GUARDIANS OF NEW ZEALAND SUPERANNUATION

STATEMENT OF INTENT

FOR THE PERIOD 1 JULY 2003 TO 30 JUNE 2006

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1. INTRODUCTION (modified December 2003)

This is the Statement of Intent for the Guardians of New Zealand Superannuation ("the Guardians"), for the period commencing 1 July 2003 and ending 30 June 2006, prepared pursuant to section 41C of the Public Finance Act 1989. The Guardians was established by the New Zealand Superannuation Act 2001 ("the Act") on 12 October 2001.

All decisions relating to the business of the Guardians are made under the authority of the Guardians Board ("the Board"), in accordance with section 53(1) of the Act. All members of the Board were appointed by the Governor General on 30 August 2002.

The Statement of Intent was originally prepared and submitted to Government by 30 June 2003 but, at that time, it was agreed that it Section 6 should be revised once the investment program had been finalised and an expectation about the performance of the Fund could be made.

Accordingly, in December 2003, parts of the Statement of Intent were modified. The sections that have been changed are limited to:

- Section 6 which comments on the expected performance to 30 June 2004;
- Section 7 which comments on the risks to that performance being achieved;
- Section 10 which includes the amended financial statements picking up the anticipated investment income for the period.

2. NATURE AND SCOPE OF ACTIVITIES

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

The Fund was established by the Act and is the property of the Crown. Annual capital contributions to the Fund are calculated by reference to a formula set out in the Act. No capital withdrawals are allowed from the Fund until after 30 June 2020.

The Guardians is a body corporate with perpetual succession and has full powers to carry out any activity provided that activity is consistent with the Guardians' functions.

Except for certain expenses directly related to the management of the Fund, the expenses of the Guardians must be met out of money appropriated by Parliament for that purpose.

All decisions relating to the business of the Guardians are to be made by or under the authority of the Board.

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 –

(a) best-practice portfolio management; and
(b) maximising return without undue risk to the Fund as a whole; and
(c) avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

The Guardians must establish, and adhere to, investment policies, standards, and procedures for the Fund that are consistent with its duty to invest the Fund on a prudent, commercial basis.

The Guardians may appoint one or more persons to undertake the investment of any part of the Fund.

The Guardians may appoint a person or persons to act as custodian of the Fund, or any part of the Fund.

3. OBJECTIVES

The general objectives of the Guardians are:

1. To implement and maintain a diversified and well managed investment portfolio for the Fund that:

   a. ensures the Fund meets its investment objectives;
   b. applies best-practice portfolio management principles;
   c. maximises the return without undue risk to the Fund as a whole; and
   d. avoids prejudice to New Zealand's reputation as a responsible member of the world community.

2. To ensure excellence in the governance and management processes of the Guardians;

3. To ensure all the stakeholders in the Fund are well informed about its activities; and

4. To create a "centre of excellence" in the management an investment portfolio with a long-term horizon.

4. ORGANISATIONAL STRUCTURE

4.1 Board structure

The Board may delegate any of the functions or powers of the Guardians to a committee of the Board, or any person, but may not delegate the power to delegate or to grant a power of attorney or the power to appoint investment managers and custodians.

The Board as a whole will act as an investment committee with responsibility for agreeing strategic asset allocation, portfolio construction and manager selection. The Board has established the following sub-committees:

- **Governance and Audit:** Oversees the establishment of the governance framework, delegated authorities, compliance (incl. tax compliance) and audit functions, and reviews key financial statements;

- **Manager Selection (previously Manager and Advisor Selection):** Oversees the process to evaluate investment advisers, investment managers and the custodian;

- **Responsible Investing (previously Ethical):** Oversees the development of ethical and "avoiding prejudice to New Zealand's reputation" policies;

- **Communications:** Oversees the development and implementation of the communications policy; and

- **Employee policy and remuneration:** Oversees the development of employment policies and monitors performance of key employees.

In addition, a working group has been established to manage the relationship with investment advisors and oversee the work program for each.

4.2 Specialist advice

The Board has contracted with external parties for the provision of advice to the Guardians relating to:

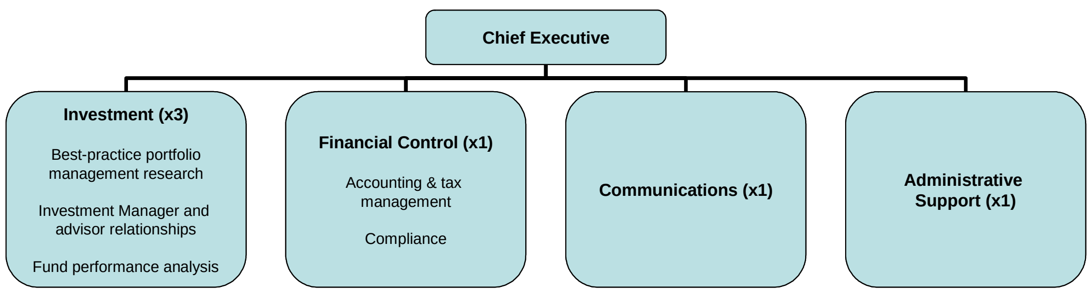
- Strategic asset allocation, portfolio construction and manager selection;
- Legal issues including interpretation of the Guardians' statutory responsibilities and the negotiation and preparation of contractual documents;
- Tax issues including the tax obligations of the Guardians and management of the tax obligations of the Fund; and
- Accounting issues, particularly for the Fund.

4.3 Investment management

In the medium term the Board anticipates that all management of the Fund's assets will be outsourced to specialist external managers - the likely specialisations of those managers is discussed in the following section. The Board, though, will always seek to maximise the value that the Fund's managers deliver. A component of that value is in the fees that the managers charge and if, in the Board's opinion, external managers cannot add value commensurate with their fees, then the Board will consider whether some of the assets should be managed by the Guardians' staff. If that arises, it is likely to be for a limited range of asset classes only.

4.4 Staffing

Although management of the Fund's assets will be outsourced, the Guardians requires its own specialist staff to research best-practice portfolio management, to monitor and manage relationships with the external managers and advisors, and to manage the business of the Guardians. On 31 March 2003 the Board employed a Chief Executive, Mr Paul Costello, and an investment specialist shortly after. At this stage of the Fund's development, it is envisaged that the following staffing structure will be developed over the 2003/4 year:



The staffing needs of the Guardians will evolve over time as the complexity of the Fund's investment portfolio increases. Future additions to the staff complement are most likely to be in the areas of best-practice research, and investment manager monitoring and relationships.

5. OPERATIONAL OBJECTIVES

5.1 Introduction

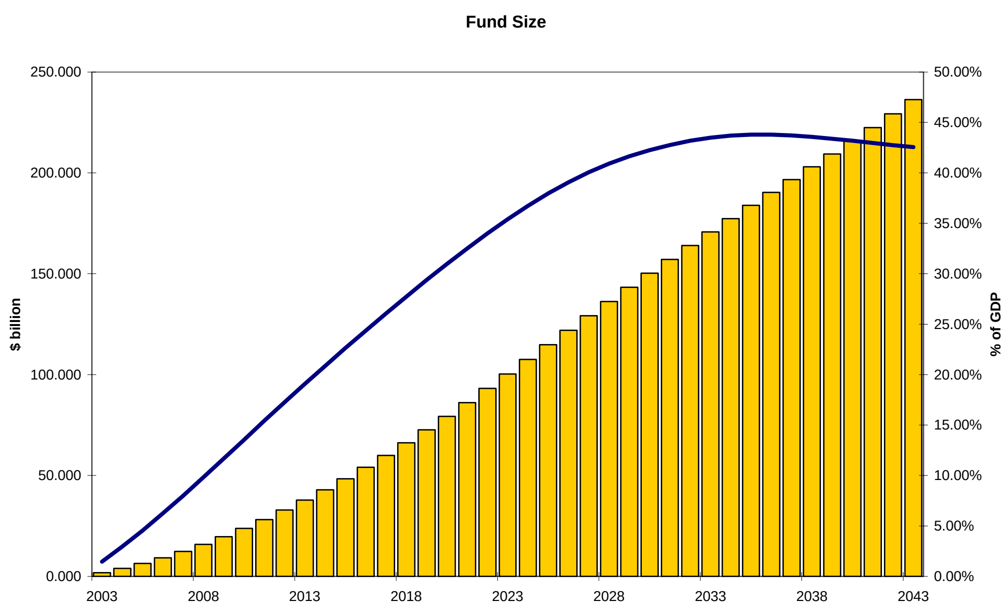
The task of managing the Fund, in accordance with the objectives laid down in the Act, poses a number of challenges to the Guardians. While valuable insight can be gained from reviewing the experience of other large investment vehicles, the Fund has some unique characteristics which require it to develop its own responses. These include:

- The large size of the Fund relative to domestic capital markets;
- The very long-term nature of the Fund; and
- The requirement to avoid prejudice to New Zealand's reputation.

The Fund will rapidly become the largest single pool of long-term savings in New Zealand. To illustrate that, the following graph plots the evolution of the Fund over the next 40 years.[1] The bars on the chart show the size of the Fund in nominal dollar terms, the line shows the size of the Fund compared to projected GDP. Selecting a few points from the chart reveals:

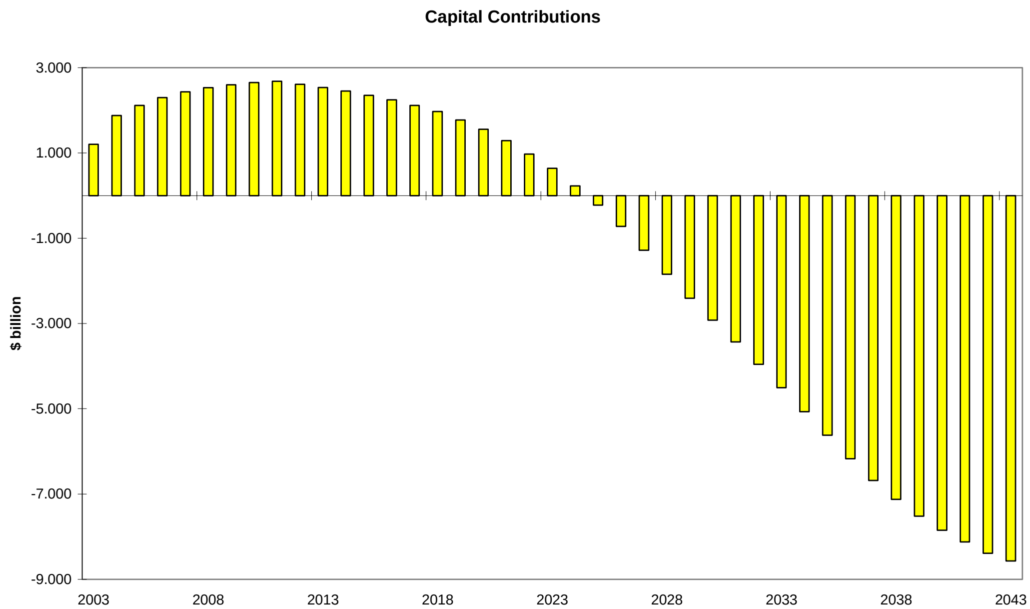
	Years ending 30 June					
	2003	**2008**	**2013**	**2023**	**2033**	**2043**
$billion	1.9	15.9	37.8	100.3	170.7	236.3
% of GDP	1.5	9.8	19.1	35.4	43.5	42.6

In % of GDP terms, the Fund will peak around 2035 at about 44% of GDP. To put that in perspective, that is about 25% more (as a percentage of GDP) than the total value of shares currently listed on the New Zealand stock exchange. It is about twice the value of New Zealand Government bonds currently on issue.



[1] *New Zealand Superannuation Fund model – updated for the 2003 budget – NZ Treasury.*

The Fund is, by nature, a very long term investor. By design, the model used to determine capital contributions to the Fund aims to smooth the costs of New Zealand Superannuation over rolling 40 year periods. No withdrawals can be made from the Fund before 30 June 2020. After that time, capital withdrawals will remain small relative to the size of the Fund, and therefore the Fund will continue to grow in nominal terms well into next century.



The bars on the above chart show the capital contributions (then withdrawals) in nominal dollar terms. It can be noted that, on current projections, capital withdrawals will not start until 2025.

As noted above, the Guardians have a statutory requirement to ensure that, in managing the Fund, they avoid prejudice to New Zealand's reputation as a responsible member of the world community. That is a subject that the Board is exploring and is discussed in section 5.2.

In order to work towards the Guardians general objectives, expressed in section 3, the Board has set a number of performance targets for the 2003/4 year. These are set out in the remainder of this section.

5.2 Establishing the Fund's investment portfolio

Best-practice portfolio management requires, among other things, building an investment portfolio that is best suited to the requirements of the Fund. Because of the very long term nature of the Fund, a wide range of asset classes can be considered including those that are somewhat illiquid or have return characteristics that are skewed towards long-term investors.

Maximising return to the Fund without undue risk to the Fund as a whole also requires a widely diversified portfolio. While individual assets, or even classes of assets, might have returns that are highly volatile, the job of portfolio management is to combine those assets in a way that lowers overall risk. Considering the long term, or strategic, asset allocation of the Fund has been the focus of the Guardians over the second half of the 2002/3 year. Considering the strategic asset allocation of the Fund will always be a vital function for the Guardians and so therefore work on that issue never stops, however, work on establishing a starting position for the Fund is expected to be concluded by July 2003.

Over the 2003/4 year, the major task facing the Guardians will be the appointment of external fund managers to manage the Fund's assets. While the initial construction of the Fund's portfolio has not yet been finalised, managers will be required in, at least, the following specialisations:

- New Zealand shares
- New Zealand bonds
- International shares
- International bonds
- Property
- Cash management
- Currency

In some, if not all, of those asset classes the Guardians is likely to engage more than one manager. Investment management is characterised, particularly in global markets, by specialisation. For example, global share managers might specialise in: growth or value stock selection; large, medium, or small capitalisation stocks; emerging market stocks; or sector specific stocks. Bond managers might specialise in: sovereign bonds; high grade credit bonds; mortgages; high yield bonds; or emerging market bonds.

It is expected that, over time, the Guardians will engage somewhere between 20 and 30 managers to invest those assets. It will be guided by expert external research and advice in the selection of those managers and it is likely that for each manager selected another two would have been closely considered.

An priority, however, is the preparation of an initial statement of the investment policies, standards and procedures used by the Guardians. This statement will be reviewed at least annually.

Performance targets

By 30 September 2003, prepare initial Statement of Investment Policies, Standards, and Procedures.

By 30 September 2003, commence investment of the Fund's assets with initial manager appointments for at least New Zealand shares and bonds, international shares and currency management.

By 31 December 2003, complete appointment of an additional 5 to 10 managers, including an allocation to managers of property and international bonds.

By 30 June 2004, complete appointment of inaugural managers for the above asset classes.

In addition to the asset classes set out above, there are a range of other assets and strategies, both within New Zealand and globally, that are used to add value to long-term portfolios. Those include:

- Real assets (e.g. forestry and other commodities)
- Private equity
- Infrastructure financing
- Absolute return strategies

In those classes the degree of specialisation is often even more pronounced and there is considerable work ahead identifying how they might be best used to enhance return and reduce risk. Even though the Fund grows rapidly, it may still be some years until it is of a sufficient size that it can narrow manager selection down to particular sub-specialisations. In the interim, options such as "funds of funds" might represent an appropriate way for the Fund to obtain exposure to additional asset classes.

Performance Targets

By 31 March 2004, complete initial research into the risk and return characteristics of additional asset classes and how they might best be used in the Fund.

By 30 June 2004, complete initial research into relevant asset manager universes, including sub-specialisations.

The Fund will consist of a complex array of assets managed by a large number of external managers. For that reason, and consistent with best-practice, the Guardians will appoint a master custodian whose functions will include:

- Safekeeping of the assets
- Reporting to the Guardians on:
  - Assets held by individual managers and in total;
  - Performance of individual managers and the Fund as a whole; and
  - Compliance of individual managers with their investment mandates;
- Maintaining tax and accounting records for the Fund.

Performance Targets

By 31 August 2003, appoint Master Custodian.

By 30 September 2003, test reporting and record keeping arrangements with Master Custodian.

5.3 Establishing Policies to Manage Reputation Risk

Ranking equally with the best practice and return maximisation (without undue risk) requirements is the duty to avoid prejudice to New Zealand's reputation as a responsible member of the world community. Because of that equal ranking, the Guardians cannot start investing the Fund until it has formed a view as to which investments might prejudice New Zealand's reputation.

As this duty has been placed, in one form or another, on other New Zealand Crown agencies there is an opportunity to find a common ground with those agencies. The question of what affects New Zealand's reputation is a complex one that goes beyond how the Fund operates (like entering into contract negotiations in good faith) to what the Fund invests in. The answers are not black and white and will change over time.

Given the factors discussed above, the Guardians needs to adopt an especially thorough and diligent process as it prepares to meet its obligations to manage and administer the Fund. The Guardians believes that the quality of the process it adopts is far more important than the speed with which it is undertaken and therefore wishes to ensure that it has adequate opportunity to fully consider the issues.

Performance Targets

By 30 September 2003, 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.

In addition to the 'avoiding prejudice' requirement, and as part of its Statement of Investment Policies, Standards and Procedures, the Guardians must develop ethical policies, standards and procedures. The two requirements are complementary but not identical as an investment might be considered unethical by some even though New Zealand's reputation is not prejudiced as a result of the Fund holding that investment.

There are a wide range of ethical investment options for consideration. Whichever approach is ultimately adopted for the Fund, the Board is aware that this is an area in which individuals and organisations have firmly held views.

Performance Targets

By 30 September 2003, establish interim ethical policy for inclusion in initial Statement of investment policies, standards and procedures.

By 30 June 2004, undertake further analysis of approaches to ethical investment.

5.4 Ensuring excellence in governance and management processes

The Guardians is a Crown Entity and therefore a public body. The Board is aware that there is an expectation that public authorities are prudent in the manner in which they conduct their affairs. However, the Board must balance the need to contain costs with the need to obtain the very best advice possible. That is reinforced by the statutory requirement to manage the Fund in a manner consistent with best-practice – second best is not an option.

The Guardians is the governing body for the Fund. Because of the unique characteristics of the Fund, there are few benchmarks available to determine the most efficient governance of the Fund. The research the Guardians is currently undertaking into other funds around the world, together with discussions with global benchmarking agencies in this field, will progress this objective.

As the complexity of the Guardians' operations grows, and the number of its relationships with advisors, investment managers and the custodian increases, the Board will need to develop a number of key performance indicators to assess how efficiently the Guardians is undertaking its business.

Performance Targets

To operate at all times within the budget appropriated by Parliament

By 31 March 2004, complete interim benchmarking analysis with other funds.

By 31 March 2004, develop a full business plan with key performance indicators for use across the Guardians business.

5.5 Communicating with stakeholders

The Fund is the property of the Crown and the Minister of Finance is the minister responsible for it and the Guardians. The Minister has the power to issue directions to the Guardians regarding the Government's preferences as to the risk and return characteristics of the Fund. The Board must consider (but does not have to implement) any such directions. The Minister, as the Crown's representative is therefore a key stakeholder and the Guardians must ensure that he is fully informed of the operation of both the Guardians and the Fund.

The property of the Crown, though, is the collective property of all New Zealanders and the performance of the Fund has the potential to affect the financial well-being of all New Zealanders. All New Zealanders are therefore key stakeholders too.

The Fund will be a significant force in the New Zealand investment markets and a number of participants in those markets are likely to be directly engaged with the Guardians. They too are significant stakeholders.

The Fund will consist of a complex mix of assets and, while there will be a focus on avoiding undue risk, investment portfolios always comprise risk. The Board believes that the Guardians has a duty to explain the activities of the Fund, the return potential of the Fund and the risks inherent in the Fund, in an as open and honest manner as commercial sensitivities allow. To assist in that communication the Guardians is required to prepare and publish public accountability documents including the Annual Statement of Intent and an Annual Report, which must include the Statement of Investment Policies, Standards and Procedures.

But just as investment markets are dynamic, communication with stakeholders must be both proactive and responsive. To date the Board has followed a policy of issuing regular media releases on its progress in establishing the Guardians and preparing to invest the Fund – those will continue. Moving beyond those, the Guardians will establish a comprehensive website that will aim to provide an insight into its investment activities and the Fund's performance. In addition the Guardians will engage actively with those organisations with a commercial or public policy interest in the Fund.

Performance Targets

Report quarterly, or as otherwise required, to the Minister of Finance.

Publish informative public accountability documents in a timely fashion.

By 31 December 2003, launch Fund website.

Actively engage with organisations interested in the Fund's activities.

5.6 Creating a "centre of excellence"

The Board is conscious that management of the Fund will have implications that flow well beyond the returns generated. This is particularly so in New Zealand as the approach adopted by the Guardians may well set standards for other investors.

Given the projected size of the Fund, and its purpose, it is also likely that its activities will attract international attention. The Board expects that the Guardians will, over time, be a significant contributor to the investment debate and will earn the respect of its peers around the world for the calibre of its thinking and processes.

The quality of the decisions the Board takes will depend on the quality of the advice it receives. That advice will come from two sources, external advisors and internal staff. As well as generating independent advice, staff will be charged with identifying best-in-field external advisors. The Board, therefore, places considerable emphasis on engaging top-quality advice. The Board's expectation is that the return on the investment in high quality internal staff, and respected external advisors, will be a large multiple of the cost.

Creating a centre of excellence requires examining how other similar businesses are managed and learning from their experience. Funds that have been identified for further evaluation at this stage are:

- Irish National Pensions Reserve Fund
- Canada Pension Plan
- French Pension Plan
- Norwegian Petroleum Fund
- Ontario Teachers Pension Plan
- Harvard Endowment Fund
- Yale Endowment Fund

The Board's objective of creating a "centre of excellence" encapsulates the statutory requirement to manage the Fund in a manner consistent with best-practice portfolio management.

Performance targets

Attract and retain high quality staff to assist the Guardians to meet its objectives.

Foster working contacts with at least 10 comparable funds, and complete an analysis of their management practices and experiences by 30 June 2004

6. FUND PERFORMANCE EXPECTATIONS (modified December 2003)

Section 65(a) of the Act requires the Guardians to include in this Statement of Intent "*a statement of the board's expectations about the performance of the Fund over the next financial year, in sufficient detail to enable meaningful assessment against those expectations after the end of the financial year*".

The Fund has a very long-term investment horizon. For that reason the Board will focus on long term return objectives. To do otherwise would skew decision making towards the short-term. As a general rule, the Board does not propose to forecast investment returns over any one year period and the best estimate of investment returns over any financial year is the average of expected returns over the next 20 years.

At the reporting date in June 2003, the Board was in the process of considering the asset allocation of the Fund. Without that review being completed, it was acknowledged that no meaningful estimate of investment performance could be made and, accordingly, it was agreed that this would be submitted after the investment structure had been determined.

With the finalisation of the asset allocation of the Fund in mid August, and the commencement of the process to appoint and fund investment managers underway during the last quarter of the 2003 calendar year, this estimate has been made in December 2003.

On 30 September 2003, the Treasury delivered a portfolio of Treasury Bills to the Guardians with a market value of $2,402 million. This represented the contributions set aside during the 2001/2 and 2002/3 financial years plus the first quarter of the 2003/4 financial year. The Board has assumed responsibility for the management of these assets, plus regular contributions, from 1 October onwards.

The Board resolved that the Treasury Bills would be transitioned to the asset classes identified in the strategic asset allocation gradually over the 2003/4 year with the expectation that this process would be substantially completed by June 2004. While the aim is to achieve this transition on a smooth basis over the period, it is recognised that it will be subject to the appointment of appropriate investment managers in relevant asset classes. The strategic asset allocation, based on a 20 year view of investment markets and the Fund's ability to invest in them, is as follows:

Asset Class	Proportion of Total Assets
New Zealand Equities	7.5%
New Zealand Fixed Interest/ Cash	10%
International Equities	59.5%
International Fixed Interest	10%
Other Growth Assets	13%

For the total fund, the Board has set a performance objective of exceeding the risk free rate of return (measured as the return on Treasury Bills) by an average of at least 2.5% per year over rolling 20 year periods. The Board will also manage the Fund to achieve this return over rolling five year periods but it recognises that there is less certainty that this will be achieved over this shorter period than over the longer term.

The Board's expectations are that each year the combined performance of the investment managers in each asset class will exceed the combined performance of the relevant benchmarks for those asset classes.

In this first year of investing, with the portfolio significantly weighted to cash for much of the year and the transition program heavily influenced by the timing of the investment manager appointment process, performance expectations are derived by a combination of applying the return expected from Treasury Bills and applying the average long term expected returns from each asset class as funds are allocated to managers in these sectors. As a result of the heavy weighting to Treasury Bills, it is not expected that the Fund will achieve the margin of outperformance over the risk free rate of return in the first year.

7. RISKS TO THE PERFORMANCE OF THE FUND (modified December 2003)

Section 65(b) of the Act requires "*a statement of the key risks to the performance of the Fund over the coming year and the actions being taken by the board to manage those risks*". The Board has set a strategic asset allocation based on the expected performance of investment markets over the next 20 years. This includes expected annual average performance of each asset class but it is acknowledged that there will be significant variation in returns from each asset class from year to year.

The Board has sought to reduce the impact of this through diversifying the Fund into a range of asset classes. The aim of a diversified portfolio is to reduce the risk attributable to an individual security or to a class of securities, but those risks are not eliminated. As a long-term investor, the Guardians will not focus on short-term fluctuations in the value of investments. It will, however, review its long-term strategy as evolving market conditions dictate.

The following specific risks are identified:

Risk	**Actions to Manage**
Poor performance of investment managers relative to assigned benchmarks.	Carefully select investment managers based on demonstrated ability.
	Diversify among managers.
	Tailor investment mandates closely to observed skills of managers
	Closely monitor manager performance and style.
	Use investment contracts which provide for dismissal at the discretion of the Guardians.
Overall investment management risk	Use specific investment manager mandate for each manager based on best- practice portfolio management.
	Impose constraints to govern credit and liquidity risks.
	Use custodian to monitor transactions, report on performance and monitor compliance of managers with mandates.
	Develop a comprehensive Statement of Investment Policies, Standards and Procedures.
Operational risk	Maintain a clear separation of functions between investment management, custody and overall supervision with clearly delegated authorities.
Investment strategy and asset allocation is inappropriate in terms of emerging market conditions.	Review the Statement of Investment Policies, Standards and Procedures annually.
	Maintain a continual research program and contest and review advice.

8. Financial Management

The Guardians and Fund accounts are to be maintained and reported in accordance with the Act and the Public Finance Act 1989.

Section 52 of the Act states that the expenses of the Guardians must be met out of money appropriated by Parliament for that purpose.

Section 41(2)(b) of the Act provides for money to be paid out of the Fund to meet any obligation that is directly related to the operation of the Fund.

The costs of investment managers and custodians are also to be met directly from the Fund as provided for in section 41(2)(a) of the Act. Those costs are not included in this Statement because the configuration of investment managers, and therefore knowledge of their charges, has not yet been determined.

After consultation with the Minister of Finance, the Board has agreed that the quantum of all expenses that could be met in accordance with either section 52 or section 41(2)(b) of the Act will be agreed upon with the Minister and an appropriation set accordingly. If any expenses are deemed by the Board to be properly charged to the Fund under section 41(2)(b) then the amount actually appropriated under section 52 will be reduced accordingly.

The operating expenses appropriation agreed for the year to 30 June 2004 and for each subsequent year is $3.000 million. Appropriations are subject to GST and therefore the annual amount net of GST is $2.667 million.

In the year to 30 June 2003 the operating expenses appropriation was $2.099 (net of GST). In addition the Guardians received an appropriation for working capital of $0.300 million. Some of the operating expenses appropriation will remain unspent as at 30 June 2003 but that reflects the timing of certain elements of the establishment phase both for the Guardians and for the Fund. The Board anticipates fully spending the residual of that appropriation in the year to 30 June 2004 in addition to the appropriation determined for that year.

The Board anticipates that it might need to revisit its expense estimates (for the year to 30 June 2004 onwards) as its experience with implementing best practice obligations grows.

9. FORECAST FINANCIAL STATEMENTS FOR THE GUARDIANS OF NEW ZEALAND SUPERANNUATION

Projected statement of financial performance

Years ending 30 June

Original Forecast 2003 $000	Revised Forecast 2003 $000		Forecast 2004 $000	Forecast 2005 $000	Forecast 2006 $000
2,099	2,099	Appropriation for operating expenses	2,667	2,667	2,667
40	30	Interest	20	20	20
2,139	**2,129**	**Total revenue**	**2,687**	**2,687**	**2,687**
836	623	Employee costs	1,315	1,270	1,302
107	26	Travel and communication	164	167	169
72	41	Office Rental	108	144	144
40	21	Stationery and office materials	62	63	64
11	3	Information	33	33	33
860	582	Professional Fees	1,320	687	649
183	188	Board member fees and expenses	252	254	256
27	10	Depreciation	67	67	67
2,136	**1,494**	**Total expenses**	**3,321**	**2,685**	**2,684**

Projected statement of financial position

Years ending 30 June

Original Forecast 2003 $000	Revised Forecast 2003 $000		Forecast 2004 $000	Forecast 2004 $000	Forecast 2005 $000
		Current assets			
14	664	Cash	1	3	6
		Fixed Assets			
100	80	Computer Equipment	100	100	100
200	200	Furniture & Fittings	200	200	200
314	**964**	**Total assets**	**301**	**303**	**306**
		Current liabilities			
12	9	Provisions and accruals	0	0	0
302	**935**	**Net assets**	**301**	**303**	**306**

Projected statement of cash flows

Years ending 30 June

Original Forecast 2003 $000	Revised Forecast 2003 $000		Forecast 2004 $000	Forecast 2005 $000	Forecast 2006 $000
		Cash flows from operating activities			
		Cash was provided from:			
2,099	2,099	Appropriation for operating expenses	2,667	2,667	2,667
300	300	Appropriation for working capital	-	-	-
		Cash was disbursed to:			
2,097	1,475	Operating expenses	3,263	2,618	2,617
327	290	Capital Expenditure	87	67	67
-26	**634**	**Net Cash flows from operating activities**	(683)	(18)	(17)
		Cash flows from investing activities			
		Cash was provided from:			
40	30	Interest on current account	20	20	20
-		*Cash was applied to*:	-	-	-
40	**30**	**Net Cash flows from investing activities**	20	20	20
14	664	Net (decrease) increase in cash held	(663)	2	3
0	0	Opening cash brought forward	664	1	3
14	**664**	**Closing cash balance**	**1**	**3**	**6**

Statement of accounting policies

1 Reporting entity and statutory base

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

The Fund was established by section 37 of the Act. Until such time as the Guardians is ready to invest the Fund the accumulated contributions are being held by the New Zealand Debt Management Office. A separate financial report has been prepared for the Fund showing the accumulated contributions receivable.

2 Measurement basis

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

The financial statements are prepared on the historical cost basis. The reporting currency is in New Zealand dollars.

3 Particular accounting policies

The following particular accounting policies, which significantly affect the measurement of financial performance, financial position, and cash flows, have been consistently applied:

(a) Goods and Services Tax

The Guardians is subject to GST on the revenue received by way of appropriation for operating expenses and can recover GST on expenses incurred. These statements are accordingly prepared exclusive of GST.

(b) Income Tax

As a public authority the Guardians is exempt from income tax.

(c) Statement of cash flows

The statement of cash flows has been prepared using the direct approach.

(d) Fixed Assets

Fixed assets are shown at cost less accumulated depreciation. These assets are depreciated over their estimated economic lives which range from three to five years.

4 Changes in accounting policies

There are no changes in accounting policies.

10. FORECAST FINANCIAL STATEMENTS FOR THE NEW ZEALAND SUPERANNUATION FUND (modified December 2003)

These estimates have been revised in December 2003 to reflect estimates of investment performance once the investment strategy was confirmed and contributions to the Fund were transferred to the control of the Guardians of New Zealand Superannuation. The estimated investment income is based on the expected timetable for the transition of assets from Treasury Bills to market linked securities, and the long term expected returns for each asset class.

Projected statement of changes in net assets

For the year ending 30 June 2004

Actual 2002 $m	Forecast 2003 $m		Forecast 2004 $m
		Increase in assets from:	
-	-	Investment Revenue	182
		Taxation on investment revenue	(60)
616	1,268	Capital Contributions	1,910
616	1,268	**Net increase(decrease) in net assets**	2,032
0	616	Opening net assets	1,884
616	**1,884**	**Net assets**	**3,916**

Projected statement of net assets

As at 30 June 2004

Actual 2002 $m	Forecast 2003 $m		Forecast 2004 $m
-		**Investments**	3,916
		Other assets	
616	1,884	Accrued capital contributions held by the New Zealand Debt Management Office	-
616	1,884	**Total assets**	3,916

Statement of accounting policies

1 Reporting entity and statutory base

The New Zealand Superannuation Fund ("the Fund") was established by section 37 of the New Zealand Superannuation Act 2001 (the Act).

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

Annual capital contributions are to be made by the Government into the Fund for investment for the purpose of paying New Zealand superannuation.

Until the Fund is in a position to make investments, capital contributions accruing to the Fund will not be paid over to the Fund. Capital contributions have been set aside at the New Zealand Debt Management Office. The Fund currently earns no income. Additional capital contributions will be transferred into the Fund in due course to recognise the delay in paying the capital contributions into the Fund.

2 Measurement base

These financial statements have been prepared as required by section 65(c) of the Act.

The financial statements are prepared on the historical cost basis. The reporting currency is in New Zealand dollars.

3 Changes In Accounting Policies

There are no changes in accounting policies.