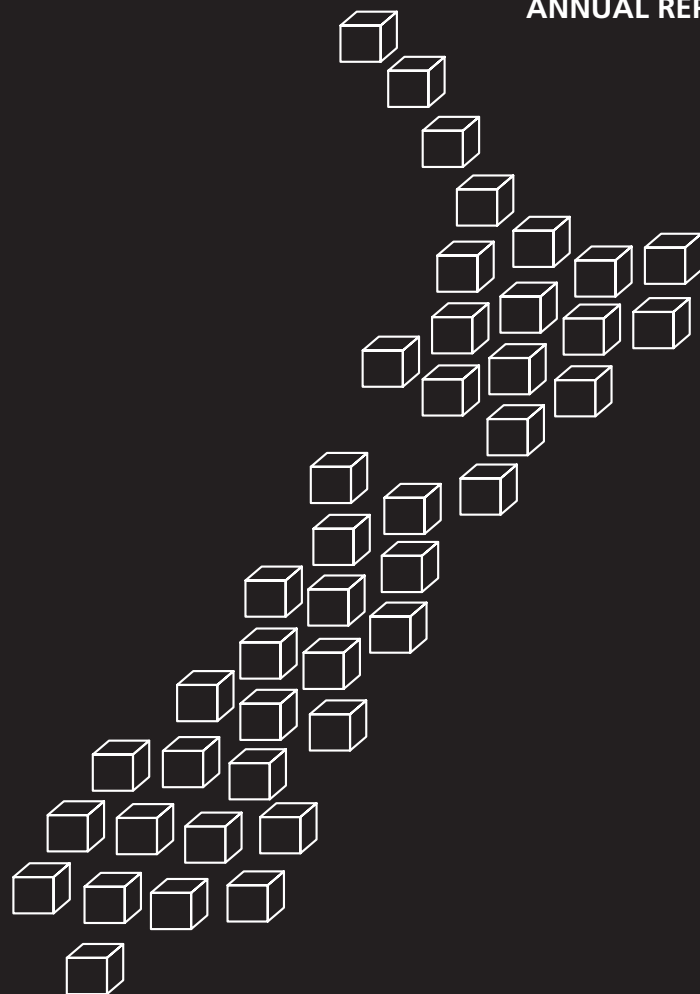




LAYING THE FOUNDATIONS

ANNUAL REPORT 2004



...FOR THE FUTURE.

CONTENTS

 STATEMENT OF PURPOSE	1	 FINANCIAL STATEMENTS	29
 2004 HIGHLIGHTS	2	NEW ZEALAND SUPERANNUATION FUND	
 CHAIRMAN'S REPORT	3	Statement of Responsibility	30
 CEO'S REPORT	6	Statement of Financial Performance	31
 THE YEAR IN REVIEW	8	Statement of Movement in Public Equity	32
Investment performance	8	Statement of Financial Position	33
Asset allocation	9	Statement of Cash Flows	34
Investment managers	10	Notes to the Financial Statements	35
Report against Statement of Intent	12	Audit Report	43
> Investment strategy	12	GUARDIANS OF NEW ZEALAND	
> Ethical framework	14	SUPERANNUATION	
> Governance	15	Statement of Responsibility	45
> Communications	15	Statement of Financial Performance	46
> People and experience	16	Statement of Movement in Public Equity	47
 GOVERNANCE STATEMENT	17	Statement of Financial Position	48
Board profiles	18	Statement of Cash Flows	49
Board committees	20	Statement of Commitments	50
Division of responsibility	21	Statement of Contingent Liabilities	50
Management team	22	Statement of Accounting Policies	51
 STATEMENT OF INVESTMENT POLICIES	24	Notes to the Financial Statements	53
		Audit Report	58
		Directory	60

STATEMENT OF PURPOSE

THE FUND

The New Zealand Superannuation Fund was established by the New Zealand Government, under the New Zealand Superannuation Act 2001, on 12 October 2001.

The Fund, which began investing at the end of September 2003, is designed to partially provide for the future cost of New Zealand Superannuation. An ageing population means the cost of providing New Zealand Superannuation is expected to double over the next 50 years. To prepare for this, the Government is allocating, on average, \$2.2 billion a year to the Fund over the next 20 years while the cost of superannuation is relatively low.

As the cost of superannuation escalates, the Government will progressively draw on the Fund to help smooth the impact on its finances. On current Government modelling, contributions will cease in 2025 and from 2026 the Government will start to draw the equivalent of between 15-20% of the annual cost of superannuation. When income tax payments on the Fund's earnings are also taken into account, the net fiscal impact of the Fund is expected to exceed 30% of the cost of New Zealand Superannuation for several decades.

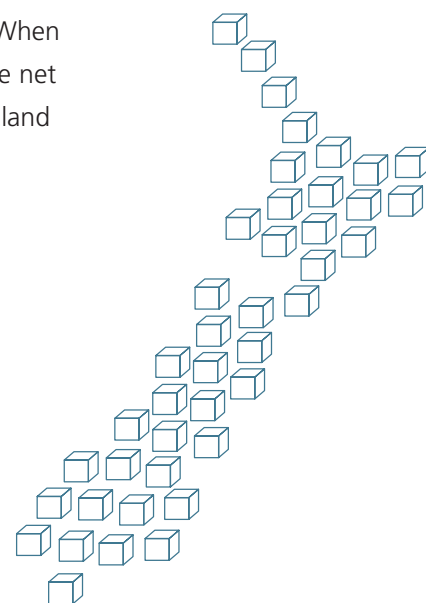
The Fund is expected to grow to around \$100 billion by 2023.

THE GUARDIANS

The Guardians' mission is to assist in the provision of New Zealand Superannuation by maximising the long-term investment returns (gross of New Zealand tax) of the New Zealand Superannuation Fund. This will be achieved without taking undue risk for the Fund as a whole, in a manner which avoids prejudice to New Zealand's reputation as a responsible member of the world community, and using best practice portfolio management principles.

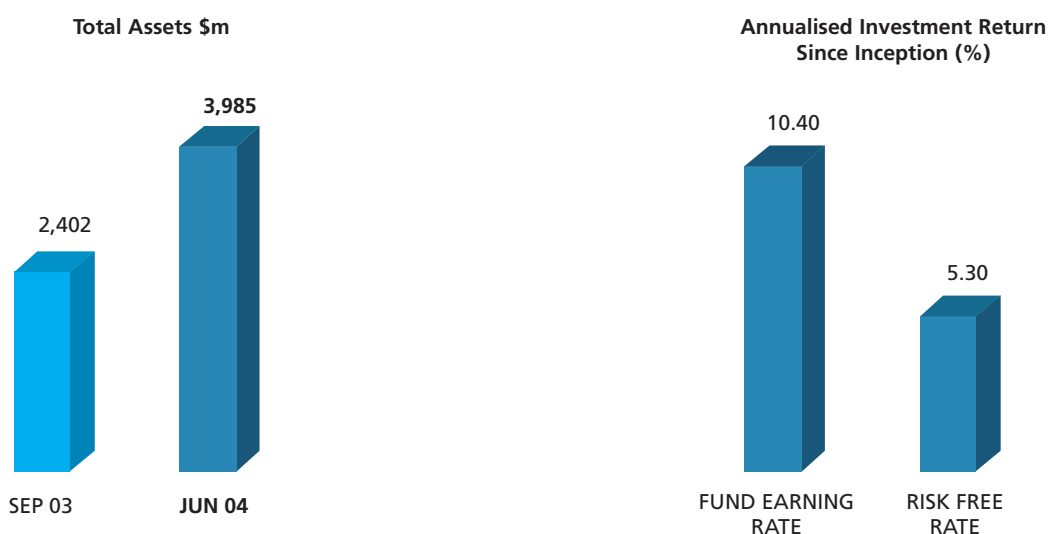
The Guardians of New Zealand Superannuation was established, under the New Zealand Superannuation Act 2001, as a separate Crown Entity to manage and administer the Fund.

The Guardians conducts its activities through a Board that was appointed on 30 August 2002. The Board recognises that the effectiveness of the Guardians will be judged on the long-term return on the assets under its management. The long-term performance target of the Board is to generate a time-weighted average return, over rolling 20-year periods, in excess of 2.5% pa above the risk-free rate (measured as the yield on 90-day Treasury bills).



2004 HIGHLIGHTS

- ❑ FUND ASSETS TOTALLED \$3.985 BILLION AT 30 JUNE 2004 (BEFORE NET TAX PROVISION)
- ❑ FUND ASSETS FULLY INVESTED OVER NINE MONTHS TO 30 JUNE 2004 IN LINE WITH BOARD POLICY
- ❑ 15 INVESTMENT MANAGERS APPOINTED FOR 16 DISTINCT MANDATES
- ❑ OPERATIONAL STRUCTURE ESTABLISHED THROUGH APPOINTMENT OF INTERNAL MANAGEMENT TEAM, CUSTODIAN AND FOREIGN CURRENCY MANAGER
- ❑ STATEMENT OF INVESTMENT POLICIES DEVELOPED AND IMPLEMENTED
- ❑ NET INVESTMENT EARNINGS (I.E. AFTER COSTS BUT BEFORE TAX) AMOUNTED TO \$239 MILLION FOR NINE MONTHS FROM 30 SEPTEMBER 2003 (WHEN INVESTMENT BEGAN) TO 30 JUNE 2004
- ❑ NET INVESTMENT EARNING RATE OF 7.69% FOR THE NINE MONTHS (10.40% ANNUALISED) AGAINST THE BENCHMARK RISK FREE-RATE OF 3.94% FOR NINE MONTHS (5.30% ANNUALISED)



CHAIRMAN'S REPORT



ON BEHALF OF THE
GUARDIANS OF NEW ZEALAND
SUPERANNUATION I AM
PLEASED TO PRESENT THE
ANNUAL REPORT FOR THE YEAR
ENDING 30 JUNE 2004. IT HAS
BEEN A YEAR OF SIGNIFICANT
PROGRESS WITH THE FOCUS
MOVING FROM PLANNING TO
IMPLEMENTATION.

Following the intense research and planning of the first ten months, the Board's objectives were to fully invest the Fund across the major listed asset classes and to put in place the structure and people to ensure that would be achieved in a manner consistent with international best practice.

I am pleased to say those objectives have been met. The Fund is fully invested and the Board is confident that the framework and processes established will support strong growth in the future.

INVESTMENT IMPLEMENTATION

In August 2003, the Board announced the strategic asset allocation for the Fund. This set out the asset classes in which the Fund will invest, and the number and type of managers to be appointed. A summary of the process followed and the considerations leading to those decisions were contained in last year's annual report.

On 30 September 2003, Treasury transferred \$2.4 billion to the Guardians. Since that date this amount, and the additional Crown contributions received during the year, has been invested with 15 external managers across 16 distinct investment mandates. At 30 June 2004 almost \$4 billion was invested with those managers in the fixed interest and listed equity markets.

Putting this in place has been a major focus for the year. The work, which has been carried out in conjunction with Mercer Investment Consulting, has required the analysis and screening of a significant number of investment managers followed by detailed interviews with, and due diligence on, short-listed candidates. Throughout, the Board has reviewed the results and processes to ensure they meet best practice standards.

POLICY DEVELOPMENT

During the year the Guardians developed a Statement of Investment Policies, Standards and Procedures to govern its investment operations. These included standards for measuring performance, for the management of credit and other financial risks, for ethical investment and for the use of derivatives. A summary of the Statement is on pages 24 to 28.

These policies have been implemented through the establishment of detailed performance analysis, through compliance reporting and verification, and through their inclusion in each of the investment mandates established with each investment manager. The Board has received external confirmation that those mandates meet best practice standards.

The Board has also adopted the policy that reporting of the Fund's activities to the New Zealand public should be as full and transparent as commercial sensitivities allow. This objective is being met through the Fund's website which was launched in August 2003. It covers a wide range of material, including strategy, research, governance and investment policies, as well as information on investment managers and performance.

STAFF

While day-to-day investment management and much advisory work are outsourced to specialist firms, the role of the management team in the success of the Guardians is crucial.

Skilled and experienced staff are essential in order to manage the selection and monitoring of investment managers, to manage the efficient implementation of policy and risk management in a manner consistent with best practice, and to provide additional checks and balances on the information provided by external providers.

Additionally, the staff are required to evaluate and distil a vast amount of advice and research on a wide range of investment issues and, following this, to develop policy recommendations.

The Board set the recruitment of a high-quality internal management team as a priority. Over the last year we have been singularly fortunate in attracting quality people with the right mix of skills and experience. Staff numbers have grown from two to nine. The Board is confident that the team in place provides a solid infrastructure for the Guardians, and will continue to set standards of excellence that will serve as a yardstick for the years to come.

GOVERNANCE

As a Crown entity, the Board also sets the propriety and integrity of its operations as a high priority. During the year the Guardians developed and introduced its internal governance policy to prescribe the roles and responsibilities of management and Board committees, and to detail those decisions reserved for the full Board. The Guardians also introduced Codes of Conduct for all Board members and employees. During the year the Board also carried out a comprehensive internal "Board Effectiveness Review" in conjunction with an external specialist.

The Act requires that an independent review of the Guardians' performance be carried out at least every five years. In August 2004 the Government announced the appointment of an external consultant to carry out the first review.

The Act also requires the Guardians to operate largely at arm's length from Government. While the Act gives the Minister of Finance limited powers of direction on the Government's expectations of Fund performance, no such directions have been received.

INVESTMENT PERFORMANCE

The Board has set the Fund's investment performance objective as exceeding the risk-free rate of return by 2.5% per year over rolling 20-year periods. The 20-year period is important. Because of the long timeframe before money can be withdrawn, the Fund can, and will, tolerate short-term volatility including periods when the performance target is missed by a substantial margin and periods when it is well beaten.

In the first nine months of investing, the objective was comfortably exceeded, thanks to rising equity markets. However, while it is a good start, it is just too short a period from which to draw any conclusions. It is just as wrong to claim one good year as proof of success as it is one bad year as proof of failure.

The investment policy of the Guardians, with its strong weighting to growth assets, has been selected to perform over the long haul, and it is over that long haul that performance should be judged.

LOOKING FORWARD

The considerable progress of the last year has resulted in a fully invested and operational Fund. However, neither the Fund nor investment markets are static. The Fund receives \$80 million of new monies to invest each fortnight and will double in size over the next two years. Much remains to be done.

To date, investments have been restricted to fixed income and listed equity markets in New Zealand and around the world. The plan is also to invest in alternative assets (private equity, infrastructure, forestry, commodities) and property, which will all be important sources of return and risk diversification as the Fund grows.

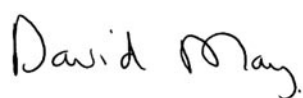
Because effective implementation and manager selection are both more crucial and difficult to get right in these sectors than in listed markets, the Board has held back from investing in these areas until it is able to secure and devote adequate resources to the job. This will be a major focus over the next two years.

In the next twelve months the Board's aims will be to strengthen the operational and risk management functions further to handle the strong growth in the Fund, to refine the strategic asset allocation in the light of market developments, and to seek further risk diversification opportunities through property and alternative assets.

ACKNOWLEDGEMENTS

I would like to thank the Board members, including Brian Gaynor who resigned to pursue further interests in March 2004, for their strong commitment to best practice and sense of determination and purpose. This was particularly evident during the hectic phase when the Fund was getting up and running. I would also like to thank the vast array of advisors who have helped us meet our demanding standards and timetable as well as the many local and overseas investment organisations who have given us the benefits of their knowledge and experience.

However, this year the main thanks must go to the staff who have steered the Fund through an enormously complex nine-month implementation phase, under the eye of a Board continually demanding demonstration of best practice. The team has come together very rapidly and achieved an enormous amount in a short space of time.



David May
CHAIRMAN

CEO'S REPORT



PAUL COSTELLO

WITH THE TRANSFER OF RESPONSIBILITY FOR THE MANAGEMENT OF THE ASSETS OF THE NEW ZEALAND SUPERANNUATION FUND, THIS HAS BEEN A YEAR OF OPPORTUNITY AND CHALLENGE FOR THE MANAGEMENT TEAM.

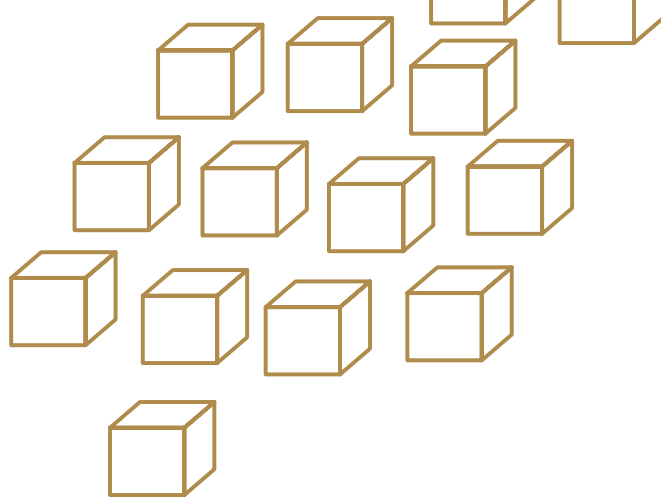
The opportunity to contribute towards the establishment of this exciting and important initiative for New Zealand has already proved a significant drawcard for talented investment professionals.

The Guardians' management team is outlined on page 22 of this report. Collectively, the team brings many years of insight into the effective operation of investment institutions and is committed to building on this experience by learning from the approaches of highly successful organisations around the world. One of management's clear objectives is to ensure that the Guardians is regarded as a best practice organisation from as early as possible in the Fund's life.

Management's current responsibilities are divided between the development of investment policy in conjunction with external advisors; implementing this once approved by the Board; managing the risks around this implementation; and reporting progress both in financial and non-financial terms.

During this first year, a significant proportion of management time has been directed towards researching, selecting and contracting with 15 investment management firms granted investment mandates by the end of the year. Now that this round of appointments has been completed, comprehensive processes for ensuring that these managers maintain the features that led to their appointment are being developed. In addition, there is an ongoing focus on identifying talented investment management firms who can be closely monitored to determine the merit of their addition to the portfolio.

The process of transitioning almost \$4 billion to these managers over the last year has involved establishing robust systems for managing transaction costs in both equity and foreign currency markets. The efficiency with which this has been done has resulted in significant value being added to the Fund. This has involved reducing the cost of transactions as well as managing the market impact of this trading. The development and implementation of these arrangements, as well as bedding down a partnership with the Fund's custodian, BNP Paribas Securities Services, has also been a priority during this period. The accurate and timely valuation of the investment portfolio is crucial for monitoring performance and this has been fully implemented during this year in conjunction with BNP Paribas.



In addition, the implementation of the Fund's policy of hedging the majority of foreign currency exposure back to New Zealand dollars has involved managing significant flows through this market. The partnership with the New Zealand Debt Management Office has resulted in this being done efficiently with appropriate management of trading costs.

The establishment of a new entity managing an increasing component of the Crown's balance sheet brings with it the responsibility to ensure there are very tight controls around the movement of funds. Management of potential risks involved in building these diverse portfolios of assets in New Zealand and around the world has been an early success of the Fund. These will be built on further over the coming year as the Board has prioritised the establishment of a comprehensive risk management plan, together with establishing an internal audit programme.

The finalisation of broad policies for ethical investing, in line with the governing legislation, and the first screening of the portfolio to ensure that its securities comply with the policy, have also been achieved during the year.

As the implementation of the initial asset allocation neared completion, attention turned to ensuring that the combination of assets in the portfolio was optimal. The generation of an expected rate of return over time, for the lowest level of risk, is a core aim for the organisation and enhancing insights into the most efficient use of this risk/reward trade-off is a key component of management's role.

Priorities for 2004/5 include:

- Formalising procedures for the management of external investment managers to raise the probability of sustainable excess returns from active management;
- Preparing the framework for the introduction into the portfolio of "alternative" asset classes;
- Further developing performance measurement and attribution capabilities;
- Introducing a range of strategies to increase transactional efficiencies in the management of the portfolio; and
- Formalising benchmarking services to measure the operating efficiency of the Guardians against international peers.

In common with other Crown entities, the Fund has established a personnel policy that complies with the principle of being a good employer, including an equal employment opportunities programme. These policies were complied with during the year.

The experience, insight and commitment of the management team have been invaluable during this exciting but demanding period. I am confident the Fund is well placed to meet its objectives.

Paul Costello
CHIEF EXECUTIVE

THE YEAR IN REVIEW

INVESTMENT PERFORMANCE

Following a number of years of declining prices on world equity markets, the strong recovery during the first year of the Fund's investment programme resulted in a time-weighted return of 7.69% for the nine months to 30 June 2004 (equivalent to 10.4% for the full year). This was ahead of both the risk-free rate of return (measured as the yield on 90-day Treasury bills) and the long-term performance target of the risk-free rate plus 2.5% per year.

In measuring investment returns against such benchmarks, it is common practice to use the "time-weighted" rather than "money-weighted" return. Equal weighting is given to each month's returns, regardless of the asset base. By contrast, a money-weighted return is affected by the amount of assets under management for each month. As the Fund is growing, this means that recent performance, when the assets under management are greater, will have more impact on the investment income generated than performance in earlier months when the Fund was smaller. For this reason, the Guardians' focus is on the time-weighted earnings of the Fund.¹

Recognising the challenge of establishing a new institution, and the many operational risks in moving a substantial cash portfolio to market, the Board resolved to move steadily from a portfolio of Treasury bills to a diversified portfolio over the nine months to June 2004. This transition was achieved on schedule with the portfolio fully invested with 15 investment management firms by June 2004.

With investment managers appointed and funded progressively during the year, many held their mandates for only very short periods. This makes meaningful comment about their performances difficult. While the performance of individual managers varied, the return for each asset class for the nine months was very close to the relevant benchmarks (after fees). The 2004/5 year will provide a much clearer insight into the effectiveness of the investment managers in each sector of the Fund.

ASSET CLASS	NZD MILLIONS	SECTOR RETURN (AFTER FEES)*	BENCHMARK RETURN*
New Zealand Equities	\$396.1	13.25%	12.96%
New Zealand Fixed Interest	\$472.6	3.03%	3.06%
Global Equities	\$2,546.7	10.92%	10.55%
Global Fixed Interest	\$560.5	3.94%	3.94%
Cash	\$9.5	3.95%	3.94%
Total	\$3,985.4		

* Sector returns and benchmarks have been adjusted for the appointment of each manager during the period

The Board estimated a return of \$182 million in pre-tax income for the Fund for the period from 30 September 2003 to 30 June 2004. The total return during this period, measured on the same basis, was \$239 million. This was due to returns from equity markets over the nine months being ahead of long-term estimates.

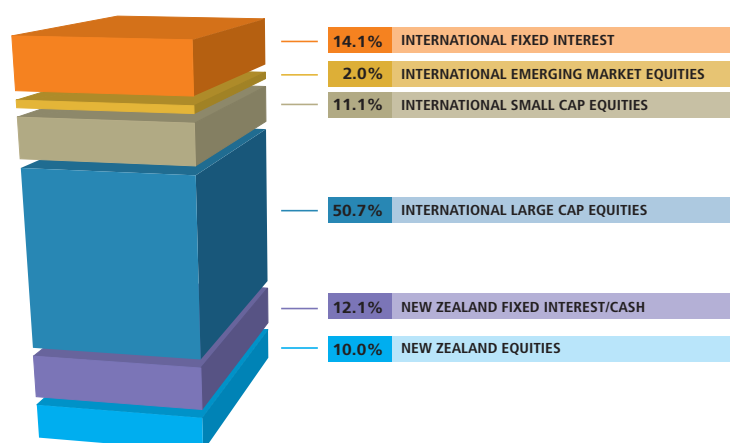
¹ For the nine months to 30 June 2004 the "money-weighted" return was 6.49%.

ASSET ALLOCATION

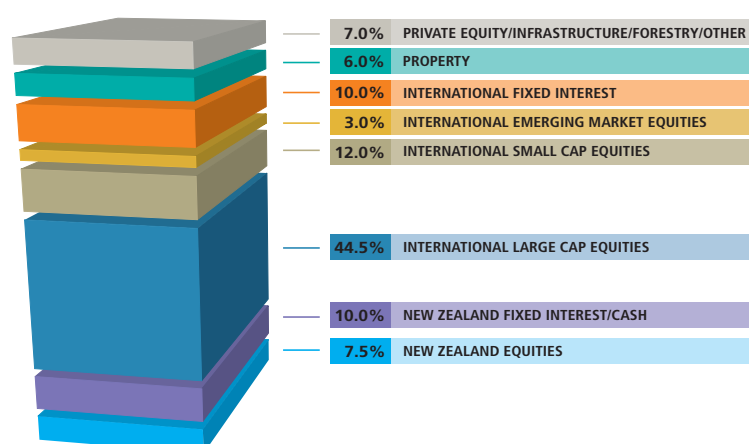
The initial strategic asset allocation for the Fund was announced in August 2003. While the research undertaken at that time is expected to shape the long-term direction of the investment portfolio, it is appropriate that this be reviewed regularly to ensure it remains appropriate. The first comprehensive review of the asset allocation is underway and is expected to be completed and announced by the end of calendar 2004.

A comparison of the initial strategic asset allocation as at 30 September 2003, when investing began, and the actual asset allocation at 30 June 2004, is set out below.

ASSET ALLOCATION AT 30 JUNE 2004



STRATEGIC ASSET ALLOCATION AT 30 SEPTEMBER 2003



The current strategic asset allocation has a weighting of 6% to property and 7% to largely illiquid assets (e.g. private equity, infrastructure and forestry). During the first year the priority was to allocate funds to listed equities and fixed interest securities. The combined 13% allocation to these “other growth assets” was placed with equity and bond managers to approximate the returns that might be expected from these assets. It is expected that allocations to these sectors will begin in 2004/5.

INVESTMENT MANAGERS

The Board decided that the challenge of building a stable of quality investment managers for the listed assets was the most appropriate area on which the organisation should focus its resources during 2003/4.

As at 30 June 2004 a total of 15 external investment managers and one custodian had been appointed. There is significant exposure to foreign currencies through these managers and much of this is hedged back to New Zealand dollars. The New Zealand Debt Management Office acts as the Fund’s agent to achieve this. The Custodian, BNP Paribas Securities Services, was appointed in July 2003. The role of the Custodian is to provide safekeeping of the Fund’s assets and to settle all transactions by the investment managers.

Considerable effort has been expended in identifying and selecting top-quality managers within each asset class. This involves distilling research on an extensive database of managers to a shortlist for further analysis. Intensive due diligence is then conducted on those managers that have appealing characteristics, including a thorough examination of their investment processes involving discussions with other clients and, as far as possible, visits to the manager’s office. Once appointments are made, there is extensive ongoing monitoring to ensure that conviction in the ability of the manager is maintained.

Considerable effort is put into identifying and selecting top-quality managers within each asset class.



It is also recognised that no manager selection process can guarantee that every manager will deliver the performance objectives set for them. For that reason, manager risk is diversified by appointing more than one manager within each asset class. As the Fund grows in size, the stable of managers is expected to increase, further diversifying the risk of any one manager underperforming.

A schedule of the investment managers used by the Guardians during the financial year, and the classes of investments for which each was responsible, is set out below.

SECTOR	MANAGER	AMOUNT HELD AS AT 30 JUNE 2004 (NZD MILLIONS)
New Zealand Equities	AMP Capital Investors	\$172.6
	Brook Asset Management	\$172.3
	Fisher Funds Management	\$51.2
New Zealand Fixed Income	ING (NZ) Ltd	\$472.6
International Large Cap Equities	Alliance Capital Management	\$252.8
	Barclays Global Investors	\$1,350.8
	Bernstein	\$202.8
	LSV Asset Management	\$214.7
International Small Cap Equities	AXA Rosenberg	\$121.6
	Goldman Sachs Asset Management	\$40.3
	Grantham, Mayo & Van Otterloo	\$121.0
	Numeric Investors	\$81.1
	Thompson, Siegel & Walmsley	\$82.2
Emerging Markets	WestAM	\$79.4
International Fixed Income	Vanguard Investments Australia	\$560.5
Cash	Held by BNP Paribas Securities Services as custodian	\$9.5
TOTAL		\$3,985.4 million

Note: An international large cap equities mandate was withdrawn from Allianz Dresdner (RCM) Asset Management during the year. This followed an organisational restructure within the firm. Alliance Capital Management was appointed to replace Allianz Dresdner.

Total fees paid for investment management and custody of the Fund's assets during the year were \$5.515 million. This is equivalent to 0.17% of average assets under management during the nine months from 30 September 2003 to 30 June 2004. This ratio is lower than the expected costs of these services in future years as during 2003/4 the Fund held a large portfolio of Treasury bills which did not attract investment management fees. In future years, all assets will be placed with investment managers.

REPORT AGAINST STATEMENT OF INTENT

The Guardians submitted a Statement of Intent, setting out the most important expected outcomes for the year, to the Minister of Finance in June 2003 as required by the Public Finance Act 1989.

This was revised in December 2003 once the Fund's investment strategy had been finalised and implementation was underway. The revision enabled the Guardians to comment more effectively on the expected investment performance of the Fund for the year, the risks to that performance, and to prepare financial statements estimating the investment income for the Fund.

The key objective for the year to 30 June 2004 was the establishment and implementation of the investment strategy for the New Zealand Superannuation Fund.

Supporting objectives related to the development of the Guardians' governance infrastructure, managing the responsibility to invest within an ethical framework, meeting stakeholders' expectations in relation to information on the operation of the Fund, and building a competent internal staff complemented by insights from a network of respected international organisations.

The key objectives are outlined below with a report on progress against them.

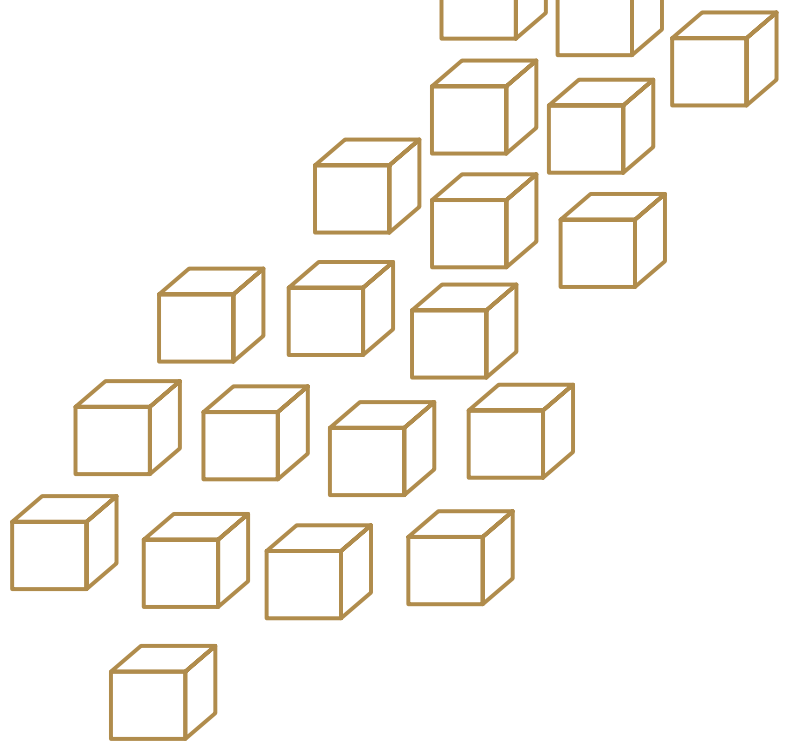
A) ESTABLISHMENT OF INVESTMENT STRATEGY

- Appoint a Master Custodian by 31 August 2003 with record keeping testing completed by 30 September (achieved);
- Commence investment of the Fund's assets by 30 September 2003 with initial manager appointments (achieved);
- Prepare initial Statement of Investment Policies, Standards and Procedures by 30 September 2003 (approved early October);
- Complete appointments of an additional five to ten managers by 31 December 2003 and all inaugural managers to be appointed by 30 June 2004 (achieved);
- Complete initial research into the risk and return characteristics of alternative asset classes and how they might best be used in the Fund by 31 March 2004, with more specialised research undertaken by 30 June 2004 (substantially deferred to 2004/5);
- Generate investment earnings of \$182 million for nine months to 30 June 2004 (achieved).

Contributions to the Fund had been accruing within Treasury since 2002/3 and the Statement of Intent indicated that the Guardians intended to begin investing these assets by 30 September 2003. The Board announced the inaugural asset allocation in mid-August 2003, and confirmed that it was on track to meet this target.

The appointment of a custodian to hold the Fund's assets was a critical first step in achieving this. The appointment of BNP Paribas Securities Services in July 2003, and the settlement of terms for the administration of the assets over the next two months, allowed the Board to meet its commitment of taking over responsibility for the management of the accrued assets from Treasury by 30 September 2003. This was achieved with the transfer of \$2.402 billion in Treasury bills on that date.

The 2003/4 year was important in establishing the infrastructure for the ongoing management of the Fund.



The Board decided that over the nine months from 30 September 2003 to 30 June 2004 the portfolio would be transitioned from being wholly in Treasury bills and cash to being fully invested in market-linked assets. Consistent with the Statement of Intent, the initial Statement of Investment Policies, Standards and Procedures was adopted in October 2003, providing a framework for the investment strategy to be implemented. This was revised in June 2004 and the current version can be viewed on the Fund's website.

Manager Appointments

The Statement of Intent indicated that the Board intended to appoint a number of investment managers in the New Zealand equities and fixed interest sectors, as well as international equities and currency management, by 30 September 2003. It was also targeted to appoint an additional five to ten investment managers by the end of December 2003. It quickly became clear that detailed research and due diligence on investment managers was well rewarded, and the Board decided that the quality of the process should not be compromised by deadlines. The first manager appointments were made on schedule in September 2003 and by 31 December 2003, six investment management firms had been appointed and funded for seven investment mandates. By this time 44% of the Fund's assets were invested with these managers. These covered New Zealand and international equities as well as fixed interest.

The manager selection and appointment programme continued over the next six months to 30 June 2004. By that date the Fund's assets were fully invested with 15 managers appointed for 16 mandates and the residual holding in Treasury bills and cash was around 0.26% of assets.

The Statement of Intent identified steps to be taken in progressing the investment to alternative asset classes, as well as property, with the end of the third and fourth quarters nominated as key dates. Early work in these sectors revealed the challenges of effectively managing their introduction to the portfolio. As a result of this, the Board determined that further work would be substantially deferred until the allocation to listed assets was completed. Research commenced during 2003/4 will be built on during 2004/5.

Earnings Estimates

In December 2003, when the modified Statement of Intent was forwarded to the Minister of Finance, the Guardians estimated the investment income on the Fund for the year to June 2004 at \$182 million in pre-tax earnings, based on earnings to the end of November and expected earnings over the next seven months. In fact, as a result of stronger than anticipated returns from equity markets, the earnings to 30 June, on a pre-tax but after fees basis, amounted to \$239 million.

It was also noted in the Statement of Intent that, as a result of the substantial holdings of Treasury bills in the portfolio during the transitional phase, the Guardians did not expect to achieve the long-term target of Treasury bills plus 2.5% p.a. during 2003/4. By 30 June, however, on a time weighted and annualised basis, the return was equivalent to Treasury bills plus 5.10% for the year.

B) INVESTING WITHIN AN ETHICAL FRAMEWORK

- Establish and implement a policy to ensure the Fund's investment activities do not prejudice New Zealand's reputation as a responsible member of the world community by 30 September 2003 (achieved);
- Establish interim policy for ethical investing more broadly by 30 September 2003, with further analysis in this area continuing through to 30 June 2004 (achieved).

A second objective outlined in the Statement of Intent was to progress the development of a policy on ethical investing, including the requirement to ensure that the reputation of New Zealand as a responsible member of the world community was not compromised. This was developed prior to the commencement of the investment programme in October 2003 and subsequently reviewed during the year. It can be viewed as part of the Statement of Investment Policies, Standards and Procedures.

The Board has appointed Innovest Strategic Value Advisors, based in London, and Sustainable Investment Research Institute Pty Ltd, based in Melbourne, to review all securities in the portfolio to ensure compliance with the standards set down in the policy. The first such screening was completed by 31 December 2003. While further research into this aspect of institutional management is continuing, the commitment to develop and implement policies in this area was met on schedule.

C) DEVELOPMENT OF GOVERNANCE AND MANAGEMENT STRUCTURES

- Operate at all times within the budget appropriated by Parliament (achieved);
- Complete, by 31 March 2004, interim benchmarking analysis with other funds to measure efficiency (approach identified but not implemented);
- By 31 March 2004, develop a full business plan with key performance indicators for use across the Guardians' business (commenced).

The 2003/4 year was important in establishing structures for the management of the Fund. Fiscal responsibility requires the Guardians to operate within an annual budget agreed by Parliament and this was complied with.

The Statement of Intent also committed the Guardians to the establishment of benchmarks against similar funds in order to compare the efficiency of the operating structures. A number of informal discussions comparing the structure of the Guardians with other funds were undertaken during the year, and a decision was made to participate in a benchmarking service which compares the cost effectiveness, and decision-making efficiency, of many of the largest pension funds around the world. For this to be effective it is necessary for there to be a sufficient operational history for the Guardians to compare with others. Now that the first nine months of investment operations have been completed, and having established the most appropriate peer group of institutions (based on size and asset allocation), the first comparison will be undertaken in October 2004 and be followed up with results for calendar 2004.

It was also recognised at the beginning of the year that it would be valuable to establish working contacts with a number of internationally highly regarded institutions in order to learn from their management practices. During the year a number of important steps were taken in developing these relationships, and the observed experience is being incorporated into the Fund's operating structure.

The Guardians also committed to the development of a full business plan by March 2004. The Board agreed to a number of key operational objectives for 2004/5 early in the year and has been measuring progress against these. The Statement of Intent for 2004/5 builds on these. A final version of the business plan is expected to be approved by the Board in October 2004.

D) COMMUNICATING WITH STAKEHOLDERS

- By 31 December 2003, launch Fund website (achieved);
- Report quarterly, or as otherwise required, to the Minister of Finance, and actively engage with interested organisations (achieved).

Recognising that the assets of the Fund are public, and that its performance will increasingly impact the Crown's balance sheet, the Guardians has committed to providing as high a degree of transparency into the operation of the Fund as commercial sensitivities will allow.

The establishment of a website, which provides interested parties with an insight into the current status of the Fund, as well as an understanding of its future directions, was recognised in the Statement of Intent as a critical step in meeting this obligation. This was launched ahead of schedule in August 2003. It contains all public accountability documents as well as current information on the construction and performance of the Fund.

Quarterly updates to the Minister of Finance on developments within the Fund continue to be provided. More generally, especially around the time of the launch of the Guardians' investment programme, a number of presentations outlining the purpose and approach of the Fund were made – both within the financial services sector as well as the broader community. This will continue to be a priority for the organisation to ensure its objectives are well understood.

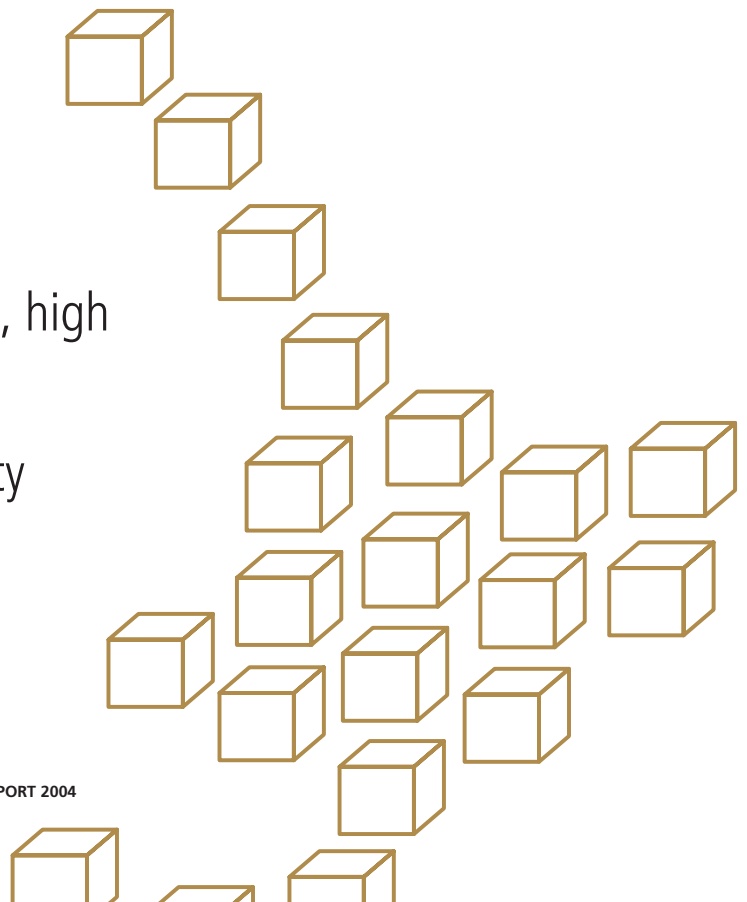
E) INVESTING IN PEOPLE AND EXPERIENCE

- Attract quality staff to assist the Guardians to meet its objectives (achieved);
- Foster working contacts with at least ten comparable funds, and complete an analysis of their management practices and experiences by 30 June 2004 (commenced).

The Statement of Intent recognised the value in attracting, and retaining, high quality staff in order to maximise the opportunity for the success of the Fund. As noted elsewhere in the Report, while still a modestly sized organisation, the addition of talented and committed staff during the year has enabled the first year of operations to be successful. A small number of additional resources are sought in 2004/5, but the focus will shift to complementing the internal management team with quality external advisors across a range of sectors and issues.

Recognising the benefit of the experience of other institutional investors, the Guardians has established contact with a number of respected institutions around the world. Analysis of the features that have led to their success has commenced and, now that the internal team is fully operational, it is planned to build on this during 2004/5.

The Statement of Intent recognised the value in attracting, and retaining, high quality staff in order to maximise the opportunity for the success of the Fund.



GOVERNANCE STATEMENT

FUNCTION OF THE GUARDIANS

The function of the Guardians is to manage and administer the New Zealand Superannuation Fund in accordance with the New Zealand Superannuation Act 2001.

The Guardians must invest the Fund on a prudent, commercial basis and in doing so, must manage and administer the Fund in a manner consistent with best-practice portfolio management, maximising return without undue risk to the Fund as a whole, and avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

A governance framework and policy has been developed by the Board with the following aims:

- a) To lay solid foundations for management and oversight;
- b) To promote ethical and responsible decision making;
- c) To safeguard integrity in financial reporting;
- d) To recognise and manage risk; and
- e) To recognise the interest of stakeholders.

OBJECTIVES OF THE GUARDIANS

The general objectives of the Guardians are:

- a. To implement and maintain a diversified and well managed investment portfolio for the Fund that:
 - > ensures the Fund meets its investment objectives;
 - > applies best-practice portfolio management principles;
 - > maximises the return without undue risk to the Fund as a whole; and
 - > avoids prejudice to New Zealand's reputation as a responsible member of the world community.
- b. To ensure excellence in the governance and management processes of the Guardians;
- c. To ensure all the stakeholders in the Fund are well informed about its activities; and
- d. To create a "centre of excellence" in the management of an investment portfolio with a long-term horizon.



THE BOARD OF THE GUARDIANS OF NEW ZEALAND SUPERANNUATION

The Act provides for between five and seven members of the Board. A nominating committee has been established by the Minister of Finance to nominate candidates to the Minister for appointment as members of the Board. Board members, who are appointed by the Governor General upon the recommendation of the Minister, are selected for their experience and their mix of complementary skills. Board members, and the dates when their appointments expire, are:



DAVID MAY

Chairman

David May was appointed Chairman of the Board of the Guardians of New Zealand Superannuation in August 2002. His term of office expires on 31 May 2007.

David is Deputy Chairman of the Government Superannuation Fund Authority, established in 2001 to administer eight superannuation schemes for public sector employees. He is also a Director of Southern Cross Medical Care Society, New Zealand's largest private health insurer and hospital operator, a position he has held since 2002.

David has 35 years' experience in the financial services, superannuation and insurance industries, including 27 years with Colonial Group, most recently as managing director of Colonial Life NZ Ltd (1995-2000). A former chief executive of Jacques Martin NZ Ltd (1985-1990), David was also a board member, and latterly deputy chairman, of the Investment Savings and Insurance Association of New Zealand Inc.

David holds a Bachelor of Science (Hons) in Mathematics from Manchester University, England, and is a Fellow of the Institute of Actuaries in both England and Australia.



RT HON SIR DOUGLAS GRAHAM

Deputy Chairman

Sir Douglas was appointed Deputy Chairman of the Board of the Guardians of New Zealand Superannuation in August 2002. His term expires on 31 May 2007.

A Member of Parliament from 1984 until his retirement from politics in 1999, Sir Douglas was Minister of Justice (1990-1998) responsible for major company and securities law reform. Other portfolios included Attorney General (1997-1999), Minister for Courts (1995-1997) and Minister in Charge of Treaty of Waitangi Negotiations (1991-1999). He was appointed to Her Majesty's Privy Council in 1998 and knighted in 1999.

Prior to his distinguished political career, Sir Douglas practiced law from 1965-1984. He is Chairman of the Lombard Group, a private banking firm with assets under management of approximately \$150 million, and is a director of Watercare Services Limited, New Zealand's largest company in the water and wastewater industry. He is also the Commonwealth Special Envoy to the Kingdom of Tonga.

Sir Douglas holds a Bachelor of Laws Degree from the University of Auckland and was awarded the Degree of Honorary Doctor of the University of Waikato in 1999. He is a member of the Institute of Directors in New Zealand



DR MICHAELA ANDERSON

Dr Michaela Anderson was appointed to the Board of the Guardians of New Zealand Superannuation in August 2002. Her term of office expires on 31 May 2006.

Michaela is Director, Policy and Research at the Association of Superannuation Funds of Australia (ASFA), the industry body for superannuation funds. She leads a team that consults with government on policy and implementation issues, provides expert technical advice to government, and assists ASFA to remain a key contributor to public debate on retirement income policy issues.

Michaela has worked in the superannuation industry for 17 years. Prior to her ASFA appointment in 1994, Michaela was the manager of policy advice to the State Authorities Superannuation Board, a statutory board which governs the superannuation funds for employees of the state of New South Wales.

Michaela participates in a range of government and industry committees and currently represents ASFA on the ASX Corporate Governance Council. She holds a Bachelor of Arts (Hons) and a PhD from Macquarie University, Sydney.



IRA BING

Ira Bing was appointed to the Board of the Guardians of New Zealand Superannuation in August 2002. His term of office expires on 31 May 2005.

Ira is an investor with more than a decade of investment banking experience within global financial institutions, and is a Principal of the Whiterock Group. Before returning to New Zealand in 2002, Ira was most recently a managing director of the investment banking division of WestLB, the European Banking Group.

Prior to joining WestLB in the late 1990s, Ira held senior positions in the capital markets divisions of the London office of Merrill Lynch, one of the world's largest financial management and advisory companies. In the early 1990s he worked as a capital markets banker for an investment arm of the Edmond de Rothschild Group, having moved to Europe after a number of years with New Zealand investment bank, Fay Richwhite.

Ira holds a Bachelor of Laws Degree from the University of Auckland, a Master of Laws (Hons) from Victoria University, Wellington, and a Master of Economics and Laws from Oxford University, England. He is a past recipient of numerous awards and academic fellowships, including a European Economic Commission (EEC) Fellowship in the early 1990s, on which he spent time working at EEC headquarters in Brussels. Ira is also a past Fellow of the not-for-profit Asia 2000 Foundation of New Zealand.



BRIDGET LIDDELL

Bridget Liddell was appointed to the Board of the Guardians of New Zealand Superannuation in August 2002. Her term of office expires on 31 May 2005.

Bridget has been a director of several New Zealand companies, including Sky City Entertainment Group, Fisher & Paykel Appliances Holdings Ltd and UniServices Ltd. She has held senior executive positions at Carter Holt Harvey where she was also chairperson of the Carter Holt Harvey Superannuation Fund from 1992-1998. She was also a director of CS First Boston NZ Ltd.

Until recently, Bridget was chief executive officer of University of Auckland Development Ltd. She is a former member of the Council of the University of Auckland and a former director and trustee of Competitive Auckland Ltd.

Bridget received Bachelor of Commerce and Master of Arts (Hons) degrees from the University of Auckland and gained a Harkness Fellowship to study in the United States in 1998. She is also a Chartered Financial Analyst (USA). Bridget is Chief Operating Officer of Fahrenheit 212, an innovation consultancy based in New York.

THE ROLE OF THE BOARD

The Board is responsible for all decisions relating to the business of the Guardians and may delegate functions or powers to a committee of the Board, or any other person, with the exception of the power of delegation, granting a power of attorney, appointing an investment manager or a custodian.

Broad governance responsibilities of the Board include:

- Establishing investment policy for the Fund and business objectives for the Guardians;
- Communicating the organisation's objectives to the Minister of Finance and accounting for progress against these;
- Delegating responsibility for achievement of specific objectives to the Chief Executive and management;
- Monitoring organisational performance towards achieving objectives; and
- Overseeing effective systems of internal control.

BOARD COMMITTEES

The Board has established three committees which have been delegated responsibility to develop and recommend policy and monitor compliance against policies in the respective areas. The current Board committees are:

- (i) **Audit and Governance Committee** (Dr Michaela Anderson [Chair], Sir Douglas Graham). The objectives of the committee are to assist the Board in safeguarding the integrity in financial reporting, to recognise and control risk and to ensure governance systems are consistent with best practice portfolio management.
- (ii) **Responsible Investing Committee** (Ira Bing [Chair], Dr Michaela Anderson, Sir Douglas Graham, Bridget Liddell). The objectives of the committee are to assist the Board in the development of policies and procedures for ethical investment and for responsible use of the voting rights as an institutional investor.
- (iii) **Employee Policy and Remuneration Committee** (David May [Chair], Sir Douglas Graham). The objectives of the committee are to assist the Board with human resources policies and practices.

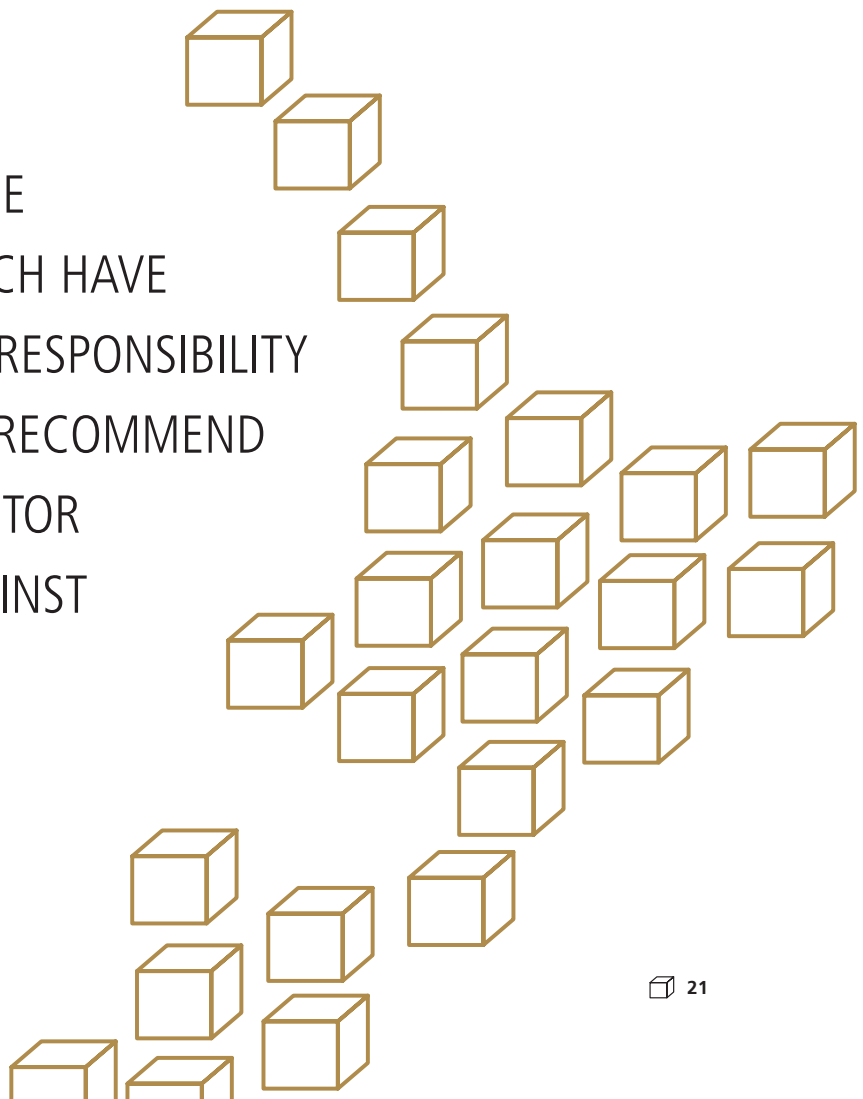
At the beginning of the year there were two other Board committees, the Manager Selection Committee and the Communications Committee. Resources for the selection of investment managers and communication of the Guardian's activities were developed internally and the Board decided to no longer operate these committees.

DIVISION OF RESPONSIBILITY BETWEEN THE BOARD AND MANAGEMENT

The Board is responsible for setting the policy and strategy for the Fund as well as the appointment of investment managers and key advisors. Management is responsible for developing recommendations on policy and strategy for the Board, for researching and recommending suitable investment managers and monitoring them once appointed, and for implementing approved policies. The Board has a schedule of matters specifically reserved to it for decision. This schedule includes:

- Setting investment strategy;
- Appointment of fund managers and custodians;
- Approval of accounts;
- Approval of budget;
- Approval of the business plan;
- Approval of financial policies;
- Approval and review of risk management strategy;
- Approval and review of Statement of Investment Policy; and
- Approval and review of Statement of Intent.

THE BOARD HAS
ESTABLISHED THREE
COMMITTEES WHICH HAVE
BEEN DELEGATED RESPONSIBILITY
TO DEVELOP AND RECOMMEND
POLICY AND MONITOR
COMPLIANCE AGAINST
POLICIES IN THE
RESPECTIVE
AREAS.



GOVERNANCE STATEMENT [CONTINUED]

The Board delegates a number of areas of responsibility to the Chief Executive and then monitors performance of management in carrying these out. Key areas of responsibility for management include: analysing the most efficient use of investment markets to meet the risk-adjusted return expectations for the Fund; selecting, contracting with and monitoring investment managers; managing the Fund's transactions in the most cost-effective way; developing and implementing controls for the management of operational risk; financial reporting and communication with external stakeholders.

The Guardians' management team is as follows:

	NAME	BACKGROUND	KEY RESPONSIBILITIES
	Paul Costello, CEO	Previously CEO of Superannuation Trust of Australia	Overall operating responsibility
Investment Policy	Paul Dyer, CIO, Investment Strategy	Previously CIO of AMP Capital (NZ) Limited	Strategic asset allocation and risk budgeting including ensuring adequate portfolio diversification
	Tim Mitchell, CIO, Portfolio Construction	Previously CIO of Colonial First State Investments Managers (NZ)	Manager selection and monitoring with aim of generating excess returns from active management
Investment Operations	Andy Greening, Manager, Investment Operations	Previously Operations Director for UBS Global Asset Management, Zurich	Operational risk management including oversight of transactions, settlements and portfolio valuation and reporting
	Ryan McCulloch, Portfolio Analyst	Previously Portfolio Analyst for Bank of New York, London	Day-to-day relationship management with investment managers and custodian
Financial Control	Stewart Brooks, Chief Financial Officer	Previously Group Company Secretary for Sterling Grace Portfolio Management Group (NZ)	Financial and compliance reporting, risk management and audit relationships
	Laren Adams, Financial Accountant	Previously Financial Controller, Centaur Holdings, London	Financial management of activities of the Guardians
External Relations	Sarah Loutit, Communications Manager	Previously Head of Corporate Communications, Eversheds (UK)	External relations and communications
Office Administration	Sheryl Coker, Office Manager	Previously Office Manager for a variety of organisations	Day-to-day operations of the Guardians' office and suppliers

RISK MANAGEMENT

A substantial part of the business is concerned with the management of credit, liquidity, operational, currency, market and other financial risk. The Board has determined that the quality of all its risk management procedures must be best practice standard.

The Board has, through its policies and contractual arrangements with investment managers and the custodian, put in place procedures to manage these risks.

LEGISLATIVE COMPLIANCE

The role of the Audit and Governance Committee includes reviewing compliance systems to ensure compliance with legislation. A legislative compliance system has been developed to identify and comply with legislative requirements.

CODES OF CONDUCT

The Board has adopted a governance statement for the Guardians and Codes of Conduct for members of the Board and for employees. The Codes set out standards for appropriate ethical and professional conduct and include procedures for dealing with conflicts of interest. The Board maintains a register of interests and ensures Board members are aware of their obligations to declare these.

The Codes have been prepared having regard to information guidelines and other published codes of practice. The codes outline practices necessary to maintain confidence in the Guardians' integrity and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The full codes are available on the Fund's website .

STATEMENT OF INVESTMENT POLICIES

The Fund's governing legislation states the annual report must include a Statement of Investment Policies, Standards and Procedures for the Fund.

A full copy of the Statement can be found on our website. The key provisions are summarised below:

1. The classes of investments in which the Fund is to be invested and the selection criteria for investments within those classes

The asset classes, which may make up the portfolio, are as follows:

<ul style="list-style-type: none">• Global Equities<ul style="list-style-type: none">> Large/mid/small capitalisation> Emerging markets• Global Fixed Interest<ul style="list-style-type: none">> Sovereign debt> Non-sovereign debt• Property<ul style="list-style-type: none">> New Zealand> International	<ul style="list-style-type: none">• New Zealand Equities (including constrained allocations to Australia)• New Zealand Fixed Interest<ul style="list-style-type: none">> Sovereign debt> Non-sovereign debt• Other Growth Assets<ul style="list-style-type: none">> Private Equity> Commodities> Infrastructure> Forestry
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The strategic asset allocation identifies the mix of asset classes determined to best meet the long-term performance target for the Fund. This is formally reviewed at least annually.

The selection criteria for investments are agreed with each investment manager in the form of an investment mandate which forms part of the contractual arrangement with investment managers. Typically, constraints include minimum and maximum numbers of shares that can be held, maximum exposure to a company, sector, country, or credit rating, ranges for ex-ante tracking error relative to a manager's benchmark, and maximum deviation from a manager's benchmark exposure to a particular company, sector, currency or country.

2. The determination of benchmarks or standards against which the performance of the Fund as a whole, and classes of investments and individual investments, will be assessed

Benchmarks must be consistent with the risk and return assumptions that underpin the strategic asset allocation for the Fund.

The benchmarks for individual asset classes must be broadly representative of that asset class. The performance of asset classes will be assessed by comparing the aggregate performance of investment managers within that asset class against the selected benchmark for that asset class.

The benchmarks for individual managers should be either the benchmark for the asset class within which that manager is selected, or broadly representative of the universe of securities from which the manager makes its selections. A manager's performance will be assessed by comparing its performance against its respective benchmark, taking into account the amount of risk the manager has adopted relative to that benchmark.

The Board recognises that investment performance objectives are expected to be met over the long term and, from year to year, investment returns may not meet those long-term objectives.

The performance measures will be reported at least annually. The Board will measure performance against these objectives on rolling five-year periods as milestones towards achieving the stated 20-year objective.

Investment performance for the Fund as a whole is measured after the deduction of fees, transaction costs and foreign taxes.

3. Standards for reporting the investment performance of the Fund

A comprehensive reporting framework has been established. The investment manager and custodian reports must contain sufficient detail to enable management to:

- Make an assessment of the investment manager's performance against its mandate and its progress towards achieving its investment objectives;
- Analyse manager, asset class and whole-of-Fund performance.

Management reporting to the Board enables the Board to determine the effectiveness of manager selection and the Fund's strategic asset allocation decisions. Public reporting through the website and statutory reports will be as open and transparent as commercial sensitivities allow.

4. Ethical investment, including policies, standards or procedures for avoiding prejudice to New Zealand's reputation as a responsible member of the world community

The aim is to ensure that the Fund conducts its investment activities with integrity and professionalism.

Investment in any activity that is consistent with the laws of New Zealand will be permitted – unless, and until, that investment breaches the standards set out in the Statement of Investment Policies, Standards and Procedures. Where sovereign or corporate behaviour approaches, but does not breach, those standards, the Guardians may elect either to engage with that entity to encourage a change to that behaviour, or to divest.

The Guardians will regularly review all its sovereign and corporate securities to establish whether an investment gives rise to the risk of such prejudice and, in the event that it does, the investment will be divested.

It will be a breach of policy if a sovereign or corporate issuer of securities is widely regarded internationally as having participated in any of the following:

- Gross abuses of fundamental human rights;
- Serious infringements of labour and employment standards;
- Serious infringements of environmental standards;
- Promoting transnational organised crime or terrorism; or
- Other conduct so reprehensible that it may prejudice New Zealand's reputation as a responsible member of the world community or its reputation as a responsible global investor in sovereign and corporate securities.

5. The balance between risk and return in the overall Fund portfolio

Analysis of the risk/return tradeoff, over 20 years, of various asset allocation options resulted in setting a performance objective of exceeding, before New Zealand tax, the risk-free rate of return by at least 2.5% per year over rolling 20 year periods.

The policy is that in order to achieve the investment objective while minimising the risk to the Fund as a whole, the mix of assets within the Fund should be as efficient as possible (that is, should offer the highest level of return for a given level of risk). Portfolio optimisation techniques are used to achieve this balance.

In addition, it is recognised that the use of active management of assets carries costs and risks, but is an appropriate policy where there is an expectation of a reward for that risk.

6. The Fund management structure

The Board has overall responsibility for the management of the Fund.

The Board has appointed an internal management team supported by a range of external advisors and a global custodian to provide the appropriate separation between the investing function and the settlement of transactions, as well as the recording and reporting of investment activities.

The Board has also appointed a range of external investment managers to carry out the investment function.

7. The use of options, futures, and other derivative financial instruments

Derivatives are permitted as part of the investment strategy to:

- Manage risk;
- Achieve or reduce exposure to asset classes; and
- Achieve transactional efficiency.

Derivatives are not to be used for investment activity where derivative exposure combined with physical exposure results in a net exposure for that asset class, or the portfolio as a whole, that is inconsistent with the investment strategy.

All derivatives must be in the form of an exposure over the same asset class as the physical instrument. Derivatives are not to be used to leverage the portfolio.

Derivatives held to increase exposure to any asset or asset class must be fully covered by cash or assets such as short-dated fixed interest securities, which are considered equivalent to cash and can be converted into cash within the settlement period. Derivatives held to decrease exposure to any asset or asset class must be fully covered by the underlying asset or asset class.

8. *The management of credit, liquidity, operational, currency, market and other financial risks*

The Board has determined that the quality of all its risk management procedures must be of best practice standard.

Financial risks are managed through clearly specifying eligible assets in investment mandates, ensuring adequate diversification within and between portfolios, ensuring there are adequate procedures to manage operational risks including effective internal controls, separation of roles and codes of conduct, and implementing policies for the hedging of foreign currencies.

At 30 June 2004 the policy for managing foreign currency exposure was that all of the foreign currencies in the international fixed interest portfolio, and 60% of the foreign currencies in the international equity portfolios, would be hedged back to New Zealand dollars. This policy is subject to review and it is anticipated that the level of hedging in the international equities portfolio will be increased.

9. *The retention, exercise or delegation of voting rights acquired through investments*

Where an investment is made in a company in a jurisdiction where there are specific legal or codified requirements in relation to corporate governance, that law or code will be the basis for monitoring and deciding action.

Proxy voting is a key to maintaining shareholder oversight of directors and company policies. In general, the Guardians' voting action will be as follows:

- Where a proposal meets best practice, and is in the Fund's long-term interests, the Guardians will endeavour to vote for the proposal;
- Where the proposal does not meet best practice and is not in the Fund's long-term interests, the Guardians will endeavour to oppose the proposal; and
- Where a proposal raises issues which do not meet best practice, but either the concern is not regarded as sufficiently material to warrant opposition, or an oppose vote could have a detrimental impact on corporate structures, the Guardians will abstain.

The ultimate right of exercise of any voting rights attached to a security held by the Fund is to be retained by the Board.

In general, investment managers will be delegated with responsibility to exercise voting rights in accordance with the best interests of the Fund. Investment management agreements will set out the delegation and the reporting requirements in relation to corporate governance and voting activity.

10. The method of, and basis for, valuation of investments that are not regularly traded on a public exchange

Investments not regularly traded on recognised exchanges will generally be held in pooled vehicles subject to external valuation by the investment manager on behalf of all investors, and will be valued according to accepted market practices.

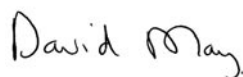
As at 30 June 2004 no investment in these assets has been made.

11. Prohibited or restricted investments or any investment constraints or limits

The Fund will not invest in any asset that does not fall into one of the asset classes described in the strategic asset allocation. In addition, the Fund will not invest in any security that breaches the ethical investment policy, nor will it own any business outright. Legislation prohibits the Fund having a controlling interest in any other entity.

Contractual arrangements with each investment manager will prescribe constraints on a manager's security selection discretion that are consistent with the risk budget for a particular manager and the risk budget for the Fund as a whole.

On behalf of the Board and Management of the Guardians of New Zealand Superannuation we hereby certify that to the best of our knowledge the investment policies, standards and procedures for the Fund have been complied with throughout the 2003/04 financial year.


Chairman


Chief Executive

FINANCIAL STATEMENTS

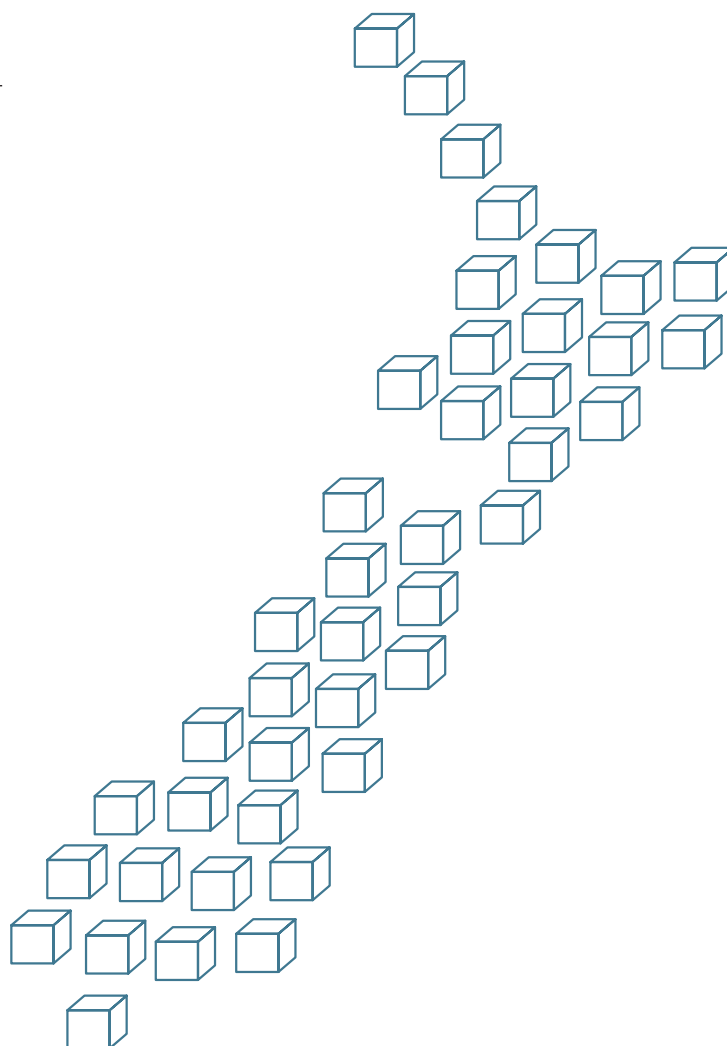
FINANCIAL STATEMENTS 29

NEW ZEALAND SUPERANNUATION FUND

Statement of Responsibility	30
Statement of Financial Performance	31
Statement of Movement in Public Equity	32
Statement of Financial Position	33
Statement of Cash Flows	34
Notes to the Financial Statements	35
Audit Report	43

GUARDIANS OF NEW ZEALAND SUPERANNUATION

Statement of Responsibility	45
Statement of Financial Performance	46
Statement of Movement in Public Equity	47
Statement of Financial Position	48
Statement of Cash Flows	49
Statement of Commitments	50
Statement of Contingent Liabilities	50
Statement of Accounting Policies	51
Notes to the Financial Statements	53
Audit Report	58
Directory	60



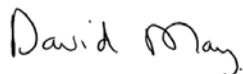
STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2004

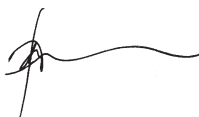
The Board and management of Guardians of New Zealand Superannuation accepts responsibility for the preparation of the annual Financial Statements of the New Zealand Superannuation Fund and the judgments used in them.

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

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



D MAY
Chairperson
22 September 2004



P COSTELLO
Chief Executive
22 September 2004

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

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

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

STATEMENT OF MOVEMENT IN PUBLIC EQUITY

FOR THE YEAR ENDED 30 JUNE 2004

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

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

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

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

STATUTORY BASE

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

MEASUREMENT BASE

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

SPECIFIC ACCOUNTING POLICIES

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

(a) Budget figures

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

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

(b) Capital contributions

(i) Fund capital contributions

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

(ii) Superannuation entitlement payments

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

(c) Capital withdrawals

(i) Fund capital withdrawals

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

(ii) Superannuation entitlement payments

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

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

(d) Income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

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

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

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

(e) Investments

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

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

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

(f) Receivables

Receivables are stated at their estimated realisable value.

(g) Income recognition

Interest income is accounted for on an accrual basis.

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

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

(h) Foreign currency transactions

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

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

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

(i) Statement of cash flows

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

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

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

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

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

(j) Financial instruments

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

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

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

(k) Prior year comparatives

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

CHANGES IN ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 4: INVESTMENTS (CONTINUED)

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

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

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

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

NOTE 5: RECEIVABLES

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

Capital Contributions Receivable from the Crown

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

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

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

NOTE 7: NEW ZEALAND SUPERANNUATION ENTITLEMENTS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

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

NOTE 9: TAXATION RECEIVABLE

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

NOTE 10: DEFERRED TAX LIABILITY

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

NOTE 11: FINANCIAL INSTRUMENTS

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

(a) Fair value

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

(b) Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 11: FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

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

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

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

Both 2003 actual and 2004 Budget are nil

(d) Currency risk

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

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

(e) Liquidity risk

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

(f) Forward foreign exchange contracts

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

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

(g) Concentration of credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

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

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

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

There are no other significant concentrations of credit risk.

NOTE 12: RELATED PARTIES**General**

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

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

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

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

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

	ACTUAL 2004 \$000	ACTUAL 2003 \$000	BUDGET 2004 \$000
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NOTE 13: RECONCILIATION OF NET OPERATING INCOME TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 14: CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

NOTE 15: SEGMENTAL INFORMATION

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

NOTE 16: ACTUAL VERSUS FORECAST

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



■ Chartered Accountants

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

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

UNQUALIFIED OPINION

In our opinion:

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

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

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

BASIS OF OPINION

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

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

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

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

Audit procedures generally include:

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

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

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

AUDIT REPORT (CONTINUED)

RESPONSIBILITIES OF THE GUARDIANS AND THE AUDITOR

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

INDEPENDENCE

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

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



Warren Allen

Ernst & Young

On behalf of the Auditor-General

Auckland, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

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

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

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

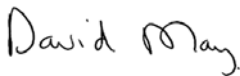
STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2004


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

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

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



D MAY
Chairperson
22 September 2004



P COSTELLO
Chief Executive
22 September 2004

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

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

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

STATEMENT OF MOVEMENT IN PUBLIC EQUITY

FOR THE YEAR ENDED 30 JUNE 2004

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

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

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

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

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

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

STATEMENT OF COMMITMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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

STATEMENT OF CONTINGENT LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2004

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

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**REPORTING ENTITY**

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

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

MEASUREMENT BASE

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

ACCOUNTING POLICIES

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

a) Budget figures

The budget was approved by the Board for the period.

b) Revenue

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

c) Goods and Services Tax (GST)

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

d) Taxation

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

e) Accounts receivable

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

f) Investments

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

g) Property, Plant and Equipment

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

h) Depreciation

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

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

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

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

i) Employee Entitlements

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

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

j) Leases

(i) Finance leases

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

(ii) Operating leases

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

k) Foreign currency transactions

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

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

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

l) Financial instruments

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

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

m) Statement of cash flows

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

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

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

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

CHANGES IN ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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

NOTE 2: PUBLIC EQUITY**General funds**

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

NOTE 3: RECEIVABLES AND PREPAYMENTS

Receivable from the Crown	250	-
Other amounts receivable	3	1
	253	1

NOTE 4: INVESTMENTS**Current**

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

Short-term deposits	5.75%	5.00%
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Repricing maturities

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 11: FINANCIAL INSTRUMENTS (CONTINUED)

Fair value

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

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

Currency risk

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

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

Interest rate risk

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

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

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

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

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

NOTE 13: BOARD FEES

Board members earned the following fees during the year:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 14: EVENTS SUBSEQUENT TO BALANCE DATE

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

NOTE 15: BUDGET VARIATIONS

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

AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2004



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

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

UNQUALIFIED OPINION

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

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

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

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

BASIS OF OPINION

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

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

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

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

Audit procedures generally include:

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

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

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

AUDIT REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2004

RESPONSIBILITIES OF THE BOARD AND THE AUDITOR

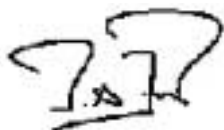
The Board is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Guardians as at 30 June 2004. They must also fairly reflect the results of its operations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

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

INDEPENDENCE

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

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



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

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

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

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

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

DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2004

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BANKERS

Guardians of New Zealand Superannuation

The National Bank of New Zealand Limited

SOLICITORS

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BANKERS

New Zealand Superannuation Fund

Westpac Banking Corporation