



Financial Statements

NEW ZEALAND SUPERANNUATION FUND

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GUARDIANS OF NEW ZEALAND SUPERANNUATION

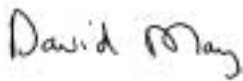
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STATEMENT OF RESPONSIBILITY

The Board and management of the 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 the 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 the Guardians of New Zealand Superannuation the annual Financial Statements for the year ended 30 June 2005, fairly reflect the financial position, cash flows and operations of the New Zealand Superannuation Fund.



D MAY

Chairman

Date: 15 September 2005



P COSTELLO

Chief Executive

Date: 15 September 2005

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30TH JUNE 2005

	Notes	ACTUAL 2005 \$'000	ACTUAL 2004 \$'000	BUDGET 2005 \$'000
REVENUE				
Investment income	2	189,480	99,622	275,699
Unrealised gains on investments and foreign currencies	3	106,781	156,840	126,444
Realised gains/(losses) on investments and foreign currencies	3	450,248	(11,139)	84,296
Miscellaneous Income		1,326		
TOTAL OPERATING REVENUE		747,835	245,323	486,439
EXPENSES				
Manager fees		15,277	3,799	20,522
Custody fees		5,090	1,716	3,591
Auditor's remuneration		139	100	208
Other expenses		1,205	501	234
TOTAL EXPENSES		21,711	6,116	24,555
SURPLUS BEFORE INCOME TAX EXPENSE		726,124	239,207	461,884
Income tax expense	8	234,192	77,388	152,422
NET SURPLUS		491,932	161,819	309,462

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

STATEMENT OF MOVEMENTS IN PUBLIC EQUITY

FOR THE YEAR ENDED 30TH JUNE 2005

	Notes	ACTUAL 2005 \$'000	ACTUAL 2004 \$'000	BUDGET 2005 \$'000
Net surplus		491,932	161,819	309,462
TOTAL RECOGNISED REVENUES AND EXPENSES		491,932	161,819	309,462
Fund capital contributions from the Crown		2,107,000	1,910,079	2,107,000
Capital contributions from the Crown in respect of funding the net cost of New Zealand superannuation entitlements	7	6,083,189	5,888,739	
Capital withdrawals by the Crown in respect of funding the net cost of New Zealand superannuation entitlements	7	(6,083,189)	(5,888,739)	
MOVEMENTS IN PUBLIC EQUITY FOR THE YEAR		2,598,932	2,071,898	2,416,462
PUBLIC EQUITY AT BEGINNING OF YEAR		3,955,898	1,884,000	3,934,477
PUBLIC EQUITY AT END OF YEAR		6,554,830	3,955,898	6,350,939

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

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2005

	Notes	ACTUAL 2005 \$'000	ACTUAL 2004 \$'000	BUDGET 2005 \$'000
ASSETS				
Receivables	5	71,210	41,134	33,499
Taxation receivable	9	19,337	9,991	1,237
INVESTMENTS				
Cash and cash equivalents		177,347	327,091	5,000
Investments		6,407,791	3,813,762	6,451,268
TOTAL INVESTMENTS	4	6,585,138	4,140,853	6,456,268
TOTAL ASSETS		6,675,685	4,191,978	6,491,004
LIABILITIES				
Payables	6	42,845	196,833	24,771
Deferred taxation liability	10	78,010	39,247	115,294
TOTAL LIABILITIES		120,855	236,080	140,065
NET ASSETS		6,554,830	3,955,898	6,350,939
TOTAL PUBLIC EQUITY		6,554,830	3,955,898	6,350,939

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE 2005

	Notes	ACTUAL 2005 \$'000	ACTUAL 2004 \$'000	BUDGET 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Dividends		109,264	26,167	66,298
Interest		62,632	52,480	62,272
Miscellaneous income		851	-	-
TOTAL CASH INFLOW FROM OPERATING ACTIVITIES		172,747	78,647	128,570
Cash was applied to:				
Manager fees		(12,477)	(1,970)	(21,412)
Tax paid		(204,775)	(48,132)	(58,915)
Other expenses		(5,452)	(113)	-
TOTAL CASH OUTFLOW FROM OPERATING ACTIVITIES		(222,704)	(50,215)	(80,327)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	13	(49,957)	28,432	48,243
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of investments		3,583,721	5,465,485	9,874,072
Cash was applied to:				
Purchase of investments		(5,796,387)	(8,956,360)	(12,029,315)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(2,212,666)	(3,490,875)	(2,155,243)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Capital contributions from the Crown		2,107,000	3,794,079	2,107,000
NET CASH INFLOW FROM FINANCING ACTIVITIES		2,107,000	3,794,079	2,107,000
NET INCREASE/(DECREASE) IN CASH		(155,623)	331,636	-
Cash at the beginning of the financial year		327,091	-	5,000
Effects of exchange rate changes on cash		5,879	(4,545)	-
CASH AT THE END OF THE FINANCIAL YEAR		177,347	327,091	5,000

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 30TH JUNE 2005

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 and Retirement Income Act 2001 (the "Act"). This Act commenced on 11 October 2001.

The New Zealand Superannuation Fund is managed and administered by the Guardians of New Zealand Superannuation ("the Guardians"). The Guardians was established as a new Crown entity by section 48 of the New Zealand Superannuation and Retirement Income 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 and Retirement Income 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 and was approved by the Guardians on behalf of the Fund for the year.

(b) Capital contributions

(i) Fund capital contributions

The Crown is required to make capital contributions to the Fund in accordance with sections 42 to 44 inclusive of the Act. 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 capital contributions are recorded in the statement of movements in public 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.

(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.

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 30TH JUNE 2005

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 at balance date. 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.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the year and the accounting policies are consistent with those used in the previous period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2005

	ACTUAL 2005 \$'000	ACTUAL 2004 \$'000	BUDGET 2005 \$'000
NOTE 2: INVESTMENT INCOME			
New Zealand Fixed Interest - Crown	33,987	55,070	
New Zealand Fixed Interest – State Owned Entities	129	146	
New Zealand Fixed Interest – Crown Entities	8	82	
New Zealand Fixed Interest – Local Bodies	1,864	250	
New Zealand Fixed Interest – Other	10,512	6,310	
New Zealand Fixed Interest – Total	46,500	61,858	
Global fixed interest	24,313	7,785	
Other interest	896	970	
Dividend income	117,771	29,009	
TOTAL INVESTMENT INCOME	189,480	99,622	275,699

The high level of fixed interest income from the Crown in the previous year reflected the establishment phase of the Fund when investments were heavily weighted to Treasury Bills ahead of the Fund commencing the transition into external markets.

NOTE 3: REALISED AND UNREALISED GAINS/(LOSSES) ON INVESTMENTS AND FOREIGN CURRENCIES

Unrealised gains/(losses) on investments:

Unrealised gains on investments	343,530	93,229	
Unrealised foreign currency gains/(losses) on investments	(178,346)	37,663	
Unrealised foreign currency hedging gains/(losses)	(58,403)	25,948	
TOTAL UNREALISED GAINS/(LOSSES) ON INVESTMENTS	106,781	156,840	126,444

Realised gains/(losses) on investments:

Realised foreign currency gains/(losses) on investments	(129,762)	3,178	
Realised foreign currency hedging gains/(losses)	434,154	(27,287)	
Realised gains on investments	145,856	12,970	
TOTAL REALISED GAINS/(LOSSES) ON INVESTMENTS	450,248	(11,139)	84,296

NOTE 4: INVESTMENTS

Cash balances in NZD	109,922	145,368	
Cash balances in foreign currencies	67,425	181,723	
TOTAL CASH	177,347	327,091	
New Zealand Equities – State Owned	2,116	4,210	
New Zealand Equities – Other	547,315	344,604	
NEW ZEALAND EQUITIES - TOTAL	549,431	348,814	
Global equities	3,715,210	2,443,519	
Global fixed interest	1,050,271	530,196	
New Zealand Fixed Interest - Crown	836,483	403,539	
New Zealand Fixed Interest – State Owned Entities	1,738	1,666	
New Zealand Fixed Interest – Crown Entities	–	2,412	
New Zealand Fixed Interest – Local Bodies	28,969	9,754	
New Zealand Fixed Interest – Other	89,657	46,506	
NEW ZEALAND FIXED INTEREST – TOTAL	956,847	463,877	
Mark to market of forward foreign exchange contracts	(33,548)	25,948	
Global unit trusts	169,580	1,408	
TOTAL OTHER INVESTMENTS	136,032	27,356	
TOTAL INVESTMENTS	6,585,138	4,140,853	6,456,268

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2005

NOTE 4: INVESTMENTS (continued)

As at balance date the Fund had cash balances totalling \$177,347,000 of which \$89,087,000 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 2005 \$'000	ACTUAL 2004 \$'000	BUDGET 2005 \$'000
Regional concentration			
New Zealand	1,494,126	934,100	
Australia	208,495	100,819	
Japan	609,704	422,300	
United States	2,179,120	1,407,181	
Europe	1,550,274	1,104,655	
Other	543,419	171,798	
TOTAL INVESTMENTS	6,585,138	4,140,853	6,456,268

NOTE 5: RECEIVABLES

Accrued interest	27,210	18,133	
Other receivables	571	119	
Dividends receivable	11,349	2,842	
Unsettled sales	32,080	20,040	
TOTAL RECEIVABLES	71,210	41,134	33,499

NOTE 6: PAYABLES

Accrued expenses	7,816	4,033	7,469
Unsettled purchases	35,029	192,800	17,302
TOTAL PAYABLES	42,845	196,833	24,771

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 \$6,083,189,000 during the year (2004: \$5,888,739,000) 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 are responsible for the administration of superannuation entitlements.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2005

	ACTUAL 2005 \$'000	ACTUAL 2004 \$'000	BUDGET 2005 \$'000
NOTE 8: INCOME TAX			
Surplus before income tax	726,124	239,207	461,884
Imputation credits on taxable dividends	7,924	2,542	
Non-deductible expenditure	254	464	
Surplus subject to income tax	734,302	242,213	461,884
Tax at 33% of net income	242,320	79,930	152,422
Imputation credits on dividends	(7,924)	(2,542)	
Prior year adjustment	(129)		
Imputation credits accrued	(75)		
Tax expense	234,192	77,388	152,422
Represented by:			
Current - Prior year	(598)	38,007	
Current - Current year	195,716		
Deferred - Prior year	469	39,381	
Deferred - Current year	38,605		
	234,192	77,388	152,422

NOTE 9: TAX RECEIVABLE

Balance brought forward	9,991		
Prior year adjustment	598		
Current year income tax (expense)	(195,716)	(38,007)	
Resident withholding tax deducted at source	5,385	2,305	
Tax paid in current year	178,047	45,000	
FDWP paid	21,417	827	
Withholding tax offset against deferred tax	(311)	(134)	
Other	(74)		
CLOSING TAX RECEIVABLE	19,337	9,991	1,237

NOTE 10: DEFERRED TAX LIABILITY

Balance brought forward	(39,247)		
Current year deferred tax liability	(38,605)	(39,381)	
Prior period adjustment	(469)		
Withholding tax offset against deferred tax	311	134	
CLOSING DEFERRED TAX LIABILITY	(78,010)	(39,247)	(115,294)

NOTE 11: FINANCIAL INSTRUMENTS

Financial instruments carried in 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 obligations 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 30TH JUNE 2005

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 investment managers in accordance with their investment mandates. The intention of the Fund is not necessarily to hold 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 \$000	1 – 2 YEARS \$000	2 – 5 YEARS \$000	5 – 10 YEARS \$000	OVER 10 YEARS \$000	TOTAL \$000
New Zealand Government Stock	6.13%	164,349	77,073	196,172	386,095	12,795	836,484
New Zealand Stated Owned Enterprises and Crown Entities	6.85%	–	–	796	–	943	1,739
Other fixed bonds and securities	3.28%	36,535	174,229	389,054	343,186	225,891	1,168,895
TOTAL		200,884	251,302	586,022	729,281	239,629	2,007,118

(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 2005 the Fund hedged Global Fixed Interest securities 100%, and increased the hedge on Global Equities from 60% to 72.5%.

There are unhedged foreign currency assets and liabilities as listed below:

	NZ Currency 000
Australian Dollars	37,582
Brazilian Real	3,787
Canadian Dollars	14,848
Swiss Francs	19,697
Chilean Pesos	795
Czech Koruny	423
Danish Kroner	2,405
Egyptian Pounds	336
European Union Euros	116,642
United Kingdom Pounds	80,505
Hong Kong Dollars	13,632
Hungarian Forints	849
Indonesian Rupiahs	616
Israeli New Shekels	2,218
Japanese yen	58,147
Korean (South) Won	14,666
Mexican Pesos	2,691
Malaysian Ringgits	2,517
Norwegian Krone	3,737
Philippine Pesos	261
Polish Zlotych	753
Swedish Kronor	8,123
Singaporean Dollars	4,414
Thai baht	2,097
Turkish New Lira	1,271
Taiwanese New Dollars	13,430
United States of America Dollars	687,887
South African Rand	5,380

The Fund hedges its seven major currencies (AUD, CAD, CHF, EUR, GBP, JPY and USD) directly and all the other currencies are hedged via a USD proxy. The minor currency balances disclosed above are net of the hedging via the USD proxy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2005

NOTE 11: FINANCIAL INSTRUMENTS (continued)

(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 their 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 \$ 4,793,097,262 (2004: \$2,442,081,085) and a negative fair value of \$ 33,547,739 (2004: positive \$25,948,000)

(G) CONCENTRATION OF CREDIT RISK

Concentration of credit risk exists if a number 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 2005 \$'000	ACTUAL 2004 \$'000	BUDGET 2005 \$'000
By industry			
Basic Materials	216,594	158,941	
Communications	459,059	305,227	
Consumer - Cyclical	444,745	356,997	
Consumer - Non Cyclical	697,925	522,665	
Diversified	38,263	22,554	
Energy	403,085	188,066	
Financial	1,183,334	667,399	
Funds	156,101	1,384	
Government	1,828,372	830,642	
Industrial	505,832	352,185	
Mortgage Securities	29,234	1,231	
Technology	239,531	181,151	
Utilities	191,033	103,115	
Other	192,030	449,296	
TOTAL CASH AND INVESTMENTS	6,585,138	4,140,853	6,456,268

(H) INDIVIDUAL COUNTERPARTIES

At balance date the Fund has counterparty exposure in respect of its Forward Foreign Exchange Contracts as summarised below:

BNP Paribas	48,096	22,015
Citibank	351	-
Commonwealth Bank of Australia	188,948	310
Deutsche Bank	3,066	36
New Zealand Debt Management Office	3,873,301	1,981,230
HSBC Bank	50	-
JP Morgan	1,002	-
State Street	501,349	143,790
Toronto Dominion Bank	101,295	1,013
UBS	144	-
Westpac	75,495	293,687
	4,793,097	2,442,081

These amounts represent the notional value of forward foreign exchange contracts held by the Fund.

There are no other significant concentrations of credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2005

NOTE 12: RELATED PARTIES

GENERAL

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

The 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 from the Crown, which are included in the financial statements of the Guardians.

The Fund, through the 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.

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

	ACTUAL 2005 \$'000	ACTUAL 2004 \$'000	BUDGET 2005 \$'000
Net surplus after income tax	491,932	161,819	309,462
Add/(less) non-cash items			
Unrealised changes in net fair value of investments	(106,781)	(156,840)	
	(106,781)	(156,840)	
Changes in assets and liabilities during the financial year:			
Increase in interest, dividends, trust distributions and other income receivable	(30,076)	(41,134)	
Increase in current tax receivable	(9,346)	(9,991)	
Increase in deferred tax liability	38,763	39,247	
Increase/(decrease) in accounts payable	(153,988)	196,833	
	(154,647)	184,955	
Items classified as investing activities:			
Realised (gains)/losses on sale of investments	(450,248)	11,139	
Increase/(decrease) in other receivables	(24)	119	
Increase in unsettled sales	12,040	20,040	
Decrease/(increase) in unsettled purchases	157,771	(192,800)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	(49,957)	28,432	48,243

NOTE 14: CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities. Capital commitments in respect of future investments as at 30 June 2005 were \$23.75 million (2004: 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 year ended 30 June 2005 market returns have generated a positive variance relative to the budget.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2005

NOTE 17: IMPACT OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Fund has initiated a project to determine the impact of adopting NZ IFRS will have on the Financial Statements of the Fund. This process is being overseen by the Audit and Governance Committee on behalf of the Board and a consultant has been engaged to assist with this process.

To date two key areas have been identified where accounting policies will need to be changed in order to comply with NZ IFRS. The first relates to the way in which the Fund values its assets. Presently the Fund records all assets at fair value and intends to continue to do so under NZ IFRS. Assets will be classified as Fair Value through the Profit and Loss and as a result will need to be valued at bid price, where applicable. Currently the Fund does not value assets on a bid price basis and if this change were to have been implemented at 30 June 2005 then the Fund's assets would have to be reduced by approximately \$10 million.

The second key area of change relates to the disclosure of transaction costs. Under NZ IFRS transaction costs must be disclosed separately in the Statement of Financial Performance. For the year ended 30 June 2005 the value of transaction costs, which are currently recorded in realised and unrealised gains and losses, was approximately \$8 million.

The figures disclosed are the best estimates as at the date of preparing the financial statements. These figures could change due to:

- further work being undertaken by the NZ IFRS project team; and
- potential amendments to NZ IFRS and/or interpretations thereof being issued by standard-setters and/or IFRIC prior to the date of the first full set of NZ IFRS financial statements, and
- assessment of the impact of IFRS on taxation not having been fully evaluated to date.

The Fund intends to adopt NZ IFRS for the year ended 30 June 2008, in line with the adoption date of the Crown.

NOTE 18: EVENTS AFTER BALANCE DATE

Since balance date the Fund has entered into commitments to purchase certain forestry assets. These commitments are qualified upon certain conditions being met prior to settlement occurring. The total value of these conditional commitments is approximately \$300 million.

In addition the Fund has made an offer to Evergreen Forests Limited to purchase forestry assets subject to certain terms and conditions. The value of this offer is \$112 million and is to be considered by the shareholders of Evergreen at a special shareholders meeting in September 2005.

AUDIT REPORT



TO THE READERS OF THE NEW ZEALAND SUPERANNUATION FUND'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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 2005.

Unqualified Opinion

In our opinion:

- the financial statements of the Fund on pages 29 to 41:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - the Fund's financial position as at 30 June 2005; and
 - the results of its 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 15 September 2005, and is the date at which our opinion is expressed.

The basis of our 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 the 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 mis-statements, whether caused by fraud or error.

Material mis-statements 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 mis-statements that were not corrected, we would have referred to them in our opinion.

The 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 our opinion above.

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 give a true and fair view of the financial position of the Fund as at 30 June 2005. They must also give a true and fair view of the results of its operations and cash flows for the year ended on that date. The Guardians responsibilities arise from the New Zealand Superannuation and Retirement Income Act 2001 and the Financial Reporting Act 1993.

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 the New Zealand Superannuation and Retirement Income Act 2001.

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

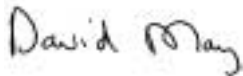
STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30TH JUNE 2005

The Board and management of the 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 the 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 the Guardians of New Zealand Superannuation the annual Financial Statements for the year ended 30 June 2005, fairly reflect the financial position and operations of the Guardians of New Zealand Superannuation.



D MAY

Chairperson

Date: 15 September 2005



P COSTELLO

Chief Executive

Date: 15 September 2005

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30TH JUNE 2005

		ACTUAL 2005 \$'000	ACTUAL 2004 \$'000	BUDGET 2005 \$'000
Crown revenue		3,689	2,667	3,689
Interest income		37	36	27
TOTAL OPERATING REVENUE		3,726	2,703	3,716
Expenditure		3,475	2,934	3,992
NET SURPLUS/ (DEFICIT) FOR THE PERIOD	2	251	(231)	(276)

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

STATEMENT OF MOVEMENTS IN PUBLIC EQUITY

FOR THE YEAR ENDED 30TH JUNE 2005

	Notes	ACTUAL 2005 \$'000	ACTUAL 2004 \$'000	BUDGET 2005 \$'000
Public equity as at 1 July 2004		653	884	653
Net surplus / (deficit)		251	(231)	(276)
TOTAL RECOGNISED REVENUES AND EXPENSES FOR THE PERIOD		251	(231)	(276)
PUBLIC EQUITY AS AT 30 JUNE 2005	3	904	653	377

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

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2005

	Notes	ACTUAL 2005 \$'000	ACTUAL 2004 \$'000	BUDGET 2005 \$'000
PUBLIC EQUITY				
General funds	3	904	653	377
TOTAL PUBLIC EQUITY		904	653	377
Represented by:				
ASSETS				
Current assets				
Cash and bank		100	63	514
Receivables and prepayments	4	442	253	346
Short-term deposits	5	672	573	-
Total current assets		1,214	889	860
Non-current assets				
Property, plant and equipment	6	225	202	183
Total non-current assets		225	202	183
TOTAL ASSETS		1,439	1,091	1,043
LIABILITIES				
Current liabilities				
Payables and accruals	7	446	399	666
Employee entitlements	8	75	32	-
Total current liabilities		521	431	666
Non-current liabilities				
Provisions	9	14	7	-
Total non-current liabilities		14	7	-
TOTAL LIABILITIES		535	438	666
NET ASSETS		904	653	377

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE 2005

	Notes	ACTUAL 2005 \$'000	ACTUAL 2004 \$'000	BUDGET 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Revenue from the Crown		3,497	2,444	4,054
Net Goods and Services Tax		37	-	-
Interest received		37	36	27
Other		11	1	-
		3,582	2,481	4,081
Cash was applied to:				
Payments to employees		1,622	1,032	1,666
Payments to suppliers		1,729	2,107	2,267
Net Goods and Services Tax		-	134	188
		3,351	3,273	4,121
NET CASH INFLOW FROM OPERATING ACTIVITIES	10	231	(792)	(40)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was applied to:				
Purchase of property, plant and equipment		95	223	82
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(95)	(223)	(82)
NET INCREASE (DECREASE) IN CASH HELD		136	(1,015)	(122)
Plus opening cash		636	1,651	636
CLOSING CASH BALANCE		772	636	514
Comprising:				
Cash and bank		100	63	-
Short-term investments	5	672	573	-
CLOSING CASH BALANCE		772	636	514

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

STATEMENT OF COMMITMENTS

AS AT 30TH JUNE 2005

	2005 \$000	2004 \$000
NON-CANCELLABLE OPERATING LEASE COMMITMENTS PAYABLE		
Payable no later than 1 year	134	131
1 – 2 years	250	253
2 - 5 years	137	251
	521	635

STATEMENT OF CONTINGENT LIABILITIES

AS AT 30TH JUNE 2005

There were no contingent liabilities as at 30 June 2005 (nil 30 June 2004)

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 30TH JUNE 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

These are the financial statements of the Guardians of New Zealand Superannuation ("the Guardians"), a Crown entity in terms of the Public Finance Act 1989.

These financial statements have been prepared in accordance with 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 year.

b) Revenue

The Guardians derives 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

The Guardians 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 the Guardians' liability for annual leave. Annual leave 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2005

j) Leases

(i) Finance leases

Leases which effectively transfer to the Guardians 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 the Guardians 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

The Guardians 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 the Guardians 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 the Guardians' 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 the Guardians and those activities relating to the cost of servicing the Guardians Board's equity capital.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the date of the last audited financial statements.

All policies have been applied on a basis consistent with previous years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2005

	2005 \$000	2004 \$000
NOTE 2: OPERATING SURPLUS/(DEFICIT)		
The net surplus is after charging for:		
• Fees paid to principal auditors		
External audit	21	16
Other services	4	3
• Board members' fees	140	125
• Employee remuneration and related expenses	1,731	1,091
• Office accommodation	196	179
• Professional fees	772	984
• Rental expense on operating leases	119	112
• Depreciation:		
Office equipment	52	36
Computer equipment	32	23
Leasehold improvements	7	6
Total depreciation for the year	91	65

NOTE 3: PUBLIC EQUITY

GENERAL FUNDS

Opening balance	653	884
Net surplus / (deficit)	251	(231)
CLOSING BALANCE	904	653

NOTE 4: RECEIVABLES AND PREPAYMENTS

Receivable from the Crown	442	250
Other amounts receivable	-	3
	442	253

NOTE 5: INVESTMENTS

CURRENT

Short-term deposits	672	573
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WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

Short-term deposits	6.49%	5.75%
---------------------	-------	-------

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

	COST \$000	ACCUMULATED DEPRECIATION \$000	NET BOOK VALUE \$000
2005			
Office equipment	168	88	80
Computer equipment	172	64	108
Leasehold improvements	50	13	37
TOTAL	390	165	225
2004			
Office equipment	151	36	115
Computer equipment	83	32	51
Leasehold improvements	42	6	36
TOTAL	276	74	202

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2005

	2005 \$000	2004 \$000
NOTE 7: PAYABLES AND ACCRUALS		
Trade creditors	221	186
Accrued expenses	160	184
GST payable	65	29
TOTAL PAYABLES AND ACCRUALS	446	399
NOTE 8: EMPLOYEE ENTITLEMENTS		
Annual leave	82	40
Accrued salary	(7)	(8)
TOTAL	75	32
Current	75	32
Non-current	-	-
TOTAL	75	32
NOTE 9: PROVISIONS		
Provision for Refurbishment:		
Opening balance	7	-
Additional provisions made during the year	7	7
Charged against provision for the year	-	-
Unused amounts reversed during the year	-	-
CLOSING BALANCE	14	7
NOTE 10: RECONCILIATION OF THE NET SURPLUS FROM OPERATIONS WITH THE NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus / (deficit)	251	(231)
Add (less) non-cash items:		
Depreciation	91	65
Increase in other provisions	7	7
Total non-cash items	98	72
Add (less) movements in working capital items:		
(Increase)/Decrease in receivables	(189)	(252)
Increase/(Decrease) in payables	47	(366)
(Increase)/Decrease in capital creditors	(19)	5
Increase/(Decrease) in employee entitlements	43	(20)
Working capital movements – net	(118)	(633)
NET CASH FLOW FROM OPERATING ACTIVITIES	231	(792)

NOTE 11: RELATED PARTY INFORMATION

The Guardians is a wholly owned entity of the Crown. Government grant is the main source of revenue.

The Guardians received the following from the Government for the year to 30 June 2005.

Grants from the Crown \$3,688,889

The Board has entered into a number of transactions between government departments on an arms length basis. Where those parties are acting in the course of their normal dealings with the Guardians, related party disclosures have not been made for transactions of this nature.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2005

NOTE 12: FINANCIAL INSTRUMENTS

The Guardians is risk averse and seeks to minimise its exposure from its treasury activities. Its policies do not allow any transactions which are speculative in nature to be entered into.

CREDIT RISK

Credit risk is the risk that a third party will default on its obligation to the Guardians, causing the Guardians to incur a loss. Financial instruments which potentially subject the Board to risk consist principally of cash and short term investments.

The Guardians has a minimal credit risk in its holdings of various financial instruments. These instruments include cash and bank, interest receivable, short-term deposits, trade creditors and other payables.

The Board places its investments with institutions that have a high credit rating. The Guardians believes that this policy reduces the risk of any loss which could arise from its investment activities. The Guardians does not require any collateral or security to support financial instruments.

There is no significant concentration of credit risk.

The maximum amount of credit risk for each class is the carrying amount in the statement of financial position.

FAIR VALUE

The fair value of financial instruments is equivalent to the carrying amount disclosed in the statement of financial position.

	FAIR VALUE 2005 \$000	FAIR VALUE 2004 \$000
Cash and Bank	100	63
Interest Receivable	-	-
Accounts Receivable	442	253
Short-term Deposits	672	573
Trade Creditors	(221)	(186)
Other Payables	(314)	(252)
TOTAL	679	451

CURRENCY RISK

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

The Guardians had trade creditors denominated in a foreign currency of AUD5,240.10 at 30 June 2005.

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 2005. The interest rates on the Guardians' investments are shown in Note 5.

The Board does not consider that there is any significant interest exposure on the Guardians' investments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2005

NOTE 13: EMPLOYEES' REMUNERATION OVER \$100,000 PER ANNUM

TOTAL REMUNERATION AND BENEFITS \$000's	NUMBER OF EMPLOYEES	
	2005	2004
110 – 120	1	2
140 – 150	1	-
170 – 180	1	-
220 – 230	-	1
230 – 240	1	-
240 – 250	1	-
250 – 260	-	1
270 – 280	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 2005 was less than the amount shown.

NOTE 14: BOARD FEES

Board members earned the following fees during the year:

MEMBER	2005	2004
	\$000	\$000
DJ May (Chairperson)	37	37
Sir D Graham (Deputy Chairperson)	21	21
M Anderson	19	19
I Bing**	17	19
B Gaynor*	-	11
B M Liddell	19	18
D Newman***	14	-
G Saunders***	13	-
TOTAL	140	125

* Mr Gaynor resigned from the Board with effect from 2004.

** Mr Bing's term expired 31 May 2005.

*** Mr Newman and Mr Saunders were appointed to the Board in September 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.

NOTE 15: EVENTS SUBSEQUENT TO BALANCE DATE

There were no post balance date events (nil 30 June 2004).

NOTE 16: BUDGET VARIATIONS

The Guardians' 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 30TH JUNE 2005



TO THE READERS OF THE GUARDIANS OF NEW ZEALAND SUPERANNUATION FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

The Auditor-General is the auditor of the Guardians of New Zealand Superannuation ("the Guardians"). The Auditor-General has appointed me, Rudie Tomlinson, 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 2005.

UNQUALIFIED OPINION

In our opinion the financial statements of the Guardians on pages 16 to 17 and 45 to 55:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Guardians financial position as at 30 June 2005;
 - 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 15 September 2005, and is the date at which our opinion is expressed.

The basis of our 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 the 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 mis-statements, whether caused by fraud or error.

Material mis-statements 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 mis-statements that were not corrected, we would have referred to them in our opinion.

The 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 our opinion above.

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 2005. 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 and Retirement Income 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 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.



R L Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

DIRECTORY

FOR THE YEAR ENDED 30TH JUNE 2005

NEW ZEALAND SUPERANNUATION FUND

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AUDITORS

The Guardians of New Zealand Superannuation

Audit New Zealand
On behalf of
The Controller and Auditor-General
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Private Box 3928
Wellington

BANKERS

Guardians of New Zealand Superannuation
The National Bank of New Zealand Limited

SOLICITORS

Phillips Fox
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GLOBAL CUSTODIANS

BNP Paribas Fund Services Australasia Pty Limited
(formerly Cogent Investment Operations Pty Limited)
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AUDITORS

New Zealand Superannuation Fund

Ernst & Young
On behalf of
The Controller and Auditor-General
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Private Box 3928
Wellington

BANKERS

New Zealand Superannuation Fund
Westpac Banking Corporation

