



SMARTSHARES KIWISAVER SCHEME

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SMARTKIWI



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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

PRESENTED BY NZGT SUPERANNUATION TRUSTEES LIMITED, TRUSTEE OF THE FUND





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## STATUTORY INFORMATION

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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 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 30 June 2009 as amended by a memorandum of amendments to the registered prospectus dated 1 April 2010.

On behalf of NZGT Superannuation Trustees Limited:



JOANNA SUE REYNOLDS | DIRECTOR



KEITH VINCENT HARRIS | DIRECTOR

DATE: 31 AUGUST 2010

There were 1,566 Members of the scheme as at 31 March 2010 (Mar 2009: 1,579).

The following contributions were received by the Scheme during the 2010 Financial year	Amount \$	Number of members
Member Contributions from Members	2,977,104	1,424
Member Contributions from Employers	1,433,980	896
Member Contributions from the Crown	1,273,556	1,320
Fee subsidies credited to Members	23,980	1,203
Transfers due to Permanent Immigration	-	-
Transfers from other Schemes	163,740	39
<b>Total Contributions*</b>	<b>5,872,360</b>	<b>-</b>
*Cash contributions were allocated as at balanced date.		
Member Accumulations at end of period	13,863,144	1,566

The following withdrawals were made from the scheme during the 2010 Financial year	Amount \$	Number of members
Transfers to other Schemes	612,709	78
First Home Purchase	-	-
Significant Financial Hardship	-	-
IRD Opt-Out	1,046	1
Serious Illness	-	-
Permanent Emigration	3,789	1
Death	12,868	3
<b>Total Withdrawals</b>	<b>630,412</b>	<b>-</b>

The following fees were charged during the 2010 Financial year	Amount \$	Number of members
Management Fees*	101,523	1,566

\*Note 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>	
	2010	2009	2010	2009
Smartkiwi Growth Fund	32.90%	(26.98)%	0.7675	0.5775
Smartkiwi Balanced Fund	20.60%	(14.68)%	0.9083	0.7532
Smartkiwi Conservative Fund	7.36%	0.78%	1.0638	0.9908

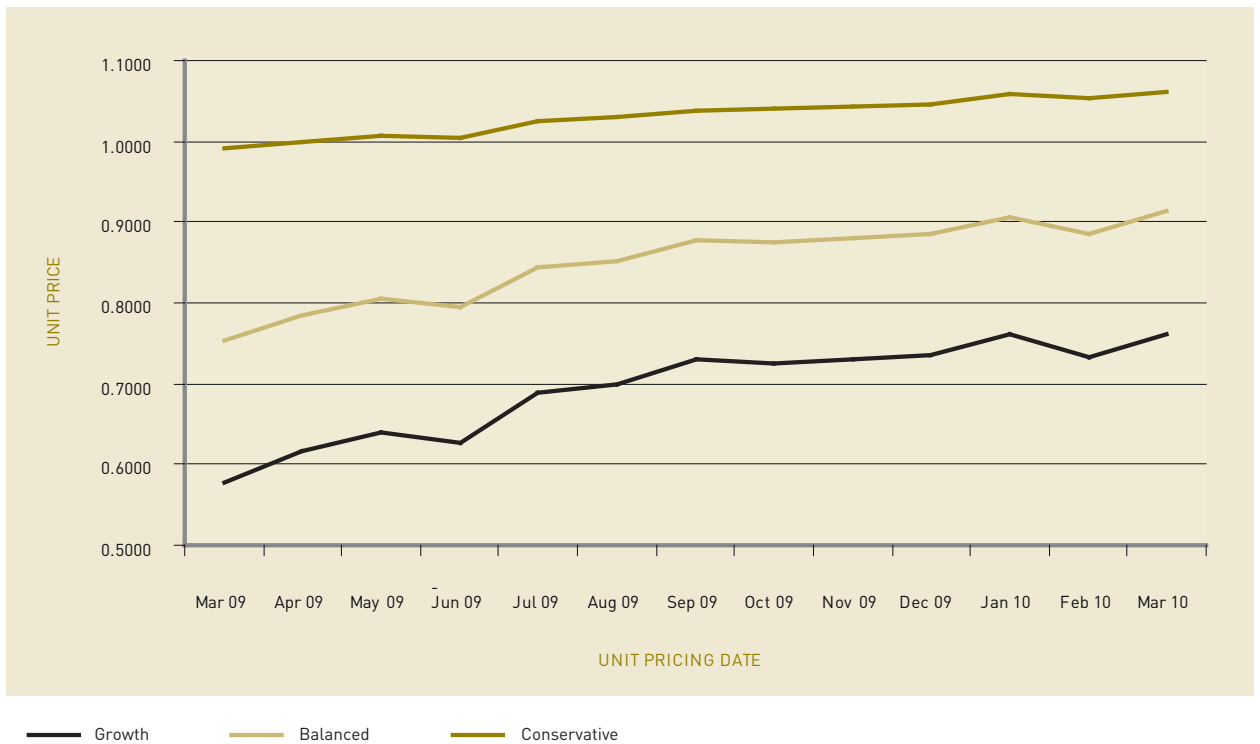
<sup>1</sup> Unit prices are based on the last traded market prices see note 10.

The above returns are the investment performance figures for the relevant Fund (with respect to an amount invested at the start of the relevant period, assuming no subsequent contributions or withdrawals) after deducting any expenses other than management fees but before:

- deducting the Management Fees and
- deducting net tax liabilities at individual members' prescribed investor tax rates

Past performance is not necessarily an indicator of future performance.

## PERFORMANCE SUMMARY



# AUDIT REPORT



## Audit report

### To the members of Smartshares KiwiSaver Scheme

We have audited the financial statements on pages 8 to 26. The financial statements provide information about the past financial performance of the scheme and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 15 to 18.

#### Trustees' responsibilities

The Trustees 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 2010 and the results of its operations and cash flows for the year ended on that date.

#### Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Trustees 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 Trustees 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 8 to 26:
  - 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 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 31 August 2010 and our unqualified opinion is expressed as at that date.

Wellington

# 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
<b>Members' funds prior year adjustments</b>		<b>(23,577)</b>	<b>(11,194)</b>	<b>(18,413)</b>	<b>(53,184)</b>
<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 [j]	19	13	4	

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 2009

## INVESTMENT ACTIVITIES

	Note	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
<b>Income</b>					
Dividend income		132,710	32,230	4,450	169,390
Interest income		10,480	33,270	23,830	67,580
Net changes in fair value of Investment assets	4	(1,157,170)	(286,050)	(27,940)	(1,471,160)
<b>Net Investment Income</b>		<b>(1,013,980)</b>	<b>(220,550)</b>	<b>340</b>	<b>(1,234,190)</b>
Management Fees		(41,460)	(16,270)	(6,470)	(64,200)
<b>Net profit/(loss) before membership activities</b>		<b>(1,055,440)</b>	<b>(236,820)</b>	<b>(6,130)</b>	<b>(1,298,390)</b>

## MEMBERSHIP ACTIVITIES

	Note	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
Net profit/(loss) before membership activities		(1,055,440)	(236,820)	(6,130)	(1,298,390)
<b>Total recognised income and expense</b>		<b>(1,055,440)</b>	<b>(236,820)</b>	<b>(6,130)</b>	<b>(1,298,390)</b>
Contributions received	8	3,772,920	1,473,530	604,920	5,851,370
Withdrawals made	9	(81,930)	(42,900)	(77,730)	(202,560)
<b>Net membership activities</b>		<b>3,690,990</b>	<b>1,430,630</b>	<b>527,190</b>	<b>5,648,810</b>
<b>Benefits accrued to Members' accounts</b>		<b>2,635,550</b>	<b>1,193,810</b>	<b>521,060</b>	<b>4,350,420</b>
Members' funds at beginning of the year		1,482,290	532,670	202,700	2,217,660
<b>Members' funds at the end of the year</b>		<b>4,117,840</b>	<b>1,726,480</b>	<b>723,760</b>	<b>6,568,080</b>
<b>Earnings per unit (cents)</b>	2	<b>(24)</b>	<b>(15)</b>	<b>0</b>	

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

# BALANCE SHEET

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.

On behalf of NZGT Superannuation Trustees Limited who authorised the issue of this financial report on 31 August 2010:



JOANNA SUE REYNOLDS | DIRECTOR



KEITH VINCENT HARRIS | DIRECTOR

# BALANCE SHEET

AS AT 31 MARCH 2009

	Note	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
<b>Assets</b>					
Cash and cash equivalents		134,340	722,630	583,530	1,440,500
Investment assets	3	3,932,500	999,640	143,680	5,075,820
Accounts receivable		44,470	11,090	2,730	58,290
Current tax assets		18,290	-	-	18,290
<b>Total assets</b>		<b>4,129,600</b>	<b>1,733,360</b>	<b>729,940</b>	<b>6,592,900</b>
<b>Liabilities</b>					
Accounts payable and other liabilities	6	11,760	4,540	1,900	18,200
Current tax liabilities		-	2,340	4,280	6,620
<b>Total liabilities</b>		<b>11,760</b>	<b>6,880</b>	<b>6,180</b>	<b>24,820</b>
<b>Net assets attributable to Members</b>		<b>4,117,840</b>	<b>1,726,480</b>	<b>723,760</b>	<b>6,568,080</b>
<b>Members' funds</b>		<b>4,117,840</b>	<b>1,726,480</b>	<b>723,760</b>	<b>6,568,080</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.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2009

	Note	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
<b>Cash flows from operating activities</b>					
Dividends received		97,190	23,240	3,240	123,670
Interest received		10,370	32,870	23,410	66,650
Other operating expenses paid		(5,220)	(440)	-	(5,660)
Redemptions to pay management fees		(37,490)	(14,950)	(5,670)	(58,110)
<b>Net cash flows from operating activities</b>	<b>7</b>	<b>64,850</b>	<b>40,720</b>	<b>20,980</b>	<b>126,550</b>
<b>Cash flows from investing activities</b>					
Net purchases of investment assets		(3,667,920)	(970,100)	(133,570)	(4,771,590)
<b>Net cash flows from investing activities</b>		<b>(3,667,920)</b>	<b>(970,100)</b>	<b>(133,570)</b>	<b>(4,771,590)</b>
<b>Cash flows from financing activities</b>					
Proceeds from applications by members		3,756,510	1,475,590	607,680	5,839,780
Payments for redemptions by members		(81,930)	(42,900)	(77,730)	(202,560)
<b>Net cash flows from financing activities</b>		<b>3,674,580</b>	<b>1,432,690</b>	<b>529,950</b>	<b>5,637,220</b>
<b>Net increase in cash</b>		<b>71,510</b>	<b>503,310</b>	<b>417,360</b>	<b>992,180</b>
Cash at the beginning of the year		62,830	219,320	166,170	448,320
<b>Cash at the end of the year</b>		<b>134,340</b>	<b>722,630</b>	<b>583,530</b>	<b>1,440,500</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 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

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 prescribed by the Trust Deed, the Growth Fund invests in smartFONZ and smartMOZY, passive exchange traded funds listed on the NZX NZSX market. 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 prescribed by the Trust Deed, the Balanced Fund invests in smartFONZ and smartMOZY, passive exchange traded funds listed on the NZX NZSX market. 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 \$10million.

### Conservative Option

The Conservative Fund invests according to an 80/20 mix between fixed interest and equity investments through the Smartshares Funds. As prescribed by the Trust Deed, the Conservative Fund invests in smartFONZ, a passive exchange traded fund listed on the NZX NZSX market. 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 \$5million.

Investments in equity securities are valued at fair value according to last bid prices on the NZX NZSX market on 31 March 2010 (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"). Compliance with NZ IFRS ensures that 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 2010 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 2009.

### (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 2010. The comparative period is for the year ended 31 March 2009. 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## CONTINUED

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 7 – ‘Statement of Cash Flows’ – amendments – Effective from periods beginning on or after 1 January 2010. The amendment to NZ IAS 7 explicitly states that only expenditure that results in a recognised asset can be classified as cash flow from investing activities to the Financial Statements.

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.

### (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 balance sheet date. The quoted market price used for financial assets held by the Fund 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.

#### (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 Balance Sheet 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%. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### (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 2009 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.

## 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 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 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>Total equity assets</b>	<b>8,896,976</b>	<b>2,100,176</b>	<b>263,103</b>	<b>11,260,255</b>
Cash	28,623	1,367,716	1,042,094	2,438,433
<b>Total investment assets</b>	<b>8,925,599</b>	<b>3,467,892</b>	<b>1,305,197</b>	<b>13,698,688</b>

31 March 2009	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
SmartFONZ	2,380,250	589,760	143,680	3,113,690
SmartMOZY	1,552,250	409,880	-	1,962,130
<b>Total equity assets</b>	<b>3,932,500</b>	<b>999,640</b>	<b>143,680</b>	<b>5,075,820</b>
Cash	109,930	706,830	561,130	1,377,890
<b>Total investment assets</b>	<b>4,042,430</b>	<b>1,706,470</b>	<b>704,810</b>	<b>6,453,710</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 exclude 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 2010	1,517,411	377,219	34,729	1,929,359
Year ended 31 March 2009	(1,157,170)	(286,050)	(27,940)	(1,471,160)

## 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

<b>As at 31 March 2010</b>	<b>Loans and Receivables</b>	<b>Assets at fair value</b>
<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>
<b>As at 31 March 2010</b>	<b>Other financial liabilities</b>	<b>Liabilities at fair value</b>
<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>	
<b>As at 31 March 2009</b>	<b>Loans and Receivables</b>	<b>Assets at fair value</b>
<b>Assets as per the Statement of Net Assets</b>	<b>\$</b>	<b>\$</b>
Trade and other receivables	76,580	-
Other financial assets at fair value through profit or loss	-	5,075,820
Cash and cash equivalents	1,440,500	-
<b>Total</b>	<b>1,517,080</b>	<b>5,075,820</b>
<b>As at 31 March 2009</b>	<b>Other financial liabilities</b>	<b>Liabilities at fair value</b>
<b>Liabilities as per the Statement of Net Assets</b>	<b>\$</b>	<b>\$</b>
Other payables	24,820	-
<b>Total</b>	<b>24,820</b>	

# NOTES TO THE FINANCIAL STATEMENTS

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## 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) 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.

### (d) 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 large portions of their assets invested as cash on deposit which currently receives the Official Cash Rate. The Manager does not seek to actively manage this risk.

### (e) 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 Fund is managed by Smartshares Limited (the 'Manager'). 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 2010	-	-	-	-
Year ended 31 March 2009	8,400	140	-	8,540

### 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 the two Smartshares funds are fully rebated back to the Scheme so that no 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.

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 smart FONZ and receives a trustee fee for carrying out this function. This Trustee fee is paid by the Manager out of its own funds.

	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
PIE Tax payable for Quarter end March 2010	6,271	6,575	1,987	14,833
Management fees payable at 31 March 2010	2,126	1,439	1,962	5,527
Management fees payable at 31 March 2009	11,760	4,540	1,900	18,200

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### Directors of the Manager Interests in units

	31 March 2010		31 March 2009	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Elaine Campbell	-	45,350	-	25,490
Geoffrey Brown	-	72,810	-	27,480
Damas Potoi	-	30,300	-	12,320

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

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>

Year ended 31 March 2009	Growth Fund \$	Balanced Fund \$	Conservative Fund \$	Smartkiwi Scheme \$
Net profit/(loss) before membership activities	(1,055,440)	(236,820)	(6,130)	(1,298,390)
Add back non-cash movements:				
Revaluation of Investment assets	1,157,170	286,050	27,940	1,471,160
Operating movements in accounts receivable	(40,850)	(9,830)	(1,630)	(52,310)
Management Fees –non cash	3,970	1,320	800	6,090
<b>Net cash flows from operating activities</b>	<b>64,850</b>	<b>40,720</b>	<b>20,980</b>	<b>126,550</b>

## 8. CONTRIBUTIONS FROM MEMBERS

Contributions were received from the following sources:

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
Permanent Immigration to New Zealand	-	-	-	-
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>
Switch to another Smartkiwi fund	-	-	-	-
Cash contributions held awaiting allotment	-	-	-	-
<b>Total Contributions</b>	<b>3,753,903</b>	<b>1,460,151</b>	<b>658,306</b>	<b>5,872,360</b>

31 March 2009	Growth Fund	Balanced Fund	Conservative Fund	Smartkiwi Scheme
From Members	1,906,930	770,440	303,960	2,981,330
From Employers	780,930	249,900	87,160	1,117,990
From Government	845,110	376,690	152,210	1,374,010
Fee Subsidies	36,720	15,160	6,180	58,060
Permanent Immigration to New Zealand	10,660	-	-	10,660
Transfers In from another provider	109,300	35,500	4,010	148,810
<b>Contributions to Smartkiwi Scheme</b>	<b>3,689,650</b>	<b>1,447,690</b>	<b>553,520</b>	<b>5,690,860</b>
Switch to another Smartkiwi fund	43,770	18,810	36,100	98,680
	<b>3,733,420</b>	<b>1,466,500</b>	<b>589,620</b>	<b>5,789,540</b>
Cash contributions held awaiting allotment	39,500	7,030	15,300	61,830
<b>Total Contributions</b>	<b>3,772,920</b>	<b>1,473,530</b>	<b>604,920</b>	<b>5,851,370</b>

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### 9. WITHDRAWALS BY MEMBERS

Withdrawals from the Scheme were made for the following purposes:

31 March 2010	Growth Fund	Balanced Fund	Conservative Fund	Smartkiwi Scheme
Financial Hardship	-	-	-	-
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>
Switch from another Smartkiwi fund	-	-	-	-
<b>Total Withdrawals</b>	<b>479,874</b>	<b>98,878</b>	<b>51,660</b>	<b>630,412</b>

31 March 2009	Growth Fund	Balanced Fund	Conservative Fund	Smartkiwi Scheme
Financial Hardship	2,050	-	-	2,050
Member's Death	-	2,780	-	2,780
Transfer to a different provider	49,750	16,550	32,750	99,050
<b>Withdrawals from Smartkiwi Scheme</b>	<b>51,800</b>	<b>19,330</b>	<b>32,750</b>	<b>103,880</b>
Switch from another Smartkiwi fund	30,130	23,570	44,980	98,680
<b>Total Withdrawals</b>	<b>81,930</b>	<b>42,900</b>	<b>77,730</b>	<b>202,560</b>



## 10. MEMBERS' FUNDS

31 March 2010	Growth Fund	Balanced Fund	Conservative Fund	Smartkiwi Scheme
<b>Units on issue</b>				
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 <sup>1</sup>	0.7623	0.9126	1.0618	
NZ IFRS Unit Price <sup>2</sup>	0.7662	0.9066	1.0635	

31 March 2009	Growth Fund	Balanced Fund	Conservative Fund	Smartkiwi Scheme
<b>Units on issue</b>				
Units on issue at beginning of the year	1,901,810	612,089	209,649	2,723,548
Units issued during the period	5,373,700	1,738,485	576,076	7,688,261
Units redeemed during the period	(178,535)	(63,839)	(71,410)	(313,784)
<b>Units on issue at end of the year</b>	<b>7,096,975</b>	<b>2,286,735</b>	<b>714,315</b>	<b>10,098,025</b>
Quoted Unit Price <sup>1</sup>	0.5775	0.7532	0.9908	
NZ IFRS Unit Price <sup>2</sup>	0.5802	0.7549	1.0132	

<sup>1</sup> 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.

<sup>2</sup> 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

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### 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 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>

#### March 2009

Assets	Level 1	Level 2	Level 3	Total Balance
Cash and cash equivalents	1,440,500			1,440,500
Investment assets	5,075,820			5,075,820
<b>Total</b>	<b>6,516,320</b>			<b>6,516,320</b>

### 12. EVENTS AFTER BALANCE DATE

There were no post-balance sheet events.

### 13. CONTINGENT LIABILITIES

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

## DIRECTORY

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### 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  
Keith Vincent Harris  
Sean David Carroll (Resigned 19 February 2010)  
Terry Dane Tidbury  
Gregory Roy Campbell (Appointed 22 January 2010)

### BANKER

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Level 1, ANZ Tower  
215-229 Lambton Quay  
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### CORRESPONDENCE

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

Relationship Manager  
NZGT Superannuation Trustees Limited  
Level 7, Vero Centre  
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Auckland

## DIRECTORY

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### CONTINUED

#### ADMINISTRATION & INVESTMENT MANAGER

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Retired: February 2010

## NOTES

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