

WORKS SUPERANNUATION SCHEME

Financial Statements

For the Year Ended 30 June 2010

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Auditors' Report

To the members of Works Superannuation Scheme

We have audited the financial statements on pages 3 to 20. The financial statements provide information about the past change in net assets and cash flows of the Scheme for the year ended 30 June 2010 and its net assets as at that date. This information is stated in accordance with the accounting policies set out on pages 6 to 12.

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

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 2010 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 capacities as auditors and tax advisors.

Auditors' Report

Works Superannuation Scheme

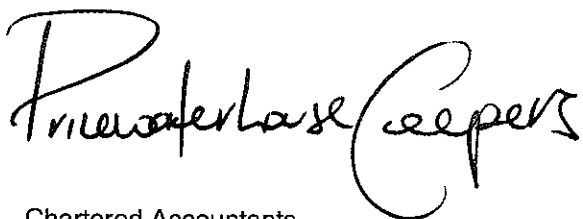
Unqualified Opinion

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 20:
 - (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 2010 and its change in net assets and cash flows for the year ended on that date.

Our audit was completed on 17 September 2010 and our unqualified opinion is expressed as at that date.



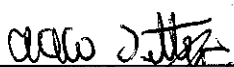

Chartered Accountants

Auckland

WORKS SUPERANNUATION SCHEME

Statement of Net Assets As at 30 June 2010	Note	2010 NZ\$	2009 NZ\$
FINANCIAL ASSETS - Fair Value Through Profit & Loss			
Cash Fund		20,223,125	19,758,240
Forward Foreign Exchange Contracts		(348,846)	90,731
Fixed Interest - Onshore		6,106,070	5,308,920
Fixed Interest - Offshore		9,470,880	7,322,248
Equities - Onshore		7,357,333	6,944,450
Equities - Offshore		17,609,683	16,253,727
Total Investments	5	<u>60,418,245</u>	<u>55,678,316</u>
CURRENT ASSETS			
Cash in Transit		-	525,000
Cash at Bank		937,986	249,294
Contributions Receivable		219,613	181,934
Investment Income Receivable		95,523	282,443
Income Tax Receivable	8	-	329,387
Total Current Assets		<u>1,253,122</u>	<u>1,568,058</u>
Deferred Tax	8	256,330	678,862
Total Assets		<u>61,927,697</u>	<u>57,925,236</u>
Less LIABILITIES			
Contributions Refundable		-	448
Benefits Payable		331,662	349,269
Sundry Creditors		249,877	45,802
Total Liabilities		<u>581,539</u>	<u>395,519</u>
NET ASSETS AVAILABLE FOR BENEFITS	3 & 4	<u>61,346,158</u>	<u>57,529,717</u>
LIABILITY FOR PROMISED BENEFITS			
<i>Represented By:</i>			
Member Account	3	22,702,151	21,214,289
Employer Account	3	38,604,353	36,276,164
Reserve Account	10	39,654	39,264
		<u>61,346,158</u>	<u>57,529,717</u>

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

Trustee		Date	16 September 2010
Trustee		Date	16 September 2010

This statement is to be read in conjunction with the notes on pages 6 to 20

WORKS SUPERANNUATION SCHEME

Statement of Changes in Net Assets For the Year Ended 30 June 2010	Note	2010 NZ\$	2009 NZ\$
INVESTMENT ACTIVITIES			
Investment Revenue			
Gain (Loss) on Scheme Investments at Fair Value	6	2,580,483	(4,894,314)
Profit (loss) on redemption of investments	6	1,305,056	-
Distributions		351,941	282,443
		<u>4,237,480</u>	<u>(4,611,871)</u>
Investment Expenses			
Investment Management Fees		60,254	107,880
		<u>60,254</u>	<u>107,880</u>
Net Investment Gain/(Loss)	7	<u>4,177,226</u>	<u>(4,719,751)</u>
Other Income			
Use of Money Interest		29,269	8,576
Total Revenue		<u>4,206,495</u>	<u>(4,711,175)</u>
OTHER EXPENSES			
Administration expenses		133,338	109,491
Auditors' Remuneration - Audit Fees		13,900	12,762
Auditors' Remuneration - Tax Advice		24,008	17,294
Legal Fees		27,548	36,090
General Expenses		15,168	28,301
Total Other Expenses		<u>213,962</u>	<u>203,938</u>
Change in Net Assets before Taxation and Membership activities		3,992,533	(4,915,113)
Income Tax (Credit)/Expense	8	1,551,643	(681,594)
Change in Net Assets after Taxation and before Membership Activities		<u>2,440,890</u>	<u>(4,233,519)</u>
MEMBERSHIP ACTIVITIES			
Contributions			
Member Contributions		1,787,571	1,762,197
Employer Contributions		2,745,185	2,675,050
Total Contributions	3	<u>4,532,756</u>	<u>4,437,247</u>
Benefits Paid			
Retrenchments		786,975	628,391
Resignations		421,969	-
Retirements		1,722,822	1,527,818
Withdrawals		91,460	1,994,028
Hardship		31,900	-
Death Payment		95,238	-
Total Benefits Paid	3	<u>3,150,364</u>	<u>4,150,237</u>
Net Membership Activities		<u>1,382,392</u>	<u>287,010</u>
Net Increase/(Decrease) in Net Assets During Year		<u>3,823,282</u>	<u>(3,946,509)</u>
Benefits accrued			
Allocated to:			
Member Account		1,487,862	(1,334,423)
Company Account		2,328,189	(2,630,592)
Reserves		7,231	18,506
		<u>3,823,282</u>	<u>(3,946,509)</u>

This statement is to be read in conjunction with the notes on pages 6 to 20

WORKS SUPERANNUATION SCHEME

Statement of Cash Flows For the Year Ended 30 June 2010	Note	2010 NZ\$	2009 NZ\$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash provided from</i>			
Employer Contributions		2,659,053	2,705,508
Member Contributions		1,744,564	1,786,520
Income Tax Refund		355,477	18,576
IRD use of money Interest		3,179	-
		<u>4,762,273</u>	<u>4,510,604</u>
<i>Cash applied to</i>			
Benefits Paid		3,083,800	3,960,789
General Administration Expenses		208,480	221,626
Income Tax Paid		-	-
		<u>3,292,280</u>	<u>4,182,415</u>
Net Cash Flows from Operating Activities	9	<u>1,469,993</u>	<u>328,189</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash provided from</i>			
Proceeds from Sale of Investments		299,502	1,122,582
Proceeds from Settlement of Derivative Contracts		-	2,077,081
		<u>299,502</u>	<u>3,199,663</u>
<i>Cash applied to</i>			
Purchase of Investments		1,060,000	3,731,093
Investment Management Fees		20,803	26,182
		<u>1,080,803</u>	<u>3,757,275</u>
Net Cash Flows from Investing Activities		<u>(781,301)</u>	<u>(557,612)</u>
Net Increase/(Decrease) in Cash Held		688,692	(229,423)
Cash at Beginning of Year		249,294	478,717
Cash at End of Year		<u>937,986</u>	<u>249,294</u>

This statement is to be read in conjunction with the notes on pages 6 to 20

WORKS SUPERANNUATION SCHEME

Notes to the Financial Statements For the Year Ended 30 June 2010

1. Scheme Description

Works Superannuation Scheme ("the 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 Century Drilling and Energy Services (NZ) Limited, Downer EDI Works Limited and Opus International Consultant Limited.

The registered address of the Company Secretary is as follows:

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

During the year the Trustees of the Scheme were :

Dan Stevenson (Chairman)	Alison Swan
David Hutchison	John Vessey
Andrew Titter	Christine Meade

There is only one class of member. There were no members receiving benefits other than those paid on exit and partial withdrawals due to financial hardship.

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.

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, 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 generally accepted accounting practice in New Zealand and the requirements of the Financial Reporting Act 1993 and the Superannuation Schemes Act 1989.

WORKS SUPERANNUATION SCHEME

Notes to the Financial Statements For the Year Ended 30 June 2010

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

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. The financial statements also comply with International Financial Reporting Standards (IFRS).

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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.

Functional and 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

The 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.

Standards and amendments to existing standards effective 1 January 2009 which will have an impact on the Scheme

NZ IFRS 7 (amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the Scheme's financial position or performance.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Scheme's accounting periods beginning on or after 1 January 2010 or later periods, but the Scheme has not adopted them early.

NZ IFRS 9 'Financial Instruments' was issued by the International Accounting Standards Board ("IASB") in November 2009. If the standard is not early adopted it will be effective for the 31 December 2013 financial year end.

The major changes under the standard are that:

NZ IFRS 9 replaces the multiple classification and measurement models in NZ IAS 39 with a single model that has two classification categories: amortised cost and fair value.

A financial asset is measured at amortised cost if two criteria are met: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent the payment of principal and interest.

If a financial asset is eligible for amortised cost measurement, an entity can elect to measure it at fair value if it eliminates or significantly reduces an accounting mismatch.

There will be no bifurcation of an embedded derivative where the host is a financial asset.

Unquoted equity instruments must be measured at fair value however, an entity can elect on initial recognition to present the fair value changes on an equity investment directly in other comprehensive income.

WORKS SUPERANNUATION SCHEME

Notes to the Financial Statements
For the Year Ended 30 June 2010

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

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Scheme (Cont'd)

There is no subsequent recycling of fair value gains and losses to profit or loss. However, dividends from such investments will continue to be recognised in the Statement of Changes in Net Assets;

If an entity holds a tranche in a waterfall structure it must determine the classification of that tranche by looking through to the assets ultimately underlying that portfolio and assess the credit quality of that tranche compared with the underlying portfolio. If an entity is unable to look through, then the tranche must be measured at fair value.

The implications of the adoption of this new standard for the Scheme is currently under review.

Related Party Disclosures

The revised Standard was approved in November 2009 and is applicable to the Scheme in the 2012 financial year. The revisions to this standard simplify the definition of a related party and clarify its intended meaning. The adoption of this Standard may result in additional/amended disclosures but will not have an effect on profit.

Accounting Policies

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

There have been no changes in accounting policies during the current year.

Investment Income

Interest, dividends and distributions from unitised investments are taken to income on a due and receivable basis and is included as part of net gains or losses of Scheme investments. Interest income is recognised in the Statement of Changes in Net Assets using the effective interest method.

Net realised and unrealised gains and losses are recognised in the Statement of Changes in Net Assets in the year 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 translated at the rates prevailing on the balance date. Gains and losses arising on translation are included in changes in net assets for the year.

Expenses

All expenses are accounted for on an accruals basis.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

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.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Net Assets liability method. 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 differences can be utilised.

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

WORKS SUPERANNUATION SCHEME

Notes to the Financial Statements For the Year Ended 30 June 2010

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

Taxation (Cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of changes in net assets.

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

(i) Classification

The Scheme's investments are categorised as at fair value through profit or loss. They comprise:

Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments in unithold trusts. Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy.

Financial assets and liabilities held for trading purposes

These include financial assets that are held for trading purposes and which have been acquired principally for the purpose of selling or repurchasing in the near term and:

- Are part of an identified portfolio of financial instruments that the group manages together and has a recent pattern of short term profit taking.
- Is a derivative that is not designated and effective as a hedging instrument.

Derivative Financial Instruments

The scheme 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.

(ii) Recognition/Derecognition

The Scheme recognises financial assets and financial liabilities on the date it become party to the contractual agreement (trade date) and recognises changes in 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 have expired or the Scheme has transferred substantially all risks and rewards of ownership.

(iii) Measurement

(1) Financial assets and liabilities at fair value through profit or loss

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.

WORKS SUPERANNUATION SCHEME

Notes to the Financial Statements For the Year Ended 30 June 2010

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

Financial Instruments (Cont'd)

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the balance date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

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

Fair value in an inactive market

Held for trading financial assets at fair value through profit or loss

Held for trading financial assets at fair value through profit or loss comprise derivative instruments which include forward exchange contracts. The use of these contracts by the Scheme is limited to the risk management of their investments.

Forward exchange contracts are used as economic hedges. Therefore, they are accounted for on the same basis as those investments and are recognised at their fair value. Forward exchange contracts are measured at fair value both upon initial recognition and subsequently. Gains and losses arising from changes in the fair value are recognised in the Statement of Changes in Net Assets when they arise.

The fair value of derivative instruments is determined using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist and valuation methods.

Investments in other Funds

Investments in other funds are subject to the terms and conditions of the respective Scheme's offering documentation. The investment in the investee funds are primarily valued based on the latest available redemption price of such units for each of the investee funds, as determined by the manager of the investee fund. The Scheme's Trustees review the details of the reported information obtained from the investee fund and consider: (i) the liquidity of the investee fund or its underlying investments, (ii) the value date of the net asset value (NAV) provided, (iii) any restrictions on redemptions, and (iv) the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the investee fund's advisors. If necessary the Scheme's Trustees make adjustments to the NAV of various investee funds to obtain the best estimate of fair value. Changes to the fair value of investee funds are included in investment revenue of financial assets at fair value through profit or loss in the Statement of Changes in Net Assets.

(2) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables comprises of cash and cash equivalents, contributions receivable and investment income receivable.

Loans and receivables are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each balance date to determine whether there is objective evidence of impairment for example, when there has been a significant or prolonged decline in the fair value below cost.

If any such indication of impairment exists, an impairment loss is recognised in the Statement of Changes in Net Assets as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

WORKS SUPERANNUATION SCHEME

Notes to the Financial Statements For the Year Ended 30 June 2010

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

Financial Instruments (Cont'd)

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write down, the write down is reversed through the Statement of Changes in Net Assets to the extent that the carrying amount of the financial assets at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 interests and intends to settle on a net basis.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Net Assets.

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 include liabilities and accrued expenses owing by the Scheme which are unpaid as at balance date. These amounts are unsecured and are usually paid within 30 days of recognition. These financial liabilities are recognised initially at fair value. Subsequent to initial recognition they are measured at amortized cost using the effective interest method.

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 and cash equivalents - includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Net Assets.

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.

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.

WORKS SUPERANNUATION SCHEME

Notes to the Financial Statements For the Year Ended 30 June 2010

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

Contributions and Benefits

Contributions and withdrawals are accounted for on an accruals basis. Contributions are recognised in the Statement of Changes in Net Assets when they become receivable, resulting in a financial asset to amounts owing. Contributions are recognised at fair value less any allowance to any uncollectible amounts.

Withdrawals are recognised in Statement of Changes in Net Assets when they become payable resulting in a financial liability to current payables.

Capital Risk Management

The Scheme's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations of the Scheme, as defined by the liability for promised retirement benefits.

The Scheme achieves this through obtaining contributions from the employer and investing these into financial assets in accordance with the funds investment policies.

Critical Judgement and Accounting Estimates

The Trustees have applied their judgement in selecting the accounting policy to designate financial assets and financial liabilities through profit or loss at inception. This policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair values of all financial assets as quoted market prices are readily available. Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of making material adjustments to the carrying amounts of assets and liabilities at year end. However as with all investments their value is subject to variation due to market fluctuations. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. Liability for Promised Retirement Benefits

Changes in promised retirement benefits as at 30 June 2010:	Member Account NZ\$	Employer Account NZ\$	Reserve Account NZ\$	Total 2010 NZ\$
Balance 1 July 2009	21,214,289	36,276,164	39,264	57,529,717
Contributions	1,787,572	2,745,186	-	4,532,758
Benefits Paid	(1,182,132)	(1,968,233)	(6,842)	(3,157,207)
Net Income	-	-	2,440,890	2,440,890
Interest Allocated	882,422	1,551,236	(2,433,658)	-
Balance at 30 June 2010	22,702,151	38,604,353	39,654	61,346,158

Changes in promised retirement benefits as at 30 June 2009:	Member Account NZ\$	Employer Account NZ\$	Reserve Account NZ\$	Total 2009 NZ\$
Balance 1 July 2008	22,548,712	38,906,756	20,758	61,476,226
Contributions	1,763,972	2,678,383	(5,108)	4,437,247
Benefits Paid	(1,564,232)	(2,586,382)	377	(4,150,237)
Net Income	-	-	(4,233,519)	(4,233,519)
Interest Allocated	(1,534,163)	(2,722,593)	4,256,756	-
Balance at 30 June 2009	21,214,289	36,276,164	39,264	57,529,717

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits. (2009:Nil)

WORKS SUPERANNUATION SCHEME

Notes to the Financial Statements For the Year Ended 30 June 2010

4. Vested Benefits	2010 NZ\$	2009 NZ\$
	61,085,188	57,403,635

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.

5. Financial Assets at fair value through Profit & Loss	2010 NZ\$	2009 NZ\$
<i>Financial assets/(liabilities) held for trading</i>		
Forward Foreign Exchange	(348,846)	90,731
Total Financial assets/(liabilities) held for trading	(348,846)	90,731
<i>Designated at fair value through profit or loss</i>		
AMP Capital Investors NZ Limited		
AMP Investment Trust -Short Term Deposits	20,223,125	19,758,240
AMP Investment Trust -New Zealand Fixed Interest	6,106,070	5,308,920
AMP Investment Trust -International Fixed Interest	9,470,880	7,322,248
	35,800,075	32,389,408
Nabinvest Capital Partners		
National Corporate Investment Trust -International Equities	10,424,563	10,380,813
	10,424,563	10,380,813
AXA Global Investors		
International Equity Index Fund	7,185,120	5,872,914
	7,185,120	5,872,914
ING (NZ) Limited		
ING Unit Trusts	7,357,333	6,944,450
	7,357,333	6,944,450
Total Designated at fair value through profit or loss	60,767,091	55,587,585
Total Financial Assets at fair value through Profit & Loss	60,418,245	55,678,316

6. Gain/(Loss) on Fair Value Through Profit & Loss	2010 NZ\$	2009 NZ\$
AMP Capital Investors NZ Limited	2,459,529	2,242,042
Nabinvest Capital Partners	(144,381)	(2,286,670)
AXA Global Investors	941,813	(3,999,168)
ING (NZ) Limited	628,578	(850,518)
	3,885,539	(4,894,314)

The amounts above include the gains/(losses) on forward foreign exchange contracts and exclude net management fee rebates and expenses which have been disclosed separately.

7. Total Operating Revenue	2010 NZ\$	2009 NZ\$
Net Investment Gain (Loss)	4,177,226	(4,719,751)
	4,177,226	(4,719,751)

WORKS SUPERANNUATION SCHEME

Notes to the Financial Statements For the Year Ended 30 June 2010

8. Income Tax

	2010 NZ\$	2009 NZ\$
Current tax	1,551,643	2,732
Deferred Tax	-	678,862
	<u>1,551,643</u>	<u>681,594</u>

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>3,992,533</u>	<u>(4,915,113)</u>
Income Tax @ 30% (2009: 30%)	1,197,760	(1,474,534)
Tax effect of:		
Net PIE tax adjustment and FDR	409,875	889,601
Use of Money Interest	-	(2,573)
Non Deductible Expenses	22,864	-
Imputation credits received	(94,792)	(89,938)
	<u>1,535,707</u>	<u>(677,444)</u>
Prior period adjustment	(15,936)	4,150
Income Tax Expense	<u>1,551,643</u>	<u>(681,594)</u>

Current tax represented by:

Opening Balance	329,387	336,655
Prior period adjustment	-	2,732
Credit of UOMI	29,269	-
Terminal tax paid	(358,656)	(10,000)
Credits received	94,793	-
Provision for year ended 30 June 2010	(1,630,499)	-
Transfer from deferred tax	406,598	-
PIE Tax paid	916,775	(677,444)
PIE Tax accrued	212,335	-
Tax on gains/losses	-	677,444
	<u>-</u>	<u>329,387</u>

Deferred Tax

Opening Balance	678,862	-
Prior Period Adjustment	(15,936)	1,418
Current Year Movement	(406,596)	677,444
Closing Balance	<u>256,330</u>	<u>678,862</u>

There has been no change in the current tax rate under New Zealand tax law during the year 2010.

WORKS SUPERANNUATION SCHEME

Notes to the Financial Statements
For the Year Ended 30 June 2010

9. Reconciliation of Net Cash Flows from Operating Activities to Increase in Net Assets	2010 NZ\$	2009 NZ\$
Increase /(Decrease) in Net Assets	3,823,282	(3,946,509)
Non-cash Items		
Changes in net market value of investments	(3,866,487)	4,496,940
Dividends and interest income received as units	(351,941)	(282,443)
Decrease/(Increase) in Deferred Tax	422,532	(678,862)
Investment managers fees deducted as units	38,261	85,200
PIE tax paid/(Credits received) via adjustments to investments	1,129,110	(26,952)
Movements in Other Working Capital Items		
Decrease in Sundry Receivables	-	114,931
(Increase)/Decrease in Contributions Receivable	(37,679)	56,466
Decrease in Income Tax Receivable	329,387	7,268
Decrease in Tax Credits Receivable	-	26,952
Increase/(Decrease) in Benefits Payable	(17,607)	189,448
Decrease in Contributions Refundable	(448)	(1,685)
Increase /(Decrease) in Sundry Creditors	6,672	(21,190)
Investment Managers Fees (cash)	-	26,182
NCIT Capital Gain reinvestment into units	-	282,443
(Decrease)/increase in reserve movements	(5,089)	-
Net Cash Flows from Operating Activities	1,469,993	328,189

10. 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.

11. 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.

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Notes to the Financial Statements For the Year Ended 30 June 2010

11. 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.

The Scheme adopted the amendment to NZ IFRS 7, effective 1 January 2009. This requires the Scheme to classify 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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 'observable' requires significant judgement by the Scheme. The Scheme considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Scheme's financial assets and liabilities (by class) measured at fair value:

June 2010:	Total			
Assets	Level 1	Level 2	Level 3	Balance
Financial Assets at Fair Value				
Through Profit or Loss:	-	60,418,245	-	60,418,245
Total	-	60,418,245	-	60,418,245

The Financial assets designated at fair value through profit or loss, being the Scheme's investments held with AMP, Nabinvest, AXA Global and ING (NZ) are not traded in an active market. The financial assets designated at fair value through profit or loss in Level 2 were fair valued using the net asset values of the underlying funds, as reported by the respective Investment Fund's manager. The Trustees believe the Scheme could have redeemed its investment at the net asset value per unit at the year end date as shown in the Statement of Net Assets.

Included in the Financial assets designated through profit or loss is a net liability of \$348,846 in relation to unrealised forward exchange contracts, which are not traded in an active market and therefore categorised as a Level 2 in the fair value hierarchy.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Scheme manages this by investing in AMP Capital Investors NZ Limited, Nabinvest Capital Partners, AXA Global Investors and ING (NZ) Limited. There are no restrictions on the redemption of units and they may be redeemed for cash at any time, subject to the approval of the Trustees.

Funds held in foreign exchange contracts can be redeemed within five working days.

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Notes to the Financial Statements For the Year Ended 30 June 2010

11. Financial Risk Management (cont'd)

Capital Risk 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.

Currently the Scheme is in a position where net assets available to pay benefits exceeds the liability for promised benefits.

The total value of net assets available to pay benefits have increased by \$3,823,282 (2009 decrease: \$3,946,509) due to the increase in the value of investments and benefits paid being less than total contributions over the year.

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 Limited, Nabinvest Capital Partners, AXA Global Investors and ING (NZ) Limited, which the Trustees consider to be financial institutions of high quality. The investments are held in trust by the investment managers for the benefit of the Scheme. The managers maintain diversified investment portfolios in accordance with the portfolio mix adopted by the Trustees.

The current Standard & Poors credit rating for each of the investment managers parent companies is contained on the table below:

Investment Manager	Parent Company	Rating
AMP Capital Investors NZ Ltd	AMP Group Holdings	A
Nabinvest Capital Partners	National Australia Bank	AA
AXA Global Investors	AXA Asia Pacific Holdings Ltd	AA-
ING (NZ) Ltd	ING Groep N.V	AA-

Market Risk

The Plan is exposed indirectly to foreign exchange risk, interest rate risk and other price risks through its investments. These investments are unitised and the underlying securities comprise cash, domestic and international equity instruments, New Zealand commercial property and domestic and international fixed interest securities.

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 indirectly held investments denominated in a foreign currency. As at balance date the Scheme's exposure to currency risk was as follows:

	2010 NZ\$	2009 NZ\$
Indirect		
Overseas Fixed Interest Securities	9,470,880	7,322,248
Overseas Shares	24,967,016	16,253,727
Direct		
Forward Foreign Exchange Contracts (Fair Value)	(348,846)	90,731
	<u>34,089,050</u>	<u>23,666,706</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 For the Year Ended 30 June 2010

11. 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:

	2010 NZ\$	2009 NZ\$
Indirect		
Overseas Fixed Interest Securities	9,470,880	7,322,248
New Zealand Fixed Interest Securities	6,106,070	5,308,920
Deposits	20,223,125	19,758,240
	<u>35,800,075</u>	<u>32,389,408</u>

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

The table below presents the financial assets and liabilities by category

Financial Assets and Liabilities at 30 June 2010	Held for Trading	Designated at Fair Value Through Profit or Loss	Loans and Receivables	Other Financial liabilities
	NZ\$	NZ\$	NZ\$	NZ\$
Financial Assets				
Short trading		20,223,125		
Fixed Interest - local		6,106,070		
Fixed Interest - international		9,470,880		
Investments in Equity linked unit trusts		24,967,016		
Forward foreign exchange	(348,846)			
Cash and cash equivalents			937,986	
Contributions - receivable			219,613	
Investment income receivable			95,523	
	<u>(348,846)</u>	<u>60,767,091</u>	<u>1,253,122</u>	<u>-</u>
Financial Liabilities				
Benefits payable				331,662
Trade and other payables				249,877
	<u>-</u>	<u>-</u>	<u>-</u>	<u>581,539</u>

WORKS SUPERANNUATION SCHEME

Notes to the Financial Statements
For the Year Ended 30 June 2010

11. Financial Risk Management (cont'd)

Interest Rate Risk (Cont'd)

Financial Assets and Liabilities at 30 June 2009	Held for Trading	Designated at Fair Value Through Profit or Loss	Loans and Receivables	Amortised Cost
	NZ\$	NZ\$	NZ\$	NZ\$
Financial Assets				
Short trading		19,758,240		
Fixed Interest - local		5,308,920		
Fixed Interest - international		7,322,248		
Investments in Equity linked unit trusts		23,198,177		
Forward foreign exchange	93,941			
Cash and cash equivalents			249,294	
Contributions - receivable			181,934	
Investment income receivable			282,443	
	93,941	55,587,585	713,671	-
Financial Liabilities				
Contributions - refundable				448
Benefits payable				349,269
Forward foreign exchange	3,210			-
Trade and other payables				45,802
	3,210	-	-	395,519

Derivative financial instruments

A derivative instrument is a contract whose value depends on (or derives from) the value of an underlying assets, reference rate or index.

The Scheme may use derivatives as part of its normal investment management procedures. Derivatives are principally used as a means to hedge against market movements. The most commonly used derivatives are swaps and foreign exchange contracts.

The table below details the effective exposure and fair value of investment management derivatives for the Scheme. The effective exposure provides an indication of the Scheme's exposure to various asset classes through the use of derivative instruments. The fair value in the table below gives no indication of the ultimate gain or loss that will occur upon settlement of the derivatives, as the ultimate gain or loss will depend on the applicable market price at the item of settlement.

	NZ\$ Fair value	NZ\$ Notional value
2010		
Foreign currency	(348,846)	10,735,000
	<u>(348,846)</u>	<u>10,735,000</u>
2009		
Foreign currency	90,731	8,520,000
	<u>90,731</u>	<u>8,520,000</u>

Derivatives held by the Scheme are valued on a mark-to-market basis, which involves the calculation and recognition of unrealised gains and losses on all current positions. Accordingly, the balance sheet reflects all unrealised gains and losses on derivatives held by the Scheme.

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Notes to the Financial Statements For the Year Ended 30 June 2010

12. Sensitivity Analysis

A 1% increase/(decrease) in the market value of investments would have an impact on the value of the Scheme's net assets. Any of these changes would have the opposite directional impact on the value of the Scheme's liability for member benefits.

	2010	2009
+1%	604,182	556,783
-1%	(604,182)	(556,783)

A 1% increase/(decrease) in the value of the New Zealand dollar against other foreign currencies would have an impact on the value of the Scheme's net assets.

	2010	2009
+1%	109,741	83,455
-1%	(111,958)	(85,148)

13 Commitments and Contingent Liabilities

There were no material commitments or contingent liabilities outstanding as at 30 June 2010. (2009: Nil).

14 Related Parties

The Scheme holds no investments in any of the employer companies or any of its related parties and during the year had no related party transactions except for the receipt of employer contributions of \$2,659,053 (2009: \$2,705,508), on behalf of the Trustee's listed in Note 1. These contributions were made in accordance with the Trust Deed.

15 Events After Balance Date

There have been no material events after balance date that require adjustment to or disclosure in the financial statements. (2009: Nil).