

# FINANCIAL STATEMENTS

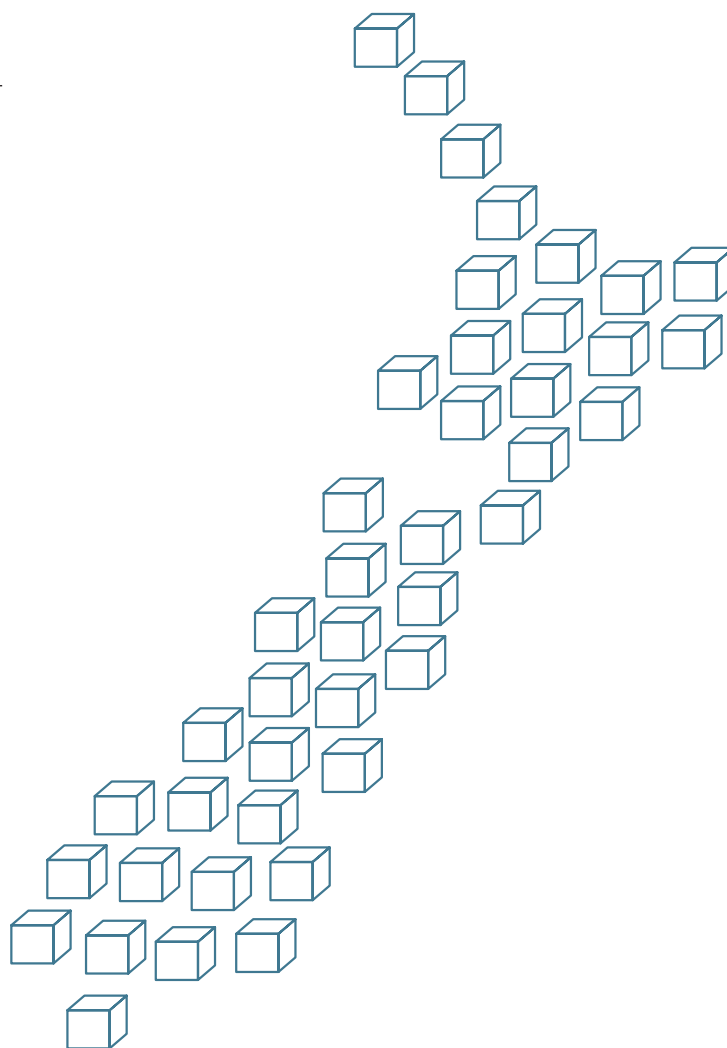
## **FINANCIAL STATEMENTS** 29

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### **GUARDIANS OF NEW ZEALAND SUPERANNUATION**

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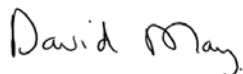
# STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2004

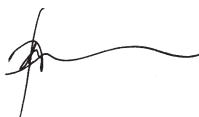
The Board and management of Guardians of New Zealand Superannuation accepts responsibility for the preparation of the annual Financial Statements of the New Zealand Superannuation Fund and the judgments used in them.

The Board and management of Guardians of New Zealand Superannuation accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non financial reporting of the New Zealand Superannuation Fund.

In the opinion of the Board and management of Guardians of New Zealand Superannuation the annual Financial Statements for the year 1 July 2003 to 30 June 2004, fairly reflect the financial position and operations of the New Zealand Superannuation Fund.



**D MAY**  
Chairperson  
22 September 2004



**P COSTELLO**  
Chief Executive  
22 September 2004

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	ACTUAL 2004 \$'000	ACTUAL 2003 \$'000	BUDGET 2004 \$'000
<b>REVENUE</b>				
Investment income	2	99,622	-	-
Unrealised gains and losses on investments and foreign currencies	3	156,840	-	-
Realised gains and losses on investments and foreign currencies	3	(11,139)	-	-
<b>TOTAL OPERATING REVENUE</b>		<b>245,323</b>	<b>-</b>	<b>182,000</b>
<b>EXPENSES</b>				
Managers' fees		3,799	-	-
Custody fees		1,716	-	-
Auditor's remuneration		100	-	-
Other expenses		501	-	-
<b>TOTAL EXPENSES</b>		<b>6,116</b>	<b>-</b>	<b>-</b>
<b>SURPLUS BEFORE INCOME TAX EXPENSE</b>		<b>239,207</b>	<b>-</b>	<b>182,000</b>
Income tax expense	8	77,388	-	60,000
<b>NET SURPLUS</b>		<b>161,819</b>	<b>-</b>	<b>122,000</b>

The attached notes form part of and should be read in conjunction with these financial statements.

## STATEMENT OF MOVEMENT IN PUBLIC EQUITY

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	ACTUAL 2004 \$'000	ACTUAL 2003 \$'000	BUDGET 2004 \$'000
Net surplus		161,819	-	122,000
<b>TOTAL RECOGNISED REVENUES AND EXPENSES</b>		<b>161,819</b>	<b>-</b>	<b>122,000</b>
Fund capital contributions from the Crown		1,910,079	1,269,000	1,910,000
Capital contributions from the Crown in respect of funding the net cost of New Zealand superannuation entitlements	7	5,888,739	5,642,000	-
Capital withdrawals by the Crown in respect of funding the net cost of New Zealand superannuation entitlements	7	(5,888,739)	(5,642,000)	-
<b>MOVEMENTS IN PUBLIC EQUITY FOR THE YEAR</b>		<b>2,071,898</b>	<b>1,269,000</b>	<b>2,032,000</b>
<b>PUBLIC EQUITY AT BEGINNING OF YEAR</b>		<b>1,884,000</b>	<b>615,000</b>	<b>1,884,000</b>
<b>PUBLIC EQUITY AT END OF YEAR</b>		<b>3,955,898</b>	<b>1,884,000</b>	<b>3,916,000</b>

The attached notes form part of and should be read in conjunction with these financial statements.

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	Notes	ACTUAL 2004 \$'000	ACTUAL 2003 \$'000	BUDGET 2004 \$'000
<b>ASSETS</b>				
<b>Investments</b>				
Cash and cash equivalents		327,091	-	-
Investments		3,813,762	-	3,916,000
<b>Total investments</b>	4	<b>4,140,853</b>	-	<b>3,916,000</b>
Receivables	5	41,134	1,884,000	-
Taxation receivable	9	9,991	-	-
<b>TOTAL ASSETS</b>		<b>4,191,978</b>	<b>1,884,000</b>	<b>3,916,000</b>
<b>LIABILITIES</b>				
Payables	6	196,833	-	-
Deferred tax liability	10	39,247	-	-
<b>TOTAL LIABILITIES</b>		<b>236,080</b>	-	-
<b>NET ASSETS</b>		<b>3,955,898</b>	<b>1,884,000</b>	<b>3,916,000</b>
<b>TOTAL PUBLIC EQUITY</b>		<b>3,955,898</b>	<b>1,884,000</b>	<b>3,916,000</b>

The attached notes form part of and should be read in conjunction with these financial statements.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	ACTUAL 2004 \$'000	ACTUAL 2003 \$'000	BUDGET 2004 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Dividends		26,167	-	-
Interest		52,480	-	-
<b>Total cash inflow from operating activities</b>		<b>78,647</b>	-	-
<b>Cash was applied to:</b>				
Managers' fees		(1,970)	-	-
Tax paid		(48,132)	-	-
Other expenses		(113)	-	-
<b>Total cash outflow from operating activities</b>		<b>(50,215)</b>	-	-
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	13	<b>28,432</b>	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Sale of investments		5,465,485	-	-
<b>Cash was applied to:</b>				
Purchases of investments		(8,956,360)	-	-
<b>NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES</b>		<b>(3,490,875)</b>	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Capital contributions from the Crown		3,794,079	-	-
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>3,794,079</b>	-	-
<b>NET INCREASE IN CASH</b>		<b>331,636</b>	-	-
Cash at the beginning of the year		-	-	-
Effects of exchange rate changes on foreign currency cash		(4,545)	-	-
<b>CASH AT THE END OF THE YEAR</b>		<b>327,091</b>	-	-

The attached notes form part of and should be read in conjunction with these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### REPORTING ENTITY

These are the financial statements of the New Zealand Superannuation Fund (the "Fund"), a fund created under section 37 of the New Zealand Superannuation Act 2001 (the "Act"). This Act commenced on 11 October 2001.

The New Zealand Superannuation Fund is managed and administered by Guardians of New Zealand Superannuation ("Guardians"). Guardians was established as a new Crown entity by section 48 of the New Zealand Superannuation Act 2001 and became operative from 30 August 2002.

The Crown is required to make capital contributions to the Fund for investment based on a percentage of GDP as set out in the Act.

Capital contributions are made by the Crown into the Fund on a fortnightly basis for the purpose of investment, and funding the net cost of New Zealand superannuation entitlements ("superannuation entitlements").

### STATUTORY BASE

The financial statements have been prepared in accordance with the Financial Reporting Act 1993 and the New Zealand Superannuation Act 2001.

### MEASUREMENT BASE

The financial statements have been prepared on the basis of historic cost with the exception that certain assets and liabilities are measured at market value.

### SPECIFIC ACCOUNTING POLICIES

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance and financial position are set out below.

#### (a) Budget figures

The budget was included in the Statement of Intent of the Guardians of New Zealand Superannuation and was approved by Guardians of New Zealand Superannuation on behalf of the New Zealand Superannuation Fund for the year.

As the fund had not commenced operation at the time of preparing the Budget for the year ended 30 June 2004 only high-level estimates were prepared and as a consequence budget data is only available for major line items and not for subcategories.

#### (b) Capital contributions

##### (i) Fund capital contributions

The Crown is required to make fund capital contributions to the Fund in accordance with sections 42 to 44 inclusive of the Act. Fund capital contributions are made by the Crown to the Fund on a fortnightly basis for investment and for the purpose of contribution to the net cost of paying superannuation entitlements after 2020. These fund capital contributions are recorded in the statement of movements in equity.

##### (ii) Superannuation entitlement payments

The Minister of Finance, under section 45 of the Act, must ensure that sufficient money is transferred to the Fund in each year to meet the net cost of superannuation entitlements. These transfers are treated as capital contributions from the Crown in respect of funding the net cost of superannuation entitlements and are offset by capital withdrawals and recorded in the statement of movements in public equity. In the previous year these were disclosed by way of note.

#### (c) Capital withdrawals

##### (i) Fund capital withdrawals

In terms of section 47 of the Act no withdrawals of fund capital contributions are permitted in any financial year before 1 July 2020.

##### (ii) Superannuation entitlement payments

The net cost of superannuation entitlements are treated as capital withdrawals by the Crown in respect of funding the net cost of superannuation entitlements and are recorded in the statement of movements in public equity. These amounts equate to the associated capital contributions. In the previous year these were disclosed by way of note.

The payment of superannuation entitlements is an expense of the Crown and is recorded separately in the Crown financial statements.

#### (d) Income tax

In accordance with section 76 of the Act the Fund is treated as if it is a body corporate for tax purposes and is therefore subject to income tax on any income derived from investments, and that income is treated as gross income of the Fund under the Income Tax Act 1994.

The income tax expense recognised for the year is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax under the liability method.

Deferred tax is provided for on unrealised gains and losses on investments.

A deferred tax asset, or the effect of losses carried forward that exceed the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised.

## (e) Investments

Fixed interest securities are valued at the last quoted sales price as of the close of business on the day the securities are being valued.

Equities are stated at the end of day market value as quoted by the relevant exchange at balance date.

Investments in unit trusts are stated at market value based on unit prices provided by the underlying fund manager at balance date.

## (f) Receivables

Receivables are stated at their estimated realisable value.

## (g) Income recognition

Interest income is accounted for on an accrual basis.

Dividend income and distributions are recognised on the 'ex-date'.

Any unrealised gains and losses arising from the revaluation of investments or conversion to New Zealand dollars at balance date, and realised gains and losses on the sale of investments during the year, are included in the statement of financial performance. Realised gains and losses are calculated with reference to the weighted average cost of investments.

## (h) Foreign currency transactions

Transactions denominated in a foreign currency are converted to New Zealand dollars ("NZD") at the exchange rate in effect at the date of the transaction.

Foreign currency monetary assets and liabilities at balance date are translated at the rate of exchange ruling as at that date.

Realised foreign exchange gains and losses represent gains and losses upon sale of investments that relate to foreign exchange movements in assets, and gains and losses upon settlement of forward foreign exchange contracts. Unrealised foreign exchange gains and losses represent the translation of foreign dominated assets and liabilities.

## (i) Statement of cash flows

The following are the definitions of the terms used in the statement of cash flows:

**Operating activities** include all transactions and other events that are not investing or financing activities.

**Investing activities** are those activities relating to the acquisition, holding and disposal of investments. Investments include securities not falling within the definition of cash, including cash flows from the settlement of forward foreign exchange contracts.

**Financing activities** are those activities relating to capital contributions and to payments of superannuation entitlements (from 2020). As the current funding by the Crown of superannuation entitlements flows directly from the Treasury to the Ministry of Social Development it is not considered cash flow of the Fund and is accordingly not recorded in the statement of cash flows.

**Cash** and cash equivalents includes cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Fund and its managers invest as part of its day-to-day cash management.

## (j) Financial instruments

The Fund is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, receivables and payables. Financial instruments, including derivatives that are hedges of specific assets, are recognised on the same basis as their underlying hedged assets. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

Investments are recorded at market value, which equates to fair value, and all other financial instruments are shown at their estimated fair value.

All forward foreign exchange contracts are valued at market value based on the 4pm London close.

## (k) Prior year comparatives

Certain prior year comparatives have been reclassified to conform to current year presentation. Superannuation entitlements disclosed in the statement of movements in public equity were disclosed by way of note in the prior year.

## CHANGES IN ACCOUNTING POLICIES

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

	ACTUAL 2004 \$'000	ACTUAL 2003 \$'000	BUDGET 2004 \$'000
<b>NOTE 2: INVESTMENT INCOME</b>			
New Zealand Fixed Interest - Crown	55,070	-	-
New Zealand Fixed Interest – State Owned Entities	146	-	-
New Zealand Fixed Interest – Crown Entities	82	-	-
New Zealand Fixed Interest – Local Bodies	250	-	-
New Zealand Fixed Interest – Other	6,310	-	-
<b>New Zealand fixed interest – Total</b>	<b>61,858</b>	-	-
Global fixed interest	7,785	-	-
Other fixed interest	970	-	-
Dividend income	29,009	-	-
<b>TOTAL INVESTMENT INCOME</b>	<b>99,622</b>	-	-
<b>NOTE 3: REALISED AND UNREALISED GAINS/(LOSSES) ON INVESTMENTS AND FOREIGN CURRENCIES</b>			
Unrealised gains and losses on investments:			
Unrealised gains on investments	93,229	-	-
Unrealised foreign currency gains on investments	37,663	-	-
Unrealised foreign currency hedging gains	25,948	-	-
<b>TOTAL UNREALISED GAINS AND LOSSES ON INVESTMENTS</b>	<b>156,840</b>	-	-
Realised gains and losses on investments:			
Realised foreign currency gains on investments	3,178	-	-
Realised foreign currency hedging losses	(27,287)	-	-
Realised gains on investments	12,970	-	-
<b>TOTAL REALISED LOSSES ON INVESTMENTS</b>	<b>(11,139)</b>	-	-
<b>NOTE 4: INVESTMENTS</b>			
Cash balances held in NZD	145,368	-	-
Cash balances held in foreign currencies	181,723	-	-
<b>Total Cash</b>	<b>327,091</b>	-	-
New Zealand equities – State Owned	4,210	-	-
New Zealand equities – Other	344,604	-	-
<b>New Zealand equities - Total</b>	<b>348,814</b>	-	-
Global equities	2,443,519	-	-
Global fixed interest	530,196	-	-
New Zealand fixed interest – Government Stock	403,539	-	-
New Zealand fixed interest – State Owned Entities	1,666	-	-
New Zealand fixed interest – Crown Entities	2,412	-	-
New Zealand fixed interest – Local Bodies	9,754	-	-
New Zealand fixed interest – Other	46,506	-	-
<b>New Zealand fixed interest – Total</b>	<b>463,877</b>	-	-
Forward foreign exchange contracts	25,948	-	-
Global unit trusts	1,408	-	-
<b>Total other investments</b>	<b>27,356</b>	-	-
<b>TOTAL INVESTMENTS</b>	<b>4,140,853</b>	-	<b>3,916,000</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 4: INVESTMENTS (CONTINUED)

As at balance date the Fund had cash balances totalling \$327,091,000 of which \$317,787,000 had been allocated and is held by Investment managers awaiting investment.

The Fund invests either directly or indirectly in a number of countries, and derives income from these sources.

This exposes the Fund to the risks associated with investing in these countries. The investment holdings of the Fund are represented by geographical segments as follows:

	ACTUAL 2004 \$'000	ACTUAL 2003 \$'000	BUDGET 2004 \$'000
<b>Regional concentration</b>			
New Zealand	934,100	-	-
Australia	100,819	-	-
Japan	422,300	-	-
United States	1,407,181	-	-
Europe	1,104,655	-	-
Other	171,798	-	-
<b>TOTAL INVESTMENTS</b>	<b>4,140,853</b>	<b>-</b>	<b>3,916,000</b>

## NOTE 5: RECEIVABLES

Accrued interest	18,133	-	-
Other receivables	119	-	-
Capital contributions receivable from the Crown	-	1,884,000	-
Dividends receivable	2,842	-	-
Unsettled sales	20,040	-	-
<b>TOTAL RECEIVABLES</b>	<b>41,134</b>	<b>1,884,000</b>	<b>-</b>

### Capital Contributions Receivable from the Crown

As at 30 June 2003, the Fund had not been provided with any capital contributions, with funds building up with New Zealand Debt Management Office in anticipation of being transferred during the year ended 30 June 2004. While the contributions were held by New Zealand Debt Management Office they increased at a rate based on the Official Cash Rate, which resulted in an increase in the capital contributions received.

The receivable was paid once the Fund was ready for operation on 30 September 2003, as determined by Guardians.

	ACTUAL 2004 \$'000	ACTUAL 2003 \$'000	BUDGET 2004 \$'000
Accrued expenses	4,033	-	-
Unsettled purchases	192,800	-	-
<b>TOTAL PAYABLES</b>	<b>196,833</b>	<b>-</b>	<b>-</b>

## NOTE 7: NEW ZEALAND SUPERANNUATION ENTITLEMENTS

Under section 45 of the Act the Minister of Finance must ensure that sufficient money is transferred into the Fund in each financial year to meet the net cost of the superannuation entitlements that are payable out of the Fund. As no capital withdrawals are permitted from the Fund in any financial year commencing before 1 July 2020, the Minister of Finance is obliged to provide funding to meet ongoing superannuation entitlements in addition to the capital contributions paid under section 42 of the Act.

Funding of superannuation entitlements under section 45 of the Act amounted to \$5,888,739,000 during the year (2003: \$5,642,000,000) as set out in the Crown financial statements. These capital contributions from the Crown are to meet the expected net cost of superannuation entitlements as determined by the Ministry of Social Development. Against these capital inflow transfers, capital outflow transfers were made to the Ministry of Social Development who, under the Act, are responsible for the administration of superannuation entitlements.

The Treasury, through the New Zealand Debt Management Office, have facilitated the flow of funding for superannuation entitlements from the Minister of Finance to the Ministry of Social Development on behalf of the Fund. Guardians has had no control over these transfers, with The Treasury acting as agent for the Fund.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

	ACTUAL 2004 \$'000	ACTUAL 2003 \$'000	BUDGET 2004 \$'000
<b>NOTE 8: INCOME TAX</b>			
Surplus before income tax	239,207	-	182,000
Imputation credits on taxable dividends	2,542	-	-
Non-deductible expenditure	464	-	-
<b>Surplus subject to income tax</b>	<b>242,213</b>	<b>-</b>	<b>182,000</b>
Tax at 33% of net income	79,930	-	60,000
Imputation credits on dividends	(2,542)	-	-
<b>INCOME TAX EXPENSE</b>	<b>77,388</b>	<b>-</b>	<b>60,000</b>
Represented by:			
Current income tax	38,007	-	60,000
Deferred income tax	39,381	-	-
	<b>77,388</b>	<b>-</b>	<b>60,000</b>

**NOTE 9: TAXATION RECEIVABLE**

Current year's income tax (expense)	(38,007)	-	-
Resident withholding tax deducted at source	2,305	-	-
Income tax paid in current year	45,000	-	-
Foreign dividend withholding payments paid	827	-	-
Withholding tax offset against deferred tax	(134)	-	-
<b>CLOSING TAXATION RECEIVABLE</b>	<b>9,991</b>	<b>-</b>	<b>-</b>

**NOTE 10: DEFERRED TAX LIABILITY**

Current year's deferred tax liability	(39,381)	-	-
Withholding tax offset against deferred tax	134	-	-
<b>CLOSING DEFERRED TAX LIABILITY</b>	<b>(39,247)</b>	<b>-</b>	<b>-</b>

**NOTE 11: FINANCIAL INSTRUMENTS**

Financial instruments carried on the statement of financial position include cash and bank balances, investments, receivables, and payables. Investments are stated at fair value and any resultant gains or losses are recognised in the statement of financial performance.

**(a) Fair value**

The Fund's financial assets and liabilities are stated at fair value in the statement of financial position.

**(b) Credit risk**

Credit risk is the risk that a counterparty will default on its obligation to the Fund, causing the Fund to incur a loss. Financial instruments which potentially subject the Fund to risk include cash, investments and other receivables. No collateral is held for any assets owned by the Fund.

The Fund invests in a wide range of assets in New Zealand and overseas in accordance with its Statement of Investment Policies, Standards and Procedures. This contains credit and exposure policies to limit credit risk from the Fund's investments.

The maximum amount of credit risk for each class is the carrying amount in the Statement of Financial Position.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 11: FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Interest rate risk

The Fund is exposed to interest rate risk in that future interest rate movements will affect market value of fixed interest assets. Interest rate risk management activities are undertaken by the investment manager in accordance with the Investment Mandate. The intention of the Fund is not necessarily to hold these assets to maturity, but to realise and purchase similar assets as part of the ongoing management of the investments of the Fund.

Weighted average effective interest rates and maturity periods for fixed interest securities are:

	RATE	LESS THAN ONE YEAR	1 – 2 YEARS	2 – 5 YEARS	5 – 10 YEARS	OVER 10 YEARS	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
New Zealand Government Stock	6.63%	58,504	72,683	45,749	184,642	41,961	403,539
New Zealand Stated Owned Enterprises and Crown Entities	7.80%	761	-	3,317	-	-	4,078
Other Fixed Bonds and Securities	4.43%	25,790	76,450	201,776	188,962	93,478	586,456
<b>TOTAL</b>		<b>85,055</b>	<b>149,133</b>	<b>250,842</b>	<b>373,604</b>	<b>135,439</b>	<b>994,073</b>

Both 2003 actual and 2004 Budget are nil

### (d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to currency risk through its investment in offshore assets and actively manages its risk by hedging of its offshore assets using forward foreign exchange contracts. In the period ended 30 June 2004 the Fund hedged Global fixed interest securities 100%, and 60% of Global equities.

At balance date there are unhedged foreign currency assets of Australian dollars \$28,522,000, Canadian dollars \$20,391,000, Swiss francs SFr.22,982,000, Euro a71,017,000, Great Britain pound £36,345,000, Japanese yen ¥7,359,000,000 and US dollars \$384,000,000.

### (e) Liquidity risk

Liquidity management is designed to ensure that the Fund has the ability to generate sufficient cash in a timely manner to meet its financial commitments. The Fund has benchmark liquidity levels which are monitored and maintained given normal investment conditions.

### (f) Forward foreign exchange contracts

The Fund invests either directly or indirectly in a number of countries to derive income. This exposes the Fund to the risks associated with investing in these countries.

At balance date the Fund held forward foreign exchange contracts with a Notional value of \$2,442,081,085 and fair value of \$25,948,000.

### (g) Concentration of credit risk

Concentration of credit risk exists if a single counterparty, or group of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions.

	ACTUAL 2004 \$000	ACTUAL 2003 \$000	BUDGET 2004 \$000
<b>By industry</b>			
Consumer goods	578,934	-	-
Finance and banks	1,941,400	-	-
Energy	218,889	-	-
Telecommunications	169,523	-	-
Health	280,552	-	-
Infrastructure	73,654	-	-
Property	20,819	-	-
Material	208,753	-	-
Industrial	371,330	-	-
Information technology	268,403	-	-
Tourism and leisure	757	-	-
Other	7,839	-	-
<b>TOTAL CASH AND INVESTMENTS</b>	<b>4,140,853</b>	<b>-</b>	<b>3,916,000</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

**NOTE 11: FINANCIAL INSTRUMENTS (CONTINUED)****(h) Individual counterparties**

At balance date the Fund has counterparty exposure in respect of its forward foreign exchange contracts as summarised below:

	ACTUAL 2004 \$000	ACTUAL 2003 \$000	BUDGET 2004 \$000
BNP Paribas	22,015	-	-
Commonwealth Bank of Australia	310	-	-
Deutsche Bank	36	-	-
New Zealand Debt Management Office	1,981,230	-	-
State Street	143,790	-	-
Toronto Dominion Bank	1,013	-	-
Westpac	293,687	-	-
<b>TOTAL</b>	<b>2,442,081</b>	<b>-</b>	<b>-</b>

There are no other significant concentrations of credit risk.

**NOTE 12: RELATED PARTIES****General**

The Fund is managed and administered by Guardians which in turn is a wholly owned entity of the Crown.

Guardians has paid expenses relating to the Fund, as it is required to do under the Act. It is not entitled to receive any reimbursement for these expenses, which are included in the financial statements of Guardians.

The Fund, through Guardians, has entered into a number of transactions with the Crown, Government Departments, Crown Entities and State Owned Enterprises together with a number of other public sector entities on an arm's length basis. These transactions are not considered related party transactions.

The Fund shares services as part of their portfolio management with the Government Superannuation Fund, which is a wholly owned entity of the Crown.

The Fund has invested a proportion of its assets in fixed income securities issued by the Government, State Owned Enterprises and Crown Entities. These are detailed in Note 4. The income earned from these investments is detailed in Note 2.

	ACTUAL 2004 \$000	ACTUAL 2003 \$000	BUDGET 2004 \$000
--	-------------------------	-------------------------	-------------------------

**NOTE 13: RECONCILIATION OF NET OPERATING INCOME TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

Net surplus	161,819	-	-
Add/(less) non-cash items and non operating items:			
Unrealised (gains) and losses on investments	(156,840)	-	-
Realised (gains) and losses on investments	11,139	-	-
	<b>(145,701)</b>	<b>-</b>	<b>-</b>
Changes in assets and liabilities during the year:			
Increase in receivables	(41,134)	-	-
Increase in taxation receivable	(9,991)	-	-
Increase in deferred tax liability	39,247	-	-
Increase in payables	196,833	-	-
Increase in other receivables	119	-	-
	<b>185,074</b>	<b>-</b>	<b>-</b>
Items classified as investing activities:			
Unsettled sales	20,040	-	-
Unsettled purchases	(192,800)	-	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>28,432</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

## **NOTE 14: CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

There were no contingent liabilities and capital commitments as at 30 June 2004 (2003: nil).

## **NOTE 15: SEGMENTAL INFORMATION**

The Fund operates in New Zealand in one industry, investment management. As a consequence the Fund invests in a number of countries directly and indirectly in the form of fixed interest investments, unit trusts, shares and financial derivatives.

## **NOTE 16: ACTUAL VERSUS FORECAST**

During the period ended 30 June 2004 market returns have generated a positive variance over the assumptions utilised in the budget.



■ Chartered Accountants

## TO THE READERS OF THE FINANCIAL STATEMENTS OF THE NEW ZEALAND SUPERANNUATION FUND

The Auditor-General is the auditor of the New Zealand Superannuation Fund (the "Fund"). The Auditor-General has appointed me, Warren Allen, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Fund, on his behalf, for the year ended 30 June 2004.

### UNQUALIFIED OPINION

In our opinion:

- the financial statements of the Fund on pages 31 to 42:
- comply with generally accepted accounting practice in New Zealand; and fairly reflect:
  - the Fund's financial position as at 30 June 2004; and
  - the results of operations and cash flows for the year ended on that date.
- Based on our examination the Fund kept proper accounting records.

The audit was completed on 22 September 2004, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Guardians of New Zealand Superannuation (the "Guardians") and the Auditor, and explain our independence.

### BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Guardians;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

# AUDIT REPORT (CONTINUED)

## RESPONSIBILITIES OF THE GUARDIANS AND THE AUDITOR

The Guardians are responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Fund as at 30 June 2004. They must also fairly reflect the results of operations and cash flows for the year ended on that date. The Guardians responsibilities arise from the New Zealand Superannuation Act 2001 and the Public Finance Act 1989. We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989.

## INDEPENDENCE

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Fund.



**Warren Allen**

Ernst & Young

On behalf of the Auditor-General

Auckland, New Zealand

## MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of the New Zealand Superannuation Fund for the year ended 30 June 2004 included on the New Zealand Superannuation Fund's website. The Guardians of New Zealand Superannuation are responsible for the maintenance and integrity of the New Zealand Superannuation Fund's website. We have not been engaged to report on the integrity of the New Zealand Superannuation Fund's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 22 September 2004 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

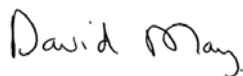
# STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2004

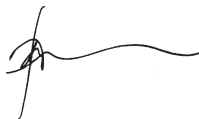
The Board and management of Guardians of New Zealand Superannuation accepts responsibility for the preparation of the annual Financial Statements of the Guardians of New Zealand Superannuation and the judgements used in them.

The Board and management of Guardians of New Zealand Superannuation accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non financial reporting.

In the opinion of the Board and management of Guardians of New Zealand Superannuation the annual Financial Statements for the year 1 July 2003 to 30 June 2004, fairly reflect the financial position and operations of Guardians of New Zealand Superannuation.



**D MAY**  
Chairperson  
22 September 2004



**P COSTELLO**  
Chief Executive  
22 September 2004

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

		ACTUAL 2004 \$'000	BUDGET 2004 \$'000	ACTUAL 2003 \$'000
	Notes			
Crown revenue		2,667	2,667	2,098
Interest income		36	20	37
<b>TOTAL OPERATING REVENUE</b>		<b>2,703</b>	<b>2,687</b>	<b>2,135</b>
Expenditure		2,934	3,321	1,551
<b>NET SURPLUS/(DEFICIT) FOR THE PERIOD</b>	1	<b>(231)</b>	<b>(634)</b>	<b>584</b>

The attached notes form part of and should be read in conjunction with these financial statements.

## STATEMENT OF MOVEMENT IN PUBLIC EQUITY

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	ACTUAL 2004 \$'000	BUDGET 2004 \$'000	ACTUAL 2003 \$'000
<b>PUBLIC EQUITY AS AT 1 JULY 2003</b>		<b>884</b>	<b>935</b>	-
Net surplus / (deficit)		(231)	(634)	584
<b>TOTAL RECOGNISED REVENUES AND EXPENSES FOR THE PERIOD</b>		<b>(231)</b>	<b>(634)</b>	<b>584</b>
Equity received from the Crown	2	-	-	300
<b>PUBLIC EQUITY AS AT 30 JUNE 2004</b>		<b>653</b>	<b>301</b>	<b>884</b>

The attached notes form part of and should be read in conjunction with these financial statements.

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	Notes	ACTUAL 2004 \$'000	BUDGET 2004 \$'000	ACTUAL 2003 \$'000
<b>PUBLIC EQUITY</b>				
General funds	2	653	301	884
<b>TOTAL PUBLIC EQUITY</b>		<b>653</b>	<b>301</b>	<b>884</b>
<b>Represented by:</b>				
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank		63	1	75
Receivables and prepayments	3	253	-	1
Short-term deposits	4	573	-	1,576
<b>Total current assets</b>		<b>889</b>	<b>1</b>	<b>1,652</b>
<b>Non-current assets</b>				
Property, plant and equipment	5	202	300	49
<b>Total non-current assets</b>		<b>202</b>	<b>300</b>	<b>49</b>
<b>TOTAL ASSETS</b>		<b>1,091</b>	<b>301</b>	<b>1,701</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables and accruals	6	399	-	765
Employee entitlements	7	32	-	52
<b>Total current liabilities</b>		<b>431</b>	<b>-</b>	<b>817</b>
<b>Non-current liabilities</b>				
Provisions	8	7	-	-
<b>Total non-current liabilities</b>		<b>7</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>438</b>	<b>-</b>	<b>817</b>
<b>NET ASSETS</b>		<b>653</b>	<b>301</b>	<b>884</b>

The attached notes form part of and should be read in conjunction with these financial statements.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	ACTUAL 2004 \$'000	BUDGET 2004 \$'000	ACTUAL 2003 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Revenue from the Crown		2,444	2,667	2,098
Interest received		36	20	37
Other		1	-	-
		<b>2,481</b>	<b>2,687</b>	<b>2,135</b>
<b>Cash was applied to:</b>				
Payments to employees		1,032	1,315	110
Payments to suppliers		2,107	1,948	765
Net Goods and Services Tax		134	-	(143)
		<b>3,273</b>	<b>3,263</b>	<b>732</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	9	<b>(792)</b>	<b>(576)</b>	<b>1,403</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash was applied to:</b>				
Purchase of property, plant and equipment		223	87	52
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(223)</b>	<b>(87)</b>	<b>(52)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Equity from the Crown		-	-	300
<b>Cash was applied to:</b>				
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>300</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>(1,015)</b>	<b>(663)</b>	<b>1,651</b>
Plus opening cash		1,651	664	-
<b>CLOSING CASH BALANCE</b>		<b>636</b>	<b>1</b>	<b>1,651</b>
<b>Cash and bank</b>				
Cash and bank		63	1	75
Short-term investments	4	573	-	1,576
<b>CLOSING CASH BALANCE</b>		<b>636</b>	<b>1</b>	<b>1,651</b>

The attached notes form part of and should be read in conjunction with these financial statements.

# STATEMENT OF COMMITMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>NON-CANCELLABLE OPERATING LEASE COMMITMENTS PAYABLE</b>		
Payable no later than 1 year	131	-
1 – 2 years	253	-
2 - 5 years	251	-
Beyond 5 years	-	-
	<b>635</b>	<b>-</b>

# STATEMENT OF CONTINGENT LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2004

There were no contingent liabilities as at 30 June 2004 (nil 30 June 2003)

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2004

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****REPORTING ENTITY**

These are the financial statements of Guardians of New Zealand Superannuation, a Crown entity in terms of the Public Finance Act 1989. As Guardians of New Zealand Superannuation was formed in September 2002 the comparatives for these financial statements cover a ten month period.

These financial statements have been prepared in accordance with section 41 of the Public Finance Act 1989.

**MEASUREMENT BASE**

The financial statements have been prepared on an historical cost basis.

**ACCOUNTING POLICIES**

The following particular accounting policies which materially affect the measurement of financial performance and financial position have been applied:

**a) Budget figures**

The budget was approved by the Board for the period.

**b) Revenue**

Guardians of New Zealand Superannuation derive revenue through the provision of outputs to the Crown and income from its investments. Such revenue is recognised when earned and is reported in the financial period to which it relates.

**c) Goods and Services Tax (GST)**

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and trade creditors which are stated with GST included. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

**d) Taxation**

Guardians of New Zealand Superannuation is a public authority in terms of the Income Tax Act 1994 and consequently is exempt from income tax.

**e) Accounts receivable**

Accounts receivable are stated at their expected realisable value after providing for doubtful and uncollectible debts.

**f) Investments**

Investments are stated at the lower of cost and net realisable value. Any write-downs are recognised in the statement of financial performance.

**g) Property, Plant and Equipment**

Fixed assets, which are material in aggregate, are capitalised and recorded at cost. Any write-down of an item to its recoverable amount is recognised in the statement of financial performance.

**h) Depreciation**

Depreciation is provided on a straight line basis on all fixed assets at a rate which will write off the cost of the assets to their estimated residual value over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Office equipment	3 years
Computer equipment	3 years
Leasehold improvements	6 years

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter.

**i) Employee Entitlements**

Provision is made in respect of Guardians of New Zealand Superannuation's liability for annual leave. Annual leave that is expected to be settled within 12 months of reporting date, and is measured at nominal values on an actual entitlement basis at current rates of pay.

## STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

**j) Leases****(i) Finance leases**

Leases which effectively transfer to Guardians of New Zealand Superannuation substantially all the risks and benefits incident to ownership of the leased item are classified as finance leases. These leases are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the statement of financial position. The leased assets are depreciated over the period Guardians of New Zealand Superannuation is expected to benefit from their use.

**(ii) Operating leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease expenses are recognised on a systematic basis over the period of the lease.

**k) Foreign currency transactions**

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date.

Monetary items receivable or payable in a foreign currency, other than those resulting from short term transactions covered by forward exchange contracts, are translated at balance date at the closing rate. For transactions covered by short term forward exchange contracts, the rates specified in those contracts are used as the basis for measuring and reporting the transaction.

Exchange difference on foreign exchange balances are recognised in the Statement of Financial Performance.

**l) Financial instruments**

Guardians of New Zealand Superannuation is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors and creditors. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

Except for items covered by separate accounting policy, all financial instruments are shown at their estimated fair value.

**m) Statement of cash flows**

**Cash** means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Guardians of New Zealand Superannuation invests as part of its day-to-day cash management.

**Operating activities** include all activities other than investing and financing activities. The cash inflows include all receipts from the sale of goods and services and other sources of revenue that support Guardians of New Zealand Superannuation's operating activities. Cash outflows include payments made to employees, suppliers and for taxes.

**Investing activities** are those activities relating to the acquisition and disposal of current and non-current securities and any other non-current assets.

**Financing activities** are those activities relating to changes in equity and debt capital structure of Guardians of New Zealand Superannuation and those activities relating to the cost of servicing Guardians of New Zealand Superannuation Board's equity capital.

**CHANGES IN ACCOUNTING POLICIES**

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>NOTE 1: OPERATING SURPLUS/(DEFICIT)</b>		
The net surplus is after charging for:		
Fees paid to principal auditors		
– External audit	16	13
– Other services	3	34
– External audit in respect of the New Zealand Superannuation Fund	-	12
Board members' fees	125	99
Depreciation:		
– Office equipment	36	1
– Computer equipment	23	9
– Leasehold improvements	6	-
<b>TOTAL DEPRECIATION FOR THE YEAR</b>	<b>65</b>	<b>10</b>
Interest expense	-	-
Rental expense on operating leases	112	44

**NOTE 2: PUBLIC EQUITY****General funds**

Opening balance	884	-
Net surplus / (deficit)	(231)	584
Equity received from the Crown	-	300
<b>CLOSING BALANCE</b>	<b>653</b>	<b>884</b>

**NOTE 3: RECEIVABLES AND PREPAYMENTS**

Receivable from the Crown	250	-
Other amounts receivable	3	1
	<b>253</b>	<b>1</b>

**NOTE 4: INVESTMENTS****Current**

Short-term deposits	573	1,576
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**Weighted average effective interest rates**

Short-term deposits	5.75%	5.00%
---------------------	-------	-------

**Repricing maturities**

	LESS THAN 6 mths	6-12 mths	1-2 years	2-5 years	GREATER THAN 5 yrs	TOTAL
<b>2004</b>						
Short-term deposit	573	-	-	-	-	573
The weighted average effective interest rate	5.75%					
<b>2003</b>						
Short-term deposit	1,576	-	-	-	-	1,576
The weighted average effective interest rate	5%					

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

	COST \$000	ACCUMULATED DEPRECIATION \$000	NET BOOK VALUE \$000
<b>NOTE 5: PROPERTY, PLANT AND EQUIPMENT</b>			
<b>2004</b>			
Office equipment	151	36	115
Computer equipment	83	32	51
Leasehold improvements	42	6	36
<b>TOTAL</b>	<b>276</b>	<b>74</b>	<b>202</b>
<b>2003</b>			
Office equipment	2	1	1
Computer equipment	51	9	42
Leasehold improvements	6		6
<b>TOTAL</b>	<b>59</b>	<b>10</b>	<b>49</b>
		2004 \$'000	2003 \$'000
<b>NOTE 6: PAYABLES AND ACCRUALS</b>			
Trade creditors		186	308
Accrued expenses		184	344
GST payable		29	113
<b>TOTAL PAYABLES AND ACCRUALS</b>		<b>399</b>	<b>765</b>
<b>NOTE 7: EMPLOYEE ENTITLEMENTS</b>			
Annual leave		40	11
Accrued salary		(8)	41
<b>TOTAL</b>		<b>32</b>	<b>52</b>
Current		32	52
Non-current		-	-
<b>TOTAL</b>		<b>32</b>	<b>52</b>
<b>NOTE 8: PROVISIONS</b>			
Provision for Refurbishment:			
Opening balance		-	-
Additional provisions made during the year		7	-
Charged against provision for the year		-	-
Unused amounts reversed during the year		-	-
<b>CLOSING BALANCE</b>		<b>7</b>	<b>-</b>



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 11: FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value

The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

	FAIR VALUE 2004 \$000	FAIR VALUE 2003 \$000
Cash and Bank	63	75
Interest Receivable	-	1
Accounts Receivable	253	-
Short-term Deposits	573	1,576
Trade Creditors	(186)	(308)
Other Payables	(252)	(509)
<b>TOTAL</b>	<b>451</b>	<b>835</b>

### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Guardians of New Zealand Superannuation had trade creditors denominated in a foreign currency of AUD\$33,489 at 30 June 2004.

### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. There are no interest rate options or interest rate swap options in place as at 30 June 2004. The interest rates on Guardians of New Zealand Superannuation's investments are shown in Note 4.

The Board does not consider that there is any significant interest exposure on Guardians of New Zealand Superannuation's investments.

## NOTE 12: EMPLOYEES' REMUNERATION OVER \$100,000 PER ANNUM

TOTAL REMUNERATION AND BENEFITS \$000's	NUMBER OF EMPLOYEES	
	2004	2003
110-120	2	-
220-230	1	1
250-260	1	-
340-350	1	1

The total remuneration bands and benefits listed above are annual amounts. As some employees commenced part way through the year, the actual remuneration they received during the year ended 30 June 2004 was less than the amount shown.

## NOTE 13: BOARD FEES

Board members earned the following fees during the year:

MEMBER	2004	2003
	\$000	\$000
DJ May (Chairperson)	37	28
Sir D Graham (Deputy Chairperson)	21	16
M Anderson	19	14
I Bing	19	14
B Gaynor*	11	13
B M Liddell	18	14
<b>TOTAL</b>	<b>125</b>	<b>99</b>

\* Mr Gaynor resigned from the Board with effect from 1 March 2004.

Board fees are paid on an inclusive of GST basis. Where a Board member is registered for GST their fees detailed above are recorded exclusive of GST.

Board members travel expenses to attend meetings are also paid by the Guardians.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

**NOTE 14: EVENTS SUBSEQUENT TO BALANCE DATE**

There were no post balance date events (nil 30 June 2003).

**NOTE 15: BUDGET VARIATIONS**

Guardians of New Zealand Superannuation actual expenditure for the year was less than budgeted primarily due to an underspend in investment advice. This occurred as a result of the focus on implementing investment policy established in the previous year, and deferring investment in alternative asset classes.

# AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2004



## TO THE READERS OF THE FINANCIAL STATEMENTS OF THE GUARDIANS OF NEW ZEALAND SUPERANNUATION

The Auditor-General is the auditor of the Guardians of New Zealand Superannuation ("the Guardians"). The Auditor-General has appointed me, A S Frost, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Guardians, on his behalf, for the year ended 30 June 2004.

### UNQUALIFIED OPINION

In our opinion the financial statements of the Guardians on pages 12 to 16 and 46 to 57:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Guardian's financial position as at 30 June 2004;
  - the results of its operations and cash flows for the year ended on that date; and
  - its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 22 September 2004, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board and the Auditor, and explain our independence.

### BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

**AUDIT REPORT (CONTINUED)**

FOR THE YEAR ENDED 30 JUNE 2004

**RESPONSIBILITIES OF THE BOARD AND THE AUDITOR**

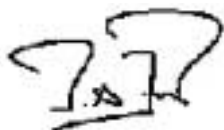
The Board is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Guardians as at 30 June 2004. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. The Board's responsibilities arise from the Public Finance Act 1989 and the New Zealand Superannuation Act 2001.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and Section 43(1) of the Public Finance Act 1989.

**INDEPENDENCE**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out an assignment involving the review of monthly financial processes, which is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Guardians.



A S Frost – Audit New Zealand  
On behalf of the Auditor-General – Auckland, New Zealand

**MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS**

This audit report relates to the financial statements of the New Zealand Superannuation Fund for the year ended 30 June 2004 included on the New Zealand Superannuation Fund's website. The Guardians of New Zealand Superannuation are responsible for the maintenance and integrity of the New Zealand Superannuation Fund's website. We have not been engaged to report on the integrity of the New Zealand Superannuation Fund's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 22 September 2004 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2004

## NEW ZEALAND SUPERANNUATION FUND

Private Bag 106 607  
Auckland  
Level 12, Quay Tower  
29 Customs Street West  
Auckland  
Phone: +64 9 300 6980  
Fax: +64 9 300 6981  
www.nzsuperfund.co.nz

## AUDITORS

### Guardians of New Zealand Superannuation

Audit New Zealand  
On behalf of  
The Controller and Auditor-General  
Level 5  
48 Mulgrave Street  
Private Box 3928  
Wellington

## BANKERS

### Guardians of New Zealand Superannuation

The National Bank of New Zealand Limited

## SOLICITORS

Phillips Fox  
50-64 Customhouse Quay  
PO Box 2791  
Wellington

## GLOBAL CUSTODIANS

BNP Paribas Fund Services Australasia Pty Limited  
(formerly Cogent Investment Operations Pty Limited)  
Trading as BNP Paribas Securities Services  
Level 7  
Lombard House  
95 Customhouse Quay  
PO Box 3299  
Wellington

## AUDITORS

### New Zealand Superannuation Fund

Ernst & Young  
On behalf of  
The Controller and Auditor-General  
Level 5  
48 Mulgrave Street  
Private Box 3928  
Wellington

## BANKERS

### New Zealand Superannuation Fund

Westpac Banking Corporation