

# **WORKS SUPERANNUATION SCHEME**

## **Financial Statements**

**For the Year Ended 30 June 2008**

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## **Auditors' Report**

to the members of the Works Superannuation Scheme

We have audited the financial statements on pages 3 to 17. The financial statements provide information about the past change in net assets and cash flows of the Scheme for the year ended 30 June 2008 and its net assets as at that date. This information is stated in accordance with the accounting policies set out on pages 6 to 10.

### **Trustees' Responsibilities**

The Scheme's Trustees are responsible for the preparation and presentation of the financial statements which give a true and fair view of the net assets of the Scheme as at 30 June 2008 and its change in net assets and cash flows for the year ended on that date.

### **Auditors' Responsibilities**

We are responsible for expressing an independent opinion on the financial statements presented by the Trustees and reporting our opinion to you.

### **Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Trustees in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Scheme, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Scheme other than in our capacity as auditors and tax advisors.

**Auditors' Report**

Works Superannuation Scheme

**Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Scheme as far as appears from our examination of those records; and
- (b) the financial statements on pages 3 to 17:
  - (i) comply with generally accepted accounting practice in New Zealand
  - (ii) comply with International Financial Reporting Standards; and
  - (iii) give a true and fair view of the net assets of the Scheme as at 30 June 2008 and its changes in net assets and cash flows for the year ended on that date.

Our audit was completed on 15 October and our unqualified opinion is expressed as at that date.



Chartered Accountants

Wellington

# WORKS SUPERANNUATION SCHEME

## Statement of Net Assets As at 30 June 2008

	Note	2008 NZ\$	2007 NZ\$
<b>FINANCIAL ASSETS - Fair Value Through Profit &amp; Loss</b>			
Short Term Deposits		10,372,294	5,916,065
Forward Foreign Exchange		(394,124)	1,014,228
Fixed Interest - Onshore		9,124,924	8,273,308
Fixed Interest - Offshore		9,243,798	12,188,359
Equities - Onshore		8,876,860	11,719,727
Equities - Offshore		23,003,322	26,901,268
<b>Total Investments</b>	5	<u>60,227,074</u>	<u>66,012,955</u>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents		478,717	25,766
Contributions Receivable - Member		98,042	60,410
Contributions Receivable - Employer		140,358	87,007
Investment Income Receivable		397,374	1,006,827
Taxation Credits Receivable		26,952	-
Income Tax Receivable	7	<u>336,655</u>	<u>-</u>
<b>Total Current Assets</b>		<u>1,478,098</u>	<u>1,180,010</u>
Deferred Tax	7	-	202,517
<b>Total Assets</b>		<u>61,705,172</u>	<u>67,395,482</u>
<b>Less LIABILITIES</b>			
Contributions Refundable - Member		890	1,025
Contributions Refundable - Employer		1,243	1,558
Benefits Payable		159,821	326,289
Trade and Other Payables		66,992	140,621
Income Tax Payable	7	<u>-</u>	<u>1,099,402</u>
<b>Total Liabilities</b>		<u>228,946</u>	<u>1,568,895</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		<u>61,476,226</u>	<u>65,826,587</u>
<b>LIABILITY FOR PROMISED BENEFITS</b>			
<i>Represented By:</i>	3 & 4		
Member Account		22,548,712	24,027,523
Employer Account		38,906,756	41,784,686
Reserve Account	9	<u>20,758</u>	<u>14,378</u>
		<u>61,476,226</u>	<u>65,826,587</u>

For and on behalf of the Trustees, who authorised the issue of these financial statements on:

Trustee

  
**D. E. B. Stevenson**

Trustee

  
**J. Vessey**

Date

15-10-2008

Date

15-10-2008

This statement is to be read in conjunction with the notes on pages 6 to 17

# WORKS SUPERANNUATION SCHEME

## Statement of Changes in Net Assets For the Year Ended 30 June 2008

	Note	2008 NZ\$	2007 NZ\$
<b>INVESTMENT ACTIVITIES</b>			
<b>Investment Income</b>			
(Losses)Gains on Scheme Investments at Fair Value Through Profit or Loss	6	(4,619,715)	6,203,641
Distributions Received		146,066	114,101
Interest Received		8,327	5,169
		<u>(4,465,322)</u>	<u>6,322,911</u>
<b>Investment Expenses</b>			
Investment Management Fees		104,669	106,327
<b>Net Investment (Loss)/Revenue</b>		<u>(4,569,991)</u>	<u>6,216,584</u>
<b>Other Income</b>			
Use of Money Interest		10,989	-
<b>Total Revenue</b>		<u>(4,559,002)</u>	<u>6,216,584</u>
<b>OTHER EXPENSES</b>			
Administration Expenses		108,340	115,497
Audit Fees		13,000	11,175
Tax Advice		33,078	19,925
General Expenses		30,173	26,877
Use of Money Interest		-	86,240
<b>Total Other Expenses</b>		<u>184,591</u>	<u>259,714</u>
<b>Change in Net Assets before Taxation and Membership Activities</b>		<u>(4,743,593)</u>	<u>5,956,870</u>
Income Tax Expense	7	1,507	938,381
<b>Change in Net Assets after Taxation and before Membership Activities</b>		<u>(4,745,100)</u>	<u>5,018,489</u>
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>	3		
Member Contributions		1,871,203	1,796,931
Employer Contributions		2,764,776	2,720,684
Transfers In from Other Schemes		-	3,888
<b>Total Contributions</b>		<u>4,635,979</u>	<u>4,521,503</u>
<b>Benefits Paid</b>	3		
Retrenchments		422,559	632,268
Retirements		779,846	2,689,243
Withdrawals		3,038,835	1,886,391
<b>Total Benefits Paid</b>		<u>4,241,240</u>	<u>5,207,902</u>
<b>Net Membership Activities</b>		<u>394,739</u>	<u>(686,399)</u>
<b>Net (Decrease)/Increase in Net Assets During Year</b>		<u><u>(4,350,361)</u></u>	<u><u>4,332,090</u></u>
<b>Benefits accrued</b>			
Allocated to:			
Member Account		(1,478,811)	1,686,376
Company Account		(2,877,930)	2,643,898
Reserves		6,380	1,816
		<u><u>(4,350,361)</u></u>	<u><u>4,332,090</u></u>

This statement is to be read in conjunction with the notes on pages 6 to 17

# WORKS SUPERANNUATION SCHEME

## Statement of Cash Flows

For the Year Ended 30 June 2008

	Note	2008 NZ\$	2007 NZ\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash provided from</i>			
Employer Contributions		2,711,110	2,721,155
Member Contributions		1,833,436	1,799,484
Income Tax Refund		-	1,677
Investment Income Received		1,006,827	-
		<u>5,551,373</u>	<u>4,522,316</u>
<i>Cash applied to</i>			
Benefits Paid		4,407,708	4,935,727
General Administration Expenses		245,495	160,761
Income Tax Paid		1,262,000	-
		<u>5,915,203</u>	<u>5,096,488</u>
<b>Net Cash Flows from Operating Activities</b>	8	<u>(363,830)</u>	<u>(574,172)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash provided from</i>			
Proceeds from Sale of Investments		1,560,748	969,392
Realised Gain from Hedging Activities		2,588,775	-
		<u>4,149,523</u>	<u>969,392</u>
<i>Cash applied to</i>			
Purchase of Investments		3,296,944	377,134
Investment Management Fees		35,798	33,395
		<u>3,332,742</u>	<u>410,529</u>
<b>Net Cash Flows from Investing Activities</b>		<u>816,781</u>	<u>558,863</u>
<b>Net Increase/(Decrease) in Cash or Cash Equivalents</b>		452,951	(15,309)
<b>Cash and Cash Equivalents at Beginning of Year</b>		25,766	41,075
<b>Cash and Cash Equivalents at End of Year</b>		<u>478,717</u>	<u>25,766</u>

This statement is to be read in conjunction with the notes on pages 6 to 17

## WORKS SUPERANNUATION SCHEME

### Notes to the Financial Statements For the Year Ended 30 June 2008

#### 1. Scheme Description

Works Superannuation Scheme is a superannuation scheme registered in New Zealand under the Superannuation Schemes Act 1989 ( registration number AS/486 ) to provide retirement benefits to certain employees of Works Infrastructure Limited, Century Drilling and Energy Services (NZ) Limited, Downer Construction (NZ) Limited and Opus International Consultants Limited.

The registered address of the Company Secretary is as follows:

Secretary to the Trustees  
Works Superannuation Scheme  
C/- Aon New Zealand Limited  
PO Box 2764  
Wellington 6140

During the year the Trustees of the scheme were :

Dan Stevenson ( Chairman )	Alison Swan
David Hutchison	John Vessey
Peter Reidy	Andrew Norton

There is only one class of member. There were no members receiving benefits other than those paid on exit.

#### Funding arrangements:

Works Superannuation Scheme is a defined contribution scheme. Under the Trust Deed contributions are made by Scheme members and by the company. During the year the company contributed and members contributed at the following rates:

Company contribution:	3.0% to 7.5% of member's salary (net of withholding tax)
Member's contribution:	not compulsory, but if do then 1% minimum of salary

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

#### Retirement benefits

The retirement benefits are determined by contributions to the scheme together with investment earnings on these 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

There were no changes in the Trust Deed.

#### 2. Summary of Significant Accounting Policies

##### Basis of preparation

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Superannuation Schemes Act 1989.

##### Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards (IFRS).

This is the first set of financial statements prepared based on NZ IFRS, and comparatives for the year ended 30 June 2007 have been restated accordingly. An explanation of how the transition to NZ IFRS has affected the reported net assets and changes in net assets of the Scheme is provided in Note 15.

## **WORKS SUPERANNUATION SCHEME**

### **Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2008**

#### **2. Summary of Significant Accounting Policies (continued)**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS Statement of Net Assets at 1 July 2006 for the purposes of the transition to NZ IFRS.

##### **Measurement base**

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

##### **Presentational 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**

Works Superannuation Scheme operates as a superannuation scheme. As such, the assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

##### **Accounting policies**

The following are the significant accounting policies which have been adopted in the preparation of the financial statements:

##### **Investment income**

Interest, dividends and distributions from unitised 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.

##### **Foreign currencies**

Transactions in currencies other than NZ dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance date. Gains and losses arising on retranslation are included in changes in net assets for the period.

##### **Expenses**

All expenses are accounted for on an accruals basis.

##### **Taxation**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement 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 balance sheet date.

AMP Superannuation Investment Trust pays income tax on those investments held in a tax paid fund. Expenses paid from the scheme are transferred to AMP Superannuation Investment Trust and a tax credit claimed in accordance with section DV2(2) of the Income Tax Act 2004.

##### **Financial instruments**

Financial assets and financial liabilities are recognised on the Scheme's statement of net assets when the Scheme becomes a party to the contractual provisions of the instrument. The Scheme shall offset financial assets and financial liabilities if the Scheme has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.



## **WORKS SUPERANNUATION SCHEME**

### **Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2008**

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets through profit or loss where the financial asset:

- a) Has been acquired principally for the purpose of selling in the near future.
- b) Is part of an identified portfolio of financial instruments that the group manages together and has a recent pattern of short term profit taking
- c) Is a derivative that is not designated and effective as a hedging instrument.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

Investments are classified at fair value through profit and loss. As the Scheme's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities and fixed income securities are designated as fair value through profit and loss on initial recognition.

Financial assets designated as at fair value through profit and loss, are measured at subsequent reporting dates at fair value, which is the bid price of the exchange on which the investment is quoted.

Investments in units of pooled investment funds are valued at the closing price released by the relevant investment manager.

##### **Derivative financial instruments**

The Scheme's activities expose it primarily to the financial risks of changes in foreign currency rates and interest rates. The Scheme may use foreign currency forward contracts and interest rate swap contracts to hedge these exposures. The Scheme does not use derivative financial instruments for speculative purposes. Derivative financial instruments are held at fair value through profit or loss and are classified as held for trading.

##### **Impairment of assets**

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cashflow of the investment has been impacted.

The carrying value of the financial asset is reduced by the impaired loss directly for all financial assets, with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of changes in Net Assets to the extent the carry amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### **Other receivables**

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

##### **Other payables**

Other payables are not interest-bearing and are stated at their fair value.

## WORKS SUPERANNUATION SCHEME

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2008

#### 2. Summary of Significant Accounting Policies (continued)

##### **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.

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

Operating activities - include all transactions and other events that are not investing activities.

##### **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from other segments operating in other economic environments. The scheme operates in a single business segment being the New Zealand Superannuation Scheme industry and operates in a single geographical segment being New Zealand.

##### **Promised benefits**

The liability for promised benefits is the Scheme's present obligation to pay benefits to members and beneficiaries. It has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities as at balance date. Promised benefits include amounts allocated to members' accounts and reserves.

##### **Contributions and withdrawals**

Contributions and withdrawals are accounted for on an accruals basis.

##### **Standards, amendments and interpretations to existing standards that are not yet effective and have not yet been adopted by the Scheme**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the scheme accounting periods beginning on or after 1 July 2008 or later periods, but the Scheme has not adopted them early.

IFRS 8 'Operating Segments' effective from 1 January 2009.

NZIFRS 8 replaces IAS14 and aligns segment reporting with the requirements of the US standard SFAS131, 'Disclosures about segments of an enterprise and related information.' Under which segment information is presented on the same basis as that used for internal reporting purposes. The plan will apply NZIFRS 8 from 1 July 2009. This is not expected to have any impact as the scheme operates in only one business segment and one geographical location.

##### **Capital management**

The Scheme's primary purpose is to ensure that the net assets available to pay benefits is sufficient to meet all present and future obligations of the Scheme, as defined by the liability for promised benefits. The Scheme achieves this through obtaining contributions from members and participating employers and investing these in investments disclosed in note 5.

## WORKS SUPERANNUATION SCHEME

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2008

#### 2. Summary of Significant Accounting Policies (Cont'd)

##### Capital management (Cont'd)

Currently the Scheme is in a position where net assets available to pay benefits exceeds the liability for promised benefits, including that the capital management process is operating effectively.

The total value of net assets available to pay benefits have decreased by \$4,350,361 (2007 increase: \$4,332,090) due to the decrease in the value of investments.

#### 3. Liability for Promised Retirement Benefits

##### Changes in promised retirement benefits as at 30 June 2008:

	Member Account NZ\$	Employer Account NZ\$	Reserve Account NZ\$	Total 2008 NZ\$
Balance 1 July	24,027,523	41,784,686	14,378	65,826,587
Contributions	1,870,606	2,764,158	1,215	4,635,979
Benefits Paid	(1,633,421)	(2,624,688)	16,869	(4,241,240)
Net Income		-	(4,745,100)	(4,745,100)
Interest Allocated	(1,715,996)	(3,017,400)	4,733,396	-
Balance at 30 June	22,548,712	38,906,756	20,758	61,476,226

##### Changes in promised retirement benefits as at 30 June 2007:

	Member Account NZ\$	Employer Account NZ\$	Reserve Account NZ\$	Total 2007 NZ\$
Balance 1 July	22,341,147	39,140,788	12,562	61,494,497
Contributions	1,797,868	2,721,495	(1,748)	4,517,615
Benefits Paid	(1,935,867)	(3,262,520)	(9,515)	(5,207,902)
Transfers In	3,888	-	-	3,888
Net Income			5,018,489	5,018,489
Interest Allocated	1,820,487	3,184,923	(5,005,410)	-
Balance 30 June	24,027,523	41,784,686	14,378	65,826,587

##### Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits. (2007: Nil).

#### 4. 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 Scheme at balance date.

2008 NZ\$	2007 NZ\$
61,374,095	65,737,002

## WORKS SUPERANNUATION SCHEME

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2008

#### 5. Financial Assets at fair value through Profit & Loss

All investments are held in unitised funds with the following Investment Managers:

	2008 NZ\$	2007 NZ\$
<b>AMP Capital Investors NZ Limited</b>		
AMP Capital Investors NZ Ltd -Short Term Deposits	10,372,294	5,916,065
AMP Capital Investors NZ Ltd -New Zealand Fixed Interest	9,124,924	8,273,308
AMP Capital Investors NZ Ltd -International Fixed Interest	9,243,798	12,188,359
	<u>28,741,016</u>	<u>26,377,732</u>
<b>Capital International</b>		
National Corporate Investment Trust -International Equities	12,270,109	12,293,801
	<u>12,270,109</u>	<u>12,293,801</u>
<b>State Street Global Advisors Australia Limited</b>		
BNZ International equity Index Hedged Fund		
- International Equities	10,733,213	14,607,467
- Forward Foreign Exchange	(394,124)	1,014,228
	<u>10,339,089</u>	<u>15,621,695</u>
<b>ING (NZ) Limited</b>		
ANZ NZ Equity Funds	8,876,860	11,719,727
	<u>8,876,860</u>	<u>11,719,727</u>
<b>Total Investments</b>	<u><b>60,227,074</b></u>	<u><b>66,012,955</b></u>

No single investment within any of the investments listed above exceeds either 5% of the Scheme's net assets or 5% of any class or type of security.

#### 6. (Losses)/Gains on Fair Value Through Profit & Loss Assets

	2008 NZ\$	2007 NZ\$
AMP Capital Investors NZ Limited	875,337	925,559
Capital International	(382,064)	233,840
State Street Global Advisors Australia Limited	(2,596,389)	3,850,879
ING (NZ) Limited	(2,516,599)	1,193,364
	<u>(4,619,715)</u>	<u>6,203,642</u>

## WORKS SUPERANNUATION SCHEME

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2008

7. Income Tax	2008 NZ\$	2007 NZ\$
Credits Receivable	(26,952)	(9,115)
Current tax	(177,296)	1,104,472
Deferred Tax	205,755	(156,976)
<b>Income Tax Expense</b>	<b>1,507</b>	<b>938,381</b>
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	(4,743,593)	5,956,870
Income Tax @ 33%	(1,565,386)	1,965,767
Tax effect of:		
Non Assessable Investment Gains and Losses	1,664,568	(807,232)
Non Deductible Expenses	1,560	737
Imputation credits received	(99,235)	-
	<b>1,507</b>	<b>1,159,274</b>
Less prior period adjustment	-	(220,893)
<b>Income Tax Expense</b>	<b>1,507</b>	<b>938,381</b>
<b>Current tax represented by:</b>		
Opening Balance	(1,099,402)	2,185
Prior period adjustment	177,296	-
Tax on gains/losses	26,952	(1,104,472)
Transfer to credits receivable	(26,952)	-
Deferred Tax transfer	(3,239)	4,562
Other	-	-
Less Terminal tax paid	1,262,000	(1,677)
	<b>336,655</b>	<b>(1,099,402)</b>
<b>Deferred Tax</b>		
Opening Balance	202,517	50,103
Prior Period Adjustment	(177,296)	211,778
Current Year Movement	(28,459)	(54,802)
Transfer From Deferred Tax	3,238	(4,562)
<b>Closing Balance</b>	<b>-</b>	<b>202,517</b>

On 21 May 2007 legislation was enacted that reduced the New Zealand Corporate tax rate from 33% to 30%. For Works Superannuation Scheme the reduced corporate tax rate will apply from 1 July 2008.

## WORKS SUPERANNUATION SCHEME

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2008

8. Reconciliation of Net Cash Flows from Operating Activities to Increase Net Assets	2008 NZ\$	2007 NZ\$
(Decrease)/Increase in Net Assets	(4,350,361)	4,332,090
<b>Non-cash Items</b>		
Changes in net market value of investments	4,619,715	(6,203,641)
Dividends and interest income received as units	(154,393)	(133,206)
Investment managers fees deducted as units	70,484	70,738
Tax credits received as units	-	(63,468)
<b>Movements in Other Working Capital Items</b>		
Decrease/(Increase) in Sundry Receivables	609,453	(868,084)
Increase in Contributions Receivable	(90,983)	(2,998)
(Increase)/Decrease in Income Tax Receivable	(336,655)	2,185
(Decrease)/Increase in Income Tax Payable	(1,099,402)	1,099,402
Decrease/(Increase) in Tax Credits Receivable	(26,952)	54,352
Decrease/(Increase) in Deferred Tax	202,517	(152,414)
(Decrease)/Increase in Benefits Payable	(166,468)	272,175
(Decrease)/Increase in Contributions Refundable	(450)	2,134
(Decrease)/Increase in Trade and other payables	(73,629)	95,609
Investment Managers Fees (cash)	35,798	33,395
NCIT Capital Gain reinvestment into units	397,496	887,558
<b>Net Cash Flows from Operating Activities</b>	<b>(363,830)</b>	<b>(574,172)</b>

### 9. Reserve Account

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

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

The Trustees may, at their discretion, apply any part or the whole of the Reserve Account to:

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

### 10. Financial Risk Management

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.

## WORKS SUPERANNUATION SCHEME

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2008

#### 10. Financial Risk Management (Cont'd)

The Trustees have approved a Statement of Investments and Portfolio Objectives which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Trustees 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.

##### **Liquidity 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**

Financial instruments which potentially expose the Scheme to credit risk consist of cash and short term deposits, fixed interest securities and receivables and, indirectly, investments in unitised products 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 Capital Investors NZ Ltd, Capital International, State Street Global Advisors Australia Ltd, and ING (NZ) Ltd, which the Trustees consider to be financial institution of high quality. The investments are held in trust by the investment manager for the benefit of the Scheme. The manager maintains diversified investment portfolios in accordance with the portfolio mix adopted by the Trustees.

##### **Concentration of Credit Risk**

While the Fund Managers represent a concentration of credit risk, the Managers have a significantly diversified portfolio and a number of counterparties with whom their investments are held on behalf of the Scheme.

##### **Market Risk**

The Scheme is exposed indirectly to foreign exchange risk, interest rate risk and other price risks through its investments in the investment managers disclosed above.

##### **Currency Risk**

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. The Scheme is also exposed to currency risk in respect of directly held investments denominated in a foreign currency. As at balance date the Scheme's exposure to currency risk was as follows:

	2008 NZ\$	2007 NZ\$
Overseas Fixed Interest Securities	9,243,798	12,188,359
Overseas Shares	23,003,322	26,901,268
Forward Foreign Exchange	(394,124)	1,014,228
	<u>31,852,996</u>	<u>40,103,855</u>

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

## WORKS SUPERANNUATION SCHEME

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2008

#### 10. Financial Risk Management (Cont'd)

##### Interest Rate Risk

The Scheme is exposed to interest rate risk in that future interest rate movements will affect cash flows and net market values of fixed interest assets and, indirectly, the valuation of investments in unitised products which invest in cash and fixed interest investments. As at balance date the Scheme's exposure to interest rate risk was as follows:

	2008 NZ\$	2007 NZ\$
Overseas Fixed Interest Securities	9,243,798	12,188,359
New Zealand Fixed Interest Securities	9,124,924	8,273,308
Deposits	10,372,294	5,916,065
	<u>28,741,016</u>	<u>26,377,732</u>

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

##### Financial assets and liabilities - 2008

	Trading NZ\$	Designated at Fair Value NZ\$	Loans and Receivables NZ\$	Amortised Cost NZ\$
<b>Financial Assets</b>				
Short trading		10,372,294		
Fixed Interest - local		9,124,924		
Fixed Interest - international		9,243,798		
Available for sale financial assets		31,880,182		
Forward foreign exchange	(394,124)			
Cash and cash equivalents			478,717	
Contributions - receivable			238,400	
Investment income receivable			397,374	
Deferred Tax			363,607	
	<u>(394,124)</u>	<u>60,621,198</u>	<u>1,478,098</u>	
<b>Financial liabilities</b>				
Contributions - refundable				2,133
Benefits payable				159,821
Trade and other payables				66,992
Income tax payable				-
				<u>228,946</u>



## WORKS SUPERANNUATION SCHEME

### Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2008

#### 10. Financial Risk Management (Cont'd)

##### Financial assets and liabilities - 2007

	Trading	Designated at Fair Value	Loans and Receivables	Amortised Cost
	NZ\$	NZ\$	NZ\$	NZ\$
<b>Financial Assets</b>				
Short trading		5,916,065		
Fixed Interest - local		8,273,308		
Fixed Interest - international		12,188,359		
Available for sale financial assets		38,620,995		
Forward foreign exchange	1,014,228			
Cash and cash equivalents			25,766	
Contributions - receivable			147,417	
Investment income receivable			1,006,827	
Income tax receivable			202,517	
	1,014,228	64,998,727	1,382,527	
<b>Financial liabilities</b>				
Contributions - refundable				2,583
Benefits payable				326,289
Trade and other payables				140,621
Income tax payable				1,099,402
				1,568,895

A 1% movement in the market value of investments would have an adverse/favourable impact on the value of the Scheme's net assets of +/- \$ 602,271 (2007: +/- \$ 660,130 ).

Any of these changes would have the opposite directional impact on the Scheme's liability for member benefits.

#### 11. Key Sources of Estimation Uncertainty

The Scheme's financial instruments are measured at fair value in the statement of net assets and it is possible to determine their fair values as quoted market prices are readily available.

#### 12. Commitments and Contingent Liabilities

There were no commitments or contingent liabilities outstanding as at 30 June 2008. (2007: Nil).

#### 13. Related Parties

The Scheme holds no investments in any of the employer companies or any of its related parties and during the period had no related party transactions.

The Trustee's listed in Note 1 have received contributions in accordance with the Trust Deed.

#### 14. Events After Balance Date

There have been no material events after balance date that require adjustment to or disclosure in the financial statements. (2007: Nil).

#### 15. Impacts of adoption of the New Zealand Equivalents to International Financial Reporting Standards

The plan changed to its accounting policies on 1 July 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1: First-time Adoption of New Zealand Equivalents to International Reporting Standards, with 1 July 2006 as the date of transition.

## **WORKS SUPERANNUATION SCHEME**

### **Notes to the Financial Statements (Cont'd) For the Year Ended 30 June 2008**

#### **15. Impacts of adoption of the New Zealand Equivalents to International Financial Reporting Standards (Cont'd)**

##### **Effect of NZ IFRS on the Statement of Net Assets**

There were no material differences between the Statement of Net Assets presented under NZ IFRS and the Statement of Net Assets presented under the superseded policies.

##### **Effect of NZ IFRS on the Statement of Changes in Net Assets**

There were no material differences between the Statement of Changes in Net Assets presented under NZ IFRS and the Statement of Changes in Net Assets presented under the superseded policies.

##### **Effect of NZ IFRS on the Statement of Cash Flows**

There were no material differences between the Statement of Cash Flows presented under NZ IFRS and the Statement of Cash Flows presented under the superseded policies.