



Security Mutual Fund

Prospectus

22 December 2011

Statutory Index

Clause*:	Page
1 Description of scheme	3
2 Superannuation trustees	3
3 Managers, promoters, auditors, and advisers	4
4 Description of scheme and its development	5
5 Summary of financial statements	12
6 Guarantors	15
7 Acquisition of business or equity securities	15
8 Interested persons	15
9 Material contracts	15
10 Pending proceedings	15
11 Other terms of offer and scheme	16
12 Financial statements and actuarial and auditor's reports	16
13 Places of inspection of documents	19
14 Other material matters	19
15 Superannuation trustee's statement	21

*Clauses from Schedule 6 of the Securities Regulations 2009.

Security Mutual Fund

Prospectus

Date: 22 December 2011

The following sets out the information required by Schedule 6 of the Securities Regulations 2009. All legislation mentioned in this prospectus can be viewed online at www.legislation.govt.nz. Capitalised terms not defined in this prospectus have the meaning given to them in the Trust Deed.

1. *Description of scheme*

- (1) *The name of the scheme is* the Security Mutual Fund (‘**scheme**’).
- (2) The scheme is a defined contribution superannuation scheme registered under the Superannuation Schemes Act 1989. Under the scheme, contributions are made by the scheme members. Contributions are invested by or on behalf of the Trustee of the scheme. Benefits are payable to scheme members on or after the maturity date nominated by the member.
- (3) *The scheme was established in* 1971 in Auckland.

2. *Superannuation trustees*

- (1) *Name and address of the Trustee and the names and addresses of its directors*

Trustee

Mutual Superannuation Fund Limited
198 Federal Street
Auckland 1010

Directors

Gary Denis Lawless
44 Cliff Road
Torbay, Auckland 0630

Robin Michael Seal
4/67 Argyle Street
Herne Bay, Auckland

Richard Ernest Yates
1/452 Remuera Road
Remuera, Auckland 1050

Noel Barclay
42 Golf Road
Epsom, Auckland 1023

Maureen Heine
24 Bungard Road
Karakā, RD1, Auckland 2580

The directors may be contacted at the address of the Trustee and may change from time to time.

- (2) *The Trustee was incorporated* in Auckland, New Zealand under the Companies Act 1955 on 24 January 1969.
- (3) *A description of the extent, if any, to which the Trustee and its directors are indemnified by the scheme.* Under the Trust Deed which governs the scheme, neither the Trustee nor its directors are liable for any default or any loss arising out of its actions except in the case of wilful neglect.
- (4) Mutual Superannuation Fund Limited is the Trustee, manager, promoter, administration manager and investment manager of the scheme and as such the Trustee is not independent of the manager, promoter, administration manager and the investment manager.

3. Managers, promoters, auditors and advisors

- (1) *Name and address of administration manager, investment manager and promoter*

Mutual Superannuation Fund Limited is the administration manager, investment manager and promoter of the scheme. Its address is:
198 Federal Street
Auckland 1010

- (2) *Names of any registrar, custodian and auditors of the scheme; and any solicitors and other professional advisors.*

Registrar

Mutual Superannuation Fund Limited
198 Federal Street
Auckland 1010

Auditors

Christmas Gouwland and Co
Level 12
Citibank Centre
23 Customs Street
Auckland 1143

Solicitors

Kensington Swan
18 Viaduct Harbour Avenue
Auckland 1142

4. Description of scheme and its development

(1) The scheme is constituted and administered in accordance with a consolidated trust deed dated 21 December 2007 (the 'Trust Deed'). The Trust Deed is an umbrella trust deed which also governs the MSF KiwiSaver Scheme, established with effect from 21 December 2007. There have been no further amendments to the Trust Deed. The scheme and the MSF KiwiSaver Scheme are separate schemes.

(2) *A summary of the principal terms of the trust deed for the scheme*

(a) Membership of the scheme

- The purpose of the scheme is to provide superannuation benefits for Contributors (members) of the scheme.
- The scheme is divided into two sections, Division B and Division C. Division B is for individual Contributors and Division C relates to employer schemes. Membership in Division C is not being offered to the public.
- Any natural person may apply to join Division B of the scheme.
- The scheme is credited with contributions, interest and other earnings having regard to capital appreciation and depreciation and other gains. Losses and taxation, expenses for the management of the scheme, and benefit payments are debited to the scheme.
- An entrance fee is payable as a percentage of any lump sum payment (subject to the Trustee's discretion). For contributions:

	Entrance fee
Less than \$5,000	5%
\$5,000 or over up to less than \$10,000	3%
\$10,000 or over up to less than \$20,000	2.5%
\$20,000 or over up to less than \$40,000	1.5%
\$40,000 or over	1%

As at the date of this prospectus no such entrance fee is charged, however the Trustee has the ability to commence charging this fee at any time.

- For regular payments there is an entrance fee of 10% of the annual contribution (subject to Trustee's discretion), and 10% of any annual increase (subject to the Trustee's discretion), and a collection or accounting fee of 3% for monthly payments or 2% if less frequently than monthly.
- If a Contributor withdraws before the Nominated Retirement Date, the Trustee may impose an exit fee of 5% of the value of the benefit upon withdrawal if the withdrawal is within one year of the date contributions are first made, reducing to 0% after 5 years on a proportionate basis.
- If a Contributor paying by instalments has not paid any instalments for a period of six (6) months from the due date of payment, the Contributor ceases to be a Contributor and if the Contributor wishes to re-contribute to the scheme, the Contributor may (subject to the Trustee's discretion) be required to pay an entrance fee.
- A Contributor may, by request in writing to the Trustee, increase or decrease or discontinue contributions or defer payment of the Contributor's benefit. In the event of increase or deferral an additional fee or charge will be payable though the Trustee may waive that fee in respect of the amount of the increased contribution or amount of the benefit that is deferred.

- When a Contributor applies to join the scheme the Contributor shall (unless the Contributor is provided with an investment statement) be advised in writing of:
 - (i) The contributions payable. The trustee may set minimum contribution levels from time to time. As at the date of this prospectus, the minimum regular contribution is \$500 per annum and the minimum lump sum contribution is \$1,000. These can be paid by regular instalments or lump sum payments;
 - (ii) The charges or fees (if any) that the Contributor may have to pay in addition to contributions;
 - (iii) The Contributor's principal rights and benefits, including those upon the scheme being wound up;
 - (iv) Any circumstance which it would be reasonable to expect the Trustee to foresee in which, given the nature of the scheme, any benefit could be expected to reduce over time;
 - (v) Any circumstances which it would be reasonable to expect the Trustee to foresee in which, given the nature of the scheme, any Contributor could be expected to receive less from the fund than the contributions made by the Contributor;
 - (vi) The Contributor's right to request information under the Superannuation Schemes Act 1989.

The Contributor must be given a copy of the most recent annual report of the Trustee.

- A Contributor cannot transfer benefits in the scheme, whether by way of assignment or charge. On the death of a Contributor, the benefit passes to the personal representatives of the Contributor. Where permitted by law, any Contributor or Beneficiary who becomes bankrupt shall forfeit their entitlement to all the Contributor's Benefits. The Trustee may in certain circumstances pay a Benefit to any other person where the Beneficiary is below legal age or the Trustee decides it would be in the best interests of the Beneficiary.
- The Trust Deed does not provide for a transfer by a Contributor to another scheme.

(b) Payment of Assessed Shares

'Assessed Share' means a Contributor's share of the valuation of the scheme after deducting such amount as the Trustee considers appropriate for brokerage relating to assets comprised in the scheme taken as at the last balance date of the scheme less any establishment expenses not deducted and less any share of management expenses not recovered, the Contributors' share to be determined having regard to the amount to which the contributions and other amounts paid and deemed to be paid into the scheme by and in respect of such Contributor.

- The investment is not available to the Contributor unless the Contributor:
 - (i) Dies
 - (ii) Suffers permanent incapacity (as defined in the Trust Deed)
 - (iii) Leaves New Zealand permanently to reside overseas
 - (iv) Attains the Contributor's Optional Retirement Date
 - (v) Attains the Contributor's Nominated Retirement Date.
- Upon a benefit being paid from the scheme to or in respect of a Contributor, that Contributor shall cease to be a Contributor.
- The Trustee may deduct taxation payable from any benefit payable. Under current taxation laws benefits paid are not subject to taxation except as provided in paragraph 14.
- Upon a Contributor's Optional Retirement Date and making a request in writing the Contributor's Assessed Share shall be paid to the Contributor as a lump sum.

- Upon a Contributor's Nominated Retirement Date, a Contributor may by notice in writing to the Trustee, exercise one or more of the following options in respect of his or her Assessed Share:
 - (i) Have the Assessed Share paid in cash; or
 - (ii) Have the Assessed Share applied to purchase a life annuity; or
 - (iii) Have the Assessed Share paid partly in cash and the balance used to purchase a life annuity; or
 - (iv) Have the Assessed Share paid to a recognised reputable life insurance company approved by the Trustee for the purchase of a life annuity for the Contributor with or without a guarantee of payment for a minimum term; or
 - (v) Have the Assessed Share paid to a recognised reputable life insurance company approved by the Trustee for the purchase of a life annuity payable to the Contributor during the Contributor's life time, with or without a guarantee of payment for a minimum term and upon death to the Contributor's surviving spouse for life.

The Trustee must give effect to the election within two calendar months of receipt of the notice.

- If the Trustee is satisfied a Contributor has permanently emigrated from New Zealand, the Contributor's Assessed Share shall be paid as a lump sum. The Trustee must pay the amount within two calendar months of receipt of the Contributor's notice.
- Where a Contributor has suffered Permanent Incapacity, the Contributor's Assessed Share shall be payable by lump sum or by instalments to or for the benefit of the Contributor or the Contributor's Dependents as the Trustee may determine.
- Upon death, the Contributor's Assessed Share is payable to the legal personal representative of the Contributor, or to or for the benefit of Dependents.

'Nominated Retirement Date' means in respect of a Division B Contributor the retirement date selected by the Contributor and in the case of a Contributor who commenced contributions before 5 November 1999 being not earlier than the sixtieth anniversary of the Contributor's birth.

'Optional Retirement Date' refers to a Division B Contributor who commenced contributions before 5 November 1999 and means the sixtieth anniversary of the Contributor's birth.

(c) Information available to Contributors

- Each Contributor shall
 - (i) be given, within five months of the close of each fund year, a copy of the annual report of the Trustee; and
 - (ii) On request:
 - (a) Receive an estimate of the Contributor's benefits;
 - (b) Be entitled to look at a copy of the Trust Deed or any actuarial report and to receive a copy of the Trust Deed;
 - (c) Be entitled to receive a statement of the assumptions and bases of calculation applied in determining the value of assets and liabilities of the scheme for any actuarial report or for determining the benefits that a Contributor is proposing to change benefits and where there have been different assumptions or bases of calculation, the reasons for those differences.

(d) Investment of Contributions

- The Trustee may invest the whole or any part of the trust funds of the scheme in accordance with the provisions of the Trustee Act 1956. The Trustee and any investment manager must exercise the care, diligence and skill required under the Trustee Act 1956.
- The Trustee may use a custodian trustee and delegate powers as it thinks fit.
- The Trustee has the power to borrow money on terms, including granting of security, as it thinks fit, but the aggregate of borrowings may not exceed 30% of the net tangible assets of Division B of the scheme.
- If any assessed interest or benefit accrued is unclaimed for six years, and the Trustee has taken steps to locate the Contributor, the money is forfeited and forms part of the scheme.

(e) Alteration of Trust Deed

- The Trustee may from time to time and subject to any applicable legislation amend the Trust Deed, so long as it does not:
 - (i) Vary the main purpose of the Trust Deed;
 - (ii) Do so without the written consent of all Contributors who would be adversely affected where the amendment would:
 - (a) Remove any right of the Contributors or other beneficiaries to participate in the management of the scheme; or
 - (b) Increase the contributions, fees or charges payable by any Contributor; or
 - (c) Reduce or adversely affect the benefits that may arise from membership up to the date of the amendment; or
 - (d) Provide for the reversion of any assets of the scheme to any employer to any greater extent than already provided for in the Trust Deed.
- Every alteration to the Trust Deed shall be notified in writing to the Contributors by the Trustee as soon as practicable after the date the alteration becomes effective.

(f) Payment of expenses to Trustee or manager

- **Mutual Superannuation Fund Limited provides trustee and fund management services to the scheme.**

The Trustee may recover the following expenses from the scheme:

- (i) The expenses of managing the scheme;
- (ii) The fees, commission or other amounts payable to any delegates, including any sales personnel of the scheme;
- (iii) The remuneration of the directors and other officers of the Trustee and any other person, firm or corporation providing services for the Trustee and the scheme.

(g) Winding up the scheme

- The Trustee may resolve to wind up the scheme. The assets of the scheme shall be realised, the liabilities and expenses incurred shall be discharged, and the balance shall be divided in an equitable manner by the Trustee. The Trustee may pay the Assessed Share to the Contributor in accordance with the Trust Deed. The Trustee may distribute assets in specie.

(h) The Trustee of the scheme

- The Trustee may delegate any powers, duties, discretions to any person or company, provided due diligence and caution is exercised. The Trustee is not liable for any loss arising from the actions of the delegate.
- The Trustee may retire upon giving one month's written notice to the Contributors, but before retiring the Trustee must appoint a suitable successor by deed.
- Neither the Trustee nor any management company is liable or responsible for any default or act or for any costs, damages, claims or actions suffered by or loss arising out of or in respect of the scheme, or the conduct, management or administration of the scheme unless the loss or default is attributable to their wilful neglect or default.
- The balance date of the scheme is 30 June in each year and the Trustee is responsible for the preparation of financial statements. Such financial statements must include a revenue account and a balance sheet. The annual financial statements shall be audited by an auditor appointed by the Trustee.
- The Trustee at least 6 monthly must value the assets of the scheme and each Contributor's Assessed Share, (including registered valuer's valuation of land every 3 years, value mortgages at the amount expected to be recovered, and value government and listed securities based on advice from a Stock Exchange member).
- Within 5 months of the balance date, the Trustee must prepare and submit a report on the scheme to the Financial Markets Authority, and advise the Financial Markets Authority of the scheme to which any Contributor's benefits have been paid. The Trustee shall forward a copy of the report to every Contributor.
- The Trustee keeps and maintains a register of members of the scheme.
- The Trustee may act on the advice of any professional person or expert and is not responsible for any loss caused by acting in good faith.

(3) A brief description of the investment and other activities of, and any material developments relating to the scheme during the five (5) years preceding the date of registration of this prospectus.

During the last five years, under its investment policy, the scheme has invested in a combination of international and local shares, international and local fixed interest securities and cash. No major change in this policy is envisaged. On 21 December 2007 a deed of amendment and consolidation of the original trust deed dated 5 November 1999 was executed. That deed established the MSF KiwiSaver Scheme and converted the trust deed into an umbrella deed governing both the scheme and the MSF

KiwiSaver Scheme. This involved a restructuring of the trust deed, with the Trustee taking the opportunity to update a number of administrative provisions of the trust deed, including the consequential amendments to reflect the MSF KiwiSaver Scheme membership. The scheme became a portfolio investment entity (PIE) on 1 July 2008.

(4) A statement as to whether any liabilities may be incurred by members in relation to the scheme and, if so, whether there are any limitations on those liabilities.

No liabilities (including contingent liabilities) may be incurred by Contributors to the scheme other than in respect of contributions payable under the scheme, and fund withdrawal tax referred to in paragraph 14 of this prospectus. There is also a potential tax liability if a Contributor wrongly claims a lower prescribed investor rate that he or she is entitled to claim.

(5) A description of the investment objectives and policy for the scheme and of the means by which changes can be made to those objectives and that policy

The investment objective of the scheme is to achieve positive rates of return to meet the benefits to be paid. Under the investment policy, all contributions paid to the scheme and reinvestment of all interest, dividends, bonuses and other accretions to the scheme (whether income or capital) are made in international and local shares, international and local fixed interest securities and some cash. The Trustee intends to continue this investment policy. Under the Trust Deed the Trustee has the power to vary the investments.

Asset class	\$000	Holdings at 30
		June 2011
International shares	845	37%
New Zealand shares	666	29%
Fixed interest securities	652	29%
Cash	10	0%
Other	121	5%
Total	2,294	100%

The Trust Deed has no provision which allows for any alteration of the objective of the scheme. No amendment to the Trust Deed which would have the effect of reducing, postponing or otherwise adversely affecting the benefits to contributors can be made without the written consent of every contributor who would be adversely affected by the amendment.

(6) A description of the investment performance of the scheme during each of the five years preceding the date of registration of this prospectus and the basis on which the performance information has been calculated.

The following are the audited percentage returns gross of tax, fees and expenses of the scheme during the five years preceding the date of this prospectus.

Year	2011	2010	2009	2008	2007
Return %	12.39%	9.68%	(5.08%)	(8.95%)	14.72%

The returns shown above include all rents, dividends and interest received, expressed as a percentage of Net Assets Available to Members.

5. Summary of financial statements

A financial statement in summary form in respect of the scheme for the year ended 30 June 2011 and the four preceding years.

Statement of Comprehensive Income

	NZIFRS 2011	NZIFRS 2010	NZIFRS 2009	NZIFRS 2008	NZIFRS 2007	Previous NZ GAAP 2007
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Operating activities						
Interest and dividend income	119	122	134	152	159	159
Net investment revenue	119	122	134	152	159	159
Operating expenses						
Administration	70	32	21	10	19	19
Audit fees	10	11	11	10	9	9
General	-	-	-	-	1	1
Trustees fees	15	15	15	15	20	20
	95	58	47	35	49	49
Operating surplus	24	64	87	117	110	110
Non operating income and expenses						
Change in net market value of investments	159	91	(164)	(372)	296	296
Gain/(loss) on sale and maturity of investments	6	(4)	(80)	(10)	51	51
	165	87	(244)	(382)	347	347
Net surplus before membership activities and before tax	189	151	(157)	(265)	457	457
Taxation expense	-	(51)	53	115	(273)	(273)
Net surplus/(deficit) before membership activities and after tax	189	100	(104)	(150)	184	184

Statement of Financial Position

	NZIFRS	NZIFRS	NZIFRS	NZIFRS	NZIFRS	Previous NZ GAAP
	2011	2010	2009	2008	2007	2007
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Assets						
Current assets						
Cash at bank	4	17	20	1	11	11
Funds on deposit	6	16	13	46	107	107
Interest receivable	11	10	8	10	8	8
Other receivables	2	3	88	-	-	-
Income tax receivable	108	-	-	-	-	-
Term deposit	-	100	-	-	-	-
	131	146	129	57	126	126
Non current assets						
Equity investment	1,511	1,488	1,380	1,935	2,774	2,774
Fixed interest investments	652	660	722	762	919	919
Deferred tax	-	-	49	-	-	-
Total non current assets	2,163	2,148	2,151	2,697	3,693	3,693
Total assets	2,294	2,294	2,280	2,754	3,819	3,819
Liabilities						
Current liabilities						
Accounts payable	3	5	25	8	12	12
Provision for tax	-	130	89	26	29	29
Deferred tax	-	-	-	149	340	340
Total current liabilities	3	135	114	183	381	381
Total liabilities	3	135	114	183	381	381
Net assets available to members	2,291	2,159	2,166	2,571	3,438	3,438

Statement of Changes in Members Account

	NZIFRS	NZIFRS	NZIFRS	NZIFRS	NZIFRS	Previous NZ GAAP
	2011	2010	2009	2008	2007	2007
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
MEMBERSHIP ACTIVITIES						
Members' contributions	34	32	30	130	670	670
Members' withdrawals	(91)	(139)	(331)	(847)	(268)	(268)
Net membership activities	(57)	(107)	(301)	(717)	402	402
Net surplus (deficit) before membership activities and after tax	189	100	(104)	(150)	184	184
Opening balance	2,159	2,166	2,571	3,438	2,852	2,852
Closing balance	2,291	2,159	2,166	2,571	3,438	3,438

Note 1: New Zealand Equivalents to International Financial Reporting Standards (NZIFRS) was adopted in the year commencing 1st July 2007. Years prior to 2007 are shown under previous NZ Generally Accepted Accounting Practice (Previous GAAP).

Financial statements for all periods presented have been prepared and comply with Generally Accepted Accounting Practice in New Zealand.

The scheme's financial statements for the year ended 30 June 2008 were the first that complied with NZIFRS. In adopting NZIFRS the Fund has applied for NZIFRS 1 which requires an entity to use the same accounting policies in its opening NZIFRS balance sheet.

However as the scheme was not required to make any changes in order to comply, its opening balance sheet is identical to the balance sheet as at 30 June 2007.

In respect of the amounts stated in the summary financial statements:

- A description of the nature of any item that is of such incidence and size or of such a nature that its disclosure is necessary to explain the performance of the scheme – NIL
- A description of the effect on those amounts of any material changes in the activities of the scheme that occurred and of any material changes in the accounting policies used during the periods to which the amounts relate - NIL.
- With effect from 1 July 2008 the Fund qualified as, and elected to be, a Portfolio Investment Entity (PIE) for tax purposes. From that date contributors have been taxed depending on their Prescribed Investment Rate (PIR).
- All amounts are stated in thousands of New Zealand dollars.

Investments in equities and fixed interest notes have been recorded at their fair value by reference to quoted market prices.

The scheme's financial statements for the year ended 30 June 2008 were the first that complied with NZIFRS.

The amounts shown in the summary financial statements have been taken from audited financial statements of the scheme.

6. Guarantors

Neither the Trustee nor the manager of the scheme nor any other person guarantees the payment of any monies from the scheme.

7. Acquisition of business or equity securities

The Trustee has not acquired any business or equity securities to which clause 7 of schedule 6 of the Securities Regulations 2009 applies.

8. Interested persons

Mutual Superannuation Fund Limited provides trustee and fund management services to the scheme. Under the terms of the Trust Deed Mutual Superannuation Fund Limited may recover the following expenses from the scheme:

- (i) The expenses of managing the scheme.
- (ii) The fees, commission or other amounts payable to any sales personnel of the scheme.
- (iii) The remuneration of the directors and other officers of the Trustee and any other person providing services for the Trustee and the scheme.

Such expenses shall be charged equitably against the contributions or moneys paid to the Trustee in the manner determined by the Trustee. The total remuneration for the Trustees in the last financial year was \$15,000.00.

There are no limitations on the amount of such expenses and fees which may be recovered from the scheme.

The following Trustee's directors are members of the scheme:

R M Seal
N Barclay

9. Material Contracts

No material contracts have been entered into in terms of clause 9 of schedule 6 of the Securities Regulations 2009.

10. Pending proceedings.

There are no pending proceedings at the date of registration of this prospectus.

11. Other terms of offer and scheme.

There are no other terms of offer or of the scheme not elsewhere set out in this prospectus or in the Trust Deed, a copy of which is registered with the Registrar of Financial Service Providers and is available for public inspection at the address specified in paragraph 2.

12. Financial statements and actuarial and auditor's reports

The latest financial statements for the scheme that comply with Generally Accepted Accounting Practice in New Zealand and have been registered under the Financial Reporting Act 1993 are those for the year ended 30 June 2011 registered on 21 November 2011.

The date of the auditor's report on the above financial statements is 16 October 2011. The auditor's report does not refer to a fundamental uncertainty and is not qualified in any respect.

Level 12, Citigroup Centre, 23 Customs Street
PO Box 106 090, Auckland 1143, New Zealand
Phone: 64 9 309 1799, Fax: 64 9 307 3113
www.christmasgouwland.co.nz



22 December 2011

The Trustee – Mutual Superannuation Fund Limited
Security Mutual Fund
P O Box 6831
Wellesley Street
Auckland

Independent Auditors' report for inclusion in a Prospectus

As auditor of the Security Mutual Fund (the "Scheme") we have prepared this report in accordance with the requirements of the Securities Act 1978 and pursuant to clause 12 of Schedule 6 of the Securities Regulations 2009 ("Schedule 6") for inclusion in the Prospectus dated 22 December 2011, and for no other purpose.

Trustee's responsibilities

The Trustee is responsible for the preparation and presentation of the historical summary of financial statements of the Scheme for the years ended 30 June 2011, 2010, 2009, 2008, and 2007 as required by clause 5 of Schedule 6.

Auditors' responsibilities

We are responsible for reporting in accordance with clause 12(4) of Schedule 6, on the amounts included in the historical summary of financial statements for the years ended 30 June 2011, 2010, 2009, 2008, and 2007.

This report has been prepared for inclusion in the Prospectus dated 22 December 2011 for the purpose of meeting the requirements of clause 12 of Schedule 6. We disclaim any assumption of responsibility for reliance on this report of the amounts included in the historical summary of financial statements for any other purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the Prospectus not specifically mentioned in this report.

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

Basis of opinion

We have undertaken procedures to obtain reasonable assurance that the amounts set out in the historical summary of financial statements as presented by the Trustee on pages 12 to 15 pursuant to clause 5 of Schedule 6 have been correctly taken from the audited financial statements of the Scheme for the years ended 30 June 2011, 2010, 2009, 2008, and 2007.



Opinion

In our opinion, the amounts set out in the historical summary of financial statements on pages 12 to 15 of this Prospectus, as required by clause 5 of Schedule 6 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Scheme for the years ended 30 June 2011, 2010, 2009, 2008, and 2007.

Auditors consent

In terms of Regulations 18(1)(c)(ii) of the Securities Regulations 2009 we hereby give our consent to the inclusion in the abovementioned Prospectus of this report in the form in which it is included. We also confirm that we have not, before delivery of this Prospectus for registration, withdrawn our consent to the issue thereof.

Christmas Goulland & Co

Chartered Accountants
Auckland

13. Places of inspection of documents

(1) The times and places where copies of the following documents may be inspected by a person who so requests

All of the following documents can be inspected at the office of the Trustee at 198 Federal Street, Auckland between 9am and 12 noon on working days, or by writing to the manager of the scheme at P O Box 6831, Wellesley Street, Auckland 1141:.

- (a) The Trust Deed for the scheme.
- (b) The financial statements referred to in paragraph 12 of this prospectus.
- (c) The latest annual report for the scheme prepared in accordance with the Superannuation Schemes Act 1989.

No fee is payable. Copies of the relevant documents may also be obtained (upon payment of any prescribed fee) from the Companies Office website www.business.govt.nz/companies under "Search Other Registers" or by telephoning the Ministry of Economic Development Business Service Centre on 0508 266 726 or 0508 COMPANIES. The scheme's registration number is 1801899.

14. Other material matters

The scheme is a portfolio investment entity ('PIE') for income tax purposes. This means that all taxable income, deductible expenses and tax credits attributable to the scheme are allocated to Contributors on a pro rata basis, with tax payable by the scheme that is allocated against each Contributor calculated on the basis of the Contributor's Prescribed Investor Rate ('PIR'). As at the date of this Prospectus, the PIRs for New Zealand resident individuals are 10.5%, 17.5% or 28%, depending on Contributors' taxable income and PIE income or losses.

For information to assist in selecting the correct PIR, refer to the IRD website <http://www.ird.govt.nz>.

Contributors will be required to provide the administration manager with their IRD numbers and advise the correct PIR to use. If a Contributor does not advise their PIR to the administration manager a PIR of 28% will be applied. Contributors will also need to advise if their PIR changes. If no change is advised or the wrong PIR is provided, a Contributor will be obliged to pay the tax shortfall (and potentially penalties or interest) to the IRD. Where tax has been overpaid as a result of a contributor submitting an incorrect PIR, the overpaid tax cannot be recovered.

Tax legislation is complex and may have different or further consequences than those described in general terms above. Contributors should seek independent professional tax advice before investing or withdrawing.

All investments carry risk. There are risks associated with the scheme that could affect Contributors' ability to recover the amount of their contributions or impact on the benefits payable from the scheme as described in this prospectus. The principal risks applying to the scheme that could affect returns (and which are common to most superannuation schemes generally) are:

- (a) *Investment risk*: The risk of a result of negative returns on the scheme's investments, or that the returns for the scheme generally are insufficient to meet the applicable expenses.
- (b) *Credit risk*: The risk of the scheme becoming insolvent and being placed into receivership, liquidation or statutory management or being otherwise unable to meet its financial obligations. If this occurs, Contributors may not recover the full amount of their interest in the scheme. Financial instruments which potentially expose the scheme to credit risk consist of cash and short term deposits, fixed interest securities, equity investments and receivables. The maximum exposure to credit risk is the carrying value of these financial instruments.
- (c) *Liquidity risk*: The risk associated with an inability on the part of the scheme to meet monetary obligations in a timely manner. This risk arises where there is a mismatch between the maturity profile of investments and the amounts required to pay benefits.
- (d) *Regulatory risk*: The risk of future changes to tax or superannuation legislation which could affect the operation of the scheme or Contributors' benefits, or of the Trust Deed being amended in a manner permitted by law that has the effect of reducing benefits.
- (e) *Contributor risk*: The risk of a benefit being forfeited by a Contributor who becomes bankrupt or unable to manage his or her affairs.
- (f) *Foreign exchange and currency movement risk*: The risk of movements in foreign exchange rates which affect the value of investment portfolios' overseas investments.
- (g) *Administration risk*: The risk of a technological or other failure impacting on the scheme or the financial markets.
- (h) *Maintaining PIE status*: If the scheme was not able to retain PIE status the scheme would revert to being taxed at 28% on all income.
- (i) *PIR risk*: The risk of you providing an incorrect Portfolio Investor Rate ('**PIR**') or not advising the Trustee of a change to your PIR resulting in you either paying too much tax on your investment or having an obligation to pay further tax and file a tax return.
- (j) *Interest risk*: Interest rate risk that arises from the possibility that changes in interest rates will affect future cash flows of the fair value of financial instruments.

Past earnings performance attributed to the various investment portfolios which are comprised in the Scheme is no representation or guarantee of future earnings performance of any investment performance which is comprised in and forms part of the scheme.

There are no other material matters relating to the scheme other than the matters set out elsewhere in this prospectus and contracts entered into in the ordinary course of business of the scheme.

15. Superannuation trustee's statement

The directors of the Trustee, after having made due enquiry, are of the opinion that:

- (a) the value of the scheme's assets relative to its liabilities (including contingent liabilities); and
- (b) the ability of the scheme to pay its debts as they become due in the normal course of business

have not materially and adversely changed during the period between the date of the financial statements referred to in paragraph 12 of this prospectus and the date of registration of this prospectus.

This prospectus has been signed by each of the directors of **Mutual Superannuation Fund Limited** or their authorised agents:

Richard Ernest Yates
Director



Gary Denis Lawless
Director



Noel Barclay
Director



Robin Michael Seal
Director

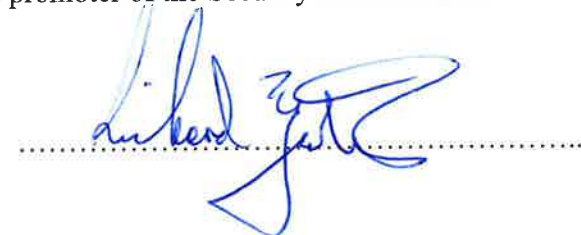


Maureen Heine
Director



This prospectus has been signed for and on behalf of **Mutual Superannuation Fund Limited** by two of its directors or their authorised agents as promoter of the Security Mutual Fund:

Director



Director

