

**WORKS SUPERANNUATION  
SCHEME**

**Financial Statements**

**For the year ended 30 June 2011**

**WORKS SUPERANNUATION  
SCHEME**

**Financial Statements**

**For the year ended 30 June 2011**

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# Works Superannuation Scheme

## Statement of Net Assets As at 30 June 2011

	Note	2011 \$	2010 \$
<b>ASSETS</b>			
Cash at Bank		221,041	937,986
Investments	5	66,132,521	60,418,245
Contributions Receivable - Member		48,694	87,346
Contributions Receivable - Company		69,706	132,267
Investment Income Receivable		-	95,523
Deferred Tax Asset	7	222,830	256,330
<b>Total Assets</b>		<u>66,694,792</u>	<u>61,927,697</u>

## LIABILITIES

Unpaid Benefits to Members/Benefits Payable	560,809	331,662
PIE Tax Payable	400,431	197,403
Sundry Creditors	115,352	52,474
<b>Total Liabilities</b>	<u>1,076,592</u>	<u>581,539</u>

## NET ASSETS AVAILABLE FOR BENEFITS

<u>65,618,200</u>	<u>61,346,158</u>
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## LIABILITY FOR PROMISED BENEFITS

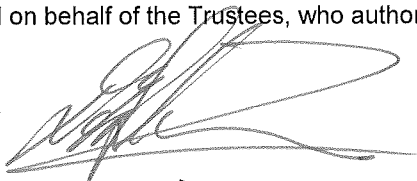
3

*Represented by:*

Member account	24,657,487	22,702,151
Company account	40,921,023	38,604,353
Reserves	39,690	39,654
	<u>65,618,200</u>	<u>61,346,158</u>

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

Trustee



Date 09.09.2011.

Trustee



Date 9/9/11

This statement is to be read in conjunction with the notes on pages 6 to 16

# Works Superannuation Scheme

## Statement of Changes in Net Assets For the year ended 30 June 2011

INVESTMENT ACTIVITIES	Note	2011 \$	2010 \$
<b>Investment Income</b>			
Gain on Scheme Investments at Fair Value	6	5,597,259	3,885,539
Distributions		100,515	351,941
		<u>5,697,774</u>	<u>4,237,480</u>
<b>Investment Expenses</b>			
Investment Management Fees		187,067	60,254
<b>Net Investment Income</b>		<u>5,510,707</u>	<u>4,177,226</u>
<b>Other Income</b>			
Use of Money Interest		-	29,269
<b>Total revenue</b>		<u>5,510,707</u>	<u>4,206,495</u>
<b>OTHER EXPENSES</b>			
Administration Expenses		177,311	133,338
Auditors' Remuneration - Audit Fees		12,925	13,900
Auditors' Remuneration - Taxation		20,942	24,008
Tax Agent Fees		2,611	-
Legal Fees		9,276	27,548
General Expenses		8,670	15,168
<b>Total Other Expenses</b>		<u>231,735</u>	<u>213,962</u>
<b>Changes in Net Assets before Taxation and Membership Activities</b>		<u>5,278,972</u>	<u>3,992,533</u>
Income Tax Expense	7	953,584	1,551,643
<b>Changes in Net Assets after Taxation and before Membership Activities</b>		<u>4,325,388</u>	<u>2,440,890</u>
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>			
Member Contributions		1,662,388	1,787,571
Company Contributions		2,533,414	2,745,185
<b>Total Contributions</b>		<u>4,195,802</u>	<u>4,532,756</u>
<b>Benefits Paid</b>			
Retrenchments		1,751,379	786,975
Resignations		-	421,969
Retirements		1,197,473	1,722,822
Withdrawals		1,170,189	91,460
Hardship		67,500	31,900
Death payment		62,607	95,238
<b>Total Benefits Paid</b>		<u>4,249,148</u>	<u>3,150,364</u>
<b>Net Membership Activities</b>		<u>(53,346)</u>	<u>1,382,392</u>
<b>Net Increase in Assets During Year</b>		<u>4,272,042</u>	<u>3,823,282</u>
<b>Benefits accrued</b>	3		
Allocated to:			
Member account		1,955,336	1,487,862
Company account		2,316,670	2,328,189
Reserves		36	7,231
		<u>4,272,042</u>	<u>3,823,282</u>

This statement is to be read in conjunction with the notes on pages 6 to 16

## Works Superannuation Scheme

### Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash provided from</i>			
Member Contributions		1,701,040	1,744,564
Company Contributions		2,595,976	2,659,053
Tax Refund		-	355,477
Sundry Income		-	3,179
		<u>4,297,016</u>	<u>4,762,273</u>
<i>Cash applied to</i>			
Benefits Paid		4,020,002	3,083,800
Other Expenses		<u>168,855</u>	<u>208,480</u>
		4,188,857	3,292,280
<b>Net Cash Flows from Operating Activities</b>	8	108,159	1,469,993
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash provided from</i>			
Proceeds from Sale of Investments		2,094,255	299,502
<i>Cash applied to</i>			
Purchase of investments		2,863,392	1,060,000
Investment management fees		<u>55,967</u>	<u>20,803</u>
		2,919,359	1,080,803
<b>Net Cash Flows from Investing Activities</b>		<u>(825,104)</u>	<u>(781,301)</u>
<b>Net (Decrease) / Increase in Cash Held</b>		(716,945)	688,692
<b>Cash at Beginning of Year</b>		937,986	249,294
<b>Cash at End of Year</b>		<u>221,041</u>	<u>937,986</u>

This statement is to be read in conjunction with the notes on pages 6 to 16

## **Works Superannuation Scheme**

### **Notes to the Financial Statements**

**For the year ended 30 June 2011**

#### **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 Titter	Christine Meade
Andrew Reid	

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 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 2011**

#### **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**

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 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.

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 2007. 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 in the Statement of Changes in Net Assets.

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2011

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

##### 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 unitised 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 Scheme 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 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.

###### *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.

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2011

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

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

##### (iii) Measurement (Cont'd)

##### (1) Financial assets and liabilities at fair value through profit or loss (Cont'd)

##### *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 Gains on Scheme Investments 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 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.

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.

## **Works Superannuation Scheme**

### **Notes to the Financial Statements**

**For the year ended 30 June 2011**

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

##### **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.

##### **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 - 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.

##### **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 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 sponsoring companies 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.

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2011

#### 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

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 2011 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 30 June 2014 financial year end.

This standard introduces new requirements for the classification and measurement of financial assets. All recognised financial assets that are correctly in the scope of NZIAS 39 will be measured at either amortised cost or fair value. It is not expected that the adoption of NZ IFRS 9 will have an impact on the Scheme's financial statements.

#### 3. Liability for Promised Retirement Benefits

##### 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	(1,307,019)	(2,428,322)	-	(3,735,341)
Interest Allocated	1,599,967	2,211,578	36	3,811,581
Balance at 30 June 2011	24,657,487	40,921,023	39,690	65,618,200

##### Changes in promised retirement benefits as at 30 June 2010:

	Member Account	Employer Account	Reserve Account	Total 2010
	\$	\$	\$	\$
Balance at 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)
Interest Allocated	882,422	1,551,236	7,232	2,440,890
Balance at 30 June 2010	22,702,151	38,604,353	39,654	61,346,158

##### Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits. (2010: Nil).

#### 4. Vested Benefits

2011	2010
\$	\$
65,578,510	61,085,188

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.

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2011

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

	2011 \$	2010 \$
<i>Financial liabilities held for trading</i>		
Forward Foreign Exchange	-	(348,846)
Total Financial assets/(liabilities) held for trading	-	(348,846)
<i>Designated at fair value through profit or loss</i>		
<b>AMP Capital Investors Limited</b>		
AMP Investment Trust -Short Term Deposits	20,381,829	20,223,125
AMP Investment Trust -New Zealand Fixed Interest	6,576,132	6,106,070
AMP Investment Trust -International Fixed Interest	9,905,563	9,470,880
	36,863,524	35,800,075
<b>Nabinvest Capital Partners</b>		
National Corporate Investment Trust ~International Equities	9,856,413	10,424,563
	9,856,413	10,424,563
<b>AXA Global Investors</b>		
International Equity Index Fund	-	7,185,120
	-	7,185,120
<b>OnePath</b>		
OnePath Unit Trusts	9,050,525	7,357,333
	9,050,525	7,357,333
<b>Tyndall</b>		
Tyndall Wsale Multi Mgr Global Fund - Hedged	10,362,059	-
	10,362,059	-
Total Designated at fair value through profit or loss	66,132,521	60,767,091
<b>Total Financial Assets at fair value through Profit or Loss</b>	<b>66,132,521</b>	<b>60,418,245</b>

#### 6. Gain on Fair Value Through Profit or Loss

	2011 \$	2010 \$
AMP Capital Investors NZ Limited	1,913,365	2,459,529
Nabinvest Capital Partners	564,634	(144,381)
AXA Global Investors	338,149	941,813
Tyndall	1,477,790	-
OnePath	1,303,321	628,578
	<b>5,597,259</b>	<b>3,885,539</b>

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.

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2011

#### 7. Income Tax

	2011 \$	2010 \$
Current Tax	953,584	1,551,643
	<u>953,584</u>	<u>1,551,643</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	5,278,972	3,992,533
Income Tax @ 30%	1,583,692	1,197,760
Tax effect of:		
PIE tax liability	1,041,007	1,143,935
Non Assessable Distributions	(30,155)	(105,582)
FDR Income	156,368	155,712
Non Assessable Investment Gains and Losses	(1,679,177)	(1,165,662)
Tax rate reduction	15,918	-
FFX and bonds taxable income	(37,237)	381,472
Non-deductible group life premiums	-	22,864
Excess imputation credits converted to losses	(75,035)	(94,792)
Prior Period Adjustment	(21,797)	15,936
<b>Income Tax (Credit)/Expense</b>	<b>953,584</b>	<b>1,551,643</b>

#### Current tax represented by:

Opening balance	-	329,387
Credit of UOMI	-	29,269
Terminal tax paid	-	(358,656)
Credits received	75,035	94,793
Provision for year ended 30 June	(1,034,498)	(1,630,499)
Transfer from deferred tax	39,378	406,596
PIE tax expense	920,085	1,129,110
	<u>-</u>	<u>-</u>

#### Deferred Tax

Opening Balance	256,330	678,862
Prior Period Adjustment	21,797	(15,936)
Current Year Movement	(55,297)	(406,596)
<b>Closing Balance</b>	<b>222,830</b>	<b>256,330</b>

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

	2011 \$	2010 \$
Increase in Net Assets	4,272,042	3,823,282
<b>Non-cash items</b>		
Gains/losses through P&L	(5,597,259)	(3,866,487)
Dividends and interest income received as units	(100,515)	(351,941)
Management fee	131,101	38,261
Movement in Deferred Tax	33,500	422,532
PIE tax paid via adjustments to investments	677,501	1,129,110
<b>Movement in working capital items</b>		
Decrease in investment income receivable	95,523	-
Income tax receivable	-	329,387
Increase/(Decrease) in benefits payable	229,147	(17,607)
Decrease/(Increase) in contributions receivable	101,213	(37,679)
Increase in sundry creditors	62,878	6,224
Increase in PIE tax paid	203,028	-
Decrease in reserve movements	-	(5,089)
<b>Net Cash Flows from Operating Activities</b>	<b>108,159</b>	<b>1,469,993</b>

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2011

#### 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 - 2011

	Designated at Fair value	Loans and Receivables	Financial Assets and Liabilities at amortised Cost
<b>Assets</b>			
Investments	66,132,521	-	-
Cash at Bank	-	221,041	-
<b>Total Assets</b>	<b>66,132,521</b>	<b>221,041</b>	<b>-</b>
<b>Liabilities</b>			
Sundry Creditors	-	-	115,352
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>115,352</b>

#### Categories of Financial Instruments - 2010

	Designated at Fair value	Loans and Receivables	Financial Assets and Liabilities at amortised Cost
<b>Assets</b>			
Investments	60,418,245	-	-
Cash at Bank	-	937,986	-
<b>Total assets</b>	<b>60,418,245</b>	<b>937,986</b>	<b>-</b>
<b>Liabilities</b>			
Sundry Creditors	-	-	52,474
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>52,474</b>

Prepayments, current tax, benefits payable and contributions receivable in advance are excluded from the balances in the tables above, as this analysis is required only for financial instruments.

#### 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 - 2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets at Fair Value through Profit or Loss				
New Zealand Cash	-	20,381,829	-	20,381,829
New Zealand Fixed Interest	-	6,576,132	-	6,576,132
Global Equities (Active)	-	20,218,472	-	20,218,472
Australian Equities	-	9,050,525	-	9,050,525
Global Fixed Interest (Hedged)	-	9,905,563	-	9,905,563



## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2011

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

##### Hierarchy of Fair Value Measurements (cont'd) Description - 2010

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets at Fair Value through Profit or Loss				
New Zealand Cash	-	20,223,125	-	20,223,125
New Zealand Fixed Interest	-	6,106,070	-	6,106,070
Global Equities (Active)	-	17,260,837	-	17,260,837
Australian Equities	-	7,357,333	-	7,357,333
Global Fixed Interest (Hedged)	-	9,470,880	-	9,470,880

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.

##### Liquidity Risk

All financial assets at fair value through profit and loss can be realised within 12 months. There are no significant financial liabilities.

##### Credit Risk

Financial instruments which potentially expose the Scheme to credit risk consist of cash and short term deposits, fixed interest securities and receivables and, indirectly, investments in unitholdings 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, NablInvest Capital Partners, Onepath 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.

##### Currency Risk

The Scheme is indirectly exposed to currency risk in that future currency movements will affect the valuation of investments in unitholdings which invest in foreign currency denominated investments. As at balance date the Scheme's exposure to currency risk was as follows:

	2011 \$	2010 \$
Global Equities (Active)	20,218,472	17,260,837
Global Fixed Interest (Hedged)	9,905,563	9,470,880
Australian Equities	9,050,525	7,357,333

##### 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.

##### 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.

## Works Superannuation Scheme

### Notes to the Financial Statements For the year ended 30 June 2011

#### 9. Financial Instruments (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:

	2011	2010
	\$	\$
New Zealand Cash	20,381,829	20,223,125
New Zealand Fixed Interest	6,576,132	6,106,070
Global Fixed Interest (Hedged)	9,905,563	9,470,880

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

##### Derivative financial instruments

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

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 Statement of Net Assets reflects all unrealised gains and losses on derivatives held by the Scheme.

#### 10. Commitments and Contingent Liabilities

There were no commitments or contingent liabilities outstanding as at 30 June 2011. (2010: 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 \$2,533,414 (2010: \$2,745,185), 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  
Andrew Reid  
Alison Swan  
John Vessey

During the year these Trustees received contributions in accordance with the Trust Deed. (2010: same).

#### 12. Sensitivity Analysis

A one percent decrease in the unit prices of the unitised investments held in the pooled investments would have an adverse impact on the value of the pooled assets of \$661,325 (2010: \$604,182).

#### 13. Maturity Analysis

The Scheme's financial liability for remaining contractual maturities is indirect as fixed interest securities are held in unitised products. All other financial liabilities are payable within 12 months.

#### 14. Key Sources of Estimation Uncertainty

The Scheme's investments are measured at fair value in the Statement of Net Assets and it is possible to determine their fair values as quoted market prices are readily available.

#### 15. Events After Balance Date

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



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

to the members of the Works Superannuation Scheme

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

We have audited the financial statements of the Scheme on pages 3 to 16, which comprise the statement of net assets as at 30 June 2011, the 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 auditor considers 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.

We have no relationship with, or interests in the Scheme, other than in our capacity as auditors and tax advisors. These services have not impaired our independence as auditors of the Scheme.



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

### **Works Superannuation Scheme**

#### ***Opinion***

In our opinion, the financial statements on pages 3 to 16:

- (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 Plan as at 30 June 2011, and its change in net assets 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 2011:

- (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 and the Scheme's members, as a body, for our audit work, for this report or for the opinions we have formed.

*Ricardus House Cooper*

Chartered Accountants  
9 September 2011

Wellington