



SMARTSHARES KIWISAVER SCHEME

ANNUAL REPORT 2008



FINANCIAL STATEMENTS FROM 18 JULY 2007 TO 31 MARCH 2008





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Trustee's Report

In accordance with the reporting provisions of the KiwiSaver Act 2006 and the Superannuation Schemes Act 1989, NZGT Superannuation Trustees Limited ("the Trustee") of Smartshares KiwiSaver Scheme ("the Scheme"), declares the following with respect to the Scheme.

The Trustee Certifies that:

- All contributions received in respect of members, including those contributions paid via Inland Revenue have been applied in accordance with the terms of the Trust Deed.
- All benefits required to be paid from the Scheme have been paid in accordance with the terms of the Trust Deed.
- The market value of assets of the Scheme at the close of the financial period is equal to the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date.
- All fee subsidies received in respect of each member of the Scheme have been applied to that member in accordance with the provisions of the Trust Deed and the KiwiSaver Act 2006.
- The Scheme Provider Agreement dated 20 July 2007 (as amended from time to time) between Inland Revenue and the Manager, Smartshares Limited, remains in force.
- The Trust Deed governing the Scheme is dated 18 July 2007. There have been no changes to the Trust Deed since inception.
- The most recent prospectus of the Scheme was registered with the Companies Office on 18 July 2008.

On behalf of NZGT Superannuation Trustees Limited:


Murray John Willis
Director


Michael Thomas Tomlinson
Director

Date: 29 August 2008

STATUTORY INFORMATION

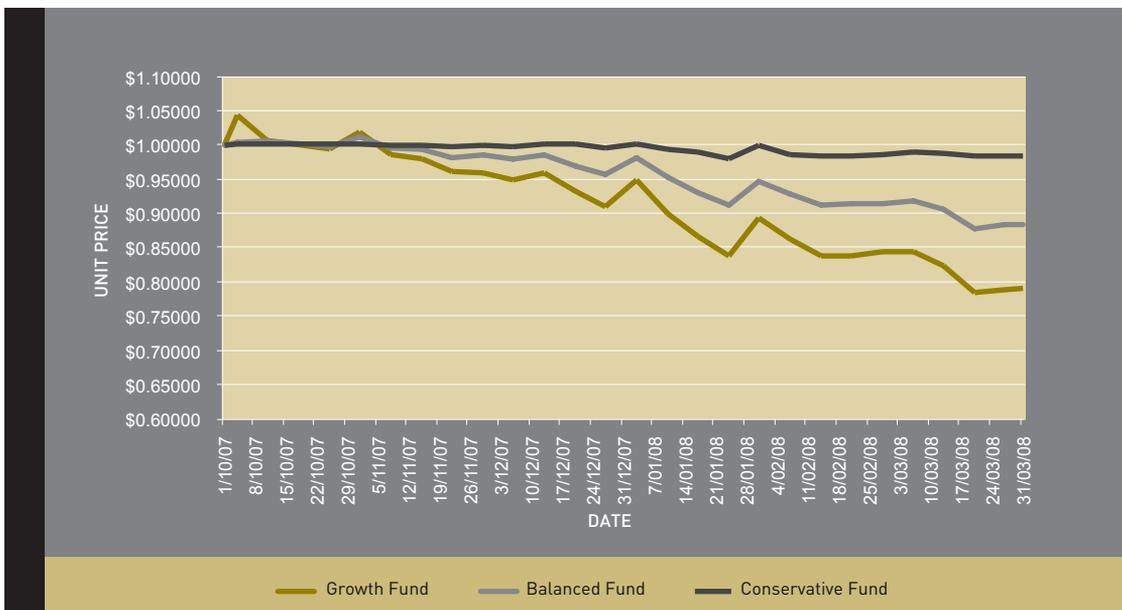
Membership Information

There were 1,186 members of the Scheme at 31 March 2008. As at 31 March 2008, there were no members that made withdrawals from the Scheme during the period for the purchase of a first home, nor on the grounds of significant financial hardship, physical illness, permanent emigration or death. There were no transfers to other Schemes.

Contribution type	Amount	Number of members
Members	\$1,317,557.99	1,138
Employers	\$ 207,708.15	166
Crown	\$ 968,076.53	955
Member Accumulations at end of period	\$2,250,560.75	1,138
Fee subsidies credited	\$ 19,100.00	955
Fees charged*	\$ 21,000.00	1,138

* Includes all fees charged associated with the management and running of the Scheme.

Performance Summary



FINANCIAL STATEMENTS

Income Statement

For the 8 months ended 31 March 2008	8 Months Mar 2008 \$000
Income	
Dividend income	4
Interest income	11
Net changes in fair value of financial assets	(275)
Decrease in Net Assets Attributable to Members	(260)

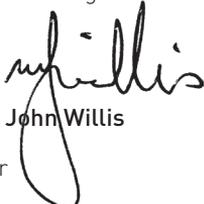
Statement of Changes in Net Assets Attributable to Members

For the 8 months ended 31 March 2008	Note	8 Months Mar 2008 \$000
Net assets attributable to Members at beginning of period		-
Decrease in net assets attributable to Members this period		(260)
Net subscriptions allotted	4	2,477
Net Assets Attributable to Members at End of Period		2,217

Balance Sheet

As at 31 March 2008	Note	Mar 2008 \$000
Current Assets		
Cash at call		448
Accounts receivable		7
Total Current Assets		455
Non-Current Assets		
Investments in equity securities held at fair value	6	1,775
Total Non-Current Assets		1,775
Total Assets		2,230
Current Liabilities		
Management fees payable		12
Taxation payable		1
Total Liabilities		13
Net Assets Attributable to Members at End of Period		2,217

On behalf of NZGT Superannuation Trustees Limited (as Trustee) who authorised the issue of this financial report on 29 August 2008:


Murray John Willis
Director


Michael Thomas Tomlinson
Director

Please read in conjunction with the notes to the financial statements.

Cash Flow Statement

For the 8 months ended 31 March 2008	8 Months Mar 2008 \$000
Cash Flows from Operating Activities	
Cash was provided from:	
Dividend income received	1
Interest income received	7
Cash inflows from operating activities	8
Net Cash Flows from Operating Activities	8
Cash Flows from Financing Activities	
Cash was provided from:	
Membership contributions	2,501
Cash inflows from financing activities	2,501
Cash was applied to:	
Purchase of financial assets	2,052
Management fees paid	9
Cash outflows from financing activities	2,061
Net Cash Flows from Financing Activities	440
Net increase in cash held	448
Opening cash balance	-
Cash at End of Period	448
Reconciliation of Decrease in Net Assets Attributable to Members with Net Cash Flows from Operating Activities	
Decrease in net assets attributable to Members	(260)
Less non-cash items:	
Net changes in fair value of financial assets	275
Movement in accounts receivable	(7)
Net Cash Flows from Operating Activities	8

Please read in conjunction with the notes to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Smartshares KiwiSaver Scheme ("the Scheme") is a for-profit Superannuation Scheme established in New Zealand under a Trust Deed dated 18 July 2007 and these are the Scheme's first financial statements. The Scheme is registered under the KiwiSaver Act 2006, under certification number KS SPA 39. The Scheme holds marketable securities for the long term as an investment vehicle for individual members. All changes in the value of investments, both realised and unrealised are recorded in the Income Statement.

The Scheme's investment activities are managed by Smartshares Limited (the 'Investment Manager'). The Scheme has three investment options with the following investment strategies:

Growth Option

To invest in a diversified portfolio mix containing 100% equity investments through the Smartshares Funds. As prescribed by the Trust Deed, the Growth option only invests in SmartFONZ and SmartMOZY, passive exchange traded funds listed on the New Zealand Exchange. Target asset allocation is 60% SmartFONZ and 40% SmartMOZY.

Balanced Option

To invest in a diversified portfolio mix containing 60% equity investments through the Smartshares Funds and 40% fixed interest. As prescribed by the Trust Deed, the Balanced option only invests in SmartFONZ and SmartMOZY, passive exchange traded funds listed on the New Zealand Exchange. Target asset allocation is 35% SmartFONZ, 25% SmartMOZY, 15% NZX Listed Debt Securities, 15% Investment Grade debt securities and 10% Cash and other money market securities.

Conservative Option

To invest according to an 80/20 mix between fixed interest and equity investments through the Smartshares Funds. As prescribed by the Trust Deed, the Conservative option only invests in SmartFONZ, a passive exchange traded fund listed on the New Zealand Exchange. Target asset allocation is 20% SmartFONZ, 35% NZX Listed Debt Securities, 40% Investment Grade debt securities and 5% Cash and other money market securities.

Investments in equity securities are valued at fair value according to last bid prices on the New Zealand Exchange on 31 March 2008 (see Note 6).

2. Statement of Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

2.1 Basis of Preparation

The financial statements of the Scheme have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), the KiwiSaver Act 2006, the Superannuation Schemes Act 1989, the Trust Deed and the Financial Reporting Act 1993. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the NZD. The financial statements have been prepared for the period from 18 July 2007 to 31 March 2008. The Scheme started accepting contributions from 4 October 2007. The financial statements were authorised for issue by the directors of the Trustee on 29 August 2008.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgement in the process of applying the Scheme's accounting policies.

2.2 Financial Assets at Fair Value through Profit or Loss

(a) Classification

The Scheme classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated as such by the management at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Regular purchases and sales of investments are recognised on the trade date – the date on which the Scheme commits to purchase or sell the investment. Investments are derecognised when the right to receive cash flows from the investments have expired or the Scheme has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the Income Statement when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Income Statement within dividend income when the Scheme's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Scheme is the last bid price.

2.3 Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and current accounts in banks, net of bank overdrafts. Operating activities include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions from or cash distributions to Members.

2.4 Redeemable Units

The Scheme issues units, which are redeemable in accordance with the redemption rules as defined in the prospectus, for cash equal to a proportionate share of the Scheme's net asset value.

Redeemable units are issued and redeemed at prices based on the Scheme's net assets value per unit at the time of issue or redemption. The Scheme's net asset value per unit is calculated by dividing the net assets attributable to the Members of redeemable units by the total number of outstanding redeemable units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

2.5 Dividend Revenue

Dividend income is recognised when the right to receive payment is established.

Dividend income from investments is attributed to Members on the basis of the number of units held at the entitlement date of the income.



NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2.6 Taxation

The Scheme is domiciled in New Zealand and was enrolled as a Portfolio Investment Entity (PIE) from 1st October 2007.

The Scheme's income, deductible expenses, and tax credits are allocated to members in proportion to their interest in the Scheme, and the Scheme pays tax on the net income allocated to members at each member's prescribed investor rate on their behalf. If a member's tax credits exceed the tax payable, the Scheme will claim a tax rebate (except for excess foreign tax credits) which will be credited to the member.

Tax paid will be funded through the cancellation of member's units in the Scheme, and tax rebates will be used to purchase units on the member's behalf.

For members, there are two prescribed investor tax rates available – 19.5% and 33% (on the taxable income levels and residency of the investor, as well as the supply of required documents to the IRD). There has been a change in the 33% prescribed investor tax rate from 33% to 30% from 1 April 2008.

2.7 Changes in Accounting Policies

There have been no material changes to accounting policies since the Scheme's inception.

2.8 Comparatives

As the Scheme was registered from 18 July 2007 and this is the first reporting period, there are no comparative figures.

3. Financial Risk Management

The Scheme's activities expose it to a variety of financial risks: market price risk, credit risk and liquidity risk.

3.1 Market price risk

The Scheme's equity securities are susceptible to market price risk arising from uncertainties about future prices of the financial instruments. The market exposures are outlined in Note 6. The Scheme's market risk is affected by actual changes in market prices.

3.2 Credit risk

The Scheme is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Scheme. Financial instruments that subject the Scheme to credit risk consist primarily of cash, accounts receivable and investments in equity securities at fair value. The maximum credit risk of financial instruments is considered to be fair value. The risk of non-recovery of monetary assets is considered minimal due to the quality of counterparties dealt with. The Scheme does not require collateral or other security to support financial instruments with credit risk. Maximum exposures to credit risk at balance date are:

	Mar 2008 \$000
Cash	448
Accounts receivable	6
Investments in equity securities at fair value	1,775

3.3 Liquidity risk

The Scheme is exposed to daily cash redemptions. The Scheme's listed securities are considered readily realisable, as they are listed on the New Zealand Exchange.



4. Redeemable Units

All issued units are fully paid and redeemable, subject to meeting the requirements as prescribed in the prospectus. The Scheme's capital is represented by these redeemable units. They are entitled to dividends and to payment of a proportionate share based on the Scheme's net asset value per unit on the redemption date. The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Members.

To determine the net asset value of the Scheme for subscriptions and redemptions, financial assets have been valued based on the last traded market prices as of the close of business on the relevant trading day.

5. Related Parties

The Scheme is managed by Smartshares Limited (the 'Investment Manager'), a wholly owned subsidiary of New Zealand Exchange Limited. Smartshares Limited receives management fees directly from the Members by cancellation of units. Under the Trust Deed the manager pays the Trustee, Custodian, Registrar and Auditor in respect of the Scheme. Total management fees for the 8 month period amounted to \$21,000 with \$12,000 outstanding accrued fees due to Smartshares Limited at the end of the period. At 31 March 2008 the members of the Scheme have a payable to Smartshares Limited of \$9,000.

Smartshares Limited is the Investment Manager for the two equity investments held in the Scheme, smartMOZY and smartFONZ (Group Investment Funds). The management fee received from the two Smartshares funds is fully rebated back to the Scheme so that no fee is received by the Investment Manager from those funds for this investment.

The New Zealand Guardian Trust Company Limited, an associated company to the NZGT Superannuation Trustees Limited, is the Trustee for the Smartshares Group Investment Funds held by the Scheme and receives a trustee fee from the Group Investment Funds, smartFONZ and smartMOZY. The trustee fee paid for the year ending 31 March 2008 was \$28,400.

Directors of the Investment Managers Interests in units as at 31 March 2008

	Beneficial	Non-Beneficial
Donald Trow	-	-
Mark Weldon	-	42,113.140
Geoffrey Brown	-	17,362.983

6. Investments in Equity Securities held at Fair Value as at 31 March 2008

Company	Number of Securities	Fair Value \$
SmartFONZ	700,428	1,036,633
SmartMOZY	123,126	738,756
		1,775,389

All financial assets are designated at inception as being at fair value through the profit or loss. The fair value of financial assets is calculated using the last bid price. The fair value of financial assets held at 31 March 2008 was \$1,775,389. The investments are registered in the name of The New Zealand Guardian Trust Company Limited, the custodian of the Scheme.



7. Members' Funds

As at 31 March 2008 the number of units on issue was:

GROWTH OPTION	1,901,810.079
BALANCED OPTION	612,089.435
CONSERVATIVE OPTION	209,649.012

Due to the requirements of NZ IFRS, there are differences between the valuation of investments for the purposes of determining the net asset value and for the purposes of preparing the value of financial assets in the financial statements.

For the purposes of determining the net asset value, quoted investment positions are valued at last traded market prices on the relevant trading day in accordance with the Scheme's offering documents and Trust Deed. The net asset value of each unit at 31 March 2008 was:

GROWTH OPTION	\$0.7909
BALANCED OPTION	\$0.8828
CONSERVATIVE OPTION	\$0.9831

NZ IFRS requires that long quoted investment positions be valued at the closing bid prices (excluding provision for disposal costs) on the relevant trading day. The NZ IFRS net asset value of each unit at 31 March 2008 was:

GROWTH OPTION	\$0.7794
BALANCED OPTION	\$0.8703
CONSERVATIVE OPTION	\$0.9669

8. Events after Balance Date

There were no post-balance sheet events.

9. Contingent Liabilities

There are no contingent liabilities that the Board are aware of.



To the members of Smartshares Kiwisaver Scheme

We have audited the financial statements on pages 6 to 12. The financial statements provide information about the past financial performance of the Scheme and its financial position as at 31 March 2008. This information is stated in accordance with the accounting policies set out on pages 8 to 10.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Scheme as at 31 March 2008 and the results of its operations and cash flows for the 8 month period ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the Scheme.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Scheme as far as appears from our examination of those records;
- the financial statements on pages 6 to 12:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the Scheme as at 31 March 2008 and the results of its operations and cash flows for the 8 month period ended on that date.

Our audit was completed on 29 August 2008 and our unqualified opinion is expressed as at that date.



Wellington



SMARTSHARES KIWISAVER SCHEME - GROWTH OPTION

Income Statement

For the 8 months ended 31 March 2008	8 Months Mar 2008 \$000
Income	
Dividend income	3
Interest income	3
Net changes in fair value of financial assets	(224)
Decrease in Net Assets Attributable to Unitholders	(218)

Statement of Changes in Net Assets Attributable to Members

For the 8 months ended 31 March 2008	8 Months Mar 2008 \$000
Net assets attributable to Members at beginning of period	-
Decrease in net assets attributable to Members this period	(218)
Net subscriptions allotted	1,700
Net Assets Attributable to Members at End of Period	1,482

Balance Sheet

As at 31 March 2008	Mar 2008 \$000
Current Assets	
Cash at call	63
Accounts receivable	3
Taxation receivable	2
Total Current Assets	68
Non-Current Assets	
Investments in equity securities held at fair value	1,422
Total Non-Current Assets	1,422
Total Assets	1,490
Current Liabilities	
Management fees payable	8
Total Liabilities	8
Net Assets Attributable to Members at End of Period	1,482

Cash Flow Statement

For the 8 months ended 31 March 2008	8 Months Mar 2008 \$000
Cash Flows from Operating Activities	
Cash was provided from:	
Dividend income received	1
Interest income received	2
Cash inflows from operating activities	3
Net Cash Flows from Operating Activities	3
Cash Flows from Financing Activities	
Cash was provided from:	
Membership contributions	1,713
Cash inflows from financing activities	1,713
Cash was applied to:	
Purchase of financial assets	1,647
Management fees paid	6
Cash outflows from financing activities	1,653
Net Cash Flows from Financing Activities	60
Net increase in cash held	63
Opening cash balance	-
Cash at End of Period	63
Reconciliation of Decrease in Net Assets Attributable to Members with Net Cash Flows from Operating Activities	
Decrease in net assets attributable to members	(218)
Less non-cash items:	
Net changes in fair value of financial assets	224
Movement in accounts receivable	(3)
Net Cash Flows from Operating Activities	3



SMARTSHARES KIWISAVER SCHEME - BALANCED OPTION

Income Statement

For the 8 months ended 31 March 2008	8 Months Mar 2008 \$000
Income	
Dividend income	1
Interest income	4
Net changes in fair value of financial assets	(45)
Decrease in Net Assets Attributable to Unitholders	(40)

Statement of Changes in Net Assets Attributable to Members

For the 8 months ended 31 March 2008	8 Months Mar 2008 \$000
Net assets attributable to Members at beginning of period	-
Decrease in net assets attributable to Members this period	(40)
Net subscriptions allotted	573
Net Assets Attributable to Members at End of Period	533

Balance Sheet

As at 31 March 2008	Mar 2008 \$000
Current Assets	
Cash at call	219
Accounts receivable	2
Total Current Assets	221
Non-Current Assets	
Investments in equity securities held at fair value	316
Total Non-Current Assets	316
Total Assets	537
Current Liabilities	
Management fees payable	3
Taxation payable	1
Total Liabilities	4
Net Assets Attributable to Members at End of Period	533

Cash Flow Statement

For the 8 months ended 31 March 2008	8 Months Mar 2008 \$000
Cash Flows from Operating Activities	
Cash was provided from:	
Dividend income received	-
Interest income received	3
Cash inflows from operating activities	3
Net Cash Flows from Operating Activities	3
Cash Flows from Financing Activities	
Cash was provided from:	
Membership contributions	579
Cash inflows from financing activities	579
Cash was applied to:	
Purchase of financial assets	361
Management fees paid	2
Cash outflows from financing activities	363
Net Cash Flows from Financing Activities	216
Net increase in cash held	219
Opening cash balance	-
Cash at End of Period	219
Reconciliation of Decrease in Net Assets Attributable to Members with Net Cash Flows from Operating Activities	
Decrease in net assets attributable to Members	(40)
Less non-cash items:	
Net changes in fair value of financial assets	45
Movement in accounts receivable	(2)
Net Cash Flows from Operating Activities	3



SMARTSHARES KIWISAVER SCHEME - CONSERVATIVE OPTION

Income Statement

For the 8 months ended 31 March 2008	8 Months Mar 2008 \$000
Income	
Dividend income	-
Interest income	4
Net changes in fair value of financial assets	(6)
Decrease in Net Assets Attributable to Unitholders	(2)

Statement of Changes in Net Assets Attributable to Members

For the 8 months ended 31 March 2008	8 Months Mar 2008 \$000
Net assets attributable to Members at beginning of period	-
Decrease in net assets attributable to Members this period	(2)
Net subscriptions allotted	204
Net Assets Attributable to Members at End of Period	202

Balance Sheet

As at 31 March 2008	Mar 2008 \$000
Current Assets	
Cash at call	166
Accounts receivable	1
Total Current Assets	167
Non-Current Assets	
Investments in equity securities held at fair value	38
Total Non-Current Assets	38
Total Assets	205
Current Liabilities	
Management fees payable	1
Taxation payable	2
Total Liabilities	3
Net Assets Attributable to Members at End of Period	202



Cash Flow Statement

For the 8 months ended 31 March 2008	8 Months Mar 2008 \$000
Cash Flows from Operating Activities	
Cash was provided from:	
Dividend income received	-
Interest income received	3
Cash inflows from operating activities	3
Net Cash Flows from Operating Activities	3
Cash Flows from Financing Activities	
Cash was provided from:	
Membership contributions	208
Cash inflows from financing activities	208
Cash was applied to:	
Purchase of financial assets	44
Management fees paid	1
Cash outflows from financing activities	45
Net Cash Flows from Financing Activities	163
Net increase in cash held	166
Opening cash balance	-
Cash at End of Period	166
Reconciliation of Decrease in Net Assets Attributable to Members with Net Cash Flows from Operating Activities	
Decrease in net assets attributable to Members	(2)
Less non-cash items:	
Net changes in fair value of financial assets	6
Movement in accounts receivable	(1)
Net Cash Flows from Operating Activities	3



DIRECTORY

Trustee

NZGT Superannuation Trustees Limited

Level 7, Vero Centre
48 Shortland Street
P O Box 1934
Auckland

Administrator and Investment Manager

Smartshares Limited

L2, 11 Cable Street
Wellington

Auditor

KPMG

10 Customhouse Quay
PO Box 996
Wellington 6140

Solicitor

Chapman Tripp

10 Customhouse Quay
PO Box 993
Wellington 6140

Correspondence can be sent to:

Relationship Manager

Corporate Trusts

Level 7, Vero Centre
48 Shortland Street
PO Box 1934
Auckland



NOTES







Smartshares Limited (a wholly owned subsidiary of NZX Limited)

NZX Centre, Level 2, 11 Cable Street

PO Box 2959, Wellington, New Zealand

Phone: 0800 80 87 80

Fax: +64 4 496 2893

Email: smartshares@nzx.com

www.smartshares.co.nz