,964          |
| Insurance and administration deductions     | -                        | (483,462)                 | -                          | (431)                        | -                           | 483,385                    | 508                   | -                |
| Interest credited                           | 2,742,466                | 7,089,336                 | 1,719,762                  | 763,957                      | 805,372                     | 203,113                    | (13,324,006)          | -                |
| Balance 30 June 2015                        | 27,811,989               | 70,015,909                | 17,218,896                 | 9,971,223                    | 8,125,792                   | 2,151,363                  | 1,243,673             | 136,538,845      |

**Guaranteed Benefits**

No guarantees have been made in respect of any part of the liability for promised benefits. (2015: Nil).

## NZAS RETIREMENT FUND

### Notes to the Financial Statements For the Year Ended 30 June 2016

#### 5. Vested Benefits

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 Fund at balance date.

| 2016               | 2015               |
|--------------------|--------------------|
| \$                 | \$                 |
| <u>135,262,982</u> | <u>133,143,809</u> |

#### 6. Investments

| 2016                               | 2015               |
|------------------------------------|--------------------|
| \$                                 | \$                 |
| <b>Investments by Sector</b>       |                    |
| Short Term Deposits                | 21,700,803         |
| New Zealand Fixed Interest         | 11,908,216         |
| Overseas Fixed Interest            | 17,298,310         |
| Trans Tasman Equities              | 15,167,392         |
| Overseas Equities                  | 48,878,780         |
| Real Assets*                       | 19,786,802         |
| Forward Foreign Exchange Contracts | (431,973)          |
| <u>138,418,268</u>                 | <u>134,308,330</u> |

\* Real Assets are investments in property, infrastructure and natural resources.

#### Investments by Manager

|   |                    |
|---|--------------------|
| AMP Capital Investors (New Zealand) Limited | 38,377,420         |
| Mercer (N.Z.) Limited                       | 32,316,595         |
| ANZ (NZ) Limited                            | 55,987,003         |
| Harbour Asset Management Limited            | 7,627,312          |
| <u>138,418,268</u>                          | <u>134,308,330</u> |

#### Investments that amounted to more than 5% of the net assets are as follows:

|  |            |
|--|------------|
| AMP Capital NZ Cash Fund               | 21,700,687 |
| AMP Capital NZ Fixed Interest Fund     | 11,908,216 |
| Mercer Global Fixed Interest           | 12,529,793 |
| Mercer Real Assets                     | 19,786,802 |
| ANZ Wholesale Australasian Share Fund  | 7,540,080  |
| ANZ Wholesale International Share Fund | 48,878,780 |
| Harbour Australasian Equity Fund       | 7,627,312  |



**NZAS RETIREMENT FUND**

**Notes to the Financial Statements  
For the Year Ended 30 June 2016**

|   |                         |                          |
|---|-------------------------|--------------------------|
| <b>7. Gains on Investments</b>  | <b>2016</b>             | <b>2015</b>              |
|   | <b>\$</b>               | <b>\$</b>                |
| Short Term Deposits   | 141,895                 | 274,984                  |
| New Zealand Fixed Interest  | 530,419                 | 615,134                  |
| Overseas Fixed Interest   | 1,283,741               | 795,840                  |
| Trans Tasman Equities   | 2,621,199               | 1,685,483                |
| Overseas Equities   | (2,908,159)             | 13,959,354               |
| Overseas Property   | -                       | 1,201,718                |
| Real Assets   | 2,194,921               | (837,823)                |
| Forward Foreign Exchange Contracts  | 1,914,627               | (5,822,973)              |
| <b>Total Gains on Investments</b>   | <u><u>5,778,643</u></u> | <u><u>11,871,717</u></u> |
| <br>  |                         |                          |
| <b>8. Income Tax</b>  | <b>2016</b>             | <b>2015</b>              |
|   | <b>\$</b>               | <b>\$</b>                |
| Current Tax   | 706,826                 | 1,039,726                |
| Deferred Tax  | 1,613,117               | (1,526,693)              |
| Prior Period Adjustment   | (107,328)               | 3,003                    |
|   | <u><u>2,212,615</u></u> | <u><u>(483,964)</u></u>  |
| <br>  |                         |                          |
| The total charge for the year can be reconciled to the Change in Net Assets as follows: |                         |                          |
| Change in Net Assets before Tax and Membership Activities                               | <u>6,303,463</u>        | <u>12,921,849</u>        |
| Prima facie Income Tax @ 28%  | 1,764,970               | 3,618,118                |
| Tax effect of:  |                         |                          |
| Non Assessable Income & Expenditure   | (1,321,329)             | (5,269,327)              |
| Non deductible group life premiums  | 16,074                  | 15,949                   |
| FDR/PIE income  | 1,894,627               | 1,148,293                |
| Non assessable Employer reimbursement   | (34,399)                | -                        |
| Prior period adjustment   | (107,328)               | 3,003                    |
| <b>Income Tax Expense</b>   | <u><u>2,212,615</u></u> | <u><u>(483,964)</u></u>  |
| <br>  |                         |                          |
| <b>Current Tax</b>  |                         |                          |
| Opening Balance   | 17,907                  | (109,090)                |
| Current year movement   | -                       | 130,000                  |
| Prior period adjustment   | -                       | (3,003)                  |
| <b>Closing Balance</b>  | <u><u>17,907</u></u>    | <u><u>17,907</u></u>     |
| <br>  |                         |                          |
| <b>Deferred Tax</b>   |                         |                          |
| Opening Balance   | 1,526,693               | -                        |
| Current year movement   | (1,613,117)             | 1,526,693                |
| Prior period adjustment   | 107,328                 | -                        |
| <b>Closing Balance</b>  | <u><u>20,904</u></u>    | <u><u>1,526,693</u></u>  |

**NZAS RETIREMENT FUND**

**Notes to the Financial Statements  
For the Year Ended 30 June 2016**

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

|  | <b>2016</b>        | <b>2015</b>      |
|--|--------------------|------------------|
|  | <b>\$</b>          | <b>\$</b>        |
| Increase in Net Assets                             | 2,392,325          | 14,982,697       |
| <b>Non-cash Items</b>                              |                    |                  |
| Gains on Investments                               | (5,778,643)        | (11,824,074)     |
| Distributions Received                             | (1,231,505)        | (1,822,519)      |
| Fee Rebates  | (101,416)          | (97,940)         |
| Interest   | (218)              | (140)            |
| PIE Tax  | 706,826            | 1,039,726        |
| <b>Movements in Other Working Capital Items</b>    |                    |                  |
| (Increase) in income tax receivable                | -                  | (17,907)         |
| Decrease/(increase) in deferred tax receivable     | 1,505,789          | (1,526,693)      |
| (Increase)/decrease in prepayments                 | (172)              | 156              |
| Decrease in income receivable                      | -                  | 4,752            |
| (Increase) in sundry debtors                       | (828)              | (709)            |
| Decrease in contributions receivable               | -                  | 137,529          |
| Increase/(decrease) in contributions refundable    | 485                | (1,117)          |
| (Decrease)/increase in benefits payable            | (151,231)          | 90,261           |
| (Decrease) in sundry creditors                     | (2,254)            | (13,035)         |
| (Decrease) in income tax payable                   | -                  | (109,090)        |
| <b>Items classified as investing activities</b>    |                    |                  |
| Investment managers fees                           | 795,019            | 751,452          |
| <b>Net Cash Flows used in Operating Activities</b> | <u>(1,865,823)</u> | <u>1,593,349</u> |

**10. Use of Reserves**

Trust Deed Provisions

The Reserve Account may be used by the Directors, where applicable at the direction or with the consent of the Company, for the following:

- Payment of company contributions
- Providing benefits equitable to all members
- Increasing members accounts equitably to all members
- Payment of all or any investment-related expenses of the Fund
- Transfer of monies to the Insurance Account

NZAS RETIREMENT FUND

Notes to the Financial Statements  
For the Year Ended 30 June 2016

11. Financial Instruments

The Fund 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 Directors have 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 Directors and asset reallocations undertaken as required.

Categories of Financial Instruments

|                                    | Held for trading | Designated at fair value through profit or loss | Loans and receivables at amortised cost | Financial liabilities at amortised cost | Total              |
|------------------------------------|------------------|---|---|---|--------------------|
| <b>30 June 2016</b>                |                  |   |   |   |                    |
| <b>ASSETS</b>                      |                  |   |   |   |                    |
| Short Term Deposits and Cash       | -                | 29,484,572                                      | 764,613                                 | -                                       | 30,249,185         |
| Forward Foreign Exchange Contracts | 278,448          | -   | -                                       | -                                       | 278,448            |
| Investments                        | -                | 108,655,248                                     | -                                       | -                                       | 108,655,248        |
| Sundry Debtors                     | -                | -   | 2,155                                   | -                                       | 2,155              |
| Prepayments                        | -                | -   | 16,046                                  | -                                       | 16,046             |
| <b>Total Financial Assets</b>      | <b>278,448</b>   | <b>138,139,820</b>                              | <b>782,814</b>                          | <b>-</b>                                | <b>139,201,082</b> |
| <b>LIABILITIES</b>                 |                  |   |   |   |                    |
| Contributions Refundable           | -                | -   | -                                       | 485                                     | 485                |
| Benefits Payable                   | -                | -   | -                                       | 279,066                                 | 279,066            |
| Sundry Creditors                   | -                | -   | -                                       | 29,172                                  | 29,172             |
| <b>Total Financial Liabilities</b> | <b>-</b>         | <b>-</b>  | <b>-</b>                                | <b>308,723</b>                          | <b>308,723</b>     |
| <b>30 June 2015</b>                |                  |   |   |   |                    |
| <b>ASSETS</b>                      |                  |   |   |   |                    |
| Short Term Deposits and Cash       | -                | 21,700,803                                      | 1,130,436                               | -                                       | 22,831,239         |
| Forward Foreign Exchange Contracts | (431,973)        | -   | -                                       | -                                       | (431,973)          |
| Investments                        | -                | 113,039,500                                     | -                                       | -                                       | 113,039,500        |
| Sundry Debtors                     | -                | -   | 1,327                                   | -                                       | 1,327              |
| Prepayments                        | -                | -   | 15,874                                  | -                                       | 15,874             |
| <b>Total Financial Assets</b>      | <b>(431,973)</b> | <b>134,740,303</b>                              | <b>1,147,637</b>                        | <b>-</b>                                | <b>135,455,967</b> |
| <b>LIABILITIES</b>                 |                  |   |   |   |                    |
| Benefits Payable                   | -                | -   | -                                       | 430,297                                 | 430,297            |
| Sundry Creditors                   | -                | -   | -                                       | 31,425                                  | 31,425             |
| <b>Total Financial Liabilities</b> | <b>-</b>         | <b>-</b>  | <b>-</b>                                | <b>461,722</b>                          | <b>461,722</b>     |

## NZAS RETIREMENT FUND

### Notes to the Financial Statements For the Year Ended 30 June 2016

#### 11. Financial Instruments (Cont'd)

##### **Hierarchy of Fair Value Measurements**

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'quoted in an active market' requires significant judgement by the Fund. The Fund considers investments to be classified as level 2 investments. There were no transfers between the levels in the period (2015: Same).

##### **Liquidity Risk**

Liquidity risk is the risk the Fund will encounter difficulty in raising funds to meet its obligations. However, to control liquidity risk, the Fund invests in financial instruments, which are readily redeemable. In addition, the Fund invests within established limits to ensure there is no concentration of risk. All financial assets at fair value through profit and loss can be realised within 12 months. There are no significant financial liabilities.

##### **Credit Risk**

Credit Risk is the risk a counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

Financial instruments which potentially expose the Fund to credit risk consist of cash, fixed interest securities and receivables and, indirectly, investments in unitised products. The maximum exposure to credit risk is the carrying value of these financial instruments.

The significant counterparties of the Fund are its investment managers, AMP Capital Investors (New Zealand) Limited ("AMP"); ANZ (NZ) Limited ("ANZ"); Harbour Asset Management Limited ("Harbour"); Mercer (N.Z.) Limited ("Mercer") and their nominee companies, which the Directors consider to be financial institutions of high quality.

##### **Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Fund is directly exposed to foreign exchange risk and indirectly exposed to interest rate risk. The Fund is directly exposed to other price risk through its investment in unitised products. The underlying securities comprise cash, domestic and international equity instruments, New Zealand commercial property and domestic and international fixed interest securities.

Due to the unitised nature of some of the Fund's investments, it is not practical to determine the sensitivity of the unit price to changes in foreign exchange rates, interest rates or other market factors. These investments are managed by the fund managers and the Fund has no influence over how these risks are controlled or mitigated but considers the portfolio to be such a diverse nature as to reduce significant exposure to the impact of market movements. The mix of cash, fixed interest and equity investments, local and international, in the portfolio is a strategy the Directors employ to minimise the effect on the Fund of volatility in any particular investment sectors.

Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

##### **(i) Currency Risk**

Currency Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk in that future currency movements will affect the valuation of foreign currency denominated investments. These movements will also indirectly affect the valuation of investments in unitised products, which invest in foreign currency denominated investments. Risk management activities are undertaken by the investment managers to operate within the guidelines provided by the Directors.



## NZAS RETIREMENT FUND

### Notes to the Financial Statements For the Year Ended 30 June 2016

#### 11. Financial Instruments (Cont'd)

##### (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is directly exposed to interest rate risk through cash at bank. The Fund is indirectly exposed to interest rate risk in that future interest rate movements will affect cash flows and, the valuation of investments in unithised products which invest in cash and fixed interest investments.

|                           | 2016       | 2015       |
|---------------------------|------------|------------|
|                           | \$         | \$         |
| Short Term Deposits       | 29,484,572 | 21,700,803 |
| Fixed Interest - Onshore  | 12,607,386 | 11,908,216 |
| Fixed Interest - Offshore | 18,014,962 | 17,298,310 |

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

##### (iii) Other Price Risk

Other price risk is the risk that the fair value of the Fund's investments will increase/decrease due to a change in the unit prices of the Fund's unithised products. The Fund is indirectly exposed to other price risks through its investment in the unithised products. This investment is unithised and the underlying securities comprise cash, domestic and international equity instruments, New Zealand commercial property and international fixed interest securities.

##### Capital Management

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

The Fund'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 Fund's members value.

#### 12. Commitments and Contingent Liabilities

There were no commitments or contingent liabilities outstanding as at 30 June 2016. (2015: Nil).

#### 13. Sensitivity Analysis

A ten percent decrease in the unit prices of the Funds investments in unithised products would have an adverse impact on the value of the Fund's assets of \$13,841,827 (2015: \$13,460,619). Conversely a ten percent increase in the unit prices of the Funds investment in unithised products would have a positive impact on the value of the Fund's assets of \$13,841,827 (2015: \$13,460,619).

#### 14. Related Parties

The Fund holds no investments in any of the employer companies or any of its related parties. During the period the employer companies made \$122,853 reimbursement (2015: Nil) to the Fund for death and disablement claims paid to members. The Fund also received employer contributions of \$4,371,710 and company expenses reimbursements of \$578,038, including audit fee of \$21,525 (2015: Employer contribution of \$4,460,341 and expenses reimbursements of \$473,201, including audit fee of \$23,575). Member contributions of \$37,898 (2015: \$48,087) were also made to the Fund by Directors.

Payments totalling \$29,286 (2015: Nil) were made by the Fund to the Licenced Independent Trustee. There were no other related party transactions during the year to 30 June 2016.

#### 15. Events After Balance Date

The Trust Deed was amended in September 2016 to replace all individual Trustees with a corporate Trustee, NZAS Retirement Fund Trustee Limited, effective 22 September 2016. This was done to facilitate the Fund's compliance with the Financial Markets Conduct Act 2013. All individual Trustees retired and became Directors of the new corporate Trustee at that date.

A further Trust Deed amendment was executed in September 2016 in order to comply with the requirements of the Financial Markets Conduct Act 2013 and the Financial Markets Conduct Regulations 2014 and to make other minor amendments for the more efficient operation of the Fund. The effective date for these changes is the date of transition to the new Act, being 23 September 2016.

There have been no other material events after balance date that require adjustment to or disclosure in the financial statements (2015: Nil).