

# **OPUS DOWNER RETIREMENT SCHEME**

## **Financial Statements**

**For the year ended 30 June 2018**

**OPUS DOWNER RETIREMENT SCHEME**

**Financial Statements**

**For the year ended 30 June 2018**

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## ***Independent auditor's report***

To the members of the Opus Downer Retirement Scheme

The financial statements comprise:

- the statement of net assets as at 30 June 2018;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### ***Our opinion***

In our opinion, the financial statements of Opus Downer Retirement Scheme (the Scheme), present fairly, in all material respects, the financial position of the Scheme as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Scheme in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Scheme in the areas of compliance and controls assurance services. The provision of these other services has not impaired our independence as auditor of the Scheme.

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### ***Information other than the financial statements and auditor's report***

The Trustee is responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.



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### *Responsibilities of the Trustee for the financial statements*

The Trustee is responsible, on behalf of the Scheme, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

This description forms part of our auditor's report.

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### *Who we report to*

This report is made solely to the Scheme's members, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's members, as a body, for our audit work, for this report or for the opinions we have formed.

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The engagement partner on the audit resulting in this independent auditor's report is Lesley Mackle.

For and on behalf of:

*PricewaterhouseCoopers*

Chartered Accountants  
20 September 2018

Wellington



	Note	2018 \$	2017 \$
<b>ASSETS</b>			
Cash at Bank		366	31,559
Financial Assets at Fair Value Through Profit or Loss	5	80,040,963	79,203,506
Contributions Receivable - Member		17,979	19,974
Contributions Receivable - Company		28,183	22,107
PIE Tax Benefit	7	189,639	-
<b>Total Assets</b>		<b>80,277,130</b>	<b>79,277,146</b>
<b>LIABILITIES</b>			
Benefits Payable		-	176,898
PIE Tax Payable	7	-	129,875
Sundry Creditors		105,312	100,546
<b>Total Liabilities</b>		<b>105,312</b>	<b>407,319</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		<b>80,171,818</b>	<b>78,869,827</b>
<b>LIABILITY FOR PROMISED BENEFITS</b>			
<i>Represented by:</i>	3		
Member account		30,308,425	29,705,093
Company account		49,863,393	49,164,734
		<b>80,171,818</b>	<b>78,869,827</b>

Director: *Jonell* Date: 14/9/18

Director: *[Signature]* Date: 14/9/18



**Opus Downer Retirement Scheme**  
**Statement of Changes in Net Assets**  
**For the year ended 30 June 2018**

INVESTMENT ACTIVITIES	Note	2018 \$	2017 \$
<b>Investment Income</b>			
Gain on Financial Assets at Fair Value Through Profit or Loss	6	5,143,360	5,603,568
Distributions		1,190,462	967,499
		6,333,822	6,571,067
<b>Investment Expenses</b>			
Investment Management Fees		354,605	385,484
<b>Net Investment Income</b>		5,979,217	6,185,583
<b>OTHER EXPENSES</b>			
Administration Expenses		124,407	148,325
Auditors' Remuneration - Audit Fees		21,333	16,100
Auditors' Remuneration - Assurance Fees		-	3,450
Auditors' Remuneration - Custody Control Fees		18,113	-
Tax Agent Fees		14,535	15,764
Legal Fees		13,515	65,204
General Expenses		18,950	26,372
<b>Total Other Expenses</b>		210,853	275,215
<b>Changes in Net Assets before Taxation and Membership Activities</b>		5,768,364	5,910,368
Income Tax Expense	7	156,473	607,399
<b>Changes in Net Assets after Taxation and before Membership Activities</b>		5,611,891	5,302,969
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>			
Member Contributions	3	1,000,090	1,121,087
Company Contributions	3	1,568,949	1,724,298
<b>Total Contributions</b>		2,569,039	2,845,385
<b>Benefits Paid</b>			
Retrenchments		1,243,475	357,086
Retirements		2,677,327	5,315,270
Withdrawals		2,883,137	2,783,925
Hardship		75,000	-
Death payment		-	47,842
<b>Total Benefits Paid</b>		6,878,939	8,504,123
<b>Net Membership Activities</b>		(4,309,900)	(5,658,738)
<b>Net Increase / (Decrease) in Net Assets During Year</b>		1,301,991	(355,769)
<b>Net Assets Available For Benefits at Beginning of Year</b>		78,869,827	79,225,596
<b>Net Assets Available For Benefits at End of Year</b>		80,171,818	78,869,827
<b>Benefits accrued</b>			
Allocated to:			
Member account		603,332	(280,323)
Company account		698,659	(75,446)
Reserve account		-	-
		1,301,991	(355,769)

This statement is to be read in conjunction with the notes on pages 6 to 14

**Opus Downer Retirement Scheme**  
**Statement of Cash Flows**  
**For the year ended 30 June 2018**

	Note	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash provided from</i>			
Member Contributions		1,002,085	1,122,671
Company Contributions		1,562,873	1,733,793
		<u>2,564,958</u>	<u>2,856,464</u>
<i>Cash applied to</i>			
Benefits Paid		7,055,837	9,065,626
Other Expenses		206,088	359,814
		<u>7,261,925</u>	<u>9,425,440</u>
<b>Net Cash Flows from Operating Activities</b>	8	<u>(4,696,967)</u>	<u>(6,568,976)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash provided from</i>			
Proceeds from Sale of Investments		9,740,524	22,822,143
<i>Cash applied to</i>			
Purchase of investments		5,074,750	16,222,232
<b>Net Cash Flows from Investing Activities</b>		<u>4,665,774</u>	<u>6,599,911</u>
<b>Net (Decrease) / Increase in Cash Held</b>		(31,193)	30,935
<b>Cash at Beginning of Year</b>		31,559	624
<b>Cash at End of Year</b>		<u>366</u>	<u>31,559</u>

This statement is to be read in conjunction with the notes on pages 6 to 14

**Opus Downer Retirement Scheme  
Notes to the Financial Statements  
For the year ended 30 June 2018**

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**1. Scheme Description**

Opus Downer Retirement Scheme ("the Scheme") (previously known as the Works Superannuation Scheme) is a superannuation scheme registered in New Zealand under the Financial Markets Conduct Act 2013 ("FMCA") to provide retirement benefits to certain employees of the sponsoring companies Century Drilling & Energy Services (NZ) Limited, Downer New Zealand Limited and Opus International Consultant Limited.

The registered address of the Scheme is as follows:

Secretary to the Trustees  
Opus Downer Retirement Scheme  
C/- Melville Jessup Weaver  
PO Box 11330  
Wellington 6142

Opus Downer Retirement Trustee Limited acts as the sole corporate trustee of the Opus Downer Retirement Scheme represented by the following Directors:

Dan Stevenson (Licensed Independent Trustee - Appointed 20/10/2016)	Jan O'Neill (Appointed 27/9/2017)
Stephen Killeen (Appointed 20/10/2016)	Janle Elrick (Appointed 29/6/2018)
John Vessey (Appointed 20/10/2016)	Julie Chuor (Appointed 29/1/2018)
Quentin McCarthy (Appointed 29/6/2018)	Roger Jarrold (Resigned 27/10/2017)
Judith Livingstone (Resigned 24/5/2018)	David Hutchison (Resigned 1/6/2018)
Alison Swan (Resigned 19/12/2017)	

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 is closed to new members.

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**

Opus Downer Retirement 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 sponsoring companies and members contributed at the following rates:

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

**Retirement Benefits**

The retirement benefits are determined by contributions to the Scheme together with net investment earnings after expenses on these contributions over the period of membership.

**Termination terms**

Clause 19 of the Trust Deed, Winding Up, sets out the provisions which apply in the event of the Scheme being wound up. The dissolution of the Scheme would eventuate if at any time the circumstances of the Company are such that the Directors shall deem it advisable to discontinue the Scheme or if the FMCA requires the Scheme to be wound up.

**Changes in the Trust Deed**

During the year there were no changes to the Trust Deed.

**2. Summary of Significant Accounting Policies**

**Statement of compliance and basis of preparation**

The Scheme is a for-profit entity for the purposes of complying with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards. The Scheme is a reporting entity for the purposes of the Financial Market Conduct (Act) 2013 (FMCA) and the financial statements have been prepared in accordance with NZ GAAP and requirements of the FMCA.

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 financial assets which are measured at fair value at balance date.



**Opus Downer Retirement Scheme  
Notes to the Financial Statements  
For the year ended 30 June 2018**

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

**Functional and Presentational currency**

These financial statements are presented in New Zealand dollars, which is also the functional currency, 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.

**Investment Income**

Distributions from utilised investments are recognised as income on a due and receivable basis and are included as distributions in the Statement of Changes in Net Assets.

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.

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 utilised 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.

**(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.

Opus Downer Retirement Scheme  
Notes to the Financial Statements  
For the year ended 30 June 2018

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

Financial Instruments (Cont'd)

(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 funds*

Investments in funds are subject to the terms and conditions of their respective 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 Trustee reviews 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 Trustee 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 in the Scheme's Statement of Net Assets when the Scheme becomes a party to the contractual provisions of the instrument. The Scheme shall offset financial assets and financial liabilities if the Scheme has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

**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.

**Sundry creditors**

Sundry creditors do not carry any interest and are short-term in nature and are measured at amortised cost.

**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 excluded from registering for GST as it is a superannuation scheme that does not receive GST on any of its income. Consequently all components of the financial statements are stated inclusive of GST where appropriate.



**Opus Downer Retirement Scheme  
Notes to the Financial Statements  
For the year ended 30 June 2018**

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

**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.

**Investing activities** - comprise purchase and sale 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' 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 for amounts owing. Contributions are recognised at fair value less any allowance for any uncollectible amounts.

Benefits are recognised in the Statement of Changes in Net Assets when they become payable.

**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 accounting estimates and judgements**

The Trustee has applied 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 redemption 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 amendments approved but not yet effective**

The following new or amended standard relevant to the Scheme is not yet effective and has not yet been applied in preparing the financial statements:

*NZ IFRS 9 "Financial Instruments"* addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard has been amended and will be mandatory for the Scheme's financial statements for the year ending 30 June 2019. The full impact of the revised standard has yet to be determined, however it is not expected to have a significant impact on the Scheme's financial statements.

No other standards, amendments or interpretations that have been issued but are not yet effective are expected to materially impact the Scheme's financial statements.

**Opus Downer Retirement Scheme**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018**

**3. Liability for Promised Retirement Benefits**

Changes in promised retirement benefits as at 30 June 2018:

	Member Account	Employer Account	Reserve Account	Total 2018
	\$	\$	\$	\$
Balance at 1 July 2017	29,705,093	49,164,734	-	78,869,827
Contributions	1,000,090	1,568,949	-	2,569,039
Benefits Paid	(2,569,987)	(4,308,952)	-	(6,878,939)
Interest Allocated	2,173,229	3,438,662	-	5,611,891
Balance at 30 June 2018	30,308,425	49,863,393	-	80,171,818

Changes in promised retirement benefits as at 30 June 2017:

	Member Account	Employer Account	Reserve Account	Total 2017
	\$	\$	\$	\$
Balance at 1 July 2016	29,985,416	49,240,180	-	79,225,596
Contributions	1,121,087	1,724,298	-	2,845,385
Benefits Paid	(3,473,437)	(5,030,686)	-	(8,504,123)
Interest Allocated	2,072,027	3,230,942	-	5,302,969
Balance at 30 June 2017	29,705,093	49,164,734	-	78,869,827

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,
  - increasing the retirement benefits or providing other benefits to all Members on an equitable basis.

**Guaranteed Benefits**

No guarantees have been made in respect of any part of the liability for promised benefits. (2017: Nil).

**4. Vested Benefits**

2018	2017
\$	\$
80,171,818	78,869,827

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**

	2018	2017
	\$	\$
<i>Designated at fair value through profit or loss</i>		
AMP Capital Investors (NZ) Limited		
AMP Capital New Zealand Cash	14,025,531	14,446,844
AMP Capital New Zealand Fixed Interest	12,279,482	11,889,377
	26,305,013	26,336,221
Nikko Asset Management NZ Limited		
Nikko AM Wholesale Global Equity Hedged Fund	11,524,849	12,196,386
Nikko AM Wholesale Global Equity Unhedged Fund	12,449,296	12,313,598
Nikko AM Wholesale Global Bond Fund	18,141,781	17,947,557
	42,115,926	42,457,541
Harbour Asset Management Limited		
Harbour Australasian Equity Income Fund	5,518,901	5,168,249
Harbour NZ Equity Advanced Beta Fund	6,101,123	5,241,495
	11,620,024	10,409,744
Total Designated at fair value through profit or loss	80,040,963	79,203,506
Total Financial Assets at fair value through Profit or Loss	80,040,963	79,203,506



**Opus Downer Retirement Scheme  
Notes to the Financial Statements  
For the year ended 30 June 2018**

6. Gain on Financial Assets Held at Fair Value Through Profit or Loss	2018 \$	2017 \$
AMP Capital Hedged Global Fixed Interest	-	127,285
AMP Capital New Zealand Cash	81,530	99,277
AMP Capital New Zealand Fixed Interest	204,532	(100,121)
Harbour Australasian Equity Income Fund	171,677	88,001
Harbour NZ Equity Advanced Beta Fund	883,171	177,127
Harbour Australasian Equity Fund	-	783,245
Nikko AM Wholesale Global Equity Hedged Fund	1,252,197	2,612,175
Nikko AM Wholesale Global Equity Unhedged Fund	2,543,724	1,860,585
Nikko AM Wholesale Global Bond Fund	6,529	(44,006)
	<u>5,143,360</u>	<u>5,603,568</u>

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

7. Income Tax	2018 \$	2017 \$
Current Tax	<u>156,473</u>	<u>607,399</u>
	156,473	607,399

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	<u>5,768,364</u>	<u>5,910,368</u>
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Income Tax @ 28%	1,615,142	1,654,903
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Tax effect of:		
PIE tax liability	156,473	607,399
Non-assessable distributions	(333,329)	(270,900)
Non-assessable investment gains and losses	(1,440,141)	(1,568,999)
<u>Non-deductible expenditure passed up to master fund</u>		
Investment management fees offset against PIE taxable income at fund level	65,886	107,936
Expenses passed up to Master Fund	92,168	71,586
Add back of closing audit fee accrual	-	5,474
Non-deductible expenditure - legal fees	274	-
Income Tax Expense	<u>156,473</u>	<u>607,399</u>

**Current tax represented by:**

Opening balance	(129,875)	(130,715)
Expense transfers to master fund	92,168	179,522
Current year provision	(345,590)	(480,351)
PIE tax paid	475,465	611,066
PIE tax accrued	97,471	(309,397)
Net position Receivable / (Payable)	<u>189,639</u>	<u>(129,875)</u>

**Deferred Tax**

The Scheme has no deferred tax asset or liability and also has no unrecognised deferred tax assets.

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

	2018 \$	2017 \$
Increase / (Decrease) in Net Assets	1,301,991	(355,769)
<b>Non-cash items</b>		
Gains on financial assets at fair value through profit or loss	(5,143,360)	(5,603,567)
Distribution income received as units	(1,190,462)	(967,499)
Management fee	354,605	280,860
PIE tax paid via adjustments to investments	475,986	608,239
<b>Movement in working capital items</b>		
(Decrease) in benefits payable	(176,898)	(561,502)
(Decrease)/ Increase in contributions receivable	(4,081)	11,078
Increase in sundry creditors	4,766	20,024
(Decrease) in PIE tax payable	(129,875)	(840)
Decrease in PIE tax benefit	(189,639)	-
<b>Net Cash Flows from Operating Activities</b>	<u>(4,696,967)</u>	<u>(6,568,976)</u>

**Opus Downer Retirement Scheme**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018**

**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 Trustee has 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 Trustee and asset reallocations undertaken as required.

**Fair Value**

The carrying amount of financial assets and financial liabilities recorded in the financial statements at amortised cost approximates their respective fair values.

**Categories of Financial Instruments - 2018**

	Assets designated at Fair value \$	Loans and Receivables \$	Financial Liabilities at amortised cost \$
<b>Assets</b>			
Financial assets at fair value through Profit or Loss	80,040,963	-	-
Cash at Bank	-	366	-
Contributions Receivable	-	46,162	-
<b>Total Assets</b>	<b>80,040,963</b>	<b>46,528</b>	<b>-</b>
<b>Liabilities</b>			
Sundry Creditors	-	-	105,312
Unpaid Benefits to Members/Benefits Payable	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>105,312</b>

**Categories of Financial Instruments - 2017**

	Assets designated at Fair value \$	Loans and Receivables \$	Financial Liabilities at amortised cost \$
<b>Assets</b>			
Financial assets at fair value through Profit or Loss	79,203,506	-	-
Cash at Bank	-	31,559	-
Contributions Receivable	-	42,081	-
<b>Total assets</b>	<b>79,203,506</b>	<b>73,640</b>	<b>-</b>
<b>Liabilities</b>			
Sundry Creditors	-	-	100,546
Unpaid Benefits to Members/Benefits Payable	-	-	176,898
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>277,444</b>

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

**Opus Downer Retirement Scheme  
Notes to the Financial Statements  
For the year ended 30 June 2018**

**9. Financial Instruments (Cont'd)**

**Hierarchy of Fair Value Measurements**

The following table provides an analysis of financial instruments that are measured 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).

2018 Financial Assets at Fair Value through Profit or Loss	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
AMP Capital New Zealand Cash	-	14,025,531	-	14,025,531
AMP Capital New Zealand Fixed Interest	-	12,279,482	-	12,279,482
Nikko AM Wholesale Global Equity Hedged Fund	-	11,524,849	-	11,524,849
Nikko AM Wholesale Global Equity Unhedged Fund	-	12,449,296	-	12,449,296
Nikko AM Wholesale Global Bond Fund	-	18,141,781	-	18,141,781
Harbour Australasian Equity Income Fund	-	5,518,901	-	5,518,901
Harbour NZ Equity Advanced Beta Fund	-	6,101,123	-	6,101,123
	-	80,040,963	-	80,040,963

  

2017 Financial Assets at Fair Value through Profit or Loss	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
AMP Capital New Zealand Cash	-	14,446,844	-	14,446,844
AMP Capital New Zealand Fixed Interest	-	11,889,377	-	11,889,377
Nikko AM Wholesale Global Equity Hedged Fund	-	12,196,386	-	12,196,386
Nikko AM Wholesale Global Equity Unhedged Fund	-	12,313,598	-	12,313,598
Nikko AM Wholesale Global Bond Fund	-	17,947,557	-	17,947,557
Harbour Australasian Equity Income Fund	-	5,168,249	-	5,168,249
Harbour NZ Equity Advanced Beta Fund	-	5,241,495	-	5,241,495
	-	79,203,506	-	79,203,506

There were no transfers between levels during the year. (2017: 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, short term deposits and receivables. The maximum exposure to credit risk is the carrying value of these financial instruments. The Scheme's cash and cash equivalents are held with Bank of New Zealand (AA- credit rating) (2017: AA-).

The Scheme is also indirectly exposed to credit risk through investments in utilised products which invest in cash and fixed interest investments.

**Market Risk**

Market risk represents the risk that the value of the Scheme'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 risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Scheme's investment managers are AMP Capital Investors (NZ) Limited and its nominee company, Harbour Asset Management NZ Limited and Nikko Asset Management Limited, which the Trustee considers to be financial institutions 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 Trustee.

**Sensitivity Analysis**

A five percent movement in the unit prices of the utilised investments held would have an impact on the value of the Scheme's assets and income of +/- \$4,002,048 (2017: +/- \$3,960,175).

The Scheme is indirectly exposed to price risk, interest rate risk and currency risk within the underlying investment in unit trusts.



**Opus Downer Retirement Scheme  
Notes to the Financial Statements  
For the year ended 30 June 2018**

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**10. Commitments and Contingent Liabilities**

There were no commitments outstanding as at 30 June 2018. (2017: Nil).

The Scheme holds a contingent liability of \$47,747 at 30 June 2018 (2017: \$47,004). This relates to the outstanding 2006 Reserve Account distribution payable to those members who have not been able to be contacted as well as some outstanding benefits payable to members that have left employment and have not been able to be contacted.

**11. Related Parties**

The Scheme holds no direct investments in any of the employer companies or any of their related parties and during the year had no related party transactions except for employer contributions of \$1,568,949 (2017: \$1,724,298), received from the sponsoring companies. These contributions were made in accordance with the Trust Deed.

The following Directors are members of the Scheme. Member and Employer contributions from the Directors amounted to \$53,078 (2017: \$69,422).

Allison Swan  
David Hutchison  
John Vessey  
Quentin McCarthy

During the year these Director's account balances were credited with employer contributions in accordance with the Trust Deed. (2017: same). No benefit payments were made to the Directors. (2017: same).

**12. Events After Balance Date**

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