

NZFUNDS

KiwiSaver Scheme

annual report

FOR THE PERIOD ENDED 31 MARCH 2011

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Annual Review

Welcome to the NZ Funds KiwiSaver Scheme Annual Report for 2011. Since its launch on 21 September 2010, the NZ Funds KiwiSaver Scheme has rapidly established a presence amongst New Zealanders saving for their retirement. As at 17 August 2011 the NZ Funds KiwiSaver Scheme had over 1,000 members and had attracted over \$4.9 million in contributions – we are very pleased with this rapid growth trajectory.

KiwiSaver remains the favoured retirement savings vehicle for the majority of New Zealanders, offering a range of benefits unavailable through other savings vehicles. The latest IRD KiwiSaver report highlights over 1.75 million New Zealanders have saved in excess of \$8.5 billion dollars through KiwiSaver.

The NZ Funds KiwiSaver Scheme has at its core a unique LifeCycle process, designed to specifically take each client's age and future contributions into account. Shortly after its launch, it became the first qualitatively reviewed KiwiSaver Scheme in New Zealand.

The review was conducted by Lonsec, a leading Australasian investment manager research organisation. Lonsec's review process involved a thorough examination and assessment of NZ Funds Management's culture, the depth of its investment research approach and the strength of its corporate governance and compliance processes. It also assessed the ability of each of the NZ Funds KiwiSaver Scheme's Portfolios to achieve their objectives and, where applicable, outperform peers over an appropriate investment timeframe.

We were very pleased with the outcome of this review process. The positive feedback we received regarding the strength of our risk management culture and our research approach was of particular note.

With KiwiSaver now becoming a central part of most New Zealanders' retirement savings efforts, we recognise the importance of providing information to investors on their investments in the NZ Funds KiwiSaver Scheme. Providing this Annual Report to you forms part of our commitment to ensure that you are kept well informed.

You should also have recently received an Investment Bulletin from NZ Funds Management which provided a more comprehensive commentary regarding our approach to managing your KiwiSaver investment.

Please take the time to read these materials as they will help you better understand the investment management work being undertaken on your behalf.

We remind you that further information on your KiwiSaver investment is available by visiting nzfunds.co.nz/kiwisaver. By clicking on the KiwiSaver login you can access information about your personal account. Should you have any queries we can be contacted at 0508 733 337 or via email kiwisaver@nzfunds.co.nz.

Yours sincerely



Jonathan Butler
Principal, Workplace Wealth

Trustee's Annual Report

FOR THE PERIOD ENDED 31 MARCH 2011

In accordance with section 123 of the KiwiSaver Act 2006, the Trustee of the NZ Funds KiwiSaver Scheme ("the Scheme") is pleased to present the Annual Report on the Scheme's operation. The Scheme was established on 21 September 2010 and comprises the Income Strategy, the Inflation Strategy and the Growth Strategy ("the Portfolios"). The Scheme was opened to members from 15 October 2010 and accepted its first member on 1 November 2010.

Scheme Details

	INCOME STRATEGY		INFLATION STRATEGY		GROWTH STRATEGY		TOTAL OF NZ FUNDS KIWISAVER SCHEME	
	Number of members	\$	Number of members	\$	Number of members	\$	Number of members ¹	\$
MEMBERSHIP								
Opening Balance at 01/11/10	-		-		-		-	
New Members	58		153		292		314	
Total Withdrawals	-		-		-		-	
Closing Balance at 31/03/2011	58		153		292		314	
MEMBERS' ACCUMULATIONS								
Members' Accumulations at 31/03/11	58	99,061	153	194,774	292	1,096,812	314	1,390,647
CONTRIBUTIONS								
Types of Contributions:								
Member Contributions	48	8,707	107	17,466	192	112,037	296	138,210
Employer Contributions	24	5,671	69	12,570	151	97,690	141	115,931
Government Contributions	7	3,940	28	8,430	63	56,630	69	69,000
Transfers in From Other Schemes	32	79,462	57	154,332	86	833,506	91	1,067,300
TOTAL CONTRIBUTIONS RECEIVED		97,780		192,798		1,099,863		1,390,441
WITHDRAWALS								
Types of Withdrawals:								
First Home Purchase	-	-	-	-	-	-	-	-
Significant Financial Hardship	-	-	-	-	-	-	-	-
Serious Illness	-	-	-	-	-	-	-	-
Permanent Emigration	-	-	-	-	-	-	-	-
Transfers to Other Schemes	-	-	-	-	-	-	-	-
TOTAL WITHDRAWALS								
FEES								
Trustee Fees		926		1,422		12,378		14,726
Portfolio Management Fees		138		296		2,410		2,844
Administration Fees ²		225		381		2,328		2,934
Transfer Fees ²		-		-		-		-
Other Fees and Expenses		1,213		1,822		10,653		13,688
Manager's Expense Contributions ³		(1,896)		(3,084)		(22,749)		(27,729)
TOTAL FEES		606		837		5,020		6,463
Fee Subsidies Credited		-		-		-		-

Please refer to Page 5 for the footnotes relating to this page.

Footnotes:

- ¹ Members with investment in more than one Portfolio have one membership identified at the Scheme level. Therefore, total membership and movements of the Scheme do not equal to subtotals of the Portfolios.
- ² Administration and transfer fees are deducted from members' accounts and paid to the Administration Manager of the Scheme.
- ³ Until the Scheme's total assets reach a significant size, the Manager intends from its own funds, to pay for some or all of the Scheme's expenses.

Returns for the Period

The NZ Funds KiwiSaver Scheme returns for the period 1 November 2010 to 31 March 2011 are set out below:

	INCOME STRATEGY	INFLATION STRATEGY	GROWTH STRATEGY
Returns for the period 1 November 2010 to 31 March 2011⁴	2.10%	2.11%	0.82%

- ⁴ Returns are calculated as the percentage of change in adjusted unit price, being the Portfolio's unit price after adding any applicable tax credits over the period, and are calculated after fees but before any PIE tax attributable to members, exit fees and adviser's fees. Past performance is not indicative of future performance.

Trustee's Annual Report (continued)

FOR THE PERIOD ENDED 31 MARCH 2011

TRUSTEE'S CERTIFICATE

To the Members of the NZ Funds KiwiSaver Scheme ("the Scheme") for the Period Ended 31 March 2011

Perpetual Trust Limited as Trustee of the Scheme certifies in accordance with sections 123 (2), 123(3)(b) and 123 (4) of the KiwiSaver Act 2006 that:

- :: All contributions received in respect of each member, including contributions paid via the Commissioner of Inland Revenue in respect of each member, have been applied in accordance with the trust deed.
- :: All benefits required to be paid from the Scheme were paid in accordance with the terms of the trust deed.
- :: The market value of the assets of the Scheme at the close of the financial year equalled the total value of the benefits that would have been payable had all members of the Scheme ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at the close of the financial year.
- :: Any fee subsidies received in respect of each member of the Scheme have been applied in accordance with the prescribed requirements.
- :: There is a scheme provider agreement between the Commissioner of Inland Revenue and New Zealand Funds Management Limited as provider of the Scheme that remains in force.
- :: There has been no fee increase of either the Trustee, Administration Manager, or Manager during the period ended 31 March 2011.

For and on behalf of the Trustee, Perpetual Trust Limited, who authorised the issue of the Summary Financial Statements on 24 August 2011:



John Duncan
Director



Patrick Middleton
Director

INVESTMENT STRATEGY

During the period, the Scheme invested directly or indirectly in a wide range of income producing and long term growth financial instruments.

TRUST DEED

The trust deed is the legal document governing the Scheme and protecting the rights and benefits of beneficiaries. The trust deed is administered by the Trustee and you may view the trust deed at any reasonable time. There has been no amendment to the trust deed for the period ended 31 March 2011.

There are no new supplemental deeds for the period ended 31 March 2011.

PROSPECTUS

The Scheme has a current prospectus registered on 15 April 2011, which is valid up to 15 October 2011.

TRUSTEE

Perpetual Trust Limited

John Duncan, Patrick Middleton and Bryan William Mogridge are the directors of the Trustee.

ADMINISTRATION MANAGER

Aon New Zealand

MANAGER

New Zealand Funds Management Limited

PROFESSIONAL ADVISERS

Solicitors for the Trustee: Kensington Swan

Solicitors for the Manager: Russell McVeagh

Auditors: Ernst & Young

FURTHER INFORMATION

If you have any questions, please direct them to the Manager at the following address:

NZ Funds KiwiSaver Scheme

New Zealand Funds Management Limited

Level 18, ANZ Centre

23-29 Albert Street

Private Bag 92163

Auckland

Telephone: Auckland 09 377 2277, Outside Auckland 0508 733 337

Email: client.services@nzfunds.co.nz

Thank you for your support.

Summary Financial Statements

You can obtain a copy of the full financial statements, free of charge, from New Zealand Funds Management Limited, Manager of the NZ Funds KiwiSaver Scheme, Private Bag 92163, Auckland. Telephone: Auckland 09 377 2277, Outside Auckland 0508 733 337. Email: client.services@nzfunds.co.nz

Statement of Changes in Net Assets Available for Benefits

FOR THE PERIOD ENDED 31 MARCH 2011

	INCOME STRATEGY	INFLATION STRATEGY	GROWTH STRATEGY	TOTAL OF NZ FUNDS KIWISAVER SCHEME
	31/03/11 151 Days \$	31/03/11 151 Days \$	31/03/11 151 Days \$	31/03/11 151 Days \$
MEMBERSHIP ACTIVITIES				
Contributions Received:				
Member Contributions	8,707	17,466	112,037	138,210
Employer Contributions	5,671	12,570	97,690	115,931
Government Contributions	3,940	8,430	56,630	69,000
Transfers in From Other Schemes	79,462	154,332	833,506	1,067,300
TOTAL CONTRIBUTIONS RECEIVED	97,780	192,798	1,099,863	1,390,441
Deduct:				
Administration Fees	(225)	(381)	(2,328)	(2,934)
PIE Tax Expense	(186)	(201)	(16)	(403)
NET MEMBERSHIP ACTIVITIES	97,369	192,216	1,097,519	1,387,104
INVESTMENT ACTIVITIES				
Interest Revenue	11	21	116	148
Net Trading Gains	2,062	2,993	1,869	6,924
NET INVESTMENT GAIN	2,073	3,014	1,985	7,072
Expenses				
Fees and Expenses	2,277	3,540	25,441	31,258
Manager's Expense Contributions	(1,896)	(3,084)	(22,749)	(27,729)
TOTAL EXPENSES	381	456	2,692	3,529
Membership and Investment Activities Before Taxation	99,061	194,774	1,096,812	1,390,647
Taxation Expense	-	-	-	-
Benefits Accrued	99,061	194,774	1,096,812	1,390,647
INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	99,061	194,774	1,096,812	1,390,647

Statement of Net Assets Available for Benefits

AS AT 31 MARCH 2011

	INCOME STRATEGY	INFLATION STRATEGY	GROWTH STRATEGY	TOTAL OF NZ FUNDS KIWISAVER SCHEME
	31/03/11 \$	31/03/11 \$	31/03/11 \$	31/03/11 \$
ASSETS				
Cash and Cash Equivalents	34,439	48,278	247,771	330,488
Trading Portfolio Assets	99,579	195,303	1,099,205	1,394,087
Receivables	1,447	2,522	15,785	19,754
Total Assets	135,465	246,103	1,362,761	1,744,329
Payables	36,404	51,329	265,949	353,682
NET ASSETS AVAILABLE FOR BENEFITS	99,061	194,774	1,096,812	1,390,647
Represented by:				
LIABILITY FOR PROMISED RETIREMENT BENEFITS	99,061	194,774	1,096,812	1,390,647

Statement of Cash Flows

FOR THE PERIOD ENDED 31 MARCH 2011

	INCOME STRATEGY	INFLATION STRATEGY	GROWTH STRATEGY	TOTAL OF NZ FUNDS KIWISAVER SCHEME
	31/03/11 151 Days \$	31/03/11 151 Days \$	31/03/11 151 days \$	31/03/11 151 Days \$
Net Cash Flows Used in Operating Activities	(97,527)	(192,387)	(1,098,143)	(1,388,057)
Net Cash Flows from Financing Activities	131,966	240,665	1,345,914	1,718,545

Notes to the Summary Financial Statements

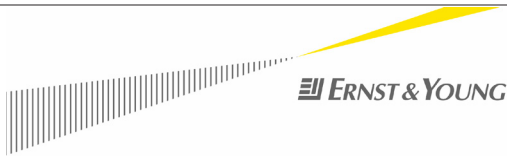
FOR THE PERIOD ENDED 31 MARCH 2011

1. The financial statements of the Scheme presented are of the summary version.
2. Specific disclosures included in the summary financial statements have been extracted from the full financial statements as at 31 March 2011. The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements. The full financial statements have been audited with an unqualified opinion, and are available at no charge from the Manager of the Scheme. The full financial statements were authorised for issuance on 24 August 2011.
3. The Scheme's full financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice. They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. The full financial statements also comply with International Financial Reporting Standards ("IFRS"). This summary version complies with Financial Reporting Standard ("FRS") 43 *Summary Financial Statements*.
4. Items included in these summary financial statements are measured in New Zealand Dollars.
5. There have been no changes in accounting policies during the period.

NZ IFRS 9 *Financial Instruments: Recognition and Measurement* will replace NZ IAS 39 *Financial Instruments: Recognition and Measurement* from 1 January 2013, which is not likely to have a significant impact on the measurement and recognition of the amounts under the current NZ IAS 39 *Financial Instruments: Recognition and Measurement*.

The International Accounting Standard Board issued three new standards on Consolidations, Joint Arrangements and Disclosure of Interests in Other Entities in May 2011: IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosures of Interests in Other Entities*, which will be effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 *Consolidated Financial Statements* that addresses the accounting standards for consolidated financial statements. IFRS 10 also establishes a single control model that applies to all entities (including 'special purpose entities' or 'structured entities' as they are now referred to in the new standards). IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly-controlled Entities – Non Monetary Contributions by Joint Ventures*. IFRS 12 includes all of the disclosure requirements for subsidiaries, joint arrangements, associates and additional disclosures about interests in structured entities (whether or not consolidated). IFRS 12 also requires disclosure of significant judgements and assumptions an entity has made in determining whether it has control, joint control or significant influence over another entity. The impacts on the Portfolios' financial statements are still to be determined.

6. During the period, the Scheme incurred portfolio management fees and reimbursable expenses payable to, and received expense contributions from, the Manager.



Chartered Accountants

INDEPENDENT AUDITOR'S REPORT**To members of the NZ Funds KiwiSaver Scheme**

We have audited the summary financial statements of the NZ Funds KiwiSaver Scheme ("the Scheme"), comprising Income Strategy, Inflation Strategy and Growth Strategy for the period ended 31 March 2011 as set out on pages 8 to 10.

This report is made solely to the members as a body, in accordance with the KiwiSaver Act 2006. Our audit has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the members as a body, for our audit work, for this report, or for the opinions we have formed.

The accompanying summary financial statements, which comprise the statement of net assets available for benefits as at 31 March 2011, the statement of changes in net assets available for benefits and the statement of changes in cash flows for the period then ended, and related summary notes, are derived from the audited financial statements of the Scheme for the period ended 31 March 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 24 August 2011.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Scheme.

Trustee's Responsibilities

The Trustee is responsible for the preparation of summary financial statements in accordance with FRS-43: Summary Financial Statements.

Auditor's Responsibility

It is our responsibility to express an independent opinion on the summary financial statements based on our procedures, which are conducted in accordance with International Standard of Auditing (New Zealand) (ISA (NZ)) 810, "Engagements to Report on Summary Financial Statements". We also evaluated the overall adequacy of the presentation of information in the summary financial statements against the requirements of FRS 43: Summary Financial Statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the Scheme.

Unqualified Opinion

In our opinion, the information reported in the summary financial statements complies with FRS-43: Summary Financial Statements and is materially consistent with the full financial statements from which they are derived and upon which we expressed an unqualified opinion in our report to the members dated 24 August 2011.

Our audit was completed on 24 August 2011 and our unqualified opinion is expressed as at that date.

A stylized, handwritten-style signature of 'Ernst & Young' in black ink.

24 August 2011
Auckland

Directory

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