

**WORKS SUPERANNUATION  
SCHEME**

**Financial Statements**

**For the year ended 30 June 2012**

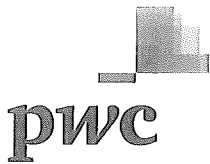
**WORKS SUPERANNUATION  
SCHEME**

**Financial Statements**

**For the year ended 30 June 2012**

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## ***Independent Auditors' Report*** to the members of the Works Superannuation Scheme

### ***Report on the Financial Statements***

We have audited the financial statements of the Works Superannuation Scheme ('the Scheme') on pages 3 to 15, which comprise the statement of net assets as at 30 June 2012, statement of changes in net assets and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

### ***Trustees Responsibility for the Financial Statements***

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

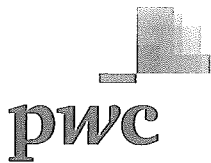
### ***Auditors' Responsibility***

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) and International Standards on Auditing. These standards require that we comply with relevant 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 auditors' 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 auditors consider the internal controls relevant to the Scheme's preparation of 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 Scheme'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 overall 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 auditors we have no relationship with, or interests in, the Scheme.



## ***Independent Auditors' Report***

Works Superannuation Scheme

### ***Opinion***

In our opinion, the financial statements on pages 3 to 15:

- (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 financial position of the Scheme as at 30 June 2012, and its financial performance and cash flows for the year then ended.

### ***Report on Other Legal and Regulatory Requirements***

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2012:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Scheme as far as appears from an examination of those records.

### ***Restriction on Distribution or Use***

This report is made solely to the Scheme's members, as a body. Our audit work has been undertaken so that we might state to the Scheme's members those matters which 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's members, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
21 September 2012

Wellington

# Works Superannuation Scheme

## Statement of Net Assets

As at 30 June 2012

	Note	2012 \$	2011 \$
<b>ASSETS</b>			
Cash at Bank		172,356	221,041
Financial Assets at Fair Value Through Profit or Loss	5	66,000,416	66,132,521
Contributions Receivable - Member		38,086	48,694
Contributions Receivable - Company		58,030	69,706
PIE Tax Benefit		80,670	-
Deferred Tax Asset	7	26,984	222,830
<b>Total Assets</b>		<b>66,376,542</b>	<b>66,694,792</b>
<b>LIABILITIES</b>			
Unpaid Benefits to Members/Benefits Payable		972,093	560,809
PIE Tax Payable		166,863	400,431
Sundry Creditors		68,359	115,352
<b>Total Liabilities</b>		<b>1,207,315</b>	<b>1,076,592</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		<b>65,169,227</b>	<b>65,618,200</b>
<b>LIABILITY FOR PROMISED BENEFITS</b>			
3			
<i>Represented by:</i>			
Member account		24,652,697	24,657,487
Company account		40,486,256	40,921,023
Reserve account		30,274	39,690
		<b>65,169,227</b>	<b>65,618,200</b>

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

Trustee

Date

21 September 2012.

Trustee

Date

21 September 2012

This statement is to be read in conjunction with the notes on pages 6 to 15

## Works Superannuation Scheme

### Statement of Changes in Net Assets For the year ended 30 June 2012

INVESTMENT ACTIVITIES	Note	2012 \$	2011 \$
<b>Investment Income</b>			
Gain on Financial Assets at Fair Value Through Profit or Loss	6	731,938	5,597,259
Distributions		821,935	100,515
		<u>1,553,873</u>	<u>5,697,774</u>
<b>Investment Expenses</b>			
Investment Management Fees		305,470	187,067
<b>Net Investment Income</b>		<u>1,248,403</u>	<u>5,510,707</u>
<b>OTHER EXPENSES</b>			
Administration Expenses		134,251	177,311
Auditors' Remuneration - Audit Fees		12,910	12,925
Auditors' Remuneration - Taxation		-	20,942
Tax Agent Fees		17,696	2,611
Legal Fees		10,626	9,276
General Expenses		19,451	8,670
<b>Total Other Expenses</b>		<u>194,934</u>	<u>231,735</u>
<b>Changes in Net Assets before Taxation and Membership Activities</b>		<u>1,053,469</u>	<u>5,278,972</u>
Income Tax Expense	7	900,008	953,584
<b>Changes in Net Assets after Taxation and before Membership Activities</b>		<u>153,461</u>	<u>4,325,388</u>
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>			
Member Contributions		1,790,161	1,662,388
Company Contributions		2,556,846	2,533,414
<b>Total Contributions</b>		<u>4,347,007</u>	<u>4,195,802</u>
<b>Benefits Paid</b>			
Retrenchments		1,495,141	1,751,379
Retirements		2,360,721	1,197,473
Withdrawals		717,725	1,170,189
Hardship		10,000	67,500
Death payment		365,854	62,607
<b>Total Benefits Paid</b>		<u>4,949,441</u>	<u>4,249,148</u>
<b>Net Membership Activities</b>		<u>(602,434)</u>	<u>(53,346)</u>
<b>Net (Decrease)/Increase in Net Assets During Year</b>		<u>(448,973)</u>	<u>4,272,042</u>
Net Assets Available For Benefits at Beginning of Year		<u>65,618,200</u>	<u>61,346,158</u>
Net Assets Available For Benefits at End of Year		<u>65,169,227</u>	<u>65,618,200</u>
<b>Benefits accrued</b>	3		
Allocated to:			
Member account		(4,790)	1,955,336
Company account		(434,767)	2,316,670
Reserve account		(9,416)	36
		<u>(448,973)</u>	<u>4,272,042</u>

This statement is to be read in conjunction with the notes on pages 6 to 15

**Works Superannuation Scheme**

**Statement of Cash Flows**

**For the year ended 30 June 2012**

	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash provided from</i>			
Member Contributions		1,800,769	1,701,040
Company Contributions		2,568,522	2,595,976
		<u>4,369,291</u>	<u>4,297,016</u>
<i>Cash applied to</i>			
Benefits Paid		4,538,157	4,020,002
Other Expenses		356,855	224,822
		<u>4,895,012</u>	<u>4,244,824</u>
<b>Net Cash Flows from Operating Activities</b>	<b>8</b>	<b>(525,721)</b>	<b>52,192</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash provided from</i>			
Proceeds from Sale of Investments		477,036	2,094,255
<i>Cash applied to</i>			
Purchase of Investments		-	2,863,392
<b>Net Cash Flows from Investing Activities</b>		<u>477,036</u>	<u>(769,137)</u>
<b>Net (Decrease) in Cash Held</b>		<b>(48,685)</b>	<b>(716,945)</b>
<b>Cash at Beginning of Year</b>		<b>221,041</b>	<b>937,986</b>
<b>Cash at End of Year</b>		<u><b>172,356</b></u>	<u><b>221,041</b></u>

This statement is to be read in conjunction with the notes on pages 6 to 15

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2012

#### 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 the sponsoring companies Century Drilling and Energy Services (NZ) Limited, Downer EDI Works Limited and Opus International Consultant Limited.

The registered address of the Scheme is as follows:

Secretary to the Trustees  
Works Superannuation Scheme  
C/- Melville Jessup Weaver  
PO 3109  
Wellington 6140

During the year the Trustees of the Scheme were:

Dan Stevenson ( Chairman)	Alison Swan
David Hutchison	John Vessey
Andrew Reid	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, distributions or increases in fair value.

#### Funding arrangements

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

Company Contributions:	3.0% to 7.5% of member's salary (net of withholding tax)
Member's Contributions:	not compulsory, 1% minimum of salary

#### 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 have been no changes to the Trust Deed in the current year.

#### 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.

##### Statement of compliance

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. The Financial Statements also comply with International Financial Reporting Standards.

##### 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.



## Works Superannuation Scheme

### Notes to the Financial Statements

For the year ended 30 June 2012

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

##### 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.

##### 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

Distributions from unithold investments are taken to income on a due and receivable basis and are included as distributions in the statement of Changes in Net Assets. 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 period in which they occur.

##### Foreign Currencies

Transactions in currencies other than New Zealand 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 the Statement of 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 Statement of Changes in Net Assets because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Scheme's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the 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.

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. Deferred tax is charged or credited in the Statement of Changes in Net Assets.

The Scheme invests in a number of Portfolio Investment Entities (PIEs). Investments are recorded gross of PIE tax receivable or payable. PIE tax expense is included within income tax expense in the Statement of Changes in Net Assets. The Scheme has elected to take advantage of Section DV(2) of the Income Tax Act 2007 and has transferred deductible expenditure incurred by the Scheme to Investment Managers of PIE investments held.

##### 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.

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2012

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

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

###### (ii) Recognition/Derecognition

The Scheme recognises financial assets and financial liabilities on the date it becomes 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.

###### Investments in other Funds

Investments in other funds are subject to the terms and conditions of the respective Fund'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. There were no such adjustments in the current or prior period. Changes to the fair value of investee funds are included in Gains on Financial Assets Held 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, investment income receivable and contributions 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.

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.

###### Sundry creditors

Sundry creditors 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.

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2012

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

##### 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 amortised 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 - 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

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' and employers' accounts and reserves.

##### Contributions and Benefits

Contributions and benefits 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.

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

##### 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 sponsoring companies and investing these into financial assets in accordance with the Scheme's 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 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.

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

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 July 2012 or later periods, but the Scheme has not adopted them early.

NZ IFRS 9 – 'Financial Instruments' – Effective from periods beginning on or after 1 January 2015, with early adoption permitted. This standard introduces new requirements for the classification and measurement of financial assets. All recognised financial assets that are currently in the scope of NZIAS 39 will be measured at either amortised cost or fair value. The Scheme Schemes to adopt this standard for the financial year ending 30 June 2014. It is not expected that adoption of NZ IFRS 9 will have a material impact on the Scheme's financial statements.

NZ IFRS 13 – 'Fair Value Measurement' – Effective for periods beginning on or after 1 January 2013. Fair value measurement guidance contained in individual IFRS is replaced with a single, unified definition of fair value; it also contains authoritative guidance on the application of fair value measurement in inactive markets. There are likely to be additional disclosures where fair values are used.

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2012

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

##### Standards, amendments and interpretations to existing standards that have been adopted by the Scheme

NZ IAS 26 – 'Accounting and Reporting by Retirement Benefits Schemes' – Effective from periods beginning on or after 1 April 2011. The amendment to NZ IAS 26 removes a number of New Zealand specific requirements and aligns the terminology within the Standard to IAS 26 – 'Accounting and Reporting by Retirement Benefit Schemes'.

NZ IAS 24 – 'Related Party Disclosures' – revised 2009 – Effective from periods beginning on or after 1 July 2011. This standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.

FRS-44, New Zealand Additional Disclosures – Effective for all annual reporting periods beginning on or after 1 July 2011. This standard prescribes the New Zealand specific disclosures which are required in addition to those required under the New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs). FRS-44 contains the New Zealand specific disclosure requirements which have been relocated from existing NZ IFRSs and have been retained because they are considered important in the New Zealand environment.

The adoption of the above standards and amendments has not had a significant impact on the Scheme's financial statements.

#### 3. Liability for Promised Retirement Benefits

##### Changes in promised retirement benefits as at 30 June 2012:

	Member Account	Employer Account	Reserve Account	Total 2012
	\$	\$	\$	\$
Balance at 1 July 2011	24,657,487	40,921,023	39,690	65,618,200
Contributions	1,790,161	2,556,846	-	4,347,007
Benefits Paid	(1,931,642)	(3,017,799)	-	(4,949,441)
Interest Allocated	313,948	362,737	(9,416)	667,268
Unallocated Interest	(177,257)	(336,550)	-	(513,807)
Balance at 30 June 2012	24,652,697	40,486,256	30,274	65,169,227

##### Changes in promised retirement benefits as at 30 June 2011:

	Member Account	Employer Account	Reserve Account	Total 2011
	\$	\$	\$	\$
Balance at 1 July 2010	22,702,151	38,604,353	39,654	61,346,158
Contributions	1,662,388	2,533,414	-	4,195,802
Benefits Paid	(1,484,276)	(2,764,872)	-	(4,249,148)
Interest Allocated	1,599,967	2,211,578	36	3,811,581
Unallocated Interest	177,257	336,550	-	513,807
Balance at 30 June 2011	24,657,487	40,921,023	39,690	65,618,200

It was identified that interest was under allocated to member balances for the year ended 30 June 2011 by \$513,807. This has been reclassified to Unallocated Interest as at 30 June 2011. The interest allocation to members in the current period therefore includes \$153,461 in respect of the net income of the Scheme for the year ended 30 June 2012, in addition to \$513,807 transferred from the Unallocated Interest as a result of the prior year under allocation. The under allocation had no impact on the Scheme's net assets or change in net assets.

Pursuant to the Trust Deed, the Trustees have established a Reserve Account of the Scheme, which is credited with the following:

- any amount not paid to a member upon ceasing employment,
- any benefits for which beneficiaries cannot be ascertained,

and is debited, as the Trustees decide, with the following:

- any interest required to be credited,
- any amounts credited to members' accounts,
- any expenses of the Scheme,
- any Employer contributions to the Scheme,
- any interest required to be debited.

##### Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits. (2011: Nil).

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2012

#### 4. Vested Benefits

2012	2011
\$	\$
65,138,953	65,578,510

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 or Loss

	2012	2011
	\$	\$
<i>Designated at fair value through profit or loss</i>		
<b>AMP Capital Investors Limited</b>		
AMP Investment Trust -Short Term Deposits	20,674,504	20,381,829
AMP Investment Trust -New Zealand Fixed Interest	6,755,275	6,576,132
AMP Investment Trust -International Fixed Interest	10,327,861	9,905,563
	<u>37,757,640</u>	<u>36,863,524</u>
<b>Nabinvest Capital Partners</b>		
National Corporate Investment Trust International Equities	-	9,856,413
	<u>-</u>	<u>9,856,413</u>
<b>OnePath</b>		
OnePath Unit Trusts	-	9,050,525
	<u>-</u>	<u>9,050,525</u>
<b>Tyndall</b>		
Tyndall Wsale Multi Mgr Global Fund - Hedged	10,156,690	10,362,059
Tyndall Wholesale Global Equity Fund - Unhedged	9,432,779	-
	<u>19,589,469</u>	<u>10,362,059</u>
<b>Harbour Asset Management Ltd</b>		
Harbour Australasian Equity Fund WUT	8,653,307	-
	<u>8,653,307</u>	<u>-</u>
Total Designated at fair value through profit or loss	<u>66,000,416</u>	<u>66,132,521</u>
<b>Total Financial Assets at fair value through Profit or Loss</b>	<u>66,000,416</u>	<u>66,132,521</u>

#### 6. Gain on Financial Assets Held at Fair Value Through Profit or Loss

	2012	2011
	\$	\$
AMP Capital Investors NZ Limited	1,305,743	1,913,365
Nabinvest Capital Partners	(1,175,315)	564,634
Harbour Asset Management Ltd	98,452	-
AXA Global Investors	-	338,149
Tyndall	892,662	1,477,790
OnePath	(389,604)	1,303,321
	<u>731,938</u>	<u>5,597,259</u>

The amounts above exclude net management fee rebates and expenses which have been disclosed separately.

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2012

#### 7. Income Tax

	2012 \$	2011 \$
Current Tax	900,008	953,584
	<u>900,008</u>	<u>953,584</u>

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

Change in Net Assets before Taxation and Membership Activities	1,053,469	5,278,972
Income Tax @ 28% (2011: 30%)	294,971	1,583,692
Tax effect of:		
PIE tax liability	826,089	1,041,007
Non-assessable distributions	(230,142)	(30,155)
FDR Income	137,990	156,368
Non-assessable investment gains and losses	(220,286)	(1,679,177)
Tax rate reduction	-	15,918
FFX and bonds taxable income	-	(37,237)
Non-deductible expenditure	32,570	-
Excess imputation credits converted to losses	-	(75,035)
Prior Period Adjustment	58,817	(21,797)
<b>Income Tax Expense</b>	<b>900,008</b>	<b>953,584</b>

#### Current tax represented by:

Opening balance	-	-
Expense transfers to master fund	80,670	-
Credits received	88,610	75,035
Current year provision	(1,051,727)	(798,611)
Transfer from deferred tax	137,029	39,378
PIE tax paid	659,225	684,198
PIE tax accrued	86,193	-
	<u>-</u>	<u>-</u>

#### Deferred Tax

Opening Balance	222,830	256,330
Prior Period Adjustment	(58,817)	21,797
Current Year Movement	(137,029)	(55,297)
<b>Closing Balance</b>	<b>26,984</b>	<b>222,830</b>

#### 8. Reconciliation of Net Cash Flows from Operating Activities to Decrease in Net Assets

	2012 \$	2011 \$
(Decrease)/Increase in Net Assets	(448,973)	4,272,042
<b>Non-cash items</b>		
Gains/losses through P&L	(731,937)	(5,597,259)
Distribution income received as units	(821,934)	(100,515)
Management fee	192,423	131,101
PIE tax paid via adjustments to investments	1,016,516	621,534
<b>Movement in working capital items</b>		
Decrease in investment income receivable	-	95,523
Increase/(Decrease) in benefits payable	411,284	229,147
Decrease/(Increase) in contributions receivable	22,284	101,213
(Decrease)/Increase in sundry creditors	(46,992)	62,878
Movement in Deferred Tax	195,846	33,500
(Decrease)/Increase in PIE tax payable	(233,568)	203,028
(Increase) in PIE tax benefit	(80,670)	-
<b>Net Cash Flows from Operating Activities</b>	<b>(525,721)</b>	<b>52,192</b>

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2012

#### 9. Financial Instruments

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

The Trustees 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 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 Retirement Scheme's accounting policies.

#### Categories of Financial Instruments - 2012

	Designated at Fair value	Loans and Receivables	Financial Assets and Liabilities at amortised Cost
<b>Assets</b>			
Investments in Unit Trusts	66,000,416	-	-
Cash at Bank	-	172,356	-
Contributions Receivable	-	96,116	-
<b>Total Assets</b>	<b>66,000,416</b>	<b>268,472</b>	<b>-</b>
<b>Liabilities</b>			
Sundry Creditors	-	-	68,359
Benefits Payable	-	-	972,093
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>1,040,452</b>

#### Categories of Financial Instruments - 2011

	Designated at Fair value	Loans and Receivables	Financial Assets and Liabilities at amortised Cost
<b>Assets</b>			
Investments in Unit Trusts	66,132,521	-	-
Cash at Bank	-	221,041	-
Contributions Receivable	-	118,400	-
<b>Total assets</b>	<b>66,132,521</b>	<b>339,441</b>	<b>-</b>
<b>Liabilities</b>			
Sundry Creditors	-	-	115,352
Benefits Payable	-	-	560,809
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>676,161</b>

Prepayments, current tax and PIE tax balances are excluded from the balances in the tables above, as this analysis is required only for financial instruments.

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2012

#### 9. Financial Instruments (cont'd)

##### Hierarchy of Fair Value Measurements

The following table provides an analysis of financial instruments that are subsequent to initial value at fair value grouped into levels 1 to 3 based on the degree to which the fair value is observable.

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

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

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

Description - 2012	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets at Fair Value through Profit or Loss				
AMP Investment Trust -Short Term Deposits	-	20,674,504	-	20,674,504
AMP Investment Trust -New Zealand Fixed Interest	-	6,755,275	-	6,755,275
AMP Investment Trust -International Fixed Interest	-	10,327,861	-	10,327,861
Tyndall Wsale Multi Mgr Global Fund - Hedged	-	10,156,690	-	10,156,690
Tyndall Wholesale Global Equity Fund - Unhedged	-	9,432,779	-	9,432,779
Harbour Australasian Equity Fund WUT	-	8,653,307	-	8,653,307
	-	66,000,416	-	66,000,416

Description - 2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets at Fair Value through Profit or Loss				
AMP Investment Trust -Short Term Deposits	-	20,381,829	-	20,381,829
AMP Investment Trust -New Zealand Fixed Interest	-	6,576,132	-	6,576,132
AMP Investment Trust -International Fixed Interest	-	9,905,563	-	9,905,563
Tyndall Wsale Multi Mgr Global Fund - Hedged	-	10,362,059	-	10,362,059
National Corporate Investment Trust International Equities	-	9,856,413	-	9,856,413
OnePath Unit Trusts	-	9,050,525	-	9,050,525
	-	66,132,521	-	66,132,521

The financial assets above have been classified as level 2 as they are unit trusts with fair values derived from quoted prices in inactive markets.

There were no transfers between levels in the period. (2011: none).

##### Risk Management

Risk management activities are undertaken by the Scheme's investment managers to operate within the guidelines provided by the Trustee. The Trustee has set asset allocations and diversified the portfolios which the investment managers must follow.

##### Liquidity Risk

All financial assets at fair value through profit and loss can be realised within three 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, receivables and, indirectly, investments in unlisted 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 counterparties of the Scheme are its investment managers ('AMP Capital Investors' and its nominee company, Harbour Asset Management Ltd and Tyndall), which the Trustees consider to be a 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. The Scheme's cash and cash equivalents are held with Bank of New Zealand (AA- credit rating)

##### Market Risk

Market risk represents the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices.

This risk is managed by ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. The investment strategies are reviewed by the Trustee on a regular basis and are managed in isolation from each other. As such, members can manage this risk through their choice of investments in which to participate.

Market price risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

##### Sensitivity Analysis

A one percent movement in the unit prices of the unlisted investments held would have an impact on the value of the Scheme's assets and income of +/- \$660,004 (2010: +/- \$661,325).



## **Works Superannuation Scheme**

### **Notes to the Financial Statements For the year ended 30 June 2012**

#### **10. Commitments and Contingent Liabilities**

There were no commitments or contingent liabilities outstanding as at 30 June 2012. (2011: Nil).

#### **11. 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 employer contributions of \$2,556,846 (2011: \$2,533,414), on behalf of the Trustee's listed in Note 1. These contributions were made in accordance with the Trust Deed.

The following Trustees are members of the Scheme:

David Hutchison  
Alison Swan  
John Vessey

During the year these Trustees received contributions in accordance with the Trust Deed. (2011: same). No benefit payments were made to Trustees. (2011: same).

#### **12. Events After Balance Date**

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

