



SMARTSHARES KIWISAVER SCHEME

---

SMARTKIWI

# 2011



---

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

PRESENTED BY NZGT SUPERANNUATION TRUSTEES LIMITED, TRUSTEE OF THE FUND



## CONTENTS

---

STATUTORY INFORMATION	4
INDEPENDENT AUDITORS REPORT	7
STATEMENT OF CHANGES IN NET ASSETS	8
STATEMENT OF NET ASSETS	10
STATEMENT OF CASH FLOWS	12
NOTES TO THE FINANCIAL STATEMENTS	14
DIRECTORY	27

# STATUTORY INFORMATION

---

## 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 year 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 23 September 2010 as amended by a memorandum of amendments to the registered prospectus dated 17 March 2011.

On behalf of NZGT Superannuation Trustees Limited:



BRYAN DAVID CONNOR | DIRECTOR



MARK PATRICK JEPHSON | DIRECTOR

DATE: 16 AUGUST 2011

There were 1,608 Members of the scheme as at 31 March 2011 (Mar 2010: 1,566).

The following contributions were received by the Scheme during the 2011 Financial year	Amount \$	Number of members
Member Contributions from Members	2,827,964	989
Member Contributions from Employers	1,346,902	882
Member Contributions from the Crown	78,000	78
Tax credits credited to Members	1,166,890	1,234
Transfers due to Permanent Immigration	-	-
Transfers from other Schemes	185,195	32
<b>Total Contributions†</b>	<b>5,604,951</b>	<b>-</b>

†Cash contributions were allocated as at balance date

Member Accumulations at end of period	19,683,554	1,608
---------------------------------------	------------	-------

The following withdrawals were made from the scheme during the 2011 Financial year	Amount \$	Number of members
Transfers to other schemes	795,113	58
First Home Purchase	15,197	2
Significant Financial Hardship	5,500	1
IRD Opt-Out	-	-
Serious Illness	-	-
Permanent Emigration	46,601	5
Death	17,076	1
<b>Total Withdrawals</b>	<b>879,487</b>	<b>-</b>

The following fees were charged during the 2011 Financial year	Amount \$	Number of members
Management fees*	64,485	1,608

\* Manager currently pays the Trustee fee out of the Management Fees.

# STATUTORY INFORMATION

## CONTINUED

Returns for the period and unit prices as at 31 March	Return for the Period		Unit Price <sup>1</sup>	
	2011	2010	2011	2010
Smartkiwi Growth Fund	4.66%	32.90%	0.8033	0.7675
Smartkiwi Balanced Fund	5.29%	20.60%	0.9564	0.9083
Smartkiwi Conservative Fund	3.64%	7.36%	1.1026	1.0638

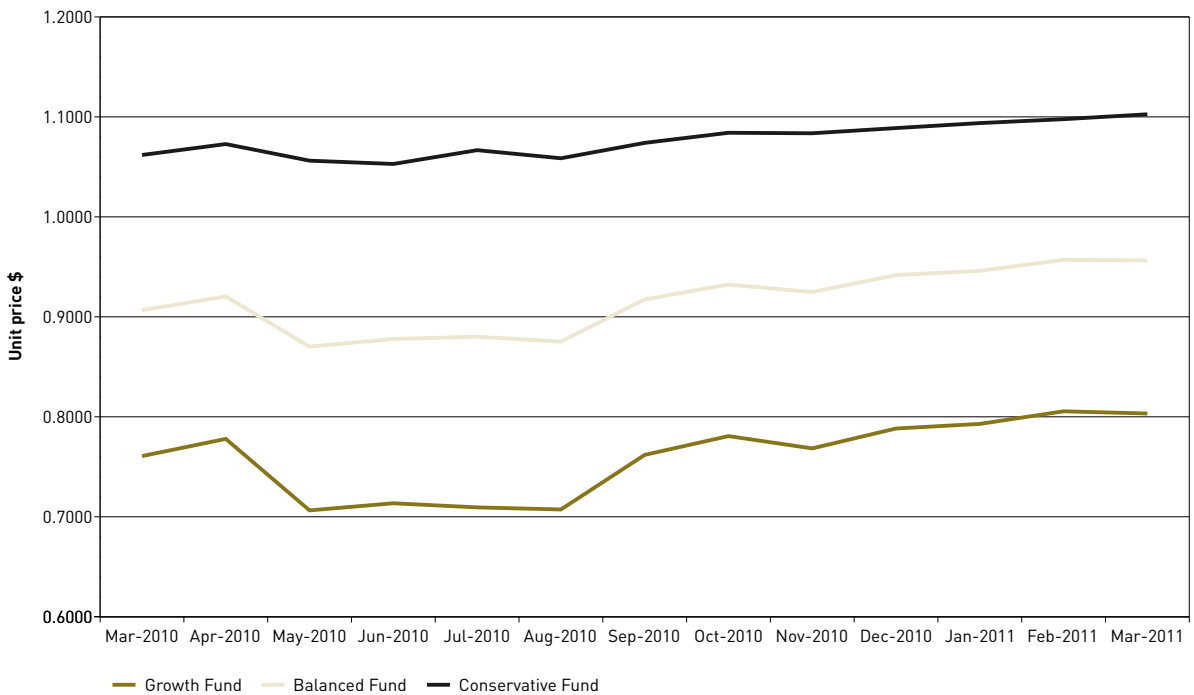
<sup>1</sup>Unit prices are based on the last traded market prices (see note 10).

The returns are based on the change in unit price over the period.

Below is a graphical presentation on how the unit prices have changed over the period.

Past performance is not necessarily an indicator of future performance.

### PERFORMANCE SUMMARY



# AUDIT REPORT



## INDEPENDENT AUDITORS REPORT

### To the Members of Smartshares Kiwisaver Scheme

#### Report on the Financial Statements

We have audited the accompanying financial statements of Smartshares Kiwisaver Scheme ("the Scheme") on pages 8 to 26. The financial statements comprise the statement of net assets as at 31 March 2011, the statements of changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Trustees' Responsibility for the Financial Statements*

The Trustees are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the scheme's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

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

#### *Opinion*

In our opinion the financial statements on pages 8 to 26:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the scheme as at 31 March 2011 and of its financial performance and cash flows for the year then ended.

#### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Smartshares Kiwisaver Scheme as far as appears from our examination of those records.

16 August 2011

Wellington

# STATEMENT OF CHANGES IN NET ASSETS

## FOR THE YEAR ENDED 31 MARCH 2011

### INVESTMENT ACTIVITIES

	Note	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
<b>Income</b>					
Dividend income		246,072	47,195	7,649	300,916
Interest income		15,269	85,955	60,711	161,935
Net changes in fair value of Investment assets	4	520,619	155,210	11,232	687,061
<b>Net Investment Income</b>		<b>781,960</b>	<b>288,360</b>	<b>79,592</b>	<b>1,149,912</b>
Management fees		(35,923)	(15,596)	(12,966)	(64,485)
<b>Net profit/(loss) before membership activities</b>		<b>746,037</b>	<b>272,764</b>	<b>66,626</b>	<b>1,085,427</b>

### MEMBERSHIP ACTIVITIES

	Note	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
Net profit/(loss) before membership activities		746,037	272,764	66,626	1,085,427
<b>Total recognised income and expense</b>		<b>746,037</b>	<b>272,764</b>	<b>66,626</b>	<b>1,085,427</b>
Contributions received	8	3,546,813	1,436,398	621,740	5,604,951
Withdrawals made	9	(542,422)	(291,093)	(45,972)	(879,487)
PIE Tax		6,375	10,052	(6,908)	9,519
<b>Net membership activities</b>		<b>3,010,766</b>	<b>1,155,357</b>	<b>568,860</b>	<b>4,734,983</b>
<b>Benefits accrued to Members' accounts</b>		<b>3,756,803</b>	<b>1,428,121</b>	<b>635,486</b>	<b>5,820,410</b>
Members' funds at beginning of the year		9,009,755	3,497,758	1,355,631	13,863,144
Members' funds prior year adjustments		-	-	-	-
<b>Members' funds at the end of the year</b>		<b>12,766,558</b>	<b>4,925,879</b>	<b>1,991,117</b>	<b>19,683,554</b>
Earnings per unit (cents)	2	6	6	3	

These financial statements should be read in conjunction with the notes set out on pages 14 to 26.



# STATEMENT OF CHANGES IN NET ASSETS

## FOR THE YEAR ENDED 31 MARCH 2010

### INVESTMENT ACTIVITIES

	Note	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
<b>Income</b>					
Dividend income		197,318	47,442	7,403	252,163
Interest income		5,029	14,011	10,400	29,440
Net changes in fair value of Investment assets	4	1,517,411	377,219	34,729	1,929,359
<b>Net Investment Income</b>		<b>1,719,758</b>	<b>438,672</b>	<b>52,532</b>	<b>2,210,962</b>
Management fees		(69,245)	(23,503)	(8,775)	(101,523)
<b>Net profit/(loss) before membership activities</b>		<b>1,650,513</b>	<b>415,169</b>	<b>43,757</b>	<b>2,109,439</b>

### MEMBERSHIP ACTIVITIES

	Note	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
Net profit/(loss) before membership activities		1,650,513	415,169	43,757	2,109,439
<b>Total recognised income and expense</b>		<b>1,650,513</b>	<b>415,169</b>	<b>43,757</b>	<b>2,109,439</b>
Contributions received	8	3,753,903	1,460,151	658,306	5,872,360
Withdrawals made	9	(479,874)	(98,878)	(51,660)	(630,412)
PIE Tax		(9,050)	6,030	(119)	(3,139)
<b>Net membership activities</b>		<b>3,264,979</b>	<b>1,367,303</b>	<b>606,527</b>	<b>5,238,809</b>
<b>Benefits accrued to Members' accounts</b>		<b>4,915,492</b>	<b>1,782,472</b>	<b>650,284</b>	<b>7,348,248</b>
Members' funds at beginning of the year		4,117,840	1,726,480	723,760	6,568,080
Members' funds prior year adjustments		(23,577)	(11,194)	(18,413)	(53,184)
<b>Members' funds at the end of the year</b>		<b>9,009,755</b>	<b>3,497,758</b>	<b>1,355,631</b>	<b>13,863,144</b>
Earnings per unit (cents)	2	19	13	4	

These financial statements should be read in conjunction with the notes set out on pages 14 to 26.

# STATEMENT OF NET ASSETS

AS AT 31 MARCH 2011

	Note	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
<b>Assets</b>					
Cash and cash equivalents		384,014	2,028,908	1,603,570	4,016,492
Investment assets	3	12,385,167	2,882,457	376,918	15,644,542
Accounts receivable		35,664	26,295	14,111	76,070
<b>Total assets</b>		<b>12,804,845</b>	<b>4,937,660</b>	<b>1,994,599</b>	<b>19,737,104</b>
<b>Liabilities</b>					
Accounts payable and other liabilities	6	38,287	11,781	3,482	53,550
<b>Total liabilities</b>		<b>38,287</b>	<b>11,781</b>	<b>3,482</b>	<b>53,550</b>
<b>Net assets attributable to Members</b>		<b>12,766,558</b>	<b>4,925,879</b>	<b>1,991,117</b>	<b>19,683,554</b>
<b>Members' funds</b>		<b>12,766,558</b>	<b>4,925,879</b>	<b>1,991,117</b>	<b>19,683,554</b>

These financial statements should be read in conjunction with the notes on pages 14 to 26.

On behalf of NZGT Superannuation Trustees Limited who authorised the issue of this financial report on 16 August 2011:



BRYAN DAVID CONNOR | DIRECTOR



MARK PATRICK JEPHSON | DIRECTOR

# STATEMENT OF NET ASSETS

AS AT 31 MARCH 2010

	Note	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
<b>Assets</b>					
Cash and cash equivalents		101,670	1,444,351	1,098,023	2,644,044
Investment assets	3	8,896,975	2,100,176	263,103	11,260,254
Accounts receivable		28,539	6,384	631	35,554
<b>Total assets</b>		<b>9,027,184</b>	<b>3,550,911</b>	<b>1,361,757</b>	<b>13,939,852</b>
<b>Liabilities</b>					
Accounts payable and other liabilities	6	8,398	8,015	3,948	20,361
Benefits payable		3,789	-	-	3,789
Prepaid contributions		5,242	45,138	2,178	52,558
<b>Total liabilities</b>		<b>17,429</b>	<b>53,153</b>	<b>6,126</b>	<b>76,708</b>
<b>Net assets attributable to Members</b>		<b>9,009,755</b>	<b>3,497,758</b>	<b>1,355,631</b>	<b>13,863,144</b>
<b>Members' funds</b>		<b>9,009,755</b>	<b>3,497,758</b>	<b>1,355,631</b>	<b>13,863,144</b>

These financial statements should be read in conjunction with the notes on pages 14 to 26.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2011

	Note	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
<b>Cash flows from operating activities</b>					
Dividends received		213,383	51,187	7,552	272,122
Interest received		14,007	70,032	48,166	132,205
Resident withholding tax		(686)	(558)	(351)	(1,595)
PIE tax		(9,096)	249	10,108	1,261
Redemptions to pay management fees		(47,368)	(23,652)	(11,798)	(82,818)
<b>Net cash flows from operating activities</b>	<b>7</b>	<b>170,240</b>	<b>97,258</b>	<b>53,677</b>	<b>321,175</b>
<b>Cash flows from investing activities</b>					
Net purchases of investment assets		(2,887,061)	(612,866)	(121,706)	(3,621,633)
<b>Net cash flows from investing activities</b>		<b>(2,887,061)</b>	<b>(612,866)</b>	<b>(121,706)</b>	<b>(3,621,633)</b>
<b>Cash flows from financing activities</b>					
Proceeds from applications by members		3,541,587	1,391,259	619,547	5,552,393
Payments for redemptions by members		(542,422)	(291,094)	(45,971)	(879,487)
<b>Net cash flows from financing activities</b>		<b>2,999,165</b>	<b>1,100,165</b>	<b>573,576</b>	<b>4,672,906</b>
<b>Net increase in cash</b>		<b>282,344</b>	<b>584,557</b>	<b>505,547</b>	<b>1,372,448</b>
Cash at the beginning of the year		101,670	1,444,351	1,098,023	2,644,044
<b>Cash at the end of the year</b>		<b>384,014</b>	<b>2,028,908</b>	<b>1,603,570</b>	<b>4,016,492</b>

These financial statements should be read in conjunction with the notes on pages 14 to 26.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2010

	Note	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
<b>Cash flows from operating activities</b>					
Dividends received		197,578	48,323	7,573	253,474
Interest received		4,562	14,011	10,400	28,973
Other operating expenses reimbursed		16,138	3,825	1,929	21,892
Redemptions to pay management fees		(67,706)	(25,204)	(7,233)	(100,143)
<b>Net cash flows from operating activities</b>	<b>7</b>	<b>150,572</b>	<b>40,955</b>	<b>12,669</b>	<b>204,196</b>
<b>Cash flows from investing activities</b>					
Net purchases of investment assets		(3,436,556)	(715,244)	(93,945)	(4,245,745)
<b>Net cash flows from investing activities</b>		<b>(3,436,556)</b>	<b>(715,244)</b>	<b>(93,945)</b>	<b>(4,245,745)</b>
<b>Cash flows from financing activities</b>					
Proceeds from applications by members		3,745,888	1,498,742	651,665	5,896,295
Payments for redemptions by members		(492,574)	(102,732)	(55,896)	(651,202)
<b>Net cash flows from financing activities</b>		<b>3,253,314</b>	<b>1,396,010</b>	<b>595,769</b>	<b>5,245,093</b>
<b>Net increase in cash</b>		<b>(32,670)</b>	<b>721,721</b>	<b>514,493</b>	<b>1,203,544</b>
Cash at the beginning of the year		134,340	722,630	583,530	1,440,500
<b>Cash at the end of the year</b>		<b>101,670</b>	<b>1,444,351</b>	<b>1,098,023</b>	<b>2,644,044</b>

These financial statements should be read in conjunction with the notes on pages 14 to 26.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

This financial report is for the Smartshares KiwiSaver Scheme (the "Scheme"), which comprises the following investments funds (the "Funds").

- Growth Fund
- Balanced Fund
- Conservative Fund

Clause 12.2 (b) of the Trust Deed for the Scheme provides that the liabilities in relation to one Fund may only be met from the assets of other Funds if and to the extent that the assets held for that Fund are insufficient to meet such liabilities. Thus, the liabilities of the Scheme are not always limited to separate Funds.

The Scheme is a for-profit Superannuation Scheme established in New Zealand under a Trust Deed dated 18 July 2007 and the Trustee Companies Act 1967. The scheme is registered under the KiwiSaver Act 2006, under certification number KS SPA 39. The Funds hold 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 Statement of Changes in Net Assets.

The Trustee is responsible for administering the Trust governing the Scheme in accordance with the Trust Deed, KiwiSaver Act 2006, KiwiSaver Regulations 2006 and other legislation.

The Trustee has delegated to Smartshares Limited (the "Manager") (which has accepted appointment as administration manager and investment manager of the Scheme) the management of the Scheme and of each Fund. The Manager's duties include the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal controls as are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Scheme offers investors three investment options:

### Growth Option

The Growth Fund invests in a diversified portfolio mix containing approximately 100% equity investments through the Smartshares Funds. As described in the Funds offer documents, the Growth Fund currently invests in smartFONZ and smartMOZY, passive exchange traded funds listed on the NZX Main Board. Target asset allocation is 60% smartFONZ and 40% smartMOZY.

### Balanced Option

The Balanced Fund invests in a diversified portfolio mix containing approximately 60% equity investments through the Smartshares Funds and 40% fixed interest securities. As described in the Funds offer documents, the Balanced Fund currently invests in smartFONZ and smartMOZY, passive exchange traded funds listed on the NZX Main Board. Target asset allocation is 35% smartFONZ, 25% smartMOZY, 15% NZX NZDX listed debt securities, 15% investment grade debt securities and 10% cash and other money market securities. Due to the inefficiencies of making small investments in the fixed interest market, the Manager anticipates holding cash as a liquidity reserve up to a value of 50% of the Fund whilst the total Fund value is less than \$10 million.

### Conservative Option

The Conservative Fund invests according to an 80/20 mix between fixed interest and equity investments through the Smartshares Funds. As described in the Funds offer documents, the Conservative Fund currently invests in smartFONZ, a passive exchange traded fund listed on the NZX Main Board. Target asset allocation is 20% smartFONZ, 35% NZX NZDX listed debt securities, 40% investment grade debt securities and 5% cash and other money market securities. Due to the inefficiencies of making small investments in the fixed interest market, the Manager anticipates holding cash as a liquidity reserve up to a value of 80% of the Fund whilst the total Fund value is less than \$5 million.

## 1. REPORTING ENTITY (CONTINUED)

Investments in equity securities are valued at fair value according to last bid prices on the NZX Main Board on 31 March 2011 (see Note 3).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

The financial statements of the Fund have been prepared by the Manager in accordance with the Trust Deed, the Financial Reporting Act 1993, the KiwiSaver Act 2006, the Superannuation Schemes Act 1989, and New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"). The financial statements also comply with International Financial Reporting Standards ("IFRS").

The principal accounting policies applied in preparing the financial statements for the year ended 31 March 2011 are set out below, and have been applied consistently throughout the period. These accounting policies have been applied consistently to the comparative information presented in these financial statements for the period ended 31 March 2010.

### (b) Basis of preparation

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 results and position reported for the Scheme are a simple aggregation of the results and position of the Funds that make up the Scheme.

The financial statements are presented in New Zealand Dollars ("NZD"), which is the functional currency of the Funds.

The financial statements have been prepared for the year ended 31 March 2011. The comparative period is for the year ended 31 March 2010. The Fund started accepting contributions from 4 October 2007.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors of Smartshares Limited and the Trustee to exercise their judgement in the process of applying the Fund's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances.

### (c) NZ IFRS's not yet effective

At the date of this report the following standards that may impact on the Scheme had been issued but not yet adopted. These standards are not expected to have a material impact on the Schemes financial position and financial performance. Some of the standards will impact on the disclosure in the Notes of the Financial Statements. Where relevant the standards and interpretations will be adopted in the next financial year.

NZ IFRS 9 – 'Financial Instruments' – Effective from periods beginning on or after 1 January 2013, with early adoption permitted. This standard introduces new requirements for the classification and measurement of financial assets. All recognised financial assets that are currently in the scope of NZ IAS 39 will be measured at either amortised cost or fair value.

NZ IAS 24 – 'Related Party Disclosures' – revised 2009 – Effective from periods beginning on or after 1 July 2011. This standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Investments

##### 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 management at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

##### Recognition

Investment assets and liabilities are recognised on the trade date – the date on which a Fund becomes party to a contractual agreement to buy or sell investments. Investment assets are derecognised when the contractual right to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

##### Measurement

The Funds manage their investments in equity securities on a fair value basis in accordance with a documented investment strategy. Investment assets are carried at their fair value, with changes in value recognised in the Statement of Changes in Net Assets. The fair value of the financial instruments is based on quoted market prices at the statement of net assets date. The quoted market price used for financial assets held by the Fund for the purpose of these Financial Statements is the last bid price.

#### (e) Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand and current accounts in banks, net of bank overdrafts. For cash flow statement presentation purposes 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.

#### (f) Redeemable units

The Funds issue units, which are redeemable for cash equal to a proportionate share of the Fund’s net asset value. The rules governing the redemption of units are defined in the prospectus.

The Scheme has elected to adopt early the amendments to NZIAS 32: Financial Instruments: Presentation. In accordance with these amendments, redeemable units qualify as “puttable instruments” and are presented as equity of the funds.

Redeemable units are issued and redeemed at prices based on the Fund’s net asset value per unit at the time of issue or redemption. The 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.

#### (g) Investment income

Interest income is recognised in the Statement of Changes in Net Assets as it accrues. Dividend income is recognised in the Statement of Changes in Net Assets when the right to receive payment is established. Income is attributed to Members on the basis of the number of units held at the entitlement date of the income.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Taxation

The Funds are domiciled in New Zealand. They have elected to be, and qualify as Portfolio Investment Entities ("PIEs") for tax purposes. Under the PIE regime, income is effectively taxed in the hands of the members and therefore the Funds have no tax expense or deferred tax assets or liabilities. The current tax balance in the Statement of Net Assets represents tax receivable or payable on behalf of the members under the PIE regime.

The Funds' income, deductible expenses, and tax credits are allocated to members in proportion to their interest in the Fund, and the Funds pay tax on the net income allocated to members at each member's prescribed investor rate on their behalf. There are three prescribed investor tax rates available – 12.5%, 21% and 30%. The rates were lowered to 10.5%, 17.5% and 28% with effect from 1st October 2010. If a member's tax credits exceed their tax payable, then the Fund will claim a tax rebate (except for excess foreign tax credits) which will be credited to the member and used to purchase units on their behalf.

If a member has insufficient tax credits to cover their tax payable, then the Fund will cancel units belonging to that member to the value of the excess tax and the Fund will pay that tax on their behalf.

### (i) Members' funds

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

To determine the net asset value of the Funds 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, and cash held by the Funds pending allocation of units has been excluded from the determination of net asset value for the purposes of calculating subscription or redemption values.

### (j) Changes in Accounting Policies

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

### (k) Earnings per unit

The Scheme presents undiluted earnings per unit ("EPU") for each Fund. Undiluted EPU is determined by dividing the Net profit/ (loss) before membership activities by the weighted daily average number of units on issue during the period.

### (l) Comparatives

Comparative figures cover the 12 months to 31 March 2010 and where necessary have been restated to correspond to the current year classifications. The Scheme was registered on 18 July 2007 and accepted contributions from 4 October 2007.

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 3. INVESTMENT ASSETS

The Funds held the following investments at balance date. Both of the equity investments are managed by Smartshares Limited, the Manager. smartFONZ invests in the securities included in the NZX 50 Portfolio Index in proportion to the market capitalisation of the Index and the available capital of the Fund. smartMOZY invests in the securities included in the S&P/ASX Midcap 50 Index in proportion to the market capitalisation of the Index and the available capital of the Fund.

31 March 2011	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
smartFONZ	7,460,923	1,631,899	376,918	9,469,740
smartMOZY	4,924,244	1,250,558	-	6,174,802
<b>Investment assets</b>	<b>12,385,167</b>	<b>2,882,457</b>	<b>376,918</b>	<b>15,644,542</b>
Cash	384,014	2,028,908	1,603,570	4,016,492
<b>Total investment assets</b>	<b>12,769,181</b>	<b>4,911,365</b>	<b>1,980,488</b>	<b>19,661,034</b>

31 March 2010	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
smartFONZ	5,368,111	1,228,639	263,103	6,859,853
smartMOZY	3,528,865	871,537	-	4,400,402
<b>Investment assets</b>	<b>8,896,976</b>	<b>2,100,176</b>	<b>263,103</b>	<b>11,260,255</b>
Cash	101,670	1,444,351	1,098,023	2,644,044
<b>Total investment assets</b>	<b>8,998,646</b>	<b>3,544,527</b>	<b>1,361,126</b>	<b>13,904,299</b>

All financial assets are registered in the name of the Trustee or The New Zealand Guardian Trust Company Limited, the Custodian of the Fund and are designated at inception as being at "fair value through the profit or loss".

The fair value of equity investments is calculated using the bid price.

Cash assets are held in accordance with each Fund's investment strategy (refer to note 1) and includes Member contributions held awaiting allocation of units.

## 4. NET CHANGES IN FAIR VALUE OF INVESTMENT ASSETS AND LIABILITIES

Total net changes in fair value of investment assets and liabilities	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
Year ended 31 March 2011	520,619	155,210	11,232	687,061
Year ended 31 March 2010	1,517,411	377,219	34,729	1,929,359

## 5. FINANCIAL RISK MANAGEMENT

The Scheme utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

## Financial Instruments by Category

As at 31 March 2011	Loans and receivables	Assets at fair value
<b>Assets as per the Statement of Net Assets</b>	<b>\$</b>	<b>\$</b>
Trade and other receivables	76,070	-
Other financial assets at fair value through profit or loss	-	15,644,542
Cash and cash equivalents	4,016,492	-
<b>Total</b>	<b>4,052,920</b>	<b>15,644,542</b>
As at 31 March 2011	Other financial liabilities	Liabilities at fair value
<b>Liabilities as per the Statement of Net Assets</b>	<b>\$</b>	<b>\$</b>
Other payables	53,550	-
<b>Total</b>	<b>53,550</b>	
As at 31 March 2010	Loans and receivables	Assets at fair value
<b>Assets as per the Statement of Net Assets</b>	<b>\$</b>	<b>\$</b>
Trade and other receivables	35,554	-
Other financial assets at fair value through profit or loss	-	11,260,254
Cash and cash equivalents	2,644,044	-
<b>Total</b>	<b>2,679,598</b>	<b>11,260,254</b>
As at 31 March 2010	Other financial liabilities	Liabilities at fair value
<b>Liabilities as per the Statement of Net Assets</b>	<b>\$</b>	<b>\$</b>
Other payables	76,708	-
<b>Total</b>	<b>76,708</b>	

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Funds' investment portfolio comprises investments in equity and debt securities that they intend to hold for the long term. The holding of these investments expose the Funds directly and indirectly to a variety of financial risks including: market price, credit, foreign exchange, interest rate and liquidity risks. The risk management policies used by the Funds are detailed below:

#### (a) Market price risk

Market price risk is the risk that the value of a Fund's investment portfolio will fluctuate as a result of changes in market price. The Funds invest in passive Exchange Traded Funds that track an index; therefore any change in the underlying index will result in a corresponding change in the values of the investments. The Manager does not actively manage market risk.

#### (b) Credit risk

The Funds are 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 Funds. Financial instruments that subject the Funds 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 their fair value. The risk of non-recovery of monetary assets is considered minimal due to the quality of counterparties dealt with. The Funds do not require collateral or other security to support financial instruments with credit risk. The credit risk disclosures have been prepared on the basis of the Funds' direct investments and not on a "look through" basis for investments held indirectly.

#### (c) Securities Lending Risk

The Manager has implemented a securities lending programme for one of the equity investments for the Scheme, smartFONZ. It intends to implement a securities lending programme for the other equity investment for the Scheme, smartMOZY in the future. Securities lending involves the transfer of legal title and beneficial interest in the securities to a third party borrower. smartFONZ receives income earned from securities lending following payment of the manager's costs and fees for administration of the securities lending programme.

Under the securities lending programme, smartFONZ receives a cash payment for any dividends (including any applicable tax credits) paid in respect of any loaned securities on the record date of the dividend, so that smartFONZ will receive the same return from the securities that it would have were it to have held those securities directly.

The potential risks associated with securities lending include, but are not limited to, the following:

- Borrower credit risk and settlement risk;
- Failure of the central counterparty settlement system; and
- Operational & legal risk.

In order to limit smartFONZ exposure to risk that may arise as a result of securities lending, smartFONZ has a limitation of 50% of the value of its securities it may lend at any point in time. smartFONZ currently only lends securities to New Zealand Clearing Limited, a wholly owned subsidiary of NZX Limited and an associated company of the Manager. Securities lent are backed against the collateral of the borrower.

#### (d) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Conservative Fund has no exposure to foreign exchange risk. The Growth and Balanced Funds are indirectly exposed to foreign exchange risk as a result of investments in smartMOZY a New Zealand dollar denominated Fund which in turn invests in Australian equities. The Funds' policy is not to enter into any currency hedging transactions.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (e) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Interest bearing financial assets carry exposure to fluctuations of market interest rates and the consequent effect on cash flows and capital values.

The majority of the financial assets of the Growth Fund are non-interest bearing. As a result the Growth Fund has limited exposure to interest rate risk. The Balanced Fund and Conservative Fund are exposed to interest rate risk, as they have significant portions of their assets invested as cash on deposit which currently receives the Official Cash Rate. The Balanced Fund and Conservative Fund also currently invest in term deposits with a registered bank. The Manager does not seek to actively manage this risk.

### (f) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations associated with financial liabilities. The Funds are exposed to daily cash redemptions of units. Each Fund therefore invests only in investments that under normal market conditions are readily convertible to cash.

## 6. RELATED PARTY TRANSACTIONS

The Manager is a wholly owned subsidiary of NZX Limited.

### Transactions between the Manager and the Funds

All related party transactions are conducted on standard commercial terms and conditions. At 31 March the Scheme had the following receivables outstanding from the Manager.

	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
Year ended 31 March 2011	35,139	9,811	924	45,874
Year ended 31 March 2010	-	-	-	-

### Management fees

The Manager receives management fees directly from the Members, calculated by reference to the value of each member's fund. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Auditor in respect of the Funds. Management fees are a membership expense and are paid for by the redemption of member units.

The Manager is the manager for the two equity investments held by the Scheme, smartMOZY and smartFONZ. The management fees received from smartMOZY and smartFONZ are fully rebated back to the respective Funds for the Scheme so that no management fees are received by the Manager from those funds for these investments. Management fees for the period are disclosed in the Statement of Changes in Net Assets and are shown net of management fee rebates.

All other fees received by the Manager from smartMOZY and smartFONZ, such fees received for the administration of the Securities Lending Programme, are not rebated.

The New Zealand Guardian Trust Company Limited, an associated company to the Trustee, is the trustee for the two equity investments held by the Scheme, smartMOZY and smartFONZ and receives a trustee fee for carrying out this function. This trustee fee is paid by the Manager out of its own funds.

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 6. RELATED PARTY TRANSACTIONS (CONTINUED)

	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
PIE Tax payable for Quarter end March 2011	-	-	-	-
PIE Tax payable for Quarter end March 2010	6,271	6,575	1,987	14,833
Management fees payable at 31 March 2011	25,821	9,769	4,053	39,643
Management fees payable at 31 March 2010	2,126	1,439	1,962	5,527

### Directors of the Manager Interests in units

	31 March 2011		31 March 2010	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Elaine Campbell (Resigned)	-	-	-	45,350
Geoffrey Brown (Resigned)	-	-	-	72,810
Fiona Mackenzie	-	57,707	-	-
Garth Taylor (Resigned)	-	35,496	-	-
Rowan Macrae	-	108,532	-	-
Helena Lewis	-	17,325	-	-
Damas Potoi (Resigned)	-	-	-	30,300

### 7. RECONCILIATION OF NET PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES

Year ended 31 March 2011	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
Net profit/(loss) before membership activities	746,037	272,764	66,626	1,085,427
Add back non-cash movements:				
Revaluation of Investment assets	(520,619)	(155,210)	(11,232)	(687,061)
Dividend accrued	(32,689)	3,992	(97)	(28,794)
Interest accrued	(1,948)	(16,481)	(12,896)	(31,325)
PIE tax	(9,096)	249	10,108	1,261
Management fees – non cash	(11,445)	(8,056)	1,168	(18,333)
<b>Net cash flows from operating activities</b>	<b>170,240</b>	<b>97,258</b>	<b>53,677</b>	<b>321,175</b>

## 7. RECONCILIATION OF NET PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)

Year ended 31 March 2010	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
Net profit/(loss) before membership activities	1,650,513	415,169	43,757	2,109,439
Add back non-cash movements:				
Revaluation of investment assets	(1,517,411)	(377,219)	(34,729)	(1,929,359)
Operating movements in accounts receivable	15,931	4,706	2,099	22,736
Management fees – non cash	1,539	(1,701)	1,542	1,380
<b>Net cash flows from operating activities</b>	<b>150,572</b>	<b>40,955</b>	<b>12,669</b>	<b>204,196</b>

## 8. CONTRIBUTIONS FROM MEMBERS

Contributions were received from the following sources

31 March 2011	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
From Members	1,770,253	767,458	290,253	2,827,964
From Employers	886,069	302,208	158,625	1,346,902
From Government	750,096	341,313	153,481	1,244,890
Transfers In from another provider	140,395	25,419	19,381	185,195
<b>Contributions to Smartkiwi Scheme</b>	<b>3,546,813</b>	<b>1,436,398</b>	<b>621,740</b>	<b>5,604,951</b>
<b>Total Contributions</b>	<b>3,546,813</b>	<b>1,436,398</b>	<b>621,740</b>	<b>5,604,951</b>

31 March 2010	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
From Members	1,901,109	753,535	322,460	2,977,104
From Employers	961,977	313,273	158,730	1,433,980
From Government	769,444	355,252	148,860	1,273,556
Fee Subsidies	15,080	5,880	3,020	23,980
Transfers In from another provider	106,293	32,211	25,236	163,740
<b>Contributions to Smartkiwi Scheme</b>	<b>3,753,903</b>	<b>1,460,151</b>	<b>658,306</b>	<b>5,872,360</b>
<b>Total Contributions</b>	<b>3,753,903</b>	<b>1,460,151</b>	<b>658,306</b>	<b>5,872,360</b>

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 9. WITHDRAWALS BY MEMBERS

Withdrawals from the Scheme were made for the following purposes:

31 March 2011	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
Financial Hardship	5,500	-	-	5,500
Member's Death	17,076	-	-	17,076
Emigration	19,336	27,265	-	46,601
First Home Withdrawal	-	5,890	9,307	15,197
IRD Refund	500,510	-	-	-
Transfer to a different provider	542,422	257,938	36,665	795,113
<b>Withdrawals from Smartkiwi Scheme</b>	<b>542,422</b>	<b>291,093</b>	<b>45,972</b>	<b>879,487</b>
<b>Total Withdrawals</b>	<b>542,422</b>	<b>291,093</b>	<b>45,972</b>	<b>879,487</b>

31 March 2010	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
Member's Death	8,879	3,989	-	12,868
Emigration	3,789	-	-	3,789
IRD Refund	-	-	1,046	1,046
Transfer to a different provider	467,206	94,889	50,614	612,709
<b>Withdrawals from Smartkiwi Scheme</b>	<b>479,874</b>	<b>98,878</b>	<b>51,660</b>	<b>630,412</b>
<b>Total Withdrawals</b>	<b>479,874</b>	<b>98,878</b>	<b>51,660</b>	<b>630,412</b>



## 10. MEMBERS' FUNDS

31 March 2011	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
Units on issue				
Units on issue at beginning of the year	11,731,620	3,827,401	1,232,693	16,791,714
Units issued during the period	4,912,016	1,639,365	637,864	7,189,245
Units redeemed during the period	(927,860)	(441,077)	(100,890)	(1,469,827)
<b>Units on issue at end of the year</b>	<b>15,715,776</b>	<b>5,025,689</b>	<b>1,769,667</b>	<b>22,511,132</b>
Quoted Unit Price (1)	0.8033	0.9564	1.1026	
NZ IFRS Unit Price (2)	0.8059	0.9584	1.1025	

31 March 2010	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
Units on issue				
Units on issue at beginning of the year	7,096,975	2,286,735	714,315	10,098,025
Units issued during the period	5,437,423	1,807,100	638,379	7,882,902
Units redeemed during the period	(802,778)	(266,434)	(120,001)	(1,189,213)
<b>Units on issue at end of the year</b>	<b>11,731,620</b>	<b>3,827,401</b>	<b>1,232,693</b>	<b>16,791,714</b>
Quoted Unit Price (1)	0.7675	0.9083	1.0638	
NZ IFRS Unit Price (2)	0.7662	0.9066	1.0635	

(1) For the purposes of determining quoted unit prices, the net asset values of the Funds incorporate investments valued at the last traded market prices on the relevant trading day and exclude any cash held by the Funds for which units are yet to be issued. This is in accordance with the Scheme's Trust Deed.

(2) For the purposes of preparing financial statements, NZ IFRS requires long quoted investment positions to be valued at the closing bid prices (excluding provision for disposal costs) on the relevant trading day.

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 11. FAIR VALUE

The table below provides analysis of financial instruments that are measured subsequent to initial value at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly.

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

#### March 2011

Assets	Level 1	Level 2	Level 3	Total Balance
Cash and cash equivalents	4,016,492			4,016,492
Investment assets	15,644,542			15,644,542
<b>Total</b>	<b>19,661,034</b>			<b>19,661,034</b>

#### March 2010

Assets	Level 1	Level 2	Level 3	Total Balance
Cash and cash equivalents	2,644,044			2,644,044
Investment assets	11,260,254			11,260,254
<b>Total</b>	<b>13,904,298</b>			<b>13,904,298</b>

### 12. EVENTS AFTER BALANCE DATE

Post balance date market events have led to a decrease in the value of the equity investments within the Smartkiwi funds. A decrease in value by 8% for smartFONZ and 19% for smartMOZY will have had an effect on the value of the Smartkiwi Units. Events that have contributed to this market movement include the downgrading of America's credit rating, concerns about the European debt crisis and fluctuations in the exchange rate.

### 13. CONTINGENT LIABILITIES

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

# DIRECTORY

---

## TRUSTEE

NZGT Superannuation Trustees Limited  
Level 7, Vero Centre  
48 Shortland Street  
P O Box 1934  
Auckland

## BOARD OF DIRECTORS OF THE TRUSTEE

Bryan David Connor	
Joanne Sue Reynolds	(Retired 24 May 2011)
Keith Vincent Harris	(Retired 28 January 2011)
Sean David Carroll	(Resigned 19 February 2010)
Terry Dane Tidbury	(Retired 28 January 2011)
Gregory Roy Campbell	(Retired 30 September 2010)
Mark Patrick Jephson	(Appointed 28 January 2011)
John James Anthony Botica	(Appointed 28 January 2011)
Hrvoje Koprivic	(Appointed 22 June 2011)

## BANKER

ANZ National Bank Limited  
Level 1, ANZ Tower  
215-229 Lambton Quay  
Wellington  
Tel: 0800 269249  
Fax: (+64 4) 496 8499

## CORRESPONDENCE

Requests from members for additional information from the Trustee should be directed to:

Relationship Manager  
NZGT Superannuation Trustees Limited  
Level 7, Vero Centre  
48 Shortland Street  
P O Box 1934  
Auckland

# DIRECTORY

---

## CONTINUED

### ADMINISTRATION & INVESTMENT MANAGER

Smartshares Limited  
Level 2, NZX Centre  
11 Cable Street  
PO Box 2959  
Wellington 6140  
Tel: 0800 808 780  
Fax: (+64 4) 496 2893  
Email: smartshares@nzx.com

### AUDITOR

KPMG  
10 Customhouse Quay  
PO Box 996  
Wellington 6140  
Tel: (+64 4) 816 4500  
Fax: (+64 4) 816 4600

### SOLICITOR

Minter Ellison Rudd Watts  
PO Box 2793  
Wellington 6140  
Tel: (+64 4) 498 5000  
Fax: (+64 4) 498 5001  
Appointed: February 2010

# NOTES

---

